

**REGIONAL HOUSING ALLIANCE
OF LA PLATA COUNTY**

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

December 31, 2023

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

TABLE OF CONTENTS December 31, 2023

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis (Required Supplementary Information)	3
<u>Basic Financial Statements</u>	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position.....	7
Statement of Cash Flows	8
Notes to Financial Statements	9

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Regional Housing Alliance of La Plata County
Durango, CO 81301

Opinions

We have audited the financial statements of the Regional Housing Alliance of La Plata County as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Regional Housing Alliance of La Plata County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Regional Housing Alliance of La Plata County, as of December 31, 2023, 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 Regional Housing Alliance of La Plata County, 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 Regional Housing Alliance of La Plata County'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 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, 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 Regional Housing Alliance of La Plata County'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 Regional Housing Alliance of La Plata County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

FredrickZink & Associates, PC

FredrickZink & Associates, PC

May 9, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
December 31, 2023

As fiscal managers of the Regional Housing Alliance of La Plata County (the "RHA"), the following information offers readers of the RHA's financial statements this narrative overview and analysis of the financial activities of the RHA for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the RHA.

Financial Highlights

- Since 2017, Regional Housing Alliance has been in dormant status. All employees and assets, except for the Energy Impact Assistance Fund loans and cash, were transferred to HomesFund (formerly La Plata Homes Fund, Inc.). The HomesFund provides homebuyer assistance program (education, counseling, down payment assistance) to the 5-county southwest Colorado region.
- As of December 31, 2023, the RHA did not hold any mortgage receivables.
- As of December 31, 2023, the RHA held \$233,279 in cash resulting from prior year payoffs of Energy Impact mortgages.

Overview of the Financial Statements

The financial statements of the RHA are presented as a special purpose government engaged only in business-type activities.

The *Statement of Net Position* presents information on the RHA's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the RHA is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the RHA.

The *Statement of Revenue, Expenses and Changes in Position* reports the changes that have occurred during the year to the RHA's net position. 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. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the RHA's cash flows from operating, noncapital financing, capital and investing activities.

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
December 31, 2023

FINANCIAL SUMMARY AND ANALYSIS

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

CONDENSED STATEMENT OF NET POSITION

	<u>2023</u>
Total assets	<u>\$ 234,349</u>
Total liabilities	<u>\$ 5,507</u>
Net position	
Restricted for emergencies	6,576
Unrestricted	<u>222,266</u>
Total net position	<u>228,842</u>
Total liabilities and net position	<u>\$ 234,349</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2023</u>
REVENUES	\$ 225,000
EXPENSES	<u>219,213</u>
Change in net position	<u>\$ 5,787</u>

Revenues

In 2018 through 2021 the RHA was primarily dormant and received minimal revenue, the only source being interest on bank accounts. There were no additional revenue sources in 2022. The RHA received \$225,000 in contributions from La Plata County, the City of Durango, the Town of Bayfield, and the Town of Ignacio. The RHA is evaluating options for future contribution revenue.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
December 31, 2023**

Expenditures

The RHA's major expenditures in 2023 were Professional Fees paid to La Plata Economic Development Alliance for administrative management and housing strategy planning. The RHA did not have any employees during 2023.

BUDGETARY HIGHLIGHTS

The RHA prepares its budget on the modified accrual basis of accounting to recognize the fiscal impact of capital outlay, in addition to operating and non-operating revenue and contributions.

The 2023 budget included estimated grants that were not received resulting in revenues and expenses significantly underbudget.

- Actual operating revenues in 2023 were due to contributions of \$225,000 which was \$550,250 less than budgeted.
- Actual operating expenses, on the budgetary basis, were less than budgeted by \$604,787.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the RHA's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: The La Plata County Economic Development Alliance, 2301 Main Avenue, Durango, CO 81301, or 970-259-1700.

BASIC FINANCIAL STATEMENTS

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

STATEMENT OF NET POSITION

December 31, 2023

ASSETS

Current assets

Cash and cash equivalents.....	\$	233,279
Prepaid expenses.....		720
Total current assets.....		233,999

Noncurrent assets

Other assets.....		350
-------------------	--	-----

Total assets..... 234,349

LIABILITIES

Current liabilities

Accounts payable.....		5,507
-----------------------	--	-------

Total liabilities..... 5,507

NET POSITION

Restricted for emergencies.....		6,576
---------------------------------	--	-------

Unrestricted.....		222,266
-------------------	--	---------

Total net position..... \$ 228,842

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

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2023

OPERATING REVENUES

Grants and contributions.....	\$ 225,000
Total operating revenues.....	225,000

OPERATING EXPENSES

Professional fees.....	210,976
Rent and utilities.....	4,516
Office and administrative.....	3,721
Total operating expenses.....	219,213

Operating income.....	5,787
-----------------------	-------

Change in net position.....	5,787
------------------------------------	--------------

Net position, beginning of year.....	223,055
--------------------------------------	---------

Net position, end of year.....	\$ 228,842
--------------------------------	------------

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

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

Cash flows from operating activities	
Cash received from members.....	\$ 225,000
Cash paid to suppliers and others.....	(218,482)
Net cash provided by operating activities.....	<u>6,518</u>
Net increase in cash and cash equivalents.....	6,518
Cash and cash equivalents - beginning of year.....	226,761
Cash and cash equivalents - end of year.....	<u><u>\$ 233,279</u></u>
Reconciliation of Change in Net Position to	
Net Cash From Operating Activities	
Change in net position.....	\$ 5,787
Adjustments to reconcile income from operations	
to net cash provided by operating activities:	
Change in operating assets and liabilities:	
Change in prepaid expenses.....	(240)
Change in other assets.....	(350)
Change in accounts payable.....	1,321
Net cash provided by operating activities.....	<u><u>\$ 6,518</u></u>
Noncash Activity	
Provision for emergency reserve.....	\$ (5,309)

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

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 - NATURE OF ACTIVITIES

Regional Housing Alliance of La Plata County (the Authority) is a multi-jurisdictional housing authority governed pursuant to provisions of the Colorado Revised Statutes Section 29-1-204.5. The Authority was created on April 14, 2004, pursuant to an intergovernmental agreement by and among the Board of County Commissioners of La Plata County, Colorado; the City of Durango, Colorado; the Town of Ignacio, Colorado; and the Town of Bayfield, Colorado. The Authority was established to facilitate the planning, financing, acquisition, construction, management and operation of housing projects or programs pursuant to a multi-jurisdictional plan to provide affordable dwelling accommodations to the communities within the jurisdiction of the Authority.

As part of this master agreement, the Authority provided staffing and administrative contract services to HomesFund for 2016. Beginning January 1, 2017, HomesFund provided staffing and administrative contract services to the Authority. The master agreement terminated July 1, 2017. All assets of the Authority that could be assigned to HomesFund, were transferred to HomesFund in April 2017. The Authority Board and member agencies agreed to transition the Authority into dormancy and let HomesFund, a non-profit organization, take over primary operations related to affordable housing. Since that time, the Authority filed the required annual application for exemption from audits with the Colorado Office of the State Auditor. In November 2021, the Authority Board and member agencies signed a new intergovernmental agreement to restart the Authority and take it out of dormancy status.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

In reevaluating how to define the government, for financial reporting purposes, the Authority's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB No. 39. GASB pronouncements set for the financial accountability of governmental organizations elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. Based upon the application of these criteria, no entities will be included in the Authority's reporting entity.

Measurement focus, basis of accounting and financial statement presentation

For financial reporting purposes, the Authority is considered a special-purpose government engaged only in business-type activities. Accordingly, the Authority's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting, where revenues are recognized when earned and expenses are recorded when an obligation is incurred. The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Cash and cash equivalents

For purposes of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2023, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets

The Authority capitalizes assets with an individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets which have been contributed are stated at estimated fair value at the date of contribution or at donor's cost. The Authority held no depreciable capital assets during the year ended December 31, 2023.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Right-to-use leased assets are recognized at the lease commencement date and represent the Authority's right-to-use an underlying asset for the lease term. Right-of-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period therefore would vary.

Net position on the statement of net position

Net position represents the difference between assets and deferred inflows of resources, and deferred outflows of resources and liabilities and is classified as net investment in capital assets, restricted or unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets, excluding any unspent bond proceeds.

Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

Any other net position that does not meet these definitions is classified as unrestricted. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply restricted net position first.

Grants and contributions

Grants and contributions consist of funding provided to the Authority by various businesses, private foundations and governmental agencies to assist the Authority in providing affordable dwelling accommodations. Revenue is recorded when all eligibility requirements, including time requirements, have been met. Any amounts received for which the eligibility or time requirement have not been met are reported as assets and either liabilities (unearned revenues) or as deferred inflows of resources, depending on the extent to which eligibility requirements are met.

Use of estimates

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

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

NOTE 3 - BUDGETS

The Authority adheres to the following procedures in establishing its annual budget.

- The Authority files an annual budget in accordance with State law.
- The budget officer is required to submit a proposed budget to the Board by October 15.
- Public hearings are conducted by the Board to obtain taxpayer comments.
- Expenses may not legally exceed appropriations at the funds level. Board approval is required for changes in the budget.
- Budget appropriations lapse at the end of each year.
- The Authority adopts budgets on a modified accrual basis.

NOTE 4 - TAX SPENDING AND DEBT LIMITATION (TABOR)

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Amendment), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the Amendment.

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 emergency reserve of \$6,576 is included in restricted net position on the accompanying statement of net position.

The Authority was de-Bruced by the electors of La Plata County in November 2005 and as such is not subject to the revenue limits imposed in the TABOR amendment.

NOTE 5 - CASH AND CASH EQUIVALENTS

Legal and Contractual Provisions Governing Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk - This is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2023, the Authority's deposits were not exposed to credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation or collateralized in accordance with PDPA.

The carrying value of deposits as of December 31, 2023 are shown in the following captions in the statement of net position:

	<u>Carrying Value</u>	<u>Bank Value</u>
Cash and cash equivalents	\$ 233,279	\$ 234,829

REGIONAL HOUSING ALLIANCE OF LA PLATA COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2023

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Administrative services

In November 2022, the Authority entered into a thirteen-month agreement with La Plata Economic Development Alliance for administrative services commencing December 1, 2022 through December 31, 2023 for \$1,900 per month. Total costs incurred during the year ended December 31, 2023 was \$22,800. The agreement was renewed for another year.

In December 2022, the Alliance entered into a renewable one-year agreement with the La Plata Economic Development Alliance for professional services commencing January 1, 2023, for \$14,833 per month. Total costs incurred for the year ended December 31, 2023 was \$178,531. The agreement was renewed for another two years.

In December 2022, the Authority entered into a two-year lease agreement for office space with an unrelated party commencing January 1, 2023 for \$350 per month. Total expense incurred for the year ended December 31, 2023 was \$4,200. As there is one year remaining on the lease, it was determined to not record a right-of-use leased asset as required under GASB no. 87.

NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. During 2017, the Authority was a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is an organization created by intergovernmental agreement to provide property, general liability, law enforcement liability, public official's liability, crime coverage, and workers compensation coverage to its members. Settled claims have not exceeded this coverage during 2023.

The Authority pays annual premiums to CIRSA for property, general liability, law enforcement liability, public official's liability, crime coverage and workers compensation coverage. For the coverage provided, CIRSA shall be liable for payment of the applicable self-insured retentions and only to a total annual aggregate amount for CIRSA members as a whole of the amount of the applicable CIRSA loss fund for the coverage period. There shall be no aggregate excess coverage over any loss fund.

Coverage in excess of CIRSA's self-insured retentions shall be provided only by the applicable excess insurers and/or reinsurers in applicable excess and reinsurance policies and shall be payable only by those excess insurers and/or reinsurers. The limits of coverage provided by the excess insurers and/or reinsurers for the coverage period shall be described in the coverage documents issued to the Authority. Sub-limits, aggregate limits and other limits shall apply as provided in said documents.

NOTE 8 - SUBSEQUENT EVENTS

The Authority's management has evaluated subsequent events through May 9, 2024, the date which the financial statements were available for issue. Except as described below, no other subsequent events were identified requiring disclosure in the notes to the financial statements.

In March 2024, the Authority received a \$938,553 donation Durango Industrial Development Foundation, a nonprofit organization, as part of the dissolution of their organization.