

HOUSING AUTHORITY OF THE COUNTY OF MONTROSE, COLORADO

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

December 31, 2020

Blair and Associates, P.C.



Consultants and Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Montrose
Olathe, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Housing Authority of the County of Montrose as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Montrose's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the County of Montrose as of December 31, 2020 and the changes in its financial position, and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Montrose's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Commissioners
Housing Authority of the County of Montrose
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2021, on our consideration of the Housing Authority of the County of Montrose's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Montrose's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the County of Montrose's internal control over financial reporting and compliance.

Blair and Associates, P.C.

Cedaredge, Colorado
February 18, 2021

**Montrose County Housing Authority
Management's Discussion and Analysis
Year Ended December 31, 2020**

This narrative overview and analysis of the Montrose County Housing Authority (MCHA), performance through December 31, 2020 is provided as a supplement to MCHA year-end financial statements. Please read it in conjunction with the transmittal letter at the beginning of this report, the basic financial statements following this section and the notes to the basic financial statements.

Financial Highlights

- The assets of MCHA exceeded liabilities at December 31, 2020 by \$4.51 million. Of this amount, \$1.678 million (unrestricted net position) may be used to meet ongoing obligations and \$2.58 million is the net investment in capital assets.
- The MCHA total net position increased by \$123,388, up 3% from the prior year.
- Operating revenues increased \$21,297 from 2019 (1%).
- Operating expenses increased \$5,716 (.03%) in comparison to the prior year.
- Overall, capital assets, net of accumulated depreciation, decreased by \$111,743, of which depreciation costs was \$183,453.
- Total long-term debt decreased by \$16,399 from the prior year.

Overview of the Basic Financial Statements

This discussion and analysis is intended only to serve as an introduction to MCHA's basic financial statements. The MCHA financial statements are comprised of a series of *financial exhibits* highlighting the important statements found in most organizational audits, followed by *Notes to the Basic Financial Statements* that provide additional disclosure of some of the information in the basic financial statements.

The Statement of Net Position presents information on MCHA’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the MCHA’s financial health is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position present information showing how MCHA's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.

The Statement of Cash Flows reports how MCHA's cash and cash equivalents were used in (and provided by) its operating, non-capital financing, capital and related financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances at December 31, 2018. The MCHA uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. These statements provide answers to such questions as where cash came from, how cash was used, and what was the change in the cash balance during the year.

Notes to the Basic Financial Statements provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to comprehensive understanding of the information provided in the basic financial statements.

Financial Analysis

Net Position is summarized in the table below:

	2020	2019
Current assets	\$ 1,197,970	\$ 939,407
Restricted assets	253,659	290,446
Other investments	557,346	557,346
Capital assets, net	2,658,897	2,770,639
Total assets	4,667,872	4,557,838
Current liabilities	71,479	79,270
Noncurrent liabilities	87,111	106,760
Total Liabilities	158,590	186,030
Investment in capital assets, net of related debt	2,575,100	2,666,532
Restricted for debt service and vouchers	253,339	319,145
Unrestricted	1,678,353	1,386,131
Total net position	4,506,792	4,371,808

The MCHA’s current ratio reflects the relationship between current assets and current liabilities and is a measure of MCHA’s ability to pay short-term obligations. At December 31, 2020 MCHA’s current ratio is 17:1.

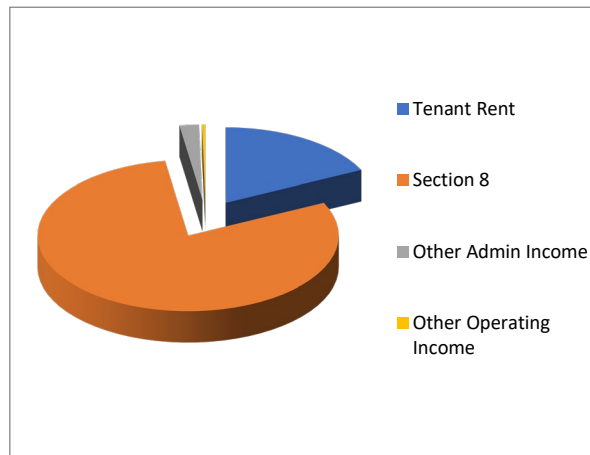
A large portion of MCHA’s net position consists of its investment in capital assets net of outstanding related debt. Excluding related debt, MCHA’s ownership interest in its capital assets is (95%) of over \$2.58 million total capital assets. MCHA utilizes the capital assets to fulfill its mission of providing low-income housing for the residents of Montrose County.

Changes in net position are summarized in the table below:

	2019	2020
Operating Revenues	\$ 1,832,736	\$ 1,854,033
Operating Expenses	<u>1,776,086</u>	<u>1,781,802</u>
Operating (loss) income	56,650	72,231
Nonoperating revenues (expenses)	<u>13,296</u>	<u>51,157</u>
Change in net position	69,946	123,388
Net Position, January 1	<u>4,301,862</u>	<u>4,383,404</u>
Total Net Position December 31	<u><u>\$ 4,371,808</u></u>	<u><u>\$ 4,506,792</u></u>

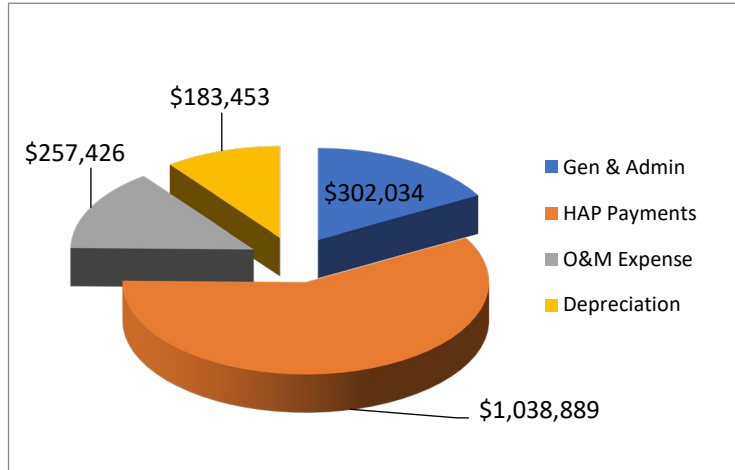
Operating Revenues by Source

Tenant Rent	\$ 330,898
Section 8	1,477,687
Other Admin Income	38,677
Other Operating Income	6,771
	<u><u>\$ 1,854,033</u></u>



Operating Expenses by Source

Gen & Admin	\$ 302,034
HAP Payments	\$1,038,889
O&M Expense	\$ 257,426
Depreciation	\$ 183,453
	<u>\$1,781,802</u>



Capital Assets

	2019	2020
Land	\$ 524,392	\$ 506,844
Building	4,942,977	5,032,235
Vehicle	14,400	14,400
Furniture & Equipment	84,056	84,056
Total Capital Assets (being depreciated)	<u>5,041,433</u>	<u>5,130,691</u>
Less: Accumulated Depreciation	<u>(2,795,185)</u>	<u>(2,978,638)</u>
Capital Assets being depreciated	<u>2,246,248</u>	<u>2,152,053</u>
Net Capital Assets	<u>\$ 2,770,640</u>	<u>\$ 2,658,897</u>

Additional Information on MCHA's capital assets can be found in **Note D** to the basic financial statements.

Debt Administration

	2019	2020
Mortgage Payable	<u>\$ 100,199</u>	<u>\$ 83,800</u>

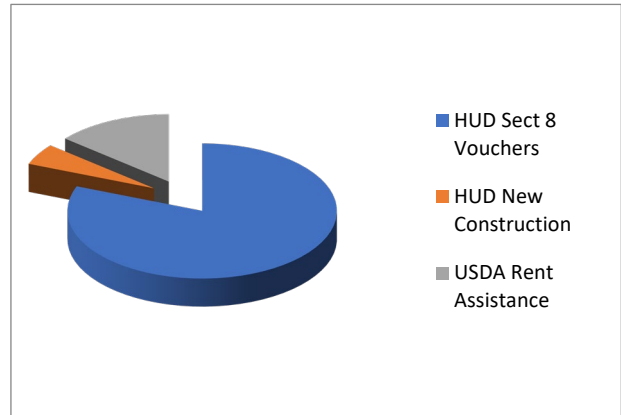
All debt service payments were made in 2020 as scheduled.

Additional information on MCHA's long-term debt can be found in **Note E** to the basic financial statements.

Federal Subsidy Utilization

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS - 2020

HUD Sect 8 Vouchers	\$ 1,278,135
HUD New Construction	80,431
USDA Rent Assistance	220,931
	\$ 1,579,497



Management Analysis and Comment

Organizational Structure

The housing authority is a quasi-government business entity, organized around a 5-member board of commissioners, all individually appointed to serve 5-year terms by the 3-member Board of County Commissioners. The housing authority appoints an Executive Director, their sole employee, to carry out the mission of the housing authority. The board is ultimately responsible for providing oversight and governance of the housing authority. The board meets monthly on the last Wednesday of each month. Penny Harris is the Chair of the Board, Ann Morgenthaler is the Vice Chair, Sue Hansen is the County Commissioner on the board. Other Board Members are Mike Hoffman and Virgil Turner.

As a quasi-government business entity, MCHA is highly regulated and governed by the federal government through Housing and Urban Development (HUD), state government through the Colorado Division of Housing, as well as the local board of county commissioners. In addition, MCHA reports to each private or public funding agency with whom we maintain a financial relationship such as the Colorado Department of Local Affairs for community development block grants, the U.S.D.A. Rural Development for farm labor housing grants, the Colorado Division of Housing for HOME funds, and Colorado Housing Finance Authority (CHFA) for tax credit issues. MCHA is classified as a 501(c)(3) non-profit corporation.

2020 Highlights

- The number of Housing Choice Vouchers leased up averaged 184 each month, this number includes the VASH (Veteran’s Administration Supportive Housing) vouchers.
- Because the vast majority of our voucher holders are elderly and/or disabled, we had only a few participants that experienced income loss due to the pandemic. We were able to adjust their monthly rental portion down and assist with a greater rent portion paid by HUD.

Respectfully Submitted,

Susan Barrientos
Executive Director
Montrose County Housing Authority

Request for Information

The financial report is designed to provide the reader with a general overview of MCHA's finances. Questions concerning any of the information provided in this annual audit or requests for additional information should be addressed to:

**Montrose County Housing Authority
Susan Barrientos, Executive Director
222 Hap Court
Olathe, Colorado 81425**

Housing Authority of County of Montrose, Colorado
Statement of Net Position
December 31, 2020

Assets	
Current assets	
Cash and investments	\$ 1,197,798
Accounts receivable, less allowance of \$0	172
Total current assets	<u>1,197,970</u>
Noncurrent assets	
Restricted cash and investments	
Tenant security deposits	25,458
Loan reserves	228,201
Total restricted assets	<u>253,659</u>
Other	557,346
Capital assets, Net of Accumulated Depreciation	2,658,897
Total noncurrent assets	<u>2,658,897</u>
Total assets	4,667,872
Liabilities	
Current liabilities	
Accounts payable	20,801
Accrued Payroll	8,708
Security deposits held	25,645
Current maturity of long-term debt	16,325
Total current liabilities	<u>71,479</u>
Noncurrent liabilities	
Compensated Absences	19,639
Long-Term Debt	67,472
Total noncurrent liabilities	<u>87,111</u>
Total liabilities	158,590
Net position	
Net investment in capital assets	2,575,100
Restricted for debt services and replacements	228,201
Restricted for Vouchers	25,138
Unrestricted	1,678,353
Total net position	<u><u>\$ 4,506,792</u></u>

The accompanying notes are an integral part of these financial statements

Housing Authority of County of Montrose, Colorado
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020

Operating revenues	
Tenant rent income	\$ 330,898
Rent income- HUD/USDA	1,477,687
Other administrative income	38,677
Other operating income	6,771
Total operating revenues	<u>1,854,033</u>
 Operating expenses	
General and administrative	302,034
Housing assistance payments	1,038,889
Maintenance and operations	257,426
Depreciation	183,453
Total operating expenses	<u>1,781,802</u>
 Net operating income (loss)	 72,231
 Nonoperating revenues (expenses)	
Interest income	4,398
Interest Subsidy	1,622
Interest expense	(2,315)
Gain on sale of assets	47,452
Total non-operating revenue (expense)	<u>51,157</u>
Change in net position	<u>123,388</u>
 Net position at beginning of year	 <u>4,383,404</u>
Net position at end of year	<u>\$ 4,506,792</u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of County of Montrose, Colorado
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities

Cash received from housing assistance and rent payments	\$	1,820,181
Other operating receipts		45,361
Tenant security deposits received/refunded		2,963
Cash paid to suppliers		(1,323,354)
Cash paid to employees		(284,888)
Net cash provided (used) in operating activities		260,263

Cash flows from capital and related financing activities

Purchase of capital Asset Improvements		(89,258)
Principal Payments of Debt		(16,399)
Sale of assets		65,000
Interest Paid		(2,315)
Net cash provide by noncapital financing activities		(42,972)

Cash flows from investing activities

Interest received		4,398
Net cash provided (used) in investing activities		4,398
Increase (decrease) in cash and cash equivalents		221,689

Cash and cash equivalents at beginning of year

1,229,768

Cash and cash equivalents at end of year

\$ 1,451,457

Reconciliation of net operating income to net cash Provided (used) in operating activities:

Net operating income (loss)	\$	72,231
Prior period adjustment		11,596
Adjustments to reconcile operating income (loss to net cash) Provided (used) by operating activities		
Depreciation		183,453
(Increase) decrease in accounts receivable		(87)
Increase (decrease) in accounts payable		(12,259)
Increase (decrease) in compensated absences		587
Increase (decrease) in security deposits		2,963
Increase (decrease) in accrued liabilities		1,779
Total adjustments		176,436
Net cash provided (used) in operating activities	\$	260,263

The accompanying notes are an integral part of these financial statements

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note A- Summary of Significant Accounting Policies

The accounting policies of the Housing Authority of the County of Montrose, Olathe, Colorado (Authority) conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to governments. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Reporting Entity

The Authority was established in 1981 under State of Colorado statute and is governed by a five-member Board of Commissioners. As required by US GAAP, these financial statements present the activities of the Authority.

Olathe Meadows consists of 24 rental units. The Authority has a housing assistance payment contract with U.S. Department of Housing and Urban Development (HUD) renewable annually in February of each year. Under the contract, HUD pays the Authority the difference between the established rental value of the units and the amount paid by the tenants. The tenants' share of the rent is based on their income.

Family Housing Duplexes consist of 24 rental units. The Authority receives rental subsidies from U. S. Department of Agriculture under the rural rental assistance payments program. The program provides rental assistance for agricultural workers.

Colorado Division of Housing consists of 90 units under contract. This program provides rental assistance to low-income families.

Section 8 Housing Choice Vouchers program administers 178 vouchers under the HUD Rental Assistance Program. This program provides rental assistance to low-income families.

Barbara Courts consist of 24 rental units. The Authority receives rental subsidies from the U. S. Department of Agriculture under the rural rental assistance payments program. Of the 24 units, 18 are subsidized, while the other 6 units are also offered to low-income families at a rate set by USDA/Rural Development.

Rental Properties consist of 7 housing units, 1 commercial unit and 1 land lease in Olathe and Montrose. The Authority receives rental income on these units.

The Board of Commissioners is appointed by the Montrose County Board of Commissioners and has total control of financial resources, can purchase or sell property, enter into contracts and acquire indebtedness on behalf of the Authority. The Authority is the primary government. The Authority has no component units.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note A- Summary of Significant Accounting Policies - Continued

Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized and operated on the basis of a proprietary fund. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Authority has implemented GASB No. 34 and related statements. Since the operations of the Authority are accounted for on a fund basis in a single enterprise fund, it is the only fund presented. A description of the fund type used by the Authority follows:

Proprietary Fund - is used to account for those operations that are financed and operated in a manner similar to private business. Activities of the Authority are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Basis of accounting refers to when revenues or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of a fund are included on the statement of net position. Net position is categorized as net investment in capital assets, restricted for debt service and Voucher expenses, and unrestricted. Fund operating statements present increases (e.g., revenues and contributions) and decreases (e.g., expenses) in net position. Proprietary funds are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Authority uses the accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services within the scope of the enterprise operation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues from grants are recognized in the year in which all eligibility requirements have been satisfied.

Budgetary Control and Authority

The Board of Commissioners of the Authority adopts, by resolution, an annual budget for each fund or project of the Authority. The budget adoption process is not authorized by constitution, charter, statute or ordinance. Fund budgets are adopted to provide internal financial management and oversight control.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note A- Summary of Significant Accounting Policies - Continued

Assets, Liabilities and Equity

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be unrestricted and restricted cash on hand and demand deposits.

Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, investments, prepaid expenses, accounts and notes receivable, accounts payable, and debt. The Authority estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments or the nature of the debt.

Restricted Assets - Cash and Cash Equivalents

Certain cash accounts of the Authority are classified as restricted since their use requires the permission of the U.S. Department of Agriculture, Rural Development Administration (RDA) or the U.S. Department of Housing and Urban Development (HUD) or represents escrows.

Tenant Security Deposits

Tenant security deposits held by HUD and Rural Development Rental Housing projects are segregated in separate bank accounts.

Accounts Receivable

Management of the Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Capital Assets

Capital assets of the Authority are recorded at cost if purchased or constructed. Capital assets have an initial cost of \$5,000 or more and a life greater than one year. Donated assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over their estimated useful lives of 7 to 40 years.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note A- Summary of Significant Accounting Policies - Continued

Assets, Liabilities and Equity- continued

Compensated Absences

The Authority's policy is to allow employees to accumulate a limited amount of earned but unused vacation leave which will be taken after the year end or paid upon termination.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

Estimates

The preparation of financial statements in accordance with US GAAP involves the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

Note B- Cash and Cash Equivalents

Cash

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2020, \$371,090 of the Authority's bank deposits were not covered by FDIC insurance, but are covered by PDPA as explained above.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note B- Cash and Cash Equivalents - Continued

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest. The Authority is authorized to invest in obligations of the (1) U.S. Treasury, (2) obligations unconditionally guaranteed by U.S. agencies, (3) certain international agency securities, (4) types of bonds of U.S. local government entities, (5) bankers' acceptances of certain banks, (6) commercial paper, (7) written repurchase agreements collateralized by certain authorized securities, (8) certain money market funds, and (9) guaranteed investment contracts.

The Authority has invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

Cash and cash equivalents consist of the following at December 31, 2020:

Cash in Banks	\$ 873,202
Colotrust	<u>578,255</u>
	1,451,457
Less amounts restricted for tenant security deposits, specific expenditures, and loan reserves	<u>(253,659)</u>
	<u>\$ 1,197,798</u>

Note C- Restricted Net Position

Debt service, replacements, and unused Housing Assistance Payments (HAP) - the amounts represent the current balance of reserves mandated by the U.S. Department of Agriculture (USDA) for debt service and replacements and U.S. Department of Housing and Urban Development (HUD) for the Vouchers program unused HAP and escrow balances.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note D- Capital Assets

At December 31, 2020, capital asset transactions and balances include the following:

	Balance 12/31/2019	Additions	Dispositions	Balance 12/31/2020
Capital assets not being depreciated:				
Land	\$ 524,392	\$ -	\$ (17,548)	\$ 506,844
Capital assets being depreciated:				
Building and improvements	4,942,977	89,258	-	5,032,235
Vehicles	14,400	-	-	14,400
Furniture and equipment	84,056	-	-	84,056
Total capital assets being depreciated	<u>5,041,433</u>	<u>89,258</u>	<u>-</u>	<u>5,130,691</u>
Less accumulated depreciation	<u>(2,795,185)</u>	<u>(183,453)</u>	<u>-</u>	<u>(2,978,638)</u>
Total capital assets being depreciated	<u>2,246,248</u>	<u>(183,453)</u>	<u>-</u>	<u>2,152,053</u>
Total capital assets, net	<u>\$ 2,770,640</u>	<u>\$ (183,453)</u>	<u>\$ (17,548)</u>	<u>\$ 2,658,897</u>

Note E- Long-Term Debt and other Long-Term Liabilities

The Authority has two mortgages payable to the U. S. Department of Agriculture, Office of Rural Development (formerly FMHA). The first mortgage has a monthly installment due of \$960, with an annual interest rate at 1.0%. This mortgage is collateralized by a lien on the apartments, on the real property and a security interest in rents, profits and reserve accounts. The second mortgage has a monthly installment due of \$464, with an annual interest rate at 1%. This mortgage is collateralized by a lien on the real property and a security interest in rents, profits and reserve accounts.

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Due in one year
Compensated Absences	\$ 19,052	\$ 587	\$ -	\$ 19,639	\$ -
Loan 83-20	74,279	-	10,827	63,452	10,936
Loan 84-20	<u>25,920</u>	<u>-</u>	<u>5,572</u>	<u>20,348</u>	<u>5,389</u>
Total Business Activities	<u>\$ 119,251</u>	<u>\$ 587</u>	<u>\$ 16,399</u>	<u>\$ 103,439</u>	<u>\$ 16,325</u>

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note E- Long-Term Debt and other Long-Term Liabilities -Continued

The following is a breakdown of the mortgage notes as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 16,325	\$ 763	\$ 17,088
2022	16,488	600	17,088
2023	16,654	434	17,088
2024	15,286	268	15,554
2025	11,382	138	11,520
2026	7,665	29	7,694
	<u>\$ 83,800</u>	<u>\$ 2,232</u>	<u>\$ 86,032</u>

Note F- Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Note G- Operating Subsidy- HUD

Existing Section 8 Voucher projects operate under annual contribution contracts with HUD whereby HUD reimburses the project for rent subsidy payments made for eligible participants and certain administrative expenses. Rent subsidy payments are determined under HUD guidelines, which require that an eligible participant pay rent only equal to a percentage of their income. The difference between the participant's actual cost of rent and the calculated maximum is paid by HUD through the project.

Note H- Rent Income

The Olathe Meadows project receives a substantial portion of their rental income from HUD under a Section 8 Housing Assistance Payment Contract. The project is subject to HUD guidelines which state that tenants can only be charged a monthly rental equal to a percentage of their income. The balance of the tenants' rent is paid by HUD under this Housing Assistance Payment contract.

The Family Housing Duplexes and Barbara Courts projects receive a substantial portion of their rental income from the U.S. Department of Agriculture (USDA) - Rural Rental Housing program. The projects are subject to Rural Rental Housing guidelines which state that tenants can only be charged a monthly rental equal to a percentage of their income. The balance of the tenants' rent is paid by the USDA under the Rural Rental Housing program.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note I- Defined Contribution Pension Plan

The Authority contributes to the Colorado Retirement Association through Montrose County, a multiple employer defined contribution plan (Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. An agreement between the Authority and the Plan requires the Authority to contribute 3.0% of a participant's basic monthly salary. All full-time employees are required to participate. Plan provisions and contribution requirements are established by CRA and would have to be approved by Montrose County and the Authority.

The Authority made the required 3.0% matching contribution in the amount of \$6,321 for the year ended December 31, 2020. The Authority allocates employer contributions to the various programs based on participating employees directly attributable to that program.

The Plan had no investments in or loans to the Authority during the year ended December 31, 2020.

Note- J- Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the amendment. However, the Authority has made certain interpretations of the amendment's language in order to determine its compliance.

Note- K- Investments in Joint Ventures

The Authority is a special member in Sunshine Peak Apartments and Annex, a 91-unit multi-family housing low-income tax credit project. After completion of the 15-year low-income housing tax credit compliance period (August 31, 2022) and withdrawal of the non-managing member, Boston Capital, the project will be transferred to the Authority.

The Authority is a 49% member in Luckenbill San Juan Development LLC, whom is the managing member of the Sunshine Peak project and has a .01% interest in the Sunshine projects. A capital contribution was made during 2018 of \$557,346 to the LLC during 2018. There was no available cash flows in the projects per review of the projects audited financials. The fair value of the investment had no changes for year-end 2020.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2020

Note- K- Investments in Joint Ventures -Continued

During 2018 the Authority entered into an agreement to become a special limited partner with a .005% interest in Woodgate Trails, LLLP, the owner of the Woodgate Trails Apartments, a 50-unit low-income tax credit project. Starting in 2019 the Authority will receive from the partnership \$3,000 a year to be paid out of available cash flows when available. Any unpaid fee will be accrued and payable when cash flows are available. Unpaid fees will accrue 5% interest compounding annually. The Authority has no obligation to contribute capital or to pay/guaranty any obligations of the partnership. During 2020 the fee was paid.

Note- L- Restatement

The beginning net position was restated for Family Housing Duplexes and Barbara Courts as follows:

Family Housing Duplexes net position on December 31, 2019, increased from \$869,753 to \$874,267, or by \$4,514 for unrecorded accounts receivable from RD.

Barbara Courts net position on December 31, 2019, increased from \$373,902 to \$380,985, or by \$7,083 for unrecord accounts receivable from RD of \$3,296 and RD loan overstated of \$3,778.

Housing Authority of County of Montrose, Colorado
Schedule of Net Position-All Programs
December 31, 2020

Assets	General Administration	Olathe Meadows	Rental Properties	Family Housing Duplexes	Section 8 Vouchers	Barbara Courts	Eliminating Entries	Total
Current assets								
Cash and Investments	632,727	210,758	26,369	47,492	226,030	54,422	-	1,197,798
Accounts receivable	32,411	(327)	492	-	-	7	(32,411)	172
Total current assets	665,138	210,431	26,861	47,492	226,030	54,429	(32,411)	1,197,970
Restricted assets								
Tenant security deposits	-	3,403	5,856	10,072	-	6,127	-	25,458
Loan reserves	-	-	-	159,915	-	68,286	-	228,201
Total restricted assets	-	3,403	5,856	169,987	-	74,413	-	253,659
Other Investments	557,346	-	-	-	-	-	-	557,346
Capital assets	101,715	392,207	1,150,395	732,719	2,217	279,644	-	2,658,897
Total assets	1,324,199	606,041	1,183,112	950,198	228,247	408,486	(32,411)	4,667,872
Liabilities								
Current liabilities								
Accounts payable	15,327	6,233	4,974	7,358	12,455	6,865	(32,411)	20,801
Unearned Revenue					2,490.00			
Accrued Payroll	8,708							8,708
Security deposits held	-	3,605	5,850	10,070	-	6,120	-	25,645
Current portion of long-term debt	-	-	-	10,936	-	5,389	-	16,325
Total current liabilities	24,035	9,838	10,824	28,364	14,945	18,374	(32,411)	71,479
Compensated absences	19,639	-	-	-	-	-	-	19,639
Long-term debt, net of current portion	-	-	-	52,514	-	14,958	-	67,472
Total Liabilities	43,674	9,838	10,824	80,878	14,945	33,332	(32,411)	87,111
Net position								
Net investment in capital assets	101,715	392,207	1,150,395	669,269	2,217	259,297		2,575,100
Restricted for debt service, housing expenses, vouchers, and revolving loans	-	-	-	-	25,138	-		25,138
Unrestricted	1,178,810	203,996	21,893	40,136	185,947	47,571	-	1,678,353
Total net position	1,280,525	596,203	1,172,288	869,320	213,302	375,154	-	4,506,792

Housing Authority of County of Montrose, Colorado
Schedule of Revenues, Expenses and Changes in Net Position-All Programs
Year Ended December 31, 2020

	General Administration	Olathe Meadows	Rental Properties	Family Housing Duplexes	Section 8 Vouchers	Barbara Courts	Eliminating Entries	Total
Operating revenues								
Tenant rent income	-	52,390	86,335	112,717	-	79,456	-	330,898
Rent income - HUD/USDA	-	80,431	-	66,949	1,278,135	52,172	-	1,477,687
Other administrative income	141,901	-	-	-	-	-	(103,224)	38,677
Other operating income	-	266	-	-	6,480	25	-	6,771
Total operating revenues	141,901	133,087	86,335	179,666	1,284,615	131,653	(103,224)	1,854,033
Operating expenses								
General and administrative	86,213	30,097	57,234	29,260	177,905	24,549	(103,224)	302,034
Housing assistance payments	-	-	-	-	1,038,889	-	-	1,038,889
Maintenance and operations	-	73,209	20,771	90,369	-	73,077	-	257,426
Depreciation	6,722	36,151	35,573	64,388	739	39,880	-	183,453
Total operating expense	92,935	139,457	113,578	184,017	1,217,533	137,506	(103,224)	1,781,802
Net operating income (loss)	48,966	(6,370)	(27,243)	(4,351)	67,082	(5,853)	-	72,231
Nonoperating revenues (expenses)								
Interest income	3,431	785	2	97	61	22	-	4,398
Interest Subsidy	-	-	-	-	-	1,622	-	1,622
Interest expense	-	-	-	(693)	-	(1,622)	-	(2,315)
Gain on sale of asset	-	47,452	-	-	-	-	-	47,452
Total non-operating revenue (expenses)	3,431	48,237	2	(596)	61	22	-	51,157
Change in net position	52,397	41,867	(27,241)	(4,947)	67,143	(5,831)	-	123,388
Net position at beginning of year	1,228,128	554,336	1,199,529	874,267	146,159	380,985	-	4,383,404
Net position at end of year	1,280,525	596,203	1,172,288	869,320	213,302	375,154	-	4,506,792

Housing Authority of County of Montrose, Colorado
Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2020

	<u>C.F.D.A Program Number</u>	<u>Amount of Expenditures</u>
U.S. Department of Housing and Urban Development		
Housing Voucher Cluster		
Section 8 Housing Choice Vouchers	14.871	\$ 1,278,135
Section 8 Project-Based Cluster		
Section 8 New Construction and Substantial rehabilitation	14.182	<u>80,431</u>
Total U.S. Department of Housing and Urban Development		1,358,566
U.S. Department of Agriculture		
Rural Rental Housing Loans	10.415	101,809
Rural Rental Assistance Payments	10.427	<u>119,122</u>
Total U.S. Department of Agriculture		<u>220,931</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,579,497</u></u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE COUNTY OF MONTROSE, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended December 31, 2020

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the Housing Authority of the County of Montrose, Colorado. The schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the basic financial statements.

NOTE B – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE C – FEDERAL LOAN AND INSURANCE PROGRAMS

The Authority also participates in the following Rural Housing Service loan program, a direct program, through the U.S. Department of Agriculture-Rural Development Division:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Ending Balance of Direct Loans</u>
Rural Rental Housing Loans	10.415	\$83,800

NOTE D – INDIRECT COST RATE

The Authority has elected to not use the 10% de minimus indirect cost rate, as allowed under the Uniform Guidance.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Montrose, Colorado
Olathe, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the County of Montrose, Colorado, as of and for the year ended December 31, 2020, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the County of Montrose, Colorado's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the County of Montrose, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the County of Montrose, Colorado's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the County of Montrose, Colorado's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blair and Associates, P.C.

Cedaredge, Colorado
February 18, 2021



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S

Board of Commissioners
Housing Authority of the County of Montrose, Colorado
Olathe, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Montrose, Colorado's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the County of Montrose, Colorado's major federal programs for the year ended December 31, 2020. Housing Authority of the County of Montrose, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of the County of Montrose, Colorado's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the County of Montrose, Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the County of Montrose, Colorado's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the County of Montrose, Colorado, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 18, 2021.

Report on Internal Control over Compliance

Management of the Housing Authority of the County of Montrose, Colorado, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority of the County of Montrose, Colorado's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Montrose, Colorado's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blair and Associates, P.C.

Cedaredge, Colorado
February 18, 2021

Housing Authority of the County of Montrose, Colorado
Schedule of Findings and Questioned Costs
Year ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	None Noted
Significant deficiency identified	None Noted
Noncompliance material to financial statements noted	None Noted

Federal Awards

Internal Control over major programs:	
Material weakness identified	None Noted
Significant deficiency identified	None Noted

Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None Noted
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Voucher Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low risk auditee?	Yes
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Housing Authority of the County of Montrose, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS — CONTINUED
Year ended December 31, 2020

SECTION II — FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings related to the financial statements as required by Government Auditing Standards.

SECTION III — FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs under the Uniform Guidance.