

**HOUSING AUTHORITY OF THE TOWN OF HOLLY
HOLLY, COLORADO**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2021

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Holly
Holly, Colorado

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the Town of Holly (Authority), Colorado, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

My 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 my 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.

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

- 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 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages i-vi, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedule and PHA's Statement of Certification of Actual Modernization Cost 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 my opinion, the accompanying Financial Data Schedule and PHA's Statement of Certification of Actual Modernization Cost are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 17, 2022, on my consideration of the Authority's internal control over financial reporting and on my 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 my 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 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 Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

September 17, 2022

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 31, 2021

This section of the Housing Authority of the City of Holly, Colorado's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources, associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

- The term "net position" refers to the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The Authority's total net position as of December 31, 2021 was \$222,597. The net position decreased by \$6,090, a decrease of 2.7% from the prior year.
- Revenues for the Authority were \$135,871 for the year ended December 31, 2021. This was a decrease of \$6,203 or 4.4% from the prior year.
- Expenses for the Authority were \$141,961 for the year ended December 31, 2021. This was an increase of \$13,527 or 10.5% over the prior year.
- Tenant revenue for the Authority was \$59,641 for the fiscal year ended December 31, 2021, a decrease of \$11,761 or 16.5% from the prior year.
- Governmental grants and subsidy for the Authority were \$75,774 for the year ended December 31, 2021, an increase of \$5,470 or 7.8% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations of the Authority creditors (liabilities and deferred inflows of resources). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS – (CONTINUED)

Required Financial Statements – (Continued)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2021 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$222,597 at the close of the year ended December 31, 2021, down from \$228,687 in fiscal year 2020. The decrease in net position of \$6,090 was due to the reasons noted below.

Current assets include cash, investments, and receivables. Of the \$737 decrease in this category, cash and investments decreased \$2,027, receivables increased \$348, and prepaid expenses increased \$942.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2021

FINANCIAL ANALYSIS - (CONTINUED)

CONDENSED STATEMENTS OF NET POSITION

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
ASSETS				
Current assets	\$ 110,016	\$ 110,753	\$ (737)	-0.7%
Capital assets	121,158	125,490	(4,332)	-3.5%
TOTAL ASSETS	<u>\$ 231,174</u>	<u>\$ 236,243</u>	<u>\$ (5,069)</u>	-2.1%
LIABILITIES				
Current liabilities	\$ 8,577	\$ 7,556	\$ 1,021	13.5%
TOTAL LIABILITIES	<u>8,577</u>	<u>7,556</u>	<u>1,021</u>	13.5%
NET POSITION				
Net investment in capital assets	121,158	125,490	(4,332)	-3.5%
Unrestricted	101,439	103,197	(1,758)	-1.7%
TOTAL NET POSITION	<u>\$ 222,597</u>	<u>\$ 228,687</u>	<u>\$ (6,090)</u>	-2.7%

Capital assets decreased \$4,332 because current year depreciation expense exceeded current year capital asset additions. Change in capital assets is explained in section titled "Capital Asset and Debt Administration" of this report.

Current liabilities increased \$1,021 mainly due to a \$1,316 increase in accounts payable.

The unrestricted net position was \$101,439 as of December 31, 2021. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for the next fiscal year.

The Authority did not have any net position classified as restricted that is subject to external restrictions on how they may be used.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

The largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2021

FINANCIAL ANALYSIS - (CONTINUED)

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	FY 2021	FY 2020	Dollar Change	Percent Change
REVENUES				
Operating - non-operating - capital contributions:				
Tenant revenue	\$ 59,641	\$ 71,402	\$ (11,761)	-16.5%
Governmental grants and subsidy	75,774	70,304	5,470	7.8%
Investment income	240	238	2	0.8%
Miscellaneous revenues	321	-	321	100.0%
Gain (loss) on disposal of capital assets	(105)	130	(235)	-180.8%
TOTAL REVENUES	135,871	142,074	(6,203)	-4.4%
EXPENSES				
Administrative	57,840	56,486	1,354	2.4%
Utilities	7,197	7,038	159	2.3%
Ordinary maintenance and operations	41,839	32,960	8,879	26.9%
Insurance	12,593	10,377	2,216	21.4%
Other general expenses	3,441	797	2,644	331.7%
Depreciation expense	19,051	20,776	(1,725)	-8.3%
TOTAL EXPENSES	141,961	128,434	13,527	10.5%
CHANGE IN NET POSITION	(6,090)	13,640	(19,730)	
NET POSITION				
Beginning net position	228,687	215,047	13,640	
Prior period adjustments	-	-	-	
NET POSITION - BEG OF YEAR	228,687	215,047	13,640	
NET POSITION - END OF YEAR	\$ 222,597	\$ 228,687	\$ (6,090)	

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2021

FINANCIAL ANALYSIS - (CONTINUED)

As can be seen in the table on the previous page, total revenues decreased \$6,203 due to the reasons noted below.

- Tenant revenue decreased \$11,761 or 16.5% from FY 2020 due to a decrease in average dwelling rent per unit of \$29.48 or 7.2%. Average dwelling rental charges for FY 2021 was \$382.57, down from \$412.05 in FY 2020.
- Of the \$5,470 increase in governmental grants and subsidy, operating subsidy received from HUD increased \$3,018 or 10.3%, capital fund grants used for operating expenditures increased \$2,154, and funding from CARES Act increased \$298.
- Investment income increased \$2 or 0.8% from FY 2020.
- Miscellaneous revenues increased \$321 from FY 2020.
- The Authority had a loss on disposal of capital assets of \$105 in FY 2021 and a gain on disposal of capital assets of \$130 in FY 2020.

Total expenses increased by \$13,527 due to the reasons noted below.

- Administrative expenses increased \$1,354 or 2.4% from FY 2020.
- Utilities increased \$159 or 2.3% from FY 2020.
- Ordinary maintenance and operation increased \$8,879 or 26.9% from FY 2020 mainly due to an increase in maintenance labor and benefits of \$4,283 or 22.4%. The Authority also had an increase in maintenance materials of \$1,901 or 24.8% and an increase in services contracted for repair and maintenance of \$2,695 or 43.8%.
- Insurance increased \$2,216 or 21.4% from FY 2020 mostly due to an increase in workers compensation insurance of \$1,497 or 117.0%. The Authority also had an increase in property and liability insurance of \$235 or 2.8% and an increase in other insurance of \$484 or 58.8%.
- Other general expenses increased \$2,644 from FY 2020 primarily due to a \$2,536 increase in tenant bad debt expense.
- The Authority had a \$1,725 or 8.3% decrease in depreciation, which is the write-off of capital assets over their estimated useful life.

The Low Rent Public Housing occupancy rate as of December 31, 2021 was 72.9%, down from 88.5% in FYE 2020. The Authority currently has 4 zero-bedroom units, 30 one-bedroom units, 10 two-bedroom units, and 31 three-bedroom units.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

The Housing Authority of the City of Holly, Colorado's net investment in capital assets as of December 31, 2021 amounts to \$121,158 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

Capital Assets – The total decrease in the Authority's capital assets for the current fiscal year was 3.5% in terms of net book value. Actual expenditures to purchase or construct capital assets were \$14,824 for the year. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$19,051. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Disposals	Ending
Capital assets	\$125,490	\$14,824	\$(19,051)	\$(105)	\$121,158

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2022 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Executive Director, Housing Authority of the City of Holly, P.O. Box 721, Holly, Colorado 81047.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF NET POSITION
December 31, 2021

ASSETS

Current Assets:

Cash and cash equivalents	\$	88,915
Cash - restricted		2,356
Investments		13,216
Receivables - net of allowances		2,473
Prepaid expenses		<u>3,056</u>

Total Current Assets 110,016

Non-current Assets:

Land and construction in progress		29,731
Other capital assets, net of depreciation		<u>91,427</u>

Total capital assets - net 121,158

Total Non-current Assets 121,158

Total Assets \$ 231,174

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF NET POSITION - (Continued)
December 31, 2021

LIABILITIES

Current Liabilities:

Accounts payable	\$	3,786
Accrued salaries and benefits		2,431
Tenant security deposit liability		2,356
Unearned revenues		<u>4</u>

Total Current Liabilities 8,577

Total Liabilities 8,577

NET POSITION

Net investment in capital assets	121,158
Unrestricted	<u>101,439</u>

Total Net Position 222,597

Total Liabilities and Net Position \$ 231,174

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2021

OPERATING REVENUES	
Tenant revenue	\$ 59,641
Governmental grants and subsidy	75,774
Miscellaneous	<u>321</u>
Total operating revenue	<u>135,736</u>
OPERATING EXPENSES	
Administrative	57,840
Utilities	7,197
Ordinary maintenance and operations	41,839
Insurance	12,593
General	3,441
Depreciation expense	<u>19,051</u>
Total operating expenses	<u>141,961</u>
Operating income (loss)	<u>(6,225)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	240
Gain (loss) on disposal of capital assets	<u>(105)</u>
Net non-operating revenues (expenses)	<u>135</u>
Income (loss) before contributions and transfers	<u>(6,090)</u>
Change in net position	(6,090)
Total net position - beginning of year	<u>228,687</u>
Total net position - end of year	\$ <u><u>222,597</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	55,728
Received from governmental grants and subsidy		75,658
Received from other operating activities		321
Payments for goods and services		(51,978)
Payments to employees		(67,106)
Payment in lieu of taxes		<u>(66)</u>

Net cash provided by (used in) operating activities 12,557

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets		<u>(14,824)</u>
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Net cash provided by (used in) capital and related financing activities (14,824)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments		(144)
Receipts of interest and dividends		<u>240</u>

Net cash provided by (used in) investing activities 96

Net increase (decrease) in cash and cash equivalents		(2,171)
Cash and cash equivalents at beginning of year		<u>93,442</u>

Cash and cash equivalents at end of year \$ 91,271

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended December 31, 2021

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$	(6,225)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		19,051
Change in assets and liabilities:		
Receivables, net		(348)
Prepaid expenses		(942)
Accounts and other payables		1,350
Tenant security deposit		(300)
Unearned revenues		(114)
Accrued expenses		<u>85</u>
Net cash provided by (used) by operating activities	\$	<u><u>12,557</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the Town of Holly (Authority) is a public body and a body corporate and politic organized under the laws of the State of Colorado that is legally separate, fiscally independent and governed by a Board of Commissioners. The Authority was established to provide Public and Indian Housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable federal agencies. Additionally, HUD has entered into Annual Contributions Contract with the Authority for the purpose of administering housing and housing relating programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1A. Financial Reporting Entity

The Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, "The Financial Reporting Entity," and includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority's financial statements.

1B. Basis of Presentation

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

Proprietary Fund Types - This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation – (Continued)

The Authority operates the following programs in the enterprise fund:

Public and Indian Housing - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Public Housing Capital Fund - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

Public Housing Cares Act - The CARES Act provides funding to prevent, prepare for, and respond to COVID-19, and to maintain normal operations and take other necessary actions during the period the program is impacted by the pandemic.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

The preparation of financial statements in conformity with Generally Accepted Accounting Principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balance consists of tenant accounts and accrued interest receivable.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	5-40 years
Site Improvements	15-40 years
Furniture, equipment and machinery - dwelling	5-10 years
Furniture, equipment and machinery - administrative	5-15 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the tenant security deposit fund under the Public and Indian Housing program.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity - (Continued)

Equity Classifications

Equity is classified as net position and displayed in two components:

- 1) Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority’s compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Public Housing Capital Fund	U.S. Department of Housing and Urban Development
Public Housing Cares Act	U.S. Department of Housing and Urban Development

2B. Deposits and Investments Laws and Regulations

It is the Authority’s policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Continued)

2B. Deposits and Investments Laws and Regulations - (Continued)

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Public Housing Capital Fund	Modernization
Public Housing CARES Act	COVID related expenses

For the year ended December 31, 2021, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of December 31, 2021, the Authority had the following cash deposits and investments:

Cash deposits	\$ 91,171
Petty cash / Change fund	100
Certificate of deposit	<u>13,216</u>
Total	<u>\$ 104,487</u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2021:

Cash and cash equivalents	\$ 88,915
Restricted assets	2,356
Investments	<u>13,216</u>
Total	<u>\$ 104,487</u>

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2021

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash and Investments – (Continued)

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* 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 investment or collateral securities that are in the possession of an outside party. At December 31, 2021, the Authority's bank balances of \$99,404 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* 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 investment or collateral securities that are in the possession of an outside party. At December 31, 2021, the Authority's investment balance of \$13,216 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank.

The State of Colorado's (the State) Public Deposit Protection Act (PDPA) precludes the Authority from requiring banks to hold securities in the Authority's name. The Authority deposits are subject to and in accordance with the PDPA. Under this act, all uninsured deposits are fully collateralized. The eligible collateral pledged is held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner prescribed by rule and regulation or is segregated from other trust department securities. All collateral so held must be clearly identified as being securities maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. The depository has the right at any time to make substitutions of eligible collateral maintained or pledged and must at all times be entitled to collect and retain all income derived from those investments without restriction.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2021, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ <u>13,216</u>	4/17/2022
Total	<u>13,216</u>	

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2021

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3B. Restricted Assets

Restricted assets at December 31, 2021 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	\$ <u>2,356</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>2,356</u>

3C. Accounts Receivable

Receivables at December 31, 2021 consist of the following:

Tenants	\$ 6,604
Less: Allowance for doubtful accounts - tenants	<u>(4,161)</u>
Tenants – Net of Allowance	2,443
Accrued Interest Receivable	<u>30</u>
Total Accounts Receivable	\$ <u>2,473</u>

3D. Capital Assets

A summary of capital asset activity for the year ended December 31, 2021 is as follows:

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Balance December 31, 2021</u>
Non-depreciable assets:				
Land	\$ 29,731	\$ -	\$ -	\$ 29,731
Total non-depreciable assets	<u>29,731</u>	<u>-</u>	<u>-</u>	<u>29,731</u>
Depreciable assets:				
Building	913,171	11,502	-	924,673
Equipment - dwelling	7,604	2,323	(595)	9,332
Equipment - administration	19,351	999	(751)	19,599
Total depreciable assets	<u>940,126</u>	<u>14,824</u>	<u>(1,346)</u>	<u>953,604</u>
Accumulated depreciation	<u>(844,367)</u>	<u>(19,051)</u>	<u>1,241</u>	<u>(862,177)</u>
Total depreciable assets, net	<u>95,759</u>	<u>(4,227)</u>	<u>(105)</u>	<u>91,427</u>
Capital assets, net	\$ <u>125,490</u>	\$ <u>(4,227)</u>	\$ <u>(105)</u>	\$ <u>121,158</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Public and Indian Housing	
Total depreciation expense	\$ <u>19,051</u>

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2021

NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3E. Accounts Payable

Accounts payable at December 31, 2021 consist of the following:

Vendors and Contractors	\$	2,206
Accrued utilities		816
Other current liabilities		<u>764</u>
Total Accounts Payable	\$	<u><u>3,786</u></u>

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority does not provide pension benefits to its employees and has not incurred any cost associated with providing a pension plan.

4B. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Housing Insurance Services, Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with Pinnacol Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4C. Commitments – Construction

At December 31, 2021, the Authority had no Capital Fund projects in progress.

4D. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2021

NOTE 4 – OTHER NOTES – (Continued)

4E. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense and includes investment income in operating activities, which differs from the presentation of basic financial statements.

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were 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.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenants ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

Management evaluated the activity of the Authority through September 17, 2022 and concluded that no additional subsequent events have occurred that would require adjustment to or disclosures within these financial statements except for the one noted above.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2022 federal budget.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2021

1. Actual Capital Fund Program costs are as follows:

	<u>501-20</u>
Funds approved	\$ 38,895
Funds expended	<u>38,895</u>
Excess of Funds Approved	\$ <u><u>---</u></u>
Funds advanced	\$ 38,895
Funds expended	<u>38,895</u>
Excess (deficiency) of Funds Advanced	\$ <u><u>---</u></u>

2. The costs as shown on the Actual Cost Certificate dated August 29, 2022 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2021.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST – (CONTINUED)
December 31, 2021

1. Actual Capital Fund Program costs are as follows:

	<u>501-21</u>
Funds approved	\$ 40,797
Funds expended	<u>40,797</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 40,797
Funds expended	<u>40,797</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated August 19, 2022 submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2021.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

FINANCIAL DATA SCHEDULE
Year Ended December 31, 2021

	Project Total	14. PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$88,915		\$88,915		\$88,915
114 Cash - Tenant Security Deposits	\$2,356		\$2,356		\$2,356
100 Total Cash	\$91,271		\$91,271		\$91,271
126 Accounts Receivable - Tenants	\$6,604		\$6,604		\$6,604
126.1 Allowance for Doubtful Accounts -Tenants	-\$4,161		-\$4,161		-\$4,161
129 Accrued Interest Receivable	\$30		\$30		\$30
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,473		\$2,473		\$2,473
131 Investments - Unrestricted	\$13,216		\$13,216		\$13,216
142 Prepaid Expenses and Other Assets	\$3,056		\$3,056		\$3,056
150 Total Current Assets	\$110,016		\$110,016		\$110,016
161 Land	\$29,731		\$29,731		\$29,731
162 Buildings	\$924,673		\$924,673		\$924,673
163 Furniture, Equipment & Machinery - Dwellings	\$9,332		\$9,332		\$9,332
164 Furniture, Equipment & Machinery - Administration	\$19,599		\$19,599		\$19,599
166 Accumulated Depreciation	-\$862,177		-\$862,177		-\$862,177
160 Total Capital Assets, Net of Accumulated Depreciation	\$121,158		\$121,158		\$121,158
180 Total Non-Current Assets	\$121,158		\$121,158		\$121,158
290 Total Assets and Deferred Outflow of Resources	\$231,174		\$231,174		\$231,174
312 Accounts Payable <= 90 Days	\$2,206		\$2,206		\$2,206
321 Accrued Wage/Payroll Taxes Payable	\$2,431		\$2,431		\$2,431
341 Tenant Security Deposits	\$2,356		\$2,356		\$2,356
342 Unearned Revenue	\$4		\$4		\$4
345 Other Current Liabilities	\$764		\$764		\$764
346 Accrued Liabilities - Other	\$816		\$816		\$816
310 Total Current Liabilities	\$8,577		\$8,577		\$8,577
300 Total Liabilities	\$8,577		\$8,577		\$8,577
508.4 Net Investment in Capital Assets	\$121,158		\$121,158		\$121,158
512.4 Unrestricted Net Position	\$101,439		\$101,439		\$101,439
513 Total Equity - Net Assets / Position	\$222,597		\$222,597		\$222,597
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$231,174		\$231,174		\$231,174

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended December 31, 2021

	Project Total	14, PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$53,560		\$53,560		\$53,560
70400 Tenant Revenue - Other	\$6,081		\$6,081		\$6,081
70500 Total Tenant Revenue	\$59,641		\$59,641		\$59,641
70600 HUD PHA Operating Grants	\$73,367	\$2,407	\$75,774		\$75,774
71100 Investment Income - Unrestricted	\$240		\$240		\$240
71500 Other Revenue	\$321		\$321		\$321
71600 Gain or Loss on Sale of Capital Assets	-\$105		-\$105		-\$105
72000 Investment Income - Restricted					
70000 Total Revenue	\$133,464	\$2,407	\$135,871		\$135,871
91100 Administrative Salaries	\$39,417	\$1,186	\$40,603		\$40,603
91200 Auditing Fees	\$4,000		\$4,000		\$4,000
91400 Advertising and Marketing	\$22		\$22		\$22
91500 Employee Benefit contributions - Administrative	\$3,195		\$3,195		\$3,195
91600 Office Expenses	\$4,884		\$4,884		\$4,884
91800 Travel	\$1,273	\$379	\$1,652		\$1,652
91900 Other	\$3,484		\$3,484		\$3,484
91000 Total Operating - Administrative	\$56,275	\$1,565	\$57,840		\$57,840
93100 Water	\$698		\$698		\$698
93200 ElectriTown	\$2,915		\$2,915		\$2,915
93300 Gas	\$3,422		\$3,422		\$3,422
93800 Other Utilities Expense	\$162		\$162		\$162
93000 Total Utilities	\$7,197		\$7,197		\$7,197
94100 Ordinary Maintenance and Operations - Labor	\$21,671		\$21,671		\$21,671
94200 Ordinary Maintenance and Operations - Materials and Other	\$8,816	\$742	\$9,558		\$9,558
94300 Ordinary Maintenance and Operations Contracts	\$8,754	\$100	\$8,854		\$8,854
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,756		\$1,756		\$1,756
94000 Total Maintenance	\$40,997	\$842	\$41,839		\$41,839
95200 Protective Services - Other Contract Costs					
96110 Property Insurance	\$8,510		\$8,510		\$8,510
96120 Liability Insurance	\$2,776		\$2,776		\$2,776
96130 Workmen's Compensation	\$1,307		\$1,307		\$1,307
96100 Total insurance Premiums	\$12,593		\$12,593		\$12,593
96200 Other General Expenses	\$108		\$108		\$108
96300 Payments in Lieu of Taxes	\$66		\$66		\$66
96400 Bad debt - Tenant Rents	\$3,267		\$3,267		\$3,267
96000 Total Other General Expenses	\$3,441		\$3,441		\$3,441
96900 Total Operating Expenses	\$120,503	\$2,407	\$122,910		\$122,910
97000 Excess of Operating Revenue over Operating Expenses	\$12,961		\$12,961		\$12,961

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended December 31, 2021

	Project Total	14. PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
97400 Depreciation Expense	\$19,051		\$19,051		\$19,051
90000 Total Expenses	\$139,554	\$2,407	\$141,961		\$141,961
10010 Operating Transfer In	\$41,013		\$41,013	-\$41,013	
10020 Operating transfer Out	-\$41,013		-\$41,013	\$41,013	
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$6,090		-\$6,090		-\$6,090
11030 Beginning Equity	\$228,687		\$228,687		\$228,687
11190 Unit Months Available	192		192		192
11210 Number of Unit Months Leased	140		140		140
11270 Excess Cash	\$88,342		\$88,342		\$88,342
11620 Building Purchases	\$11,502		\$11,502		\$11,502
11630 Furniture & Equipment - Dwelling Purchases	\$2,323		\$2,323		\$2,323
11640 Furniture & Equipment - Administrative Purchases	\$999		\$999		\$999



Audit Solutions, LLC.

Certified Public Accountant

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*

Board of Commissioners
Housing Authority of the Town of Holly
Holly, Colorado

I 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 the business-type activities of Housing Authority of the Town of Holly (Authority), Colorado, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated September 17, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of current findings, recommendations and replies that I consider to be significant deficiencies as finding #2021-001, #2021-002, #2021-003 and #2021-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current findings, recommendations and replies as finding #2021-003 and #2021-004.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

Audit Solutions, LLC

Chesterfield, Missouri

September 17, 2022



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the Town of Holly
Holly, Colorado

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the Town of Holly (Authority) and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

I compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of my agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the chart below.

I was engaged to perform an audit for the Authority as of and for the year ended December 31, 2021 and have issued my reports thereon dated September 17, 2022. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of the audit. Further, my opinion on the fair presentation of the Authority's Financial Data Schedule (FDS) dated September 17, 2022, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package, which includes the auditor's report, is available in its entirety from the Authority. I have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, I take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report was intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Audit Solutions, LLC

Chesterfield, Missouri
September 17, 2022

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

AGREED UPON PROCEDURES
December 31, 2021

Procedure	UFRS Rule Information	Hard Copy Document(s)	Agrees
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDAs, if applicable	√
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	√
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	√
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	√

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR
December 31, 2021

The prior audit report for the year ended December 31, 2020 contained no audit finding.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
December 31, 2021

The current audit report for the year ended December 31, 2021 disclosed the following audit finding:

2021-001. Segregation of Duties

Criteria:

To ensure effective internal control, a segregation of duties between individuals who authorize transactions and individuals who have control over related assets must always exist.

Condition:

The present system of internal accounting controls in certain situation does not provide for segregation of duties in the performance of functions due to a limited size of the staff.

Questioned Costs:

None noted.

Effect:

As a result of this condition, there is a likelihood that intentional or unintentional errors will go undetected.

Cause:

Due to the small size of the entity, the Authority's decision was based on a "cost to benefit" relationship which does not justify the addition of additional staff to accomplish the desired segregation.

Recommendation:

I recommend that the Authority take steps to ensure compensating controls are in place to mitigate the lack of segregation of duties so that risk of errors can be prevented.

Management's Response:

To ensure effective internal control over our assets due to the small size of the Authority, the Executive Director, maintenance person and the Board of Directors work closely together to prevent errors and protect our assets.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES – (Continued)
December 31, 2021

2021-002. Tenant Accounts Receivable

Criteria:

Under the terms of the annual contributions contract, each project shall be developed and administered to promote efficiency, economy and stability.

Condition:

I noted tenant accounts receivable at year end were \$2,443 (excluding vacated tenants) which represents 49% of the total charges for the month of December 2021.

Questioned Costs:

None noted.

Effect:

The continuing growth in tenant accounts receivable is a threat to maintaining a financially solvent operation. Without proper rent collection, current operating expenses cannot be paid.

Cause:

The Authority did not effectively enforce its rent collection policy resulting in a significant amount owed to the Authority.

Recommendation:

I recommend that the Authority place greater emphasis on collection of all outstanding balances.

Management's Response:

We had two Units 4 & 5 that was badly damaged by tenants which resulted in tenant accounts receivable being extra high and during COVID 19 inspections to the units were stopped and there were damages we were unaware of. The Housing Authority will take more steps to collect for damages and more frequent inspections of the units to ensure not having so much damage when tenants move out.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES – (Continued)
December 31, 2021

2021-003. Tenant Files

Criteria:

HUD guidelines on tenant file documentation and maintenance must be followed at all times.

Condition:

During my review of three (3) Public and Indian Housing program tenant files, I noted the following deficiencies:

- Two tenant rents as reflected in HUD form 50058 did not match the rents reported in December 2021 rent register.
- One tenant income was not independently verified.

Questioned Costs:

None noted.

Effect:

Tenant files are incomplete and could have incorrect rent calculation.

Cause:

It appears that no supervisory review was performed to ensure completeness of the tenant files.

Recommendation:

I recommend that the Authority ensure that all tenant files are maintained properly and supervisory reviews are performed to ensure completeness and accuracy.

Management's Response:

The Housing Authority will take extra steps to ensure that tenant files are properly maintained and make sure the 50058 are reflecting the correct rent.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES – (Continued)
December 31, 2021

2021-004. Payment in Lieu of Taxes (PILOT)

Criteria:

The Authority must record a PILOT liability and PILOT expense on the general ledger unless a waiver is obtained from the Town/County.

Condition:

The Authority did not have a PILOT waiver on file and no PILOT liability and/or PILOT expense was recorded for FY 2021.

Questioned Costs:

None noted.

Effect:

The Authority may not be in compliance with HUD rules and regulations.

Cause:

It appears that a PILOT waiver may have been obtained in prior years. However, the current management is not aware of this requirement and does not have a waiver on file.

Recommendation:

I recommend that the Authority ensure that either a PILOT waiver is obtained from the Town/County or the Authority record PILOT liability and expense in accordance with HUD rules and regulations.

Management's Response:

The Housing Authority will try and obtain a PILOT waiver from Prowers County to have in our files so we will be in compliance with HUD rules and regulations.