

**HOUSING AUTHORITY OF THE COUNTY OF MONTROSE, COLORADO**

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

**December 31, 2023**

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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, 2023, 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, 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 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.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Montrose'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 Housing Authority of the County of Montrose's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of Montrose's basic financial statements. The accompanying schedule of net position and schedule of individual program revenues, expenses, and changes in net position for all programs and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying financial data schedule is also not a required part of the financial statements and is presented for additional analysis as required by the United States Department of Housing and Urban Development. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net position and schedule of individual program revenues, expenses, and changes in net position and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024, 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  
March 6, 2024

**Montrose County Housing Authority  
Management's Discussion and Analysis  
Year Ended December 31, 2023**

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This narrative overview and analysis of the Montrose County Housing Authority (MCHA), performance through December 31, 2023, is provided as a supplement to MCHA year-end financial statements. Please read it in conjunction with the transmittal letter at the beginning of this report, the basic financial statements following this section and the notes to the basic financial statements.

**Financial Highlights**

- The assets of MCHA exceeded liabilities on December 31, 2023 by \$4.57 million. Of this amount, \$1.88 million (unrestricted net position) may be used to meet ongoing obligations and \$2.43 million is the net investment in capital assets.
- The MCHA total net position increased by \$ 77,401, up 1.7% from the prior year.
- Operating revenues increased \$206,759 from 2022 (10.5%).
- Operating expenses increased \$ 135,704 (6.8 %) in comparison to the prior year.
- Overall, capital assets, net of accumulated depreciation, decreased by \$118,852. Depreciation costs were \$200,477.
- Total long-term debt decreased by \$11,613 from the prior year.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended only to serve as an introduction to MCHA's basic financial statements. The MCHA financial statements are comprised of a series of *financial exhibits* highlighting the important statements found in most organizational audits, followed by *Notes to the Basic Financial Statements* that provide additional disclosure of some of the information in the basic financial statements.

*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* presents 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) its 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, 2023. 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:

	2023	2022
Current assets	\$ 1,427,058	\$ 1,250,417
Restricted assets	266,654	243,397
Other investments	557,346	557,346
Capital assets, net	2,457,363	2,576,216
Total assets	4,708,421	4,627,376
Current liabilities	88,201	77,226
Noncurrent liabilities	46,019	53,351
Total Liabilities	134,220	130,577
Investment in capital assets, net of related debt	2,425,878	2,527,496
Restricted for debt service and vouchers	269,535	214,971
Unrestricted	1,878,788	1,754,332
Total net position	4,574,201	4,496,799

The MCHA’s current ratio reflects the relationship between current assets and current liabilities and is a measure of MCHA’s ability to pay short-term obligations. At December 31, 2023 MCHA’s current ratio is 16:1.

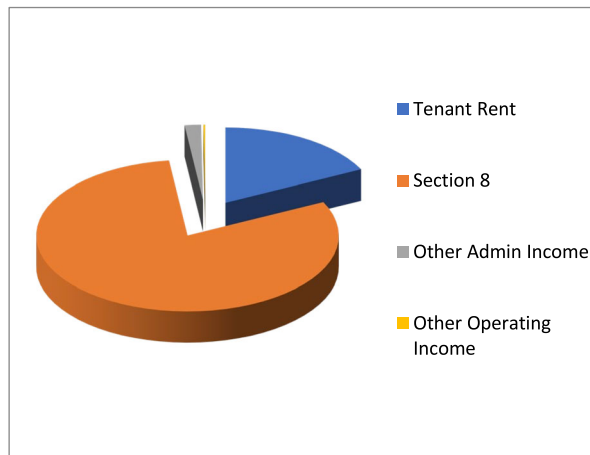
A large portion of MCHA’s net position consists of its investment in capital assets, net of outstanding related debt. Excluding related debt, MCHA’s ownership interest in its capital assets is (99%) of over \$2.46 million total capital assets. MCHA utilizes the capital assets to fulfill its mission of providing low-income housing for the residents of Montrose County.

Changes in net position are summarized in the table below:

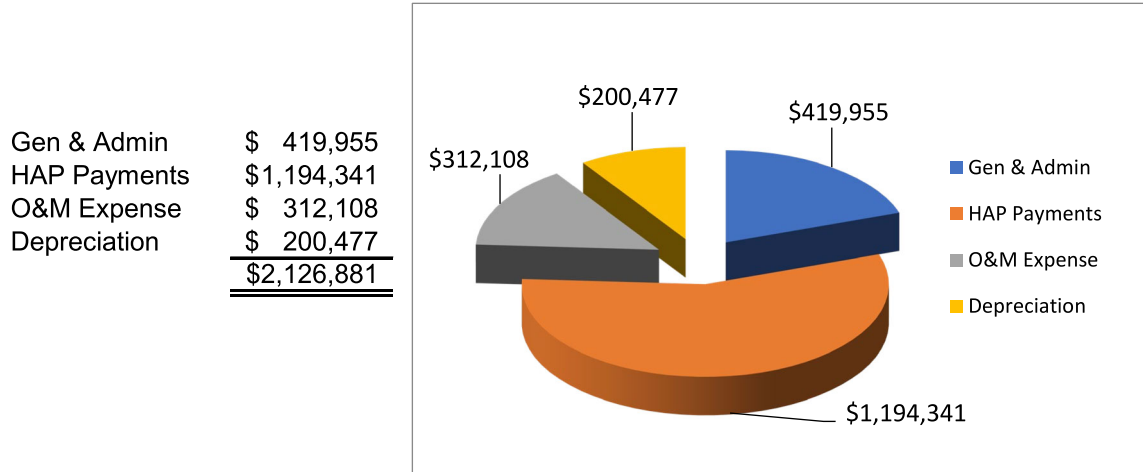
	2023	2022
Operating Revenues	\$ 2,172,699	\$ 1,965,940
Operating Expenses	<u>2,126,881</u>	<u>1,991,177</u>
Operating (loss) income	45,818	(25,237)
Nonoperating revenues (expenses)	<u>31,583</u>	<u>9,774</u>
Change in net position	77,401	(15,463)
Net Position, January 1	<u>4,496,800</u>	<u>4,512,262</u>
Total Net Position December 31	<u><u>\$ 4,574,201</u></u>	<u><u>\$ 4,496,799</u></u>

### Operating Revenues by Source

Tenant Rent	\$ 384,679
Section 8	1,745,610
Other Admin Income	38,016
Other Operating Income	<u>4,394</u>
	<u><u>\$ 2,172,699</u></u>



## Operating Expenses by Source



## Capital Assets

	2023	2022
Land	\$ 578,203	\$ 578,203
Building	5,337,991	5,262,232
Vehicle	14,400	14,400
Furniture & Equipment	108,124	102,258
Total Capital Assets (being depreciated)	<u>5,460,515</u>	<u>5,378,890</u>
Less: Accumulated Depreciation	<u>(3,581,355)</u>	<u>(3,380,877)</u>
Capital Assets being depreciated	<u>1,879,160</u>	<u>1,998,013</u>
Net Capital Assets	<u>\$ 2,457,363</u>	<u>\$ 2,576,216</u>

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

## Debt Administration

	2023	2022
Mortgage Payable	<u>\$ 31,485</u>	<u>\$ 48,717</u>

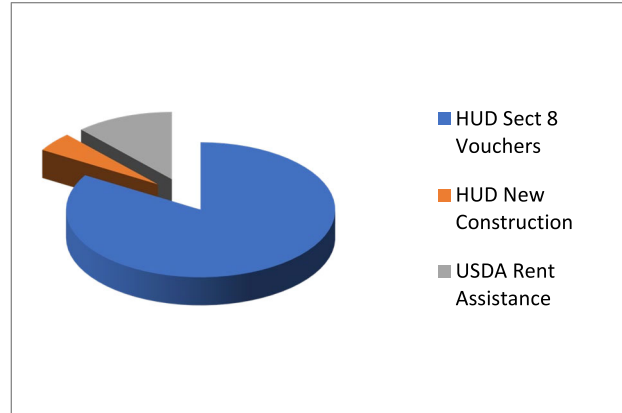
All debt service payments were made in 2023 as scheduled.

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

## Federal Subsidy Utilization

SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS - 2023

HUD Sect 8 Vouchers	\$	1,500,634
HUD New Construction		83,631
USDA Rent Assistance		211,882
		\$ 1,796,147



## Management Analysis and Comment

### Organizational Structure

The housing authority is a quasi-government business entity, organized around a 5-member board of commissioners, all individually appointed to serve 5-year terms by the 3-member Board of County Commissioners. The housing authority appoints an Executive Director, their sole employee, to carry out the mission of the housing authority. The board is ultimately responsible for providing oversight and governance of the housing authority. The board meets monthly on the last Wednesday of each month. Penny Harris is the Chair of the Board, Ann Morgenthaler is the Vice Chair, Don Varey is the County Representative on the board. Other Board Members are Mike Hoffman and Sarah Fishing.

As a quasi-government business entity, MCHA is highly regulated and governed by the federal government through Housing and Urban Development (HUD), state government through the Colorado Division of Housing, as well as the local board of county commissioners. In addition, MCHA reports to each private or public funding agency with whom we maintain a financial relationship such as the Colorado Department of Local Affairs for community development block grants, the U.S.D.A. Rural Development for farm labor housing grants, the Colorado Division of Housing for HOME funds, and Colorado Housing Finance Authority (CHFA) for tax credit issues. MCHA is classified as a 501(c)(3) non-profit corporation.

### 2023 Highlights

- The number of Housing Choice Vouchers leased up averaged 186 each month, this number includes the VASH (Veteran’s Administration Supportive Housing) vouchers.

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 Net Position**  
**December 31, 2023**

<b>Assets</b>	
<b>Current assets</b>	
Cash and investments	\$ 1,427,058
Accounts receivable, less allowance of \$0	-
<b>Total current assets</b>	<b>1,427,058</b>
<b>Noncurrent assets</b>	
<b>Restricted cash and investments</b>	
Tenant security deposits	30,595
Loan reserves	236,059
<b>Total restricted assets</b>	<b>266,654</b>
Other	557,346
Capital assets, Net of Accumulated Depreciation	2,457,363
<b>Total noncurrent assets</b>	<b>2,457,363</b>
<b>Total assets</b>	<b>4,708,421</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	31,125
Unearned Revenue	16
Accrued Payroll	14,145
Security deposits held	30,468
Current maturity of long-term debt	12,447
<b>Total current liabilities</b>	<b>88,201</b>
<b>Noncurrent liabilities</b>	
Compensated Absences	26,981
Long-Term Debt	19,038
<b>Total noncurrent liabilities</b>	<b>46,019</b>
<b>Total liabilities</b>	<b>134,220</b>
<b>Net position</b>	
Net investment in capital assets	2,425,878
Restricted for debt services and replacements	236,059
Restricted for Vouchers	33,476
Unrestricted	1,878,788
<b>Total net position</b>	<b>\$ 4,574,201</b>

The accompanying notes are an integral part of these financial statements

**Housing Authority of County of Montrose, Colorado**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2023**

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<b>Operating revenues</b>	
Tenant rent income	\$ 384,679
Rent income- HUD/USDA	1,745,610
Other administrative income	38,016
Other operating income	4,394
<b>Total operating revenues</b>	<u>2,172,699</u>
 <b>Operating expenses</b>	
General and administrative	419,955
Housing assistance payments	1,194,341
Maintenance and operations	312,108
Depreciation	200,477
<b>Total operating expenses</b>	<u>2,126,881</u>
 <b>Net operating income (loss)</b>	 45,818
 <b>Nonoperating revenues (expenses)</b>	
Interest income	32,372
Interest Subsidy	1,817
Interest expense	(2,605)
<b>Total non-operating revenue (expense)</b>	<u>31,583</u>
<b>Change in net position</b>	<u>77,401</u>
 <b>Net position at beginning of year</b>	 4,496,800
<b>Net position at end of year</b>	<u><u>\$ 4,574,201</u></u>

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

**Housing Authority of County of Montrose, Colorado**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**

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<b>Cash flows from operating activities</b>	
Cash received from housing assistance and rent payments	\$ 2,130,289
Other operating receipts	42,410
Tenant security deposits received/refunded	1,761
Cash paid to suppliers	(1,574,403)
Cash paid to employees	(332,885)
<b>Net cash provided (used) in operating activities</b>	<b>267,172</b>
 <b>Cash flows from capital and related financing activities</b>	
Purchase of capital Asset Improvements	(81,625)
Principal Payments of Debt	(17,232)
Interest Paid	(789)
<b>Net cash provide by noncapital financing activities</b>	<b>(99,646)</b>
 <b>Cash flows from investing activities</b>	
Interest received	32,372
<b>Net cash provided (used) in investing activities</b>	<b>32,372</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>199,898</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,493,814</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,693,712</b>
 <b>Reconciliation of net operating income to net cash Provided (used) in operating activities:</b>	
Net operating income (loss)	\$ 45,818
Adjustments to reconcile operating income (loss to net cash)	
Provided (used) by operating activities	
Depreciation	200,477
(Increase) decrease in accounts receivable	-
Increase (decrease) in accounts payable	11,162
Increase (decrease) in compensated absences	5,619
Increase (decrease) in security deposits	1,761
Increase (decrease) in accrued liabilities	2,335
<b>Total adjustments</b>	<b>221,354</b>
<b>Net cash provided (used) in operating activities</b>	<b>\$ 267,172</b>

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, 2023

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**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, 2023

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**Note A- Summary of Significant Accounting Policies - Continued**

***Measurement Focus, Basis of Accounting and Basis of Presentation***

The accounts of the Authority are organized and operated on the basis of a proprietary fund. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The Authority has implemented GASB No. 34 and related statements. Since the operations of the Authority are accounted for on a fund basis in a single enterprise fund, it is the only fund presented. A description of the fund type used by the Authority follows:

Proprietary Fund - is used to account for those operations that are financed and operated in a manner similar to private business. Activities of the Authority are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The basis of accounting refers to when revenues or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of a fund are included on the statement of net position. Net position is categorized as net investment in capital assets, restricted for debt service and Voucher expenses, and unrestricted. Fund operating statements present increases (e.g., revenues and contributions) and decreases (e.g., expenses) in net position. Proprietary funds are presented on an accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Authority uses the accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services within the scope of the enterprise operation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues from grants are recognized in the year in which all eligibility requirements have been satisfied.

***Budgetary Control and Authority***

The Board of Commissioners of the Authority adopts, by vote, an annual budget for each fund or project of the Authority. The budget adoption process is not authorized by constitution, charter, statute or ordinance. Fund budgets are adopted to provide internal financial management and oversight control.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2023

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**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, 2023, 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*

The 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, 2023

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**Note A- Summary of Significant Accounting Policies - Continued**

*Assets, Liabilities and Equity- continued*

*Compensated Absences*

The Authority's policy is to allow employees to accumulate a limited amount of earned but unused vacation leave which will be taken after the year end or paid upon termination.

*Risk Management*

The Authority is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years.

*Estimates*

The preparation of financial statements in accordance with US GAAP involves the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenues and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past and current events and assumptions about future events. Actual results could differ from those estimates.

**Note B- Cash and Cash Equivalents**

*Cash*

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2023, the bank balance of the Authority's deposits was \$1,083,628, of which \$468,716 of the Authority's bank deposits were covered by FDIC insurance and \$614,912 was collateralized under PDPA.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2023

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**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, 2023:

Cash in Banks	\$ 1,073,600
Colotrust	<u>620,112</u>
	1,693,712
Less amounts restricted for tenant security deposits, specific expenditures, and loan reserves	<u>(266,654)</u>
	<u>\$ 1,427,058</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, 2023

**Note D- Capital Assets**

At December 31, 2023, capital asset transactions and balances include the following:

	Balance 12/31/2022	Additions	Dispositions	Balance 12/31/2023
Capital assets not being depreciated:				
Land	\$ 578,203	\$ -	\$ -	\$ 578,203
Capital assets being depreciated:				
Building and improvements	5,262,232	75,759	-	5,337,991
Vehicles	14,400	-	-	14,400
Furniture and equipment	102,258	5,866	-	108,124
Total capital assets being depreciated	<u>5,378,890</u>	<u>81,625</u>	<u>-</u>	<u>5,460,515</u>
Less accumulated depreciation	<u>(3,380,878)</u>	<u>(200,477)</u>	<u>-</u>	<u>(3,581,355)</u>
Total capital assets being depreciated	<u>1,998,012</u>	<u>(118,852)</u>	<u>-</u>	<u>1,879,160</u>
Total capital assets, net	<u>\$ 2,576,215</u>	<u>\$ (118,852)</u>	<u>\$ -</u>	<u>\$ 2,457,363</u>

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

The Authority has two mortgages payable to the U. S. Department of Agriculture, Office of Rural Development (formerly FMHA). The first mortgage has a monthly installment due of \$960, with an annual interest rate at 1.0%. This mortgage is collateralized by a lien on the apartments, on the real property and a security interest in rents, profits and reserve accounts. The second mortgage has a monthly installment due of \$464, with an annual interest rate at 1%. This mortgage is collateralized by a lien on the real property and a security interest in rents, profits and reserve accounts.

	Balance 12/31/2022	Additions	Reductions	Balance 12/31/2023	Due in one year
Compensated Absences	\$ 21,362	\$ 5,619	\$ -	\$ 26,981	\$ -
Loan 83-20	41,462	-	11,154	30,308	11,270
Loan 84-20	7,255	-	6,078	1,177	1,177
Total Business Activities	<u>\$ 70,079</u>	<u>\$ 5,619</u>	<u>\$ 17,232</u>	<u>\$ 58,466</u>	<u>\$ 12,447</u>

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2023

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**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>
2024	\$ 12,447	\$ 250	\$ 12,697
2025	11,384	138	11,522
2026	7,654	29	7,683
	<u>\$ 31,485</u>	<u>\$ 417</u>	<u>\$ 31,902</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, 2023

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**Note I- Defined Contribution Pension Plan**

The Authority contributes to the Colorado Retirement Association through Montrose County, a multiple employer defined contribution plan (Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. An agreement between the Authority and the Plan requires the Authority to contribute 3.0% of a participant's basic monthly salary. All full-time employees are required to participate. Plan provisions and contribution requirements are established by CRA and would have to be approved by Montrose County and the Authority.

The Authority made the required 3.0% matching contribution in the amount of \$8,706 for the year ended December 31, 2023. The Authority allocates employer contributions to the various programs based on participating employees directly attributable to that program.

Employees are permitted to make contributions up to applicable Internal Revenue Code limits. For the year ended December 31, 2023, the employee contributions totaled \$17,346.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in Authority contributions and earnings on Authority contributions over a five-year period. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to pay a portion of the Authority's pension expenses.

The Plan had no investments in or loans to the Authority during the year ended December 31, 2023.

**Note- J- Tax, Spending and Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the amendment. However, the Authority has made certain interpretations of the amendment's language in order to determine its compliance.

**Note- K- Investments in Joint Ventures**

The Authority is a special member in Sunshine Peak Apartments and Annex, a 91-unit multi-family housing low-income tax credit project. After completion of the 15-year low-income housing tax credit compliance period (August 31, 2022) and withdrawal of the non-managing member, Boston Capital, the project will be transferred to the Authority.

Housing Authority of the County of Montrose, Colorado

Notes to Financial Statements

December 31, 2023

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**Note- K- Investments in Joint Ventures -Continued**

The Authority is a 49% member in Luckenbill San Juan Development LLC, whom is the managing member of the Sunshine Peak project and has a .01% interest in the Sunshine projects. A capital contribution was made during 2018 of \$557,346 to the LLC during 2018. There was no available cash flows in the projects per review of the projects audited financials. The fair value of the investment had no changes for year-end 2023.

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 Net Position-All Programs**  
**December 31, 2023**

<b>Assets</b>	<b>General Administration</b>	<b>Olathe Meadows</b>	<b>Rental Properties</b>	<b>Family Housing Duplexes</b>	<b>Section 8 Vouchers</b>	<b>Barbara Courts</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>Current assets</b>								
Cash and Investments	\$ 628,729	\$ 239,884	\$ 62,445	\$ 53,141	\$ 375,859	\$ 67,000	\$ -	\$ 1,427,058
Accounts receivable	36,104	-	-	-	-	-	(36,104)	-
<b>Total current assets</b>	<u>664,833</u>	<u>239,884</u>	<u>62,445</u>	<u>53,141</u>	<u>375,859</u>	<u>67,000</u>	<u>(36,104)</u>	<u>1,427,058</u>
<b>Restricted assets</b>								
Tenant security deposits	-	4,699	8,302	11,095	-	6,499	-	30,595
Loan reserves	-	-	-	153,524	-	82,535	-	236,059
<b>Total restricted assets</b>	<u>-</u>	<u>4,699</u>	<u>8,302</u>	<u>164,619</u>	<u>-</u>	<u>89,034</u>	<u>-</u>	<u>266,654</u>
Other Investments	557,346	-	-	-	-	-	-	557,346
Capital assets	161,209	329,186	1,076,800	684,318	9,382	196,468	-	2,457,363
<b>Total assets</b>	<u>1,383,388</u>	<u>573,769</u>	<u>1,147,547</u>	<u>902,078</u>	<u>385,241</u>	<u>352,502</u>	<u>(36,104)</u>	<u>4,708,421</u>
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accounts payable	21,137	7,215	3,725	11,982	15,597	7,573	(36,104)	31,125
Unearned Revenue	-	-	-	-	16	-	-	16
Accrued Payroll	14,145	-	-	-	-	-	-	14,145
Security deposits held	-	4,673	8,250	11,090	-	6,455	-	30,468
Current portion of long-term debt	-	-	-	11,270	-	1,177	-	12,447
<b>Total current liabilities</b>	<u>35,282</u>	<u>11,888</u>	<u>11,975</u>	<u>34,342</u>	<u>15,613</u>	<u>15,205</u>	<u>(36,104)</u>	<u>88,201</u>
Compensated absences	26,981	-	-	-	-	-	-	26,981
Long-term debt, net of current portion	-	-	-	19,038	-	-	-	19,038
<b>Total Liabilities</b>	<u>62,263</u>	<u>11,888</u>	<u>11,975</u>	<u>53,380</u>	<u>15,613</u>	<u>15,205</u>	<u>(36,104)</u>	<u>134,220</u>
<b>Net position</b>								
Net investment in capital assets	161,209	329,186	1,076,800	654,010	9,382	195,291	-	2,425,878
Restricted for debt service, housing expenses, vouchers, and revolving loans	-	-	-	153,524	33,476	82,535	-	269,535
Unrestricted	1,159,916	232,695	58,772	41,164	326,770	59,471	-	1,878,788
<b>Total net position</b>	<u>\$ 1,321,125</u>	<u>\$ 561,881</u>	<u>\$ 1,135,572</u>	<u>\$ 848,698</u>	<u>\$ 369,628</u>	<u>\$ 337,297</u>	<u>\$ -</u>	<u>\$ 4,574,201</u>

**Housing Authority of County of Montrose, Colorado**  
**Schedule of Revenues, Expenses and Changes in Net Position--All Programs**  
**Year Ended December 31, 2023**

	General Administration	Olathe Meadows	Rental Properties	Family Housing Duplexes	Section 8 Vouchers	Barbara Courts	Eliminating Entries	Total
<b>Operating revenues</b>								
Tenant rent income	\$ -	\$ 61,908	\$ 99,605	\$ 147,115	\$ -	\$ 76,051	\$ -	\$ 384,679
Rent income - HUD/USDA	-	83,631	-	65,595	1,500,634	95,750	-	1,745,610
Other administrative income	138,915	-	-	-	-	-	(100,899)	38,016
Other operating income	-	750	-	-	3,495	149	-	4,394
<b>Total operating revenues</b>	<b>138,915</b>	<b>146,289</b>	<b>99,605</b>	<b>212,710</b>	<b>1,504,129</b>	<b>171,950</b>	<b>(100,899)</b>	<b>2,172,699</b>
<b>Operating expenses</b>								
General and administrative	167,669	32,654	49,744	39,122	200,838	30,827	(100,899)	419,955
Housing assistance payments	-	-	-	-	1,194,341	-	-	1,194,341
Maintenance and operations	-	98,415	14,280	108,199	-	91,214	-	312,108
Depreciation	8,870	34,981	37,838	75,140	1,877	41,771	-	200,477
<b>Total operating expense</b>	<b>176,539</b>	<b>166,050</b>	<b>101,862</b>	<b>222,461</b>	<b>1,397,056</b>	<b>163,812</b>	<b>(100,899)</b>	<b>2,126,881</b>
<b>Net operating income (loss)</b>	<b>(37,624)</b>	<b>(19,761)</b>	<b>(2,257)</b>	<b>(9,751)</b>	<b>107,073</b>	<b>8,138</b>	<b>-</b>	<b>45,818</b>
<b>Nonoperating revenues (expenses)</b>								
Interest income	25,803	5,690	40	19	715	105	-	32,372
Interest Subsidy	-	-	-	-	-	1,817	-	1,817
Interest expense	-	-	-	(364)	-	(2,241)	-	(2,605)
<b>Total non-operating revenue (expenses)</b>	<b>25,803</b>	<b>5,690</b>	<b>40</b>	<b>(345)</b>	<b>715</b>	<b>(320)</b>	<b>-</b>	<b>31,583</b>
<b>Change in net position</b>	<b>(11,821)</b>	<b>(14,071)</b>	<b>(2,217)</b>	<b>(10,096)</b>	<b>107,788</b>	<b>7,818</b>	<b>-</b>	<b>77,401</b>
<b>Net position at beginning of year</b>	<b>1,332,952</b>	<b>575,950</b>	<b>1,137,786</b>	<b>858,793</b>	<b>261,841</b>	<b>329,478</b>	<b>-</b>	<b>4,496,800</b>
<b>Net position at end of year</b>	<b>\$ 1,321,131</b>	<b>\$ 561,879</b>	<b>\$ 1,135,569</b>	<b>\$ 848,697</b>	<b>\$ 369,629</b>	<b>\$ 337,296</b>	<b>\$ -</b>	<b>\$ 4,574,201</b>

**Housing Authority of County of Montrose, Colorado**  
**Schedule of Expenditures of Federal Awards**  
**For the Years Ended December 31, 2023**

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	<u>C.F.D.A Program Number</u>	<u>Amount of Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>		
<b>Housing Voucher Cluster</b>		
Section 8 Housing Choice Vouchers	14.871	\$ 1,500,634
<b>Section 8 Project-Based Cluster</b>		
Section 8 New Construction and Substantial rehabilitation	14.182	<u>83,631</u>
<b>Total U.S. Department of Housing and Urban Development</b>		1,584,265
<b>U.S. Department of Agriculture</b>		
Rural Rental Housing Loans	10.415	48,720
Rural Rental Assistance Payments	10.427	<u>163,162</u>
<b>Total U.S. Department of Agriculture</b>		<u>211,882</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 1,796,147</u></u>

The accompanying notes are an integral part of this statement.

**HOUSING AUTHORITY OF THE COUNTY OF MONTROSE, COLORADO**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year ended December 31, 2023**

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**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	\$31,485

**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.



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the County of Montrose, Colorado, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Montrose, Colorado’s basic financial statements, and have issued our report thereon dated March 6, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Housing Authority of the County of Montrose, Colorado’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Montrose, Colorado’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Montrose, Colorado’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Certified Public Accountants

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### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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  
March 6, 2024



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Housing Authority of the County of Montrose, Colorado’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the County of Montrose, Colorado’s major federal programs for the year ended March 6, 2023. The Housing Authority of the County of Montrose, Colorado’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Housing Authority of the County of Montrose, Colorado complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 6, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

***Auditor’s Responsibilities for the Audit of Compliance***

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

**Certified Public Accountants**

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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 the 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 the 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 the 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  
March 6, 2024

**Housing Authority of the County of Montrose, Colorado**  
**Schedule of Findings and Questioned Costs**  
**Year ended December 31, 2023**

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	None Noted
Significant deficiency identified	None Noted
Noncompliance material to financial statements noted	None Noted

Federal Awards

Internal Control over major programs:	
Material weakness identified	None Noted
Significant deficiency identified	None Noted

Type of auditor's report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None Noted
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Voucher Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low risk auditee?	Yes
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**Housing Authority of the County of Montrose, Colorado**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS — CONTINUED**  
**Year ended December 31, 2023**

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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.

**Housing Authority of the County of Montrose, Colorado**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended December 31, 2023**

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SECTION II — FINDINGS RELATED TO FINANCIAL STATEMENTS

None

SECTION III — FINDINGS RELATED TO FEDERAL AWARDS

None