

Gunnison Valley Regional Housing Authority

Financial Report

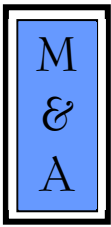
December 31, 2023



**Gunnison Valley Regional Housing Authority
Financial Report
December 31, 2023**

Table of Contents

	Page(s)
INDEPENDENT AUDITOR'S REPORT	A1 – A2
Management's Discussion and Analysis	B1 – B4
Basic Financial Statements:	
Governmental Fund Balance Sheet / Government-wide Statement of Net Position	C1
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance / Government-wide Statement of Activities	C2
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	C3
Notes to the Financial Statements	D1 – D11



MCMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Gunnison Valley Regional Housing Authority
Gunnison, Colorado**

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gunnison Valley Regional Housing Authority (the "Authority"), as of and for the year ended December 31, 2023, 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of December 31, 2023, the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Gunnison Valley Regional Housing Authority
Gunnison, Colorado

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 U.S. GAAS 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 U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
June 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS



Gunnison Valley Regional Housing Authority Management's Discussion and Analysis December 31, 2023

As management of the Gunnison Valley Regional Housing Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the Authority's 2023 financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's government-wide assets exceeded its liabilities at December 31, 2023 by \$4,412,325.
- The Authority's net position increased by \$157,772 in 2023.

OVERVIEW of the FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide readers with an overview of the Authority's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet / Statement of Net Position presents information on all the Authority's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance / net position. The Balance Sheet column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities shows how the government's fund balance / net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures, and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The Authority adopts an annual appropriated budget for its only fund; the General Fund. A budgetary comparison statement for the General Fund is presented on page C3 and has been provided to demonstrate compliance with this budget.

The Authority's financial statements can be found on pages C1 through C3 of this report.

Notes to the Financial Statements: The notes provide a background of the entity, accounting policies utilized by the Authority, relevant statutory considerations, and additional information that will aid in the reader's understanding of the financial statements. The Notes to the Financial Statements can be found in section D of this report.

FINANCIAL ANALYSIS of the AUTHORITY

The following table summarizes the Authority's net position at December 31, 2023 and 2022:

	<u>12/31/23</u>	<u>12/31/22</u> <u>(Restated)</u>
Assets:		
Current assets	\$ 1,256,179	\$ 933,285
Non-current assets	<u>3,448,349</u>	<u>3,460,961</u>
Total Assets	<u>4,704,528</u>	<u>4,394,246</u>
Liabilities:		
Current liabilities	<u>292,203</u>	<u>139,693</u>
Total Liabilities	<u>292,203</u>	<u>139,693</u>
Net Position:		
Net investment in capital assets	2,332	4,663
Restricted	932,740	1,023,197
Unrestricted	<u>3,477,253</u>	<u>3,226,693</u>
Total Net Position	<u>\$ 4,412,325</u>	<u>\$ 4,254,553</u>

Between December 31, 2022 and 2023, total assets of the Authority increased by \$310,282.

Between December 31, 2022 and 2023, total liabilities of the Authority increased by \$152,510.

The Authority's net position – the extent to which assets exceeded liabilities – was \$4,412,325 at December 31, 2023. \$932,740 of the Authority's 2023 year-end net position has been restricted (\$17,000 for the statutorily-required TABOR reserve and \$915,740 for the revolving loan portfolio), representing resources that are subject to external restrictions on how they may be used. The unrestricted balance of \$3,477,253 may be used to meet the Authority's ongoing obligations relating to its operations.

FINANCIAL ANALYSIS of the AUTHORITY (continued)

The following table summarizes the changes in the Authority's net position for 2023 and 2022:

	<u>2023</u>	<u>2022</u> <u>(Restated)</u>
Revenues:		
Contributions from local governments	\$ 409,750	\$ 269,750
Other revenues	574,550	440,254
Total Revenues	<u>984,300</u>	<u>710,004</u>
Expenses:		
Operating expenses	826,528	711,840
Total Expenses	<u>826,528</u>	<u>711,840</u>
Change in Net Position	157,772	(1,836)
Net Position - Beginning of Year (restated)	<u>4,254,553</u>	<u>4,256,389</u>
Net Position - End of Year	<u>\$ 4,412,325</u>	<u>\$ 4,254,553</u>

One significant source of revenue for the Authority is contributions from other government entities within the Authority's service area, as outlined in the Intergovernmental Agreement between the parties and totaling \$409,750 for 2023. Aggregate 2023 revenues increased \$274,296 from 2022, due to increased contributions from the participating government entities, plus higher grants and other revenues from the GV-HEAT program.

The Authority's total expenses for 2023 were \$114,688 higher than the prior year. Salaries and benefits for the Authority's staff comprise the largest portion of the Authority's expenses.

BUDGET VARIANCES in the GENERAL FUND

The Authority ended 2023 \$182,325 ahead of expectations, as revenues were \$94,536 higher than budgeted and expenditures were \$52,188 lower than anticipated. The Authority's actual opening fund balance for 2023 was \$35,601 higher than budgeted.

Significant budget variances in the General Fund during 2023 were as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Positive / (Negative) Variance</u>	<u>Reason</u>
Revenues:				
Section 8 administration fee	46,000	-	(46,000)	Administration fee no longer collected
CDBG program income	-	108,933	108,933	Loan program not budgeted
Expenditures:				
Salaries and benefits	445,070	399,033	46,037	Benefit costs lower than expected

NEXT YEAR'S BUDGET

The Authority's General Fund balance at the end of the 2023 fiscal year was \$975,050. The Authority's 2024 budget anticipates a \$5,351 increase in the General Fund balance.

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 the government's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Gunnison Valley Regional Housing Authority
202 East Georgia Avenue
Gunnison, Colorado 81230
Attention: Executive Director

BASIC FINANCIAL STATEMENTS



Gunnison Valley Regional Housing Authority
Governmental Fund Balance Sheet /
Government-wide Statement of Net Position
December 31, 2023

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and investments	649,749	-	649,749
Cash and investments - Restricted	567,873	-	567,873
Accounts receivable	38,557	-	38,557
Accrued interest receivable	-	904,986	904,986
Development fee receivable	-	163,190	163,190
Notes receivable	-	2,377,641	2,377,641
Investments	-	200	200
Capital assets, net	-	2,332	2,332
	1,256,179	3,448,349	4,704,528
Liabilities:			
Accounts payable and accrued liabilities	148,084	-	148,084
Wages and benefits payable	6,561	11,074	17,635
Prepaid contributions	23,437	-	23,437
Unearned grant revenue	86,053	-	86,053
	281,129	11,074	292,203
Fund Balance:			
Spendable:			
Restricted	17,000	(17,000)	-
Committed	137,530	(137,530)	-
Assigned	115,577	(115,577)	-
Unassigned	704,943	(704,943)	-
	975,050	(975,050)	-
Total Fund Balance	975,050	(975,050)	-
Total Liabilities and Fund Balance	1,256,179		
Net Position:			
Net investment in capital assets		2,332	2,332
Restricted for emergencies		17,000	17,000
Restricted for loan programs		915,740	915,740
Unrestricted		3,477,253	3,477,253
		4,412,325	4,412,325
Total Net Position		4,412,325	4,412,325

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

Gunnison Valley Regional Housing Authority
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance /
Government-wide Statement of Activities
For the Year Ended December 31, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Contributions from local governments	409,750	-	409,750
Mountain View - Management and other fees	48,000	-	48,000
Anthracite Place - Management and other fees	45,272	-	45,272
Elk Valley - Management and other fees	20,000	-	20,000
Other management fees	37,617	-	37,617
GV-HEAT grants and administration fees	263,957	-	263,957
Contributions - Other	5,000	-	5,000
Interest and investment income	665	113,609	114,274
Grants - Other	1,350	22,500	23,850
CDBG program income	108,933	(94,153)	14,780
Other revenues	1,800	-	1,800
	<u>942,344</u>	<u>41,956</u>	<u>984,300</u>
Total Revenues			
Expenditures / Expenses:			
Accounting	27,838	-	27,838
Advertising and marketing	2,675	-	2,675
Administrative expense	598	-	598
Bank fees	121	-	121
Computers	11,972	-	11,972
Contracted services	5,502	-	5,502
Depreciation	-	2,332	2,332
Dues and memberships	5,464	-	5,464
Education and training	8,828	-	8,828
Insurance	14,204	-	14,204
Internet	6,969	-	6,969
Legal services	15,658	-	15,658
Miscellaneous	976	-	976
Office supplies	6,672	-	6,672
Postage	1,093	-	1,093
Professional services	16,348	-	16,348
Rent	14,570	-	14,570
Salaries and benefits	399,033	6,321	405,354
Travel	9,387	-	9,387
Website	2,212	-	2,212
GV-HEAT program expense	215,518	-	215,518
Bad debt expense	-	52,237	52,237
	<u>765,638</u>	<u>60,890</u>	<u>826,528</u>
Total Expenditures / Expenses			
Change in Fund Balance / Net Position	176,706	(18,934)	157,772
Fund Balance / Net Position - Beginning of Year (restated)	<u>798,344</u>	<u>3,456,209</u>	<u>4,254,553</u>
Fund Balance / Net Position - End of Year	<u><u>975,050</u></u>	<u><u>3,437,275</u></u>	<u><u>4,412,325</u></u>

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

Gunnison Valley Regional Housing Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended December 31, 2022)

	2023		Final Budget Variance: Positive (Negative)	2022
	Original and Final Budget	Actual		Actual (Restated)
Revenues:				
Contributions from local governments	409,750	409,750	-	269,750
Mountain View - Management and other fees	55,200	48,000	(7,200)	45,500
Anthracite Place - Management and other fees	45,278	45,272	(6)	41,396
Elk Valley - Management and other fees	20,000	20,000	-	16,380
Section 8 administration fee	46,000	-	(46,000)	-
Other management fees	28,380	37,617	9,237	17,939
GV-HEAT grants and administration fees	232,000	263,957	31,957	167,433
Contributions - Other	-	5,000	5,000	20,098
Interest and investment income	1,200	665	(535)	943
Grants - Other	-	1,350	1,350	-
CDBG program income	-	108,933	108,933	136,840
Other revenues	-	1,800	1,800	150
Real estate commissions	10,000	-	(10,000)	-
Total Revenues	847,808	942,344	94,536	716,429
Expenditures:				
Accounting	15,000	27,838	(12,838)	20,942
Advertising and marketing	5,000	2,675	2,325	6,166
Administrative expense	4,000	598	3,402	6,636
Bank fees	120	121	(1)	270
Computers and software expense	3,000	11,972	(8,972)	13,622
Contracted services	5,360	5,502	(142)	2,887
Dues and memberships	3,500	5,464	(1,964)	2,485
Education and training	18,000	8,828	9,172	2,611
Insurance	14,000	14,204	(204)	11,520
Internet	4,480	6,969	(2,489)	7,154
Legal services	15,000	15,658	(658)	19,694
Miscellaneous	12,000	976	11,024	6,183
Office supplies	4,000	6,672	(2,672)	10,344
Postage	500	1,093	(593)	735
Professional services	20,000	16,348	3,652	30,997
Rent	17,796	14,570	3,226	19,984
Salaries and benefits	445,070	399,033	46,037	381,348
Travel	7,500	9,387	(1,887)	9,919
Website	1,500	2,212	(712)	1,100
GV-HEAT program expense	222,000	215,518	6,482	165,228
Total Expenditures	817,826	765,638	52,188	719,825
Change in Fund Balance	29,982	176,706	146,724	(3,396)
Fund Balance - Beginning of Year	762,743	798,344	35,601	801,740
Fund Balance - End of Year	792,725	975,050	182,325	798,344

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

NOTES TO THE FINANCIAL STATEMENTS



Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023

I. Summary of Significant Accounting Policies

Gunnison Valley Regional Housing Authority (the "Authority") is a multi-jurisdictional housing authority created to effect the planning, financing, acquisition, construction, reconstruction or repair, maintenance, management, and operation of housing projects or programs pursuant to a multi-jurisdictional plan to provide: (a) dwelling accommodations at rental prices or purchase prices within the means of families of low or moderate income; and (b) affordable housing projects or programs for employees of employers located within the jurisdiction of the Authority.

The creation of the Authority was authorized via an Intergovernmental Agreement executed effective July 1, 2012, with operations commencing in 2013. Participating municipalities include Gunnison County, Colorado; the City of Gunnison, Colorado; the Town of Crested Butte, Colorado; and the Town of Mount Crested Butte, Colorado. The agreement is further explained in footnote V.C. to these financial statements.

The Authority is governed by an appointed nine-member Board of Directors (the "Board"): two appointed by the Gunnison County Board of County Commissioners; two appointed by the City Council of the City of Gunnison; two appointed by the Town Council of the Town of Crested Butte; two appointed by the Town Council of the Town of Mount Crested Butte; and an "at-large" member appointed by the Board.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for the establishment of GAAP for governmental entities. The following summary of the more significant accounting policies of the Authority is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

A. Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the Authority, and (b) organizations for which the Authority is financially accountable. The Authority is considered to be financially accountable for a legally separate organization if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. Consideration is also given to other organizations that are fiscally dependent, i.e., unable to adopt a budget, levy tax, or issue debt without approval by the Authority. Organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The Authority is the sole member of Anthracite Place (Manager), LLC ("AP(M) LLC"). AP(M) LLC was organized in December 2014 as a Colorado limited liability company to assist and participate in the development of Anthracite Place Apartments, a 30-unit housing development in Crested Butte, Colorado.

The Authority is the sole member of MCGC, LLC. MCGC, LLC was organized in April 2019 as a Colorado limited liability company to assist and participate in the development of GardenWalk, a 36-unit housing development in Gunnison, Colorado.

Separate financial statements are not prepared for AP(M) LLC or MCGC, LLC, as they are reported within the General Fund as blended component units of the Authority. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds).

Both the government-wide and fund financial statements categorize primary activities as either governmental (i.e., normally supported by taxes and intergovernmental revenues) or business-type (i.e., relying to a significant extent on fees and charges for support) activities. Currently, the Authority performs only governmental activities.

In the Governmental Fund Balance Sheet / Government-wide Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts – investment in capital assets, restricted and unrestricted.

The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The Authority reports only one fund – the General Fund - which accounts for all activities of the government. Contributions and other sources of revenue used to finance the fundamental operations of the Authority are included in this fund.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (i.e., 60 days). Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

D. Financial Statement Accounts

1. Cash and Investments

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty, and investments with original maturities of three months or less.

The Authority follows Colorado state statutes as an investment policy, which permits investments in the following type of obligations which corresponds with state statutes:

- U.S. Treasury obligations (maximum maturity of 60 months)
- Federal instrumentality securities (maximum maturity of 60 months)
- FDIC-insured certificates of deposit (maximum maturity of 18 months)
- Corporate bonds (maximum maturity of 36 months)
- Prime commercial paper (maximum maturity of 9 months)
- Eligible banker's acceptances
- Repurchase agreements
- General Obligations and Revenue Obligations
- Local government investment pools
- Money market mutual funds

2. Receivables

Receivables are comprised of amounts due from other governments or entities for management fees, development fees, and loans receivable, together with related interest, and are reported net of an allowance for uncollectible accounts. At December 31, 2023, the Authority recorded an allowance of \$118,700 related to certain loans receivable. The Authority considers all other receivables to be collectible.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of \$500 or more. Purchased assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Buildings and improvements, infrastructure, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Asset	Estimated Useful Life (Years)
Vehicles, furniture and equipment	5 - 7 years
Buildings and improvements	15 - 30 years

4. Fund Balance

Governmental accounting standards establish fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity as to the level of restriction; such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund, and should be the only fund that reports a positive unassigned balance. In all other funds, unassigned fund balance is limited to negative residual fund balance.

The Authority classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or its management designees.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Fund Balance (continued)

The Authority uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar-for-dollar spending. Additionally, the Authority first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Authority has adopted and committed a minimum fund balance policy in an amount of three months of average operating expenses.

5. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the Authority's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The Authority's financial statements include a reconciliation between governmental funds total fund balance and net position of governmental activities as reported in the government-wide Statement of Net Position. The Authority adds assets including \$163,190 in development fee receivable, \$2,377,641 in long-term notes and loans receivable, \$904,986 in accrued interest on development fee receivable and notes receivable, \$200 for investments, and net capital assets of \$2,332. The Authority adds liabilities of \$11,074 for accrued vacation payable.

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The Authority's financial statements also include a reconciliation between the net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. Revenues increased \$136,109 for accrued interest on development fee receivable and long-term notes receivable and grant income, and decreased \$94,153 for principal payments on loans receivable. Expenditures increased \$6,321 for changes in accrued vacation payable, increased \$52,237 for change in allowance for doubtful accounts, and increased \$2,332 for depreciation expense.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the Board formally adopts a budget with appropriations by fund for the ensuing year pursuant to the State of Colorado's *Local Government Budget Law* statutes. The budget for the governmental fund is adopted on a basis consistent with GAAP.

The Authority followed this process in preparing, approving, and enacting its budget for fiscal year 2023:

- (1) On or before October 15, 2022, the Authority submitted to the Board a recommended budget that detailed the revenues necessary to meet the Authority's operating requirements.
- (2) After appropriate public notice and a required public hearing, the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year on or before December 15, 2022.
- (3) After adoption of the initial budget resolution, the Authority may make the following changes: (a) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (b) it may approve emergency appropriations; and (c) it may reduce appropriations for which originally estimated revenues are insufficient.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The Authority has reserved \$17,000 of the December 31, 2023 fund balance in the General Fund for this purpose.

The Authority's management believes it is compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

Colorado’s Public Deposit Protection Act (the “PDPA”) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The Federal Deposit Insurance Corporation (the “FDIC”) insures the first \$250,000 of the Authority’s interest-bearing deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by the PDPA. The Authority’s deposits at December 31, 2023 are entirely covered by the FDIC or by the PDPA.

At December 31, 2023, the carrying value of the Authority’s deposits was \$1,217,622 and the bank balance of these accounts was \$1,201,683. The difference between carrying and bank balances represents items that had not cleared the bank at year-end.

At year-end, the Authority had the following cash and investments, with the following ratings and maturities:

<u>Type</u>	<u>Standard & Poors Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less than One Year</u>	<u>One to Five Years</u>
<i>Deposits:</i>				
Checking	Not Rated	\$ 946,454	\$ 946,454	\$ -
Savings and money market	Not Rated	271,168	271,168	-
Total		<u>\$ 1,217,622</u>	<u>\$ 1,217,622</u>	<u>\$ -</u>

The Authority’s cash and investments are presented on the Balance Sheet / Statement of Net Position at December 31, 2023 as follows:

Cash and investments	\$ 649,749
Cash and investments - Restricted	<u>567,873</u>
Total	<u>\$ 1,217,622</u>

B. Development Fee Receivable

Effective July 1, 2015, the Authority entered into a Development Agreement with Anthracite Place Apartments, LLC (“APA LLC”), pursuant to which the Authority was to oversee the development of the Anthracite Place Apartments rental housing project (the “APA Project”) in Crested Butte, Colorado. The APA Project qualifies for the federal low-income housing project tax credit program. In return for its services, APA LLC is to pay the Authority a development fee totaling \$770,000 as the APA Project is developed and constructed. Through 2023, the Authority has received a total of \$606,810 from the development fee earned upon completion of the Project development in 2016, with the remaining \$163,190 reflected as a receivable at December 31, 2023.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Development Fee Receivable (continued)

As provided in the Development Agreement, unpaid development fee amounts due to the Authority accrue interest at 9% per annum, and are to be paid from Net Cash Flow of the APA Project. Total accrued interest on the unpaid development fee receivable as of December 31, 2023 was \$102,810.

C. Long-Term Note Receivable – Anthracite Park Apartments, LLC

Effective July 15, 2015, the Authority and APA LLC executed a Loan Agreement, pursuant to which the Authority loaned APA LLC the principal amount of \$1,030,600 to fund certain APA Project development costs. The loan, which is secured by a Deed of Trust encumbering the APA Project, is subordinate to a Low Income Housing Land Use Agreement in favor of Colorado Housing and Finance Authority (“CHFA”). Interest accrues on the unpaid principal amount at 8.5% per annum, and the principal balance, together with accrued interest, is payable on or before maturity on July 1, 2047. The loan is payable solely from the APA Project’s Net Cash Flow, as defined. The outstanding principal balance of the loan and accrued interest at December 31, 2023 were \$1,030,600 and \$756,009, respectively.

D. Long-Term Notes Receivable – Rural Housing of Gunnison, LP

Effective September 19, 2019, the Authority and Rural Housing of Gunnison, LP (“RHG LP”) executed a Loan Agreement, pursuant to which the Authority loaned RHG LP the principal amount of \$100,000 to fund the construction and operation of the GardenWalk affordable housing development (the “GW Project”). The loan is secured by second position Deed of Trust on the GW Project, which will become a third position Deed of Trust upon the GW Project’s conversion to permanent financing. The loan is subordinate to a Low Income Housing Land Use Agreement in favor of CHFA. Interest accrues on the unpaid principal amount at 2.21% per annum, and the principal balance, together with accrued interest, is payable on or before maturity on August 31, 2036. The loan is payable solely from the GW Project’s Cash Flow, as defined. The outstanding principal balance of the loan and accrued interest at December 31, 2023 were \$100,000 and \$9,560, respectively.

Effective September 17, 2019, the Authority and RHG LP executed a Loan Agreement, pursuant to which the Authority loaned RHG LP the principal amount of \$450,000 to fund the construction and operation of the GW Project. The loan is secured by third position Deed of Trust, which will become a fourth position Deed of Trust upon the GW Project’s conversion to permanent financing. The loan is subordinate to a Low Income Housing Land Use Agreement in favor of CHFA. Interest accrues on the unpaid principal amount at 2.21% per annum, and the principal balance, together with accrued interest, is payable on or before maturity on August 31, 2049. The loan is payable solely from the GW Project’s Cash Flow, as defined. The loan is also subject to the terms, funding, and conditions of the Authority’s Housing Development Grant (“HDG”) agreement with Colorado Department of Local Affairs / Division of Housing (“CDOH”). The outstanding principal balance of the loan and accrued interest at December 31, 2023 were \$450,000 and \$36,606, respectively.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

IV. Detailed Notes on All Funds (continued)

E. Community Development Block Grant (“CDBG”) Loans Receivable

Effective February 1, 2020, the Authority entered into an agreement with CDOH, pursuant to which CDOH transferred to the Authority a revolving loan portfolio totaling \$1,510,320 and previously managed by Delta Housing Authority. As of December 31, 2023, the loans receivable (which have an outstanding principal balance of \$915,740) are presented in these financial statements net of an allowance of \$118,700 for uncollectible amounts.

F. Investments

The Authority accounts for the following investments using the equity method of accounting and is reported as of December 31, 2023, which is the date of the recent financial statements of these entities.

1. Anthracite Place Apartments, LLC

AP(M) LLC – of which the Authority is the sole member – is the managing member of APA LLC. Pursuant to APA LLC’s Amended and Restated Operating Agreement, AP(M) LLC is to be allocated 0.01% of all profits, losses, and tax credits realized by APA LLC.

2. Rural Housing of Gunnison, LP

MCGC, LLC – of which the Authority is the sole member – is the Class B Special Limited Partner in RHG LP. Pursuant to RHG LP’s Amended and Restated Operating Agreement of Limited Partnership, MCGC, LLC is to be allocated 0.01% of all profits, losses, and tax credits realized by RHG LP.

G. Capital Assets

At December 31, 2023, the Authority had the following capital assets:

	<u>12/31/22</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/23</u> <u>Balance</u>
<i>Governmental Activities:</i>				
Capital assets being depreciated:				
Vehicles	\$ 16,323	\$ -	\$ -	\$ 16,323
Less accumulated depreciation for:				
Vehicles	(11,660)	(2,331)	-	(13,991)
Governmental Activities				
Capital Assets, net	<u>\$ 4,663</u>	<u>\$ (2,331)</u>	<u>\$ -</u>	<u>\$ 2,332</u>

H. Related Party Transactions

Effective July 1, 2015, the Authority executed a Property Management Agreement with APA LLC, pursuant which the Authority is to provide exclusive rental and property management services with respect to the APA Project. In return, the Authority is to receive a management fee equal to 6% of annual APA Project gross revenues plus the amount of overhead and benefits applicable to the Authority’s staff directly involved with the management of the APA Project.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

IV. Detailed Notes on All Funds (continued)

H. Related Party Transactions (continued)

For 2023, the Authority received management fees of \$16,995 and administration fees of \$28,278 from APA LLC under the terms of the Property Management Agreement. The Authority has the following amounts due to / from APA LLC at December 31, 2023:

Due from APA LLC	\$	4,048
Due to APA LLC		-
Due from (to) APA LLC	\$	4,048

I. Accrued Compensated Absences

Earned but unused vacation and sick leave benefits are recorded as expenses and liabilities when incurred in the government-wide financial statements. The Authority accrues vacation and sick leave according to its personnel policy. All eligible employees are to be paid for accumulated vacation at the time of separation from the Authority at the average hourly rate received by the employee during the last three years of employment. Sick leave is paid at 33.33% of up to 720 hours for employees with up to 15 years of service, and 50% for up to 720 hours for employees with over 16 years of service. The accumulated balance of the Authority's accrued vacation and sick leave at December 31, 2023 was \$11,074.

V. Other Information

A. Legal Claims

During the normal course of business, the Authority incurs claims and other assertions against it from various agencies and individuals. Management of the Authority and their legal counsel feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2023.

B. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; and errors and omissions. The Authority has obtained coverage through commercial insurers for these risks and claims, if any, which are not expected to exceed covered amounts.

C. Intergovernmental Agreement

Effective July 10, 2012, Gunnison County, the City of Gunnison, the Town of Crested Butte, and the Town of Mount Crested Butte (collectively, the "Parties") executed an intergovernmental agreement (the "IGA") to establish the Authority. The IGA is to remain in effect indefinitely but can be terminated by approval of 75% of the Authority's Board. The IGA was amended effective August 15, 2017 to provide a five-year funding plan for the Authority, beginning in 2018.

Gunnison Valley Regional Housing Authority
Notes to the Financial Statements
December 31, 2023
(Continued)

V. Other Information (continued)

C. Intergovernmental Agreement (continued)

In December 2022, a second amendment to the IGA was signed by the Parties to extend the funding plan for the Authority through 2023. In December 2023, the Parties executed a third amended and restated IGA to authorize funding of the Authority by the Parties for 2024, with funding for 2025 and 2026 to be decided annually in advance of each year. The restated IGA is to remain in effect for a period of three years, unless sooner amended.

Pursuant to the first amendment to the IGA, the Parties funded the Authority as follows in 2023:

Gunnison County	\$ 128,500
City of Gunnison	93,750
Town of Crested Butte	93,750
Town of Mt. Crested Butte	<u>93,750</u>
Total	<u><u>\$ 409,750</u></u>

D. Unconditional Guaranty

The Authority has executed an Unconditional Guaranty in favor of U.S.A. Institutional Tax Credit Fund XCVII L.P. (the "Investor Member") and APA LLC, whereby the Authority guaranties the obligations of AP(M) LLC as Managing Member under APA LLC's Amended and Restated Operating Agreement by ensuring that the collective Net Worth and Liquidity of the Authority ("Guarantor") exceeds and will continue to equal or exceed \$150,000 annually for the remainder for the 15-year Tax Credit Compliance Period for the APA Project. The Authority believes it is in compliance with the terms of the Unconditional Guaranty.

E. Restatement

The Authority has restated 2022 expenditures / expenses to correctly reflect billings related to its property management portfolio, resulting in the following restatement of opening fund balance / net position for 2023:

Net Position - Beginning of Year	\$ 4,231,443
Correction of error in property billings	<u>23,110</u>
Net Position - Beginning of Year (restated)	<u><u>\$ 4,254,553</u></u>
Fund Balance - Beginning of Year	\$ 775,234
Correction of error in property billings	<u>23,110</u>
Fund Balance - Beginning of Year (restated)	<u><u>\$ 798,344</u></u>