

HOUSING AUTHORITY OF THE COUNTY OF MONTROSE, COLORADO

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

December 31, 2022



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Housing Authority of the County of Montrose as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Montrose's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Housing Authority of the County of Montrose, as of December 31, 2022, 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 Housing Authority of the County of Montrose 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 Housing Authority of the County of Montrose'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.

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 February 22, 2023, on our consideration of the Housing Authority of the County of Montrose's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Montrose's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the County of Montrose's internal control over financial reporting and compliance.

Blair and Associates, P.C.

Cedaredge, Colorado
February 22, 2023

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

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

The Statement of Cash Flows reports how MCHA's cash and cash equivalents were used in (and provided by) it's operating, non-capital financing, capital and related financing, and investing activities during the periods reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances on December 31, 2022. The MCHA uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. These statements provide answers to such questions as where cash came from, how cash was used, and what was the change in the cash balance during the year.

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

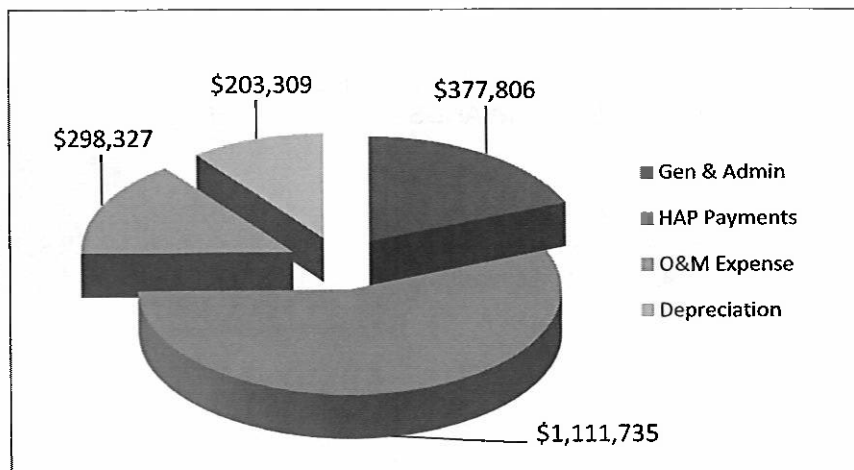
Financial Analysis

Net Position is summarized in the table below:

	2021	2022
Current assets	\$ 1,215,355	\$ 1,250,417
Restricted assets	221,535	243,397
Other investments	557,346	557,346
Capital assets, net	2,672,737	2,576,216
Total assets	4,666,973	4,627,376
Current liabilities	84,002	77,226
Noncurrent liabilities	70,707	53,351
Total Liabilities	154,709	130,577
Investment in capital assets, net of related debt	2,607,397	2,527,496
Restricted for debt service and vouchers	227,946	214,971
Unrestricted	1,676,921	1,754,332
Total net position	4,512,264	4,496,799

Operating Expenses by Source

Gen & Admin	\$ 377,806
HAP Payments	\$1,111,735
O&M Expense	\$ 298,327
Depreciation	\$ 203,309
	<u>\$1,991,177</u>



Capital Assets

	2022	2021
Land	\$ 578,203	\$ 578,203
Building	5,262,232	5,161,055
Vehicle	14,400	14,400
Furniture & Equipment	102,258	96,648
Total Capital Assets (being depreciated)	<u>5,378,890</u>	<u>5,272,103</u>
Less: Accumulated Depreciation	<u>(3,380,877)</u>	<u>(3,177,569)</u>
Capital Assets being depreciated	<u>1,998,013</u>	<u>2,094,534</u>
Net Capital Assets	<u>\$ 2,576,216</u>	<u>\$ 2,672,737</u>

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

Debt Administration

	2022	2021
Mortgage Payable	<u>\$ 48,717</u>	<u>\$ 65,340</u>

All debt service payments were made in 2022 as scheduled.

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

Respectfully Submitted,

Susan Barrientos
Executive Director
Montrose County Housing Authority

Request for Information

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

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

Housing Authority of County of Montrose, Colorado
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

Operating revenues	
Tenant rent income	\$ 363,899
Rent income- HUD/USDA	1,552,925
Other administrative income	41,371
Other operating income	<u>7,745</u>
Total operating revenues	<u><u>1,965,940</u></u>
 Operating expenses	
General and administrative	377,806
Housing assistance payments	1,111,735
Maintenance and operations	298,327
Depreciation	<u>203,309</u>
Total operating expenses	<u><u>1,991,177</u></u>
 Net operating income (loss)	 (25,237)
 Nonoperating revenues (expenses)	
Interest income	10,249
Interest Subsidy	1,622
Interest expense	<u>(2,097)</u>
Total non-operating revenue (expense)	<u><u>9,774</u></u>
Change in net position	(15,463)
 Net position at beginning of year	 <u><u>4,512,262</u></u>
Net position at end of year	<u><u>\$ 4,496,799</u></u>

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

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2022

Note A- Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

Barbara Courts consists of 24 rental units. The Authority receives rental subsidies from the U. S. Department of Agriculture under the rural rental assistance payments program. Of the 24 units, 21 are subsidized, while the other 3 units are also offered to low-income families at a rate set by USDA/Rural Development.

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

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

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2022

Note A- Summary of Significant Accounting Policies - Continued

Assets, Liabilities and Equity

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, investments, prepaid expenses, accounts and notes receivable, accounts payable, and debt. The Authority estimates that the fair value of all financial instruments at December 31, 2022, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments or the nature of the debt.

Restricted Assets - Cash and Cash Equivalents

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

Tenant Security Deposits

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

Accounts Receivable

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

Capital Assets

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

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2022

Note B- Cash and Cash Equivalents - Continued

Investments

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

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

Held by ColoTrust are valued at fair value.

Cash and cash equivalents consist of the following at December 31, 2022:

Cash in Banks	\$ 905,159
Colotrust	<u>588,655</u>
	1,493,814
Less amounts restricted for tenant security deposits, specific expenditures, and loan reserves	<u>(243,397)</u>
	<u>\$ 1,250,417</u>

Note C- Restricted Net Position

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

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2022

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 16,731	\$ 364	\$ 17,095
2024	12,952	251	13,203
2025	11,384	138	11,522
2026	7,653	28	7,681
	<u>\$ 48,720</u>	<u>\$ 781</u>	<u>\$ 49,501</u>

Note F- Grants

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

Note G- Operating Subsidy- HUD

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

Note H- Rent Income

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

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

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2022

Note- K- Investments in Joint Ventures -Continued

During 2018 the Authority entered into an agreement to become a special limited partner with a .005% interest in Woodgate Trails, LLLP, the owner of the Woodgate Trails Apartments, a 50-unit low-income tax credit project. Starting in 2019 the Authority will receive from the partnership \$3,000 a year to be paid out of available cash flows when available. Any unpaid fee will be accrued and payable when cash flows are available. Unpaid fees will accrue 5% interest compounding annually. The Authority has no obligation to contribute capital or to pay/guaranty any obligations of the partnership. During 2021 the fee was paid.

In 2021 we entered into an agreement to become a special limited partner with .01% interest in Artspace Projects, Inc., the owner of Ridgway Space to Create, a 30-unit low-income tax credit project. In 2021 the Authority received \$5,000 and will receive from Artspace Projects, Inc., \$3,000 a year. This will go to closing this fall.

Housing Authority of County of Montrose, Colorado
Schedule of Revenues, Expenses and Changes in Net Position-All Programs
Year Ended December 31, 2022

	General Administration	Olathe Meadows	Rental Properties	Family Housing Duplexes	Section 8 Vouchers	Barbara Courts	Eliminating Entries	Total
Operating revenues								
Tenant rent income	\$ -	\$ 60,113	\$ 94,016	\$ 136,992	\$ -	\$ 72,778	\$ -	\$ 363,899
Rent income - HUD/USDA	-	80,944	-	68,588	1,327,523	75,870	-	1,552,925
Other administrative income	130,681	-	-	-	-	-	(89,310)	41,371
Other operating income	-	605	-	-	7,100	40	-	7,745
Total operating revenues	130,681	141,662	94,016	205,580	1,334,623	148,688	(89,310)	1,965,940
Operating expenses								
General and administrative	120,431	34,097	41,056	34,701	206,092	30,739	(89,310)	377,806
Housing assistance payments	-	-	-	-	1,111,735	-	-	1,111,735
Maintenance and operations	1,039	84,255	15,746	100,283	-	97,004	-	298,327
Depreciation	7,690	36,054	37,838	75,189	1,321	45,217	-	203,309
Total operating expense	129,160	154,406	94,640	210,173	1,319,148	172,960	(89,310)	1,991,177
Net operating income (loss)	1,521	(12,744)	(624)	(4,593)	15,475	(24,272)	-	(25,237)
Nonoperating revenues (expenses)								
Interest income	8,256	1,896	5	23	61	8	-	10,249
Interest Subsidy	-	-	-	(475)	-	1,622	-	1,622
Interest expense	-	-	-	(452)	-	(1,622)	-	(2,097)
Total non-operating revenue (expenses)	8,256	1,896	5	(452)	61	8	-	9,774
Change in net position	9,777	(10,848)	(619)	(5,045)	15,536	(24,264)	-	(15,463)
Net position at beginning of year	1,323,177	586,797	1,138,402	863,840	246,306	353,740	-	4,512,262
Net position at end of year	\$ 1,332,954	\$ 575,949	\$ 1,137,783	\$ 858,795	\$ 261,842	\$ 329,476	\$ -	\$ 4,496,799

HOUSING AUTHORITY OF THE COUNTY OF MONTROSE, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year ended December 31, 2022

NOTE A - GENERAL

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

NOTE B – BASIS OF ACCOUNTING

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

NOTE C – FEDERAL LOAN AND INSURANCE PROGRAMS

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Ending Balance of Direct Loans</u>
Rural Rental Housing Loans	10.415	\$48,720

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.

Board of Commissioners
Housing Authority of the County of Montrose, Colorado
Page Two

Compliance and Other Matters

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

Purpose of this Report

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

Blair and Associates, P.C.

Cedaredge, Colorado
February 22, 2023

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 Housing Authority of the County of Montrose, Colorado'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 Housing Authority of the County of Montrose, Colorado'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 Housing Authority of the County of Montrose, Colorado'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.

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
February 22, 2023

Housing Authority of the County of Montrose, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS — CONTINUED
Year ended December 31, 2022

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.