

DELTA HOUSING AUTHORITY
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Delta Housing Authority
Delta, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Delta Housing Authority as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Delta Housing Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Delta Housing Authority, as of December 31, 2021, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Delta Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Delta Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Certified Public Accountants

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Delta Housing Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Delta Housing Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through ix be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delta Housing Authority's basic financial statements. The accompanying schedule of net position and schedule of individual program revenues, expenses, and changes in net position for all programs and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of net position and schedule of individual program revenues, expenses, and changes in net position 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the supplemental information-HUD REAC but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, on our consideration of the Delta Housing Authority'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 Delta Housing Authority'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 Delta Housing Authority's internal control over financial reporting and compliance.

Blair and Associates, P.C.

Cedaredge, Colorado
June 2, 2022

DELTA HOUSING AUTHORITY
Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

The Delta Housing Authority's discussion and analysis provides an overview of the housing authority's financial activities for the fiscal year ended December 31, 2021. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the notes to the financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director.

OUR ORGANIZATION

The Housing Authority of the City of Delta, also doing business as Delta Housing Authority (DHA) is a corporate body created in 1972. The Authority was created as a Colorado Housing Authority and is reporting within Delta County. In 2021, our services, as described below, provided affordable housing and program support for low-income families and individuals, veterans, people with disabilities, and seniors.

- **Public Housing Program** – a HUD funded program under which DHA manages and maintains 75 Public Housing rental units for eligible low-income families. The program is operated under an Annual Contributions Contract (ACC) with HUD, which provides Operating Subsidy and Capital Grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the authority's Public Housing properties.
- **Housing Choice Voucher (HCV) Program** – a HUD funded program that provides rent subsidies to families residing in privately-owned rental properties. The Authority administers 226 Housing Choice Vouchers and manages the contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD, which provides funding to enable the Authority to set the participants' rents at 30% of household income.
- **USDA – Rural Development Program** - Operations and management of Grand Manor Apartments, a **10-unit USDA** funded program for eligible very low- income elderly (age 62 and older) and persons with disabilities.

DELTA HOUSING AUTHORITY

Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

(Continued)

- **Business Activities** – represents non-HUD resources developed from a variety of activities. Business activities include the management of:
 - **80 Low Income Housing Tax Credit (LIHTC) units - Villas at the Bluff I and II**, a workforce housing development for low-income individuals and families who must be income qualified with a 30%, 40%, 50%, and 60% of the area median income to be eligible. Apartments range in size from one to three bedrooms; and
 - Two (2) **DHA-owned rental units**.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

Statement of Net Position – This statement reports the Authority’s assets and liabilities and provides information pertaining to the nature of the Authority’s current financial resources (short-term spendable resources) with capital assets and long-term debt obligations. With this statement a reader is provided a basis for determining the overall financial health of the Authority including liquidity and financial flexibility.

Statement of Revenues, Expenses and Changes in Fund Net Position – The statement reports the Authority’s operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.

Statement of Cash Flows – The cash flows statement reports the Authority’s cash flow from operating, investing, capital and non-capital activities.

Following is our analysis of the Authority as a whole. The most important question asked about the Authority’s finances - “Is the Authority as a whole better or worse off as a result of the year’s activities?”

DELTA HOUSING AUTHORITY

Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The attached analysis of entity wide net position, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority's net position and the changes in the net position during 2021. The Authority's net position is the difference between what the Authority owns (i.e., assets) and what the Authority owes (i.e., liabilities), as one measure of the Authority's financial health.

Over time, changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Readers need to consider other non-financial factors such as changes in family compositions, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets to assess the overall health of the Authority.

ANALYSIS OF ENTITY WIDE NET POSITION (STATEMENT OF NET POSITION)

Net Position at December 31, 2020, was \$8,289,055, which was revised, and at December 31, 2021, the amount was \$8,864,627. This represents a net increase of \$575,572 mainly due to the gain on sale of three DHA-owned properties and restatement of tax credit investments and receivables.

Cash, Cash Equivalents and Restricted Cash increased by \$566,227 from the prior year.

Capital Assets decreased by \$85,142. The change in capital assets was primarily due to depreciation for 2021 of \$125,242 and disposal of fixed assets.

Change in Notes Payable

A summary of changes in notes payable is as follows:

Notes payable – January 1, 2021	\$ 96,102
Increase in debt	0
Decrease in debt – principal payments and payoffs	(8,977)
Notes payable – December 31, 2021	<u>\$ 87,125</u>

Current Assets increased by \$806,259 primarily due to restatement of tax credit investments and tax credit notes receivables.

DELTA HOUSING AUTHORITY

Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

(Continued)

TABLE A
Condensed Statements of Net Position

	2021	2020*	Change
Current Assets	\$4,640,142	\$3,833,883	\$ 806,259
Noncurrent Assets	4,390,869	4,688,632	(297,763)
Total Assets	\$9,031,011	\$8,522,515	\$ 508,496
Current Liabilities	\$ 65,410	\$ 121,106	\$ (55,696)
Noncurrent Liabilities	100,974	112,354	(11,380)
Total Liabilities	\$ 166,384	\$ 233,460	(\$ 67,076)
Net Investment in Capital Assets	\$ 1,740,541	\$ 1,816,706	(\$ 76,165)
Restricted	83,666	78,493	5,173
Unrestricted	7,040,420	6,393,856	\$ 646,564
Total Net Position	\$ 8,864,627	\$ 8,289,055	\$ 575,572

*RESTATED

ANALYSIS OF ENTITY WIDE REVENUES (STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION)

For the years ending December 31, 2020 and 2021 total revenues were \$2,342,502 and \$2,866,902 respectively. Comparatively, the 2021 revenues reflected an increase of \$524,400. Rental revenues increased by \$2,583 from \$282,243 in 2020 to \$284,826 for 2021. The non-operating income and expenses are made up of federal grants, capital grants, interest income and interest expense. The increase in revenues were due to the sale of three DHA-owned rental properties.

DELTA HOUSING AUTHORITY

Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

(Continued)

ANALYSIS OF ENTITY WIDE REVENUES (STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION) (continued)

The Authority administers the following programs and the revenues generated from these programs during the year ending December 31, 2021, were as follows:

Low Income Public Housing		
Tenant Rent	\$ 231,710	
Other	13,613	
HUD Operating Subsidy	<u>220,565</u>	
Subtotal		\$ 465,888
Capital Grants		
HUD for Operations	100,724	
Capital Grants	<u>96,037</u>	
Subtotal		196,761
Section 8 Vouchers		
HAP and Admin. Fees Earned	1,475,242	
Other	<u>8,526</u>	
Subtotal		1,483,768
Section 8 Vouchers CARES Act Subsidy		52,365
Rural Development - Grand Manor		
Tenant Rent	22,046	
Rent Income - USDA - RD	<u>40,413</u>	
Subtotal		62,459
Business Activities (General and AH)		
Tenant Rent	31,070	
Gain on Sale of Fixed Assets	412,161	
Rent Income – USDA - RD	<u>162,430</u>	
Subtotal		<u>605,661</u>
Total Revenues		<u>\$ 2,866,902</u>

DELTA HOUSING AUTHORITY

Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

(Continued)

ANALYSIS OF ENTITY WIDE EXPENDITURES

Total operating expenses increased by \$38,499 in FYE 2021 as compared to FYE 2020. In FYE 2020 and FYE 2021 total expenses were \$2,157,490 and \$2,195,989 respectively. The increase is mainly from higher housing assistance payments. Gain on sale of three DHA-owned rental properties was \$412,161.

TABLE B

Condensed Statements of Changes in Net Position

	2021	2020	Change
Total operating revenues	<u>\$ 398,937</u>	<u>\$ 382,855</u>	<u>\$ 16,082</u>
Operating expenses			
Administrative	502,866	529,617	26,751
Tenant services	-	3,868	3,868
Utilities	62,938	61,309	(1,629)
Ordinary maintenance & operation	235,159	211,371	(23,788)
Insurance & General expense	48,673	43,717	(4,956)
Housing assistance payments	1,221,111	1,180,629	(40,482)
Depreciation expense	<u>125,242</u>	<u>126,979</u>	<u>1,737</u>
Total operating expenses	<u>2,195,989</u>	<u>2,157,490</u>	<u>(38,499)</u>
Operating income (loss)	(1,797,052)	(1,774,635)	(22,417)
Non-operating revenue	1,959,767	1,865,313	94,454
Interest expense	(7,594)	(8,303)	709
Capital contributions	96,037	94,334	1,703
Transfer to other agency	(87,747)	(1,508,308)	1,420,561
Gain on sale of fixed assets	<u>412,161</u>	-	<u>412,161</u>
Change in net position	<u>\$575,572</u>	<u>\$(1,331,599)</u>	<u>\$1,907,171</u>

DELTA HOUSING AUTHORITY

Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

(Continued)

CAPITAL ASSETS

As of December 31, 2021, the Housing Authority had \$1,827,666 invested in capital assets. This amount represents capital expenditures of \$111,900 and current year's depreciation of \$125,242. The current year gain on sale of three DHA-owned properties was \$412,161.

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Land	\$ 464,496	\$ 484,796	(\$ 20,300)
Buildings and Improvements	4,685,237	4,832,913	(147,676)
Furniture, Equipment & Machinery	<u>117,321</u>	<u>117,321</u>	<u>0</u>
Subtotal	5,267,054	5,435,030	(167,976)
Accumulated Depreciation	<u>(3,439,388)</u>	<u>(3,522,223)</u>	<u>82,835</u>
Capital Assets	<u>\$ 1,827,666</u>	<u>\$ 1,912,807</u>	<u>(\$ 85,141)</u>

The current year capital additions were:

Admin office heating system	\$ 4,423
Thomson Manor sewer improvements	37,100
PHA unit updates (kitchen, bath, flooring, windows)	51,987
PHA furnace replacements	2,527
Grand Manor (flooring, vanities)	5,817
Grand Manor (concrete, sidewalk, curbing)	<u>10,046</u>
Total Additions	<u>\$ 111,900</u>

NOTES PAYABLE

At December 31, 2021, the notes payable balances were \$87,125. The loan portfolio includes only the Rural Development property known as Grand Manor and has an interest rate of 8.25%. The portion of debt due in 2022 is \$9,747.

DELTA HOUSING AUTHORITY

Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

(Continued)

PROGRAM IMPROVEMENTS AND HIGHLIGHTS FOR THE FISCAL YEAR

- The **Section 8 Housing Choice Voucher program** sustained its high performer rating by U.S. Department of Housing and Urban Development (HUD) on Section Eight Management Assessment Program (SEMAP). Continued to recruit new landlords and maintained a lease-up rate above 98%.
- The **Public Housing Program** maintained occupancy level at 100% and sustained the high performer rating by the U.S. Department of Housing and Urban Development (HUD) in the Public Housing Assessment System (PHAS). Capital improvement projects included: asphalt paving, retaining wall drainage mitigation, concrete sidewalk replacement, concrete grinding of walkways, tree pruning, replacement of furnaces, flooring, cabinets & bathtubs in tenant units.
- **Grand Manor Apartments (USDA – Rural Development)** – replacement of exterior siding, soffits, fascia, gutters, and downspouts.
- **Business Activities – DHA-owned units.** Submitted a grant application in the amount of \$95,000 for the remodel of two units with the Division of Housing.
- **Business Activities – 9% application for new tax credit property.** Partnered with TWG Development to pursue a 9% tax credit property application for a 50-unit senior development named Residences at Delta.
- The following **new positions** were created entity-wide:

Full-time Housing Operations Manager (HOM) position who oversees the day-to-day operations of the housing technicians and the maintenance personnel.

Part-time Capital Fund Coordinator/Housing Quality Standards Inspector position who assists with procurement and management of the Capital Fund Program and serves as back-up property inspector for the HCV program.

DELTA HOUSING AUTHORITY

Delta, Colorado

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2021

(Continued)

STRATEGIC PLANNING

The strategic plan sets a vision for DHA through operational excellence and staff empowerment for DHA to remain a high performing agency that is dedicated to providing quality housing and services that equip residents to succeed. The goal is to move the agency forward to increase efficiencies in operations and leverage opportunities. Action items in the plan include: expansion of the Agency's housing stock; continued implementation of the capital improvements plan for the Public Housing program to maintain existing housing stock, inform our program participants about education opportunities and available services; recruitment of more Section 8 landlords for the HCV program; encourage the empowerment of staff to develop and implement plans to make improvements in operations; expand our availability to clients through technology.

ECONOMIC FACTORS AND FUTURE YEAR BUDGETS

The Housing Authority is primarily dependent upon HUD for the funding of its operations and the Authority is affected more by the Federal budget than by local economic conditions. Due to continuing resolutions being used by Congress to fund HUD, the Authority does not see any major changes to current funding formulas for the near future. The authority's liquidity in the Public Housing, the Housing Choice Voucher, and the Business Activities programs appear to be sufficient to cover shortfalls.

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to HUD
- Local labor supply and demand, which can affect salary and wage rates
- Local employment trends, which can affect resident incomes and therefore the amount of rent
- Local housing market trends, which can affect the availability of affordable rental units

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public Housing is adopted on the basis of accounting prescribed by the U.S. Department of Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with general overview of the Housing Authority's finances, and to show the authority's accountability for the funds it receives. If you have questions about this report, or wish to request additional financial information, please contact Ute Jantz, Executive Director, at the Delta Housing Authority, 501 14th Street, Delta CO 81416.

Delta Housing Authority
Statement of Net Position
December 31, 2021

Assets	
Current assets	
Cash and investments	\$ 3,539,110
Prepaid Expenses	7,739
Accounts receivable	13,712
Accrued Interest Receivables	984,850
Inventory	11,066
Total current assets	<u>4,556,477</u>
Noncurrent assets	
Restricted cash and investments	
Tenant security deposits	36,919
Other	46,747
Total restricted assets	<u>83,666</u>
Investments in Joint Ventures	342,506
Notes receivable	2,220,697
Capital assets, Net of Accumulated Depreciation	1,827,666
Total noncurrent assets	<u>4,390,869</u>
Total assets	<u>9,031,012</u>
Liabilities	
Current liabilities	
Accounts payable	6,181
Accrued Payroll	9,492
Security deposits held	36,919
Other Current Liabilities	450
Current maturity of long-term debt	9,747
Total current liabilities	<u>62,789</u>
Noncurrent liabilities	
Compensated Absences	26,218
Long-Term Debt	77,378
Total noncurrent liabilities	<u>103,596</u>
Total liabilities	<u>166,385</u>
Net position	
Net investment in capital assets	1,740,541
Restricted for debt services and replacements	46,747
Restricted for Vouchers	36,919
Unrestricted	7,040,420
Total net position	<u><u>\$ 8,864,627</u></u>

The accompanying notes are an integral part of these financial statements

Delta Housing Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021

Operating revenues	
Tenant rent income	\$ 281,781
Rent income- HUD/USDA	1,796,531
Capital grants	96,037
Cares act funding	52,365
Other administrative income	22,083
Other operating income	103,553
Total operating revenues	<u>2,352,350</u>
Operating expenses	
Administrative	502,866
Utilites	62,937
Housing assistance payments	1,221,111
Maintenance and operations	235,158
General expenses	48,673
Depreciation	125,242
Total operating expenses	<u>2,195,988</u>
Net operating income (loss)	156,362
Nonoperating revenues (expenses)	
Interest income	61,978
Interest Subsidy	10,450
Interest expense	(7,594)
Gain on sale of assets	412,161
Transfers	(87,747)
Grants	29,963
Total non-operating revenue (expense)	<u>419,211</u>
Change in net position	575,572
Net position at beginning of year	8,289,055
Net position at end of year	<u><u>\$ 8,864,627</u></u>

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

Delta Housing Authority
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities	
Cash received from housing assistance and rent payments	\$ 1,990,898
Other operating receipts	73,271
Tenant security deposits received/refunded	(769)
Cash paid to suppliers	(1,593,498)
Cash paid to employees	(486,429)
Net cash provided (used) in operating activities	<u>(16,527)</u>
Cash flows from capital and related financing activities	
Purchase of capital Asset Improvements	(111,901)
Principal Payments of Debt	(8,977)
Sale of assets	483,960
Transfers	(87,747)
Grants	29,963
Interest Paid	(7,594)
Net cash provide by noncapital financing activities	<u>297,704</u>
Cash flows from investing activities	
Interest received	72,428
Notes receivable	212,622
Net cash provided (used) in investing activities	<u>285,050</u>
Increase (decrease) in cash and cash equivalents	<u>566,227</u>
Cash and cash equivalents at beginning of year	<u>3,056,549</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,622,776</u></u>
Reconciliation of net operating income to net cash Provided (used) in operating activities:	
Net operating income (loss)	\$ 156,362
Adjustments to reconcile operating income (loss to net cash)	
Provided (used) by operating activities	
Depreciation	125,242
(Increase) decrease in accounts receivable and accrued interest	(235,816)
(Increase) decrease in prepaid expenses	(3,872)
(Increase) decrease in inventory	(345)
Increase (decrease) in accounts payable	(3,629)
Increase (decrease) in compensated absences	988
Increase (decrease) in security deposits	(769)
Increase (decrease) in unearned revenues	(52,365)
Increase (decrease) in accrued liabilities	(2,323)
Total adjustments	<u>(172,889)</u>
Net cash provided (used) in operating activities	<u><u>\$ (16,527)</u></u>

The accompanying notes are an integral part of these financial statements

NOTE A - Summary of Significant Accounting Policies

The financial statements of the Delta Housing Authority ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Delta Housing Authority is a political subdivision both corporate and politic which was established under the provision of Colorado Statutes, to provide adequate housing at rents which persons of low-income can afford in areas where there exists a shortage. To accomplish this purpose, the Authority has entered into annual contributions contracts with the U.S. Department of Housing and Urban Development (HUD) to be the Administrator of a Low-Income Public Housing program under Annual Contributions Contract DEN-527 and Section 8 Housing Assistance Payments Program under Annual Contributions Contracts CO-040, and 05-15. The financial statements also include the Rural Economic and Community Development (RECD), the Affordable Housing Program, the Housing Rehabilitation and Down Payment Assistance Program (CDBG).

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Delta Housing Authority, a primary government. Although it is legally separate from the Delta Housing Authority, the Housing Delta County, LLC is reported as if it were part of the primary government because its sole purpose is to work in conjunction with the Housing Authority to assist with providing housing for low- and moderate-income individuals. The criteria for inclusion as a component unit include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable. Accordingly, Housing Delta County, LLC has been blended with the Delta Housing Authority. There are no other component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the Delta House Authority include the following:

At December 31, 2021, the Housing Authority has 317 units in management.

<u>Project</u>	<u>Units</u>
Low Income Public Housing	75
Housing Choice Vouchers	226
Rural Economic & Community Development	10
Affordable Housing Program	<u>6</u>
Total	<u>317</u>

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 vote, 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.

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.

NOTE A - Summary of Significant Accounting Policies - (Continued)

Assets, Liabilities and Equity - (Continued)

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, 2021, 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 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.

Prepaid

Prepays represent payments made to vendors for services that will benefit beyond December 31, 2021.

Inventories

Inventories are valued at cost, which approximates market value, using the first-in/first out (FIFO) method. The consumption method is applied, and expense is charged when inventory items are used for the units.

Interprogram Due from and Due to - During the course of its operations, the Authority has interprogram transactions to finance operations and provide services. Interprogram accounts receivable and payable have been recorded to recognize transactions between programs for which the applicable cash transfer had not been made as of the balance sheet date. Interprogram accounts have been eliminated for financial statement reporting purposes.

Capital Assets – Capital assets purchased are capitalized at the time of purchase. Such assets are recorded at cost. The capitalization practice of the Authority requires assets to be capitalized when their cost is \$2,500. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs. The Authority does not have any infrastructure assets.

NOTE A – Summary of Significant Accounting Policies – (Continued)

Assets, Liabilities and Equity- continued

Capital Assets

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Building & Improvements	10-40 years
Furniture, Equipment & Machinery	3-7 years

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and paid time off. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

Income associated with these leases are recorded in the financial statements and schedules as "Rental income". Rental income per resident generally remains consistent from year to year but is affected by general economic conditions which impact personal income, such as local job availability.

NOTE B - Deposits, Cash and Cash Equivalents

HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/ FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

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.

Risk Disclosures

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At December 31, 2021, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk: This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities

Custodial Credit Risk: This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are held by the counterparty. All of the Authority's investments in securities are held in the name of the Authority. The Authority's custodial agreement policy prohibits counterparts holding securities not in the Authority's name.

At December 31, 2021, the carrying amount of the Authority's deposits was \$4,222,776. The deposits are either covered by federal depository insurance, by collateral held by the Authority's agent in the Authority's name or by the Federal Reserve Banks acting as third-party agents or by a collateralization agreement. Restricted cash consists of tenant security deposits, escrow accounts and bond reserve funds.

Delta Housing Authority
Delta, Colorado
Notes to Financial Statements
December 31, 2021

NOTE B - Deposits, Cash and Cash Equivalents – (Continued)

Deposits consist of the following:

Checking and Savings accounts	<u>\$4,222,776</u>
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NOTE C- Accrued Interest Receivable

Accrued Interest Receivable at December 31, 2021, consist of the following:

Accrued Interest Development Fee VAB I and II	\$39,999
Accrued Interest FHLB	25,044
Accrued Interest VAB I and II	<u>919,807</u>
Total	<u>\$984,850</u>

NOTE D- Prepaid Expenses

Prepaid expenses at December 31, 2021, consist of the following:

Prepaid Insurance	<u>\$7,739</u>
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NOTE E- Inventory

Inventory at December 31, 2021, consist of the following:

Materials and supplies	<u>\$11,066</u>
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Materials inventories are recorded at cost. The first-in first-out (FIFO) inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

NOTE F - Notes Receivable

Notes receivable at December 31, 2021, consist of the following:

Villas at the Bluff I and II	\$1,425,000
FHLB	192,000
Developer fees	467,432
MM Asset Management Fee	<u>136,265</u>
Total notes receivable	<u>\$ 2,220,697</u>

NOTE G - Investments in Partnerships

Investments at December 31, 2021, consist of the following:

Villas at the Bluff limited partnership Phase I	\$ 49,788
Villas at the Bluff limited partnership Phase II	<u>292,718</u>
Total	<u>\$342,506</u>

Delta Housing Authority
Delta, Colorado
Notes to Financial Statements
December 31, 2021

NOTE G - Investments in Partnerships – (Continued)

The Authority entered into a limited partnership (Villas at the Bluff Limited Partnership) agreement for the purpose of constructing and managing a 48-unit complex of eight one-bedroom units, twenty-four two-bedroom units and sixteen three-bedroom units. The partnership has received tax credits from the State of Colorado. The Authority holds a 0.01% general partnership interest, with the remaining 99.99% limited partnership interests held by unrelated investors.

The Authority entered into a limited partnership (Villas at the Bluff II Limited Partnership) agreement for the purpose of constructing and managing a 32-unit complex of twelve one-bedroom units, sixteen two-bedroom units and four three-bedroom units. The partnership has received tax credits from the State of Colorado. The Authority holds a 0.01% general partnership interest, with the remaining 99.99% limited partnership interests held by unrelated investors.

NOTE H - Capital Assets

At December 31, 2021, capital asset transactions and balances include the following:

	Balance 12/31/2020	Additions	Dispositions	Balance 12/31/2021
Capital assets not being depreciated:				
Land	\$ 484,796	\$ -	\$ (20,300)	\$ 464,496
Capital assets being depreciated:				
Building and improvements	4,832,913	111,901	(259,578)	4,685,236
Vehicles	92,087	-	-	92,087
Furniture and equipment	25,235	-	-	25,235
Total capital assets being depreciated	<u>4,950,235</u>	<u>111,901</u>	<u>(259,578)</u>	<u>4,802,558</u>
Less accumulated depreciation	<u>(3,522,223)</u>	<u>(125,242)</u>	<u>208,077</u>	<u>(3,439,388)</u>
Total capital assets being depreciated	<u>1,428,012</u>	<u>(13,341)</u>	<u>(51,501)</u>	<u>1,363,170</u>
Total capital assets, net	<u>\$ 1,912,808</u>	<u>\$ (13,341)</u>	<u>\$ (71,801)</u>	<u>\$ 1,827,666</u>

Depreciation expense of \$125,242 was incurred during the year.

Delta Housing Authority
Delta, Colorado
Notes to Financial Statements
December 31, 2021

NOTE I- Long -Term Debt and other Long-Term Liabilities

At December 31, 2021, a long-term debt consisted of the following:

	Balance 12/31/2020	Additions	Reductions	Balance 12/31/2021	Due in one year
Compensated Absences	\$ 25,230	\$ 988	\$ -	\$ 26,218	\$ 26,218
FMHA Mortgage	96,102	-	8,978	87,124	9,747
Total Business Activities	<u>\$ 121,332</u>	<u>\$ 988</u>	<u>\$ 8,978</u>	<u>\$ 113,342</u>	<u>\$ 35,965</u>

FMHA Mortgage Payable

Mortgage payable to United State Department of Agriculture (FMHA), with a monthly payment of \$1,381, including subsidized interest at an annual rate of 8 ¼%. This mortgage is collateralized by a lien on the apartments, on the land and a security interest in rents, profits and reserve accounts of the Authority.

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

	Principal	Interest	Total
2022	\$ 9,747	\$ 6,825	\$ 16,572
2023	10,583	5,989	16,572
2024	11,489	5,083	16,572
2025	12,474	4,098	16,572
2026	13,543	3,029	16,572
2027-2028	29,289	2,477	31,766
	<u>\$ 87,125</u>	<u>\$ 27,501</u>	<u>\$ 114,626</u>

NOTE J - Federal and State Operating Grants

HUD contributed the following operating subsidies approved in the operating budgets under the Annual Contributions Contracts:

Public Housing Operating Subsidy	\$ 220,565
Capital Fund Program	196,761
Housing Choice Vouchers	1,475,242
Housing Choice Vouchers CARES Act Subsidy	52,365
Rural Rental Housing Loans	10,450
Rural Rental Assistance Payments	29,963
Total	<u>\$ 1,985,346</u>

NOTE K – Pension Plan

The Authority provides pension benefits for all its employees through a Simple Individual Retirement Account (IRA), which is a defined contribution plan. The plan is administered by American Funds. The Housing Authority Board is authorized to establish or amend the IRA benefits. Benefits depend solely on amounts contributed to the IRA plus investment earnings. To be eligible, employees must have received at least \$5,000 in compensation during any one prior year and it is reasonably expected that employee earns at least \$5,000 in compensation during the current year. The Authority contributes an amount equal to 3% of the employee's base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately.

The Authority's total payroll in fiscal year 2021 was \$468,168. The Authority made contributions, amounting to \$9,043 from the Authority and \$32,309 from the employees.

NOTE L- 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 M - Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management has evaluated the activity of the Authority through June 2, 2022, the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements

NOTE N - Restatement

The 2020, yearend net position was restated from \$7,700,775 to \$8,289,055. The amount of the reinstatement was \$588,280 for unrecorded Notes receivable of \$865,810 and overstated investments in joint venture of \$(277,530) related to Villas at the Bluff.

Delta Housing Authority
Schedule of Net Position-All Programs
December 31, 2021

Assets	Low Income Public Housing & Cares Act	Rural Rental Assist. Payments	Housing Choice Vouchers & Cares Act	Business Activities	Total
Current assets					
Cash and Investments	\$ 1,133,749	\$ 15,354	\$ 723,443	\$ 1,666,564	\$ 3,539,110
Prepaid Expenses	4,895	1,065	1,322	457	7,739
Accounts receivable	13,712	-	-	-	13,712
Accrued Interest Receivables	-	-	-	984,850	984,850
Inventory	-	-	-	11,066	11,066
Total current assets	<u>1,152,356</u>	<u>16,419</u>	<u>724,765</u>	<u>2,662,937</u>	<u>4,556,477</u>
Restricted assets					
Tenant security deposits	30,787	3,932	-	2,200	36,919
Other	-	27,966	18,781	-	46,747
Total restricted assets	<u>30,787</u>	<u>31,898</u>	<u>18,781</u>	<u>2,200</u>	<u>83,666</u>
Investments in Joint Ventures	-	-	-	342,506	342,506
Notes Receivable	-	-	-	2,220,697	2,220,697
Capital assets	1,388,751	158,292	93,945	186,678	1,827,666
Total assets	<u>\$ 2,571,894</u>	<u>\$ 206,609</u>	<u>\$ 837,491</u>	<u>\$ 5,415,018</u>	<u>\$ 9,031,012</u>
Liabilities					
Current liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 6,181	\$ 6,181
Accrued Payroll	5,251	140	2,845	1,256	9,492
Security deposits held	30,787	3,932	-	2,200	36,919
Other Current Liabilities	450	-	-	-	450
Current portion of long-term debt	-	9,747	-	-	9,747
Total current liabilities	<u>36,488</u>	<u>13,819</u>	<u>2,845</u>	<u>9,637</u>	<u>62,789</u>
Compensated absences	6,101	830	10,203	9,084	26,218
Long-term debt, net of current portion	-	77,378	-	-	77,378
Total Liabilities	<u>42,589</u>	<u>92,027</u>	<u>13,048</u>	<u>18,721</u>	<u>166,385</u>
Net position					
Net investment in capital assets	1,388,751	71,167	93,945	186,678	1,740,541
Restricted for debt service, housing expenses, vouchers, and revolving loans	30,787	31,898	18,781	2,200	83,666
Unrestricted	1,109,767	11,517	711,717	5,207,419	7,040,420
Total net position	<u>\$ 2,529,305</u>	<u>\$ 114,582</u>	<u>\$ 824,443</u>	<u>\$ 5,396,297</u>	<u>\$ 8,864,627</u>

Delta Housing Authority
Schedule of Revenues, Expenses and Changes in Net Position-All Programs
Year Ended December 31, 2021

	Low Income Public Housing & Cares Act	Rural Rental Assist. Payments	Housing Choice Vouchers & Cares Act	Business Activities	Total
Operating revenues					
Tenant rent income	\$ 228,832	\$ 21,880	\$ -	\$ 31,070	\$ 281,781
Rent income - HUD/USDA	321,289	-	1,475,242	-	1,796,531
Capital grants	96,037	-	-	-	96,037
Cares act funding	52,365	-	-	-	52,365
Other administrative income	13,584	-	8,498	-	22,083
Other operating income	2,878	166	-	100,509	103,553
Total operating revenues	<u>714,984</u>	<u>22,046</u>	<u>1,483,740</u>	<u>131,579</u>	<u>2,352,350</u>
Operating expenses					
Administrative	225,603	17,596	190,057	69,610	502,866
Utilities	51,246	7,952	1,533	2,206	62,937
Housing assistance payments	-	-	1,221,111	-	1,221,111
Maintenance and operations	201,217	19,236	944	13,762	235,158
General expense	33,055	3,288	9,534	2,796	48,673
Depreciation	94,948	10,800	8,648	10,846	125,242
Total operating expense	<u>606,070</u>	<u>58,872</u>	<u>1,431,827</u>	<u>99,219</u>	<u>2,195,988</u>
Net operating income (loss)	<u>108,915</u>	<u>(36,827)</u>	<u>51,913</u>	<u>32,360</u>	<u>156,362</u>
Nonoperating revenues (expenses)					
Interest income	29	-	28	61,921	61,978
Interest Subsidy	-	10,450	-	-	10,450
Interest expense	-	(7,594)	-	-	(7,594)
Gain on sale of asset	-	-	-	412,161	412,161
Transfers	-	-	-	(87,747)	(87,747)
Grants	-	29,963	-	-	29,963
Total non-operating revenue (expenses)	<u>29</u>	<u>32,819</u>	<u>28</u>	<u>386,335</u>	<u>419,211</u>
Change in net position	108,944	(4,008)	51,941	418,696	575,572
Net position at beginning of year	<u>2,420,361</u>	<u>118,590</u>	<u>772,502</u>	<u>4,977,602</u>	<u>8,289,055</u>
Net position at end of year	<u>\$ 2,529,305</u>	<u>\$ 114,582</u>	<u>\$ 824,443</u>	<u>\$ 5,396,298</u>	<u>\$ 8,864,627</u>

Delta Housing Authority
Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2021

	<u>C.F.D.A Program Number</u>	<u>Amount of Expenditures</u>
U.S. Department of Housing and Urban Development		
Low Income Public Housing	14.850	220565
Housing Voucher Cluster		
Section 8 Housing Choice Vouchers	14.871	\$ 1,475,242
Public Housing Capital Fund	14.872	196,761
HCV Cares Act Funding	14.HCC	<u>52,365</u>
Total U.S. Department of Housing and Urban Development		<u>1,944,933</u>
U.S. Department of Agriculture		
Rural Rental Housing Loans	10.415	10,450
Rural Rental Assistance Payments	10.427	<u>29,963</u>
Total U.S. Department of Agriculture		<u>40,413</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,985,346</u></u>

The accompanying notes are an integral part of this statement.

DELTA HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended December 31, 2021

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activities of the Housing Authority of the Delta Housing Authority. 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	\$96,102

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.



**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
Delta Housing Authority
Delta, 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 Delta Housing Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Delta Housing Authority’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 Delta Housing Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Delta Housing Authority’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 Delta Housing Authority'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
June 2, 2022



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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Delta Housing Authority
Delta, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Delta Housing Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Delta Housing Authority's major federal programs for the year ended December 31, 2021. Delta Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Delta Housing Authority 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Delta Housing Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Delta Housing Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Delta Housing Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Delta Housing Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Delta Housing Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Delta Housing Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Delta Housing Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Delta Housing Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Board of Commissioners
Delta Housing Authority

Page Three

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
June 2, 2022

Delta Housing Authority
Schedule of Findings and Questioned Costs
Year ended December 31, 2021

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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Delta Housing Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS — CONTINUED
Year ended December 31, 2021

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.

Delta Housing Authority
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended December 31, 2021

SECTION II — FINDINGS RELATED TO FINANCIAL STATEMENTS

None

SECTION III — FINDINGS RELATED TO FEDERAL AWARDS

None

Delta Housing Authority (CO040)
Delta, CO
Program Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2021

	1 Business Activities	10.415 Rural Rental Housing Loans	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	10.427 Rural Rental Assistance Payments	Total
111 Cash - Unrestricted	\$1,666,564		\$723,443		\$15,353	\$2,405,360
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted			\$18,781		\$27,966	\$46,747
114 Cash - Tenant Security Deposits	\$2,200				\$3,932	\$6,132
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$1,668,764	\$0	\$742,224	\$0	\$47,251	\$2,458,239
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$2,234					\$2,234
126.1 Allowance for Doubtful Accounts - Tenants	-\$2,234					-\$2,234
126.2 Allowance for Doubtful Accounts - Other						
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable	\$984,850					\$984,850
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$984,850	\$0	\$0	\$0	\$0	\$984,850
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$456		\$1,322		\$1,065	\$2,843
143 Inventories	\$11,066					\$11,066
143.1 Allowance for Obsolete Inventories	\$0					\$0
144 Inter Program Due From						
145 Assets Held for Sale						

150 Total Current Assets	\$2,665,136	\$0	\$743,546	\$0	\$48,316	\$3,456,998
161 Land	\$10,150				\$10,150	\$20,300
162 Buildings	\$281,472		\$127,323		\$346,364	\$755,159
163 Furniture, Equipment & Machinery - Dwellings						
164 Furniture, Equipment & Machinery - Administration	\$6,066		\$41,616		\$1,389	\$49,071
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$111,010		-\$74,994		-\$199,611	-\$385,615
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$186,678	\$0	\$93,945	\$0	\$158,292	\$438,915
171 Notes, Loans and Mortgages Receivable - Non-Current	\$2,220,697					\$2,220,697
172 Notes, Loans, & Mortgages Receivable - Non Current - Past						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures	\$342,506					\$342,506
180 Total Non-Current Assets	\$2,749,881	\$0	\$93,945	\$0	\$158,292	\$3,002,118
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	\$5,415,017	\$0	\$837,491	\$0	\$206,608	\$6,459,116
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$6,181					\$6,181
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$1,256		\$2,845		\$140	\$4,241
322 Accrued Compensated Absences - Current Portion	\$908		\$1,020		\$83	\$2,011
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits	\$2,200				\$3,932	\$6,132
342 Unearned Revenue						
343 Current Portion of Long-term Debt - Capital					\$9,747	\$9,747
344 Current Portion of Long-term Debt - Operating Borrowings						

345 Other Current Liabilities						
346 Accrued Liabilities - Other						
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$10,545	\$0	\$3,865	\$0	\$13,902	\$28,312
351 Long-term Debt, Net of Current - Capital Projects/Mortgage					\$77,378	\$77,378
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current	\$8,176		\$9,183		\$747	\$18,106
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$8,176	\$0	\$9,183	\$0	\$78,125	\$95,484
300 Total Liabilities	\$18,721	\$0	\$13,048	\$0	\$92,027	\$123,796
400 Deferred Inflow of Resources						
508.4 Net Investment in Capital Assets	\$186,678		\$93,945		\$71,167	\$351,790
511.4 Restricted Net Position	\$2,200		\$18,781		\$31,898	\$52,879
512.4 Unrestricted Net Position	\$5,207,418	\$0	\$711,717	\$0	\$11,516	\$5,930,651
513 Total Equity - Net Assets / Position	\$5,396,296	\$0	\$824,443	\$0	\$114,581	\$6,335,320
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$5,415,017	\$0	\$837,491	\$0	\$206,608	\$6,459,116

92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services									
92400 Tenant Services - Other									
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
93100 Water	\$5,289	\$441		\$112		\$2,832	\$8,674		\$8,674
93200 Electricity	\$16,820	\$572		\$1,192		\$560	\$19,144		\$19,144
93300 Gas	\$11,872	\$359					\$12,231		\$12,231
93400 Fuel									
93500 Labor									
93600 Sewer	\$10,547	\$407		\$108		\$3,009	\$14,071		\$14,071
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense	\$6,719	\$427		\$121		\$1,551	\$8,818		\$8,818
93000 Total Utilities	\$51,247	\$2,206	\$0	\$1,533	\$0	\$7,952	\$62,938		\$62,938
94100 Ordinary Maintenance and Operations - Labor	\$81,537	\$3,789				\$3,926	\$89,252		\$89,252
94200 Ordinary Maintenance and Operations - Materials and Other	\$79,847	\$7,944		\$785		\$11,285	\$99,861		\$99,861
94300 Ordinary Maintenance and Operations Contracts	\$39,833	\$2,029		\$159		\$4,025	\$46,046		\$46,046
94500 Employee Benefit Contributions - Ordinary Maintenance									
94000 Total Maintenance	\$201,217	\$13,762	\$0	\$944	\$0	\$19,236	\$235,159		\$235,159
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
96110 Property Insurance	\$12,651	\$1,309		\$432		\$2,162	\$16,554		\$16,554
96120 Liability Insurance	\$3,030	\$237		\$4,170		\$566	\$8,003		\$8,003
96130 Workmen's Compensation	\$3,368	\$130		\$1,813		\$259	\$5,570		\$5,570
96140 All Other Insurance	\$1,657	\$319		\$2,295			\$4,271		\$4,271
96100 Total Insurance Premiums	\$20,706	\$1,995	\$0	\$8,710	\$0	\$2,987	\$34,398		\$34,398
96200 Other General Expenses	\$2,015	\$801		\$824			\$3,640		\$3,640
96210 Compensated Absences									
96300 Payments in Lieu of Taxes									
96400 Bad debt - Tenant Rents	\$10,335					\$300	\$10,635		\$10,635
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96000 Total Other General Expenses	\$12,350	\$801	\$0	\$824	\$0	\$300	\$14,275		\$14,275
96710 Interest of Mortgage (or Bonds) Payable						\$7,594	\$7,594		\$7,594
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$7,594	\$7,594		\$7,594
96900 Total Operating Expenses	\$511,120	\$88,374	\$0	\$149,703	\$52,365	\$55,668	\$857,230		\$857,230

97000 Excess of Operating Revenue over Operating Expenses	\$151,529	\$517,287	\$10,450	\$1,334,065	\$0	-\$3,659	\$2,009,672	\$2,009,672
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments				\$1,221,111			\$1,221,111	\$1,221,111
97350 HAP Portability-In								
97400 Depreciation Expense	\$94,948	\$10,846		\$8,648		\$10,800	\$125,242	\$125,242
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	\$606,068	\$99,220	\$0	\$1,379,462	\$52,365	\$66,468	\$2,203,583	\$2,203,583
10010 Operating Transfer In	\$100,724					\$10,450	\$111,174	\$111,174
10020 Operating transfer Out	-\$100,724		-\$10,450				-\$111,174	-\$111,174
10030 Operating Transfers from/to Primary Government		-\$87,747					-\$87,747	-\$87,747
10040 Operating Transfers from/to Component Unit								
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out								
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	\$0	-\$87,747	-\$10,450	\$0	\$0	\$10,450	-\$87,747	-\$87,747
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$56,581	\$418,694	\$0	\$104,306	\$0	-\$4,009	\$575,572	\$575,572
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$2,472,726	\$4,389,322	\$0	\$720,137	\$0	\$118,590	\$7,700,775	\$7,700,775
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors		\$588,280					\$588,280	\$588,280
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity				\$805,662			\$805,662	\$805,662
11180 Housing Assistance Payments Equity				\$18,781			\$18,781	\$18,781
11190 Unit Months Available	900	72		2712		120	3804	3804
11210 Number of Unit Months Leased	900	72		2662		120	3754	3754
11270 Excess Cash	\$1,098,558						\$1,098,558	\$1,098,558
11610 Land Purchases	\$0						\$0	\$0
11620 Building Purchases	\$96,037						\$96,037	\$96,037
11630 Furniture & Equipment - Dwelling Purchases	\$0						\$0	\$0