MIDDLE INCOME HOUSING AUTHORITY

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

MIDDLE INCOME HOUSING AUTHORITY
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YEARS ENDED JUNE 30, 2024 AND 2023

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Middle Income Housing Authority
Denver, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Middle Income Housing Authority (the Authority) as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Middle Income Housing Authority as of June 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Middle Income Housing Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Middle Income Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' report that includes our opinion. 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 GAAS 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 GAAS 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 Middle Income Housing Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Board of Directors
Middle Income Housing Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2025, on our consideration of Middle Income Housing Authority'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 Middle Income Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Middle Income Housing Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
February 12, 2025

MIDDLE INCOME HOUSING AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Deposits Held with Vectra Bank	$ 19,601	$ 57,208
Deposits Held with Colorado State Treasury	343,766	607,831
Prepaid Items	9,726	16,275
Total Current Assets	373,093	681,314
Total Assets	$ 373,093	$ 681,314
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts Payable	$ 3,972	$ 133,598
Total Liabilities	3,972	133,598
NET POSITION		
Unrestricted	369,121	547,716
Total Liabilities and Net Position	$ 373,093	$ 681,314

See accompanying Notes to Financial Statements.

MIDDLE INCOME HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING EXPENSES		
Professional Fees	$ 18,900	$ 335,058
OEDIT Admin	94,263	71,236
Legal Fees	54,846	48,813
Insurance	19,856	10,501
Dues and Subscriptions	6,104	1,563
Miscellaneous	561	944
Total Operating Expenses	194,530	468,115
OPERATING LOSS	(194,530)	(468,115)
NONOPERATING REVENUES		
State of Colorado Appropriation	-	1,000,000
Interest Income	15,935	15,831
Total Nonoperating Income	15,935	1,015,831
CHANGE IN NET POSITION	(178,595)	547,716
Net Position - Beginning of Year	547,716	-
NET POSITION - END OF YEAR	$ 369,121	$ 547,716

See accompanying Notes to Financial Statements.

MIDDLE INCOME HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Payments to Vendors	$ (317,607)	$ (350,792)
Net Cash Used by Operating Activities	(317,607)	(350,792)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	15,935	15,831
Net Cash Provided by Investing Activities	15,935	15,831
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State of Colorado Appropriation	-	1,000,000
Net Cash Provided by Noncapital Financing Activities	-	1,000,000
NET CHANGE IN CASH AND DEPOSITS	(301,672)	665,039
Cash and Deposits Held - Beginning of Year	665,039	-
CASH AND DEPOSITS HELD - END OF YEAR	$ 363,367	$ 665,039
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (194,530)	$ (468,115)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Effect of Changes in Assets and Liabilities:		
Prepaid Expenses	6,549	(16,275)
Accounts Payable	(129,626)	133,598
Net Cash Used by Operating Activities	$ (317,607)	$ (350,792)

See accompanying Notes to Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Middle Income Housing Authority (the Authority or MIHA) is a special purpose authority of the state of Colorado. The Authority was created by Colorado Senate Bill 22-232, signed into law on June 3, 2022, for the purpose of acquiring, constructing, rehabilitating, owning, operating, and financing affordable rental housing projects for middle-income workforce housing.

On July 1, 2022, the Colorado State Treasurer issued the Authority a warrant paid from the state of Colorado General Fund in an amount equal to $1,000,000 for use by the Authority consistent with the provisions of Senate Bill 22-232.

The Authority is a body corporate and political subdivision of the state of Colorado. It is not an agency of the State and is not subject to administrative direction by any department, commission, board, bureau, or agency of the state of Colorado.

In 1992, Colorado voters approved an amendment to the State Constitution, Article X, Section 20, which, among other things, imposes restrictions on increases in revenue and expenditures of state and local governments (known as Taxpayer Bill of Rights or TABOR). The Authority is a “special purpose authority,” not a part of the “State” under C.R.S. 24-77-102(15) and (16), and not a “district” as defined in TABOR, and is therefore exempt from its provisions.

By law the Authority shall conduct an annual audit of its finances and shall adopt a budget and work plan for each fiscal year. The Authority shall submit to the governor, the state auditor, and the general assembly within six months after the end of the state fiscal year a report that shall set forth a complete and detailed operating and financial statement of the authority during such year.

The powers of the Authority are vested in the governing body of the Authority, which is the board of directors. The board consists of fourteen members, twelve of which are appointed by the Governor of Colorado with the consent of the Colorado Senate. The Executive Director of the Colorado Office of Economic Development and International Trade (OEDIT) and the Director of the Department of Local Affairs Division of Housing also make one member appointment each. At least one member must have experience in each of the following areas: the development of rental housing, real estate transactions, and public finance. Additionally, one member must meet one of the following criteria: be the director of a local housing authority; an elected county commissioner from a rural county in the state; an elected county commissioner from a county in the state; and a representative from a nonprofit organization that has experience developing middle-income housing.

In addition to the above requirements, reasonable efforts should be made to appoint members that reflect geographic diversity of the state. Each member is appointed to four-year terms, with terms staggered so that no more than five members’ terms expire in the same year. Members are limited to two consecutive terms and serve without compensation but are reimbursed for necessary expenses while serving on the board.

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

In June 2023, the enabling legislation for the Authority was amended with Colorado Senate Bill 23-035. The bill clarified the power of the Authority to enter into public-private partnerships, to hire staff and contract with state agencies such as Colorado OEDIT, and expanded the board of directors of the Authority to sixteen by adding two nonvoting members from the Colorado legislature. The board of directors, supported by an administrative contract with OEDIT, is responsible for overseeing the activities of MIHA in relation to the specified requirements set forth by the MIHA statute.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units accounted for as a proprietary fund. The accompanying financial statements 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 Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity.

GASB pronouncements set forth the financial accountability of a governmental organization's 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. The Authority is not financially accountable for any other organization. The state of Colorado has determined that the Authority is not a component unit of the state.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

Net Position

When both restricted (externally or legislatively imposed restrictions) and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted, as they are needed. All the Authority's net position is unrestricted and is available for use in general operations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Revenues and Expenses

The Authority distinguishes between operating or nonoperating revenue and expense items in the Statement of Revenues, Expenses, and Changes in Net Position.

Operating Revenues and Expenses – Operating expenses represent the administrative expenses of the Authority. In future years, operating revenues and expenses will result from providing services in connection with the Authority's ongoing operations, including financing the acquisition, construction, rehabilitation, and ownership of housing intended for occupancy by middle-income individuals and families.

Nonoperating Revenues – Nonoperating revenues include appropriations from the State of Colorado General Fund and interest income earned on deposits held with the Colorado State Treasury.

Budgets

Budgets are prepared in accordance with the requirements of Colorado Revised Statutes and, accordingly, include "anticipated income and other means of financing proposed expenditures," and expenditures include those shown in the operating statements. Accordingly, budget comparisons are of the legally adopted budget. The level of budget control is determined by the resolution appropriating sums of monies. The resolution appropriates the level of budget control by total expenditures. Appropriations lapse at year-end. The Authority's final budgeted expenses for the year ended June 30, 2024, were \$519,450. Actual expenses were less than budgeted expenses by \$324,920 for the year ended June 30, 2024.

Income Taxes

The Authority is a special purpose authority in the state of Colorado and is not subject to income taxes.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

NOTE 3 CASH AND DEPOSITS

Colorado statutes govern the Authority's deposits of cash. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a government deposit cash in eligible depositories; eligibility is determined by state regulators. Amounts 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 uninsured deposits.

At June 30, 2024 and 2023, the Authority had cash deposits with a financial institution with a bank balance of $19,601 and $57,208, respectively. The Authority's cash account at times may exceed the amount insured by the Federal Depository Insurance Corporation (FDIC). The Authority has not experienced any losses in the account. The Authority believes it is not exposed to any significant custodial credit risk on cash.

The Authority also deposits cash with the Colorado State Treasury (State Treasury), an external investment pool. Monies deposited in the State Treasury are invested until the cash is needed. The State Treasury pool deposits and invests them in securities authorized by state statute and acts as a bank for all state agencies (the Pool). As of June 30, 2024 and 2023, the Authority had deposits held by the Pool of $343,766 and $607,831, respectively.

At June 30, 2024 and 2023, the fair value of the deposits held by the State Treasury was not reasonably available without undue cost and effort; however, management believes that the fair values of the deposits would not be significantly different than the carrying values. On the basis of the Authority's participation in the Pool, the Authority reports interest income as an increase or decrease in cash for its share of the State Treasury's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool.

At June 30, 2024 and 2023, full credit quality and interest risk reporting was not reasonably available without undue cost and effort to the Authority. However, management believes that the credit quality and interest risk reporting would not be significantly different than the reporting made by the State Treasury as of the most recently available fiscal year end of June 30, 2024.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of the end of the most recent fiscal year for the State Treasury of June 30, 2024 and 2023 approximately 81.0% and 78.7%, respectively, of investments of the Pool are subject to credit quality risk reporting.

NOTE 3 CASH AND DEPOSITS (CONTINUED)

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds.

The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. The distribution of the investments by investment type in the Pool is shown in the following table as of the end of the most recent fiscal years for the State Treasury, June 30:

	June 30, 2024		June 30, 2023	
Investment Type	Weighted-Average Maturity (in Years)	Percent of the Treasury Pool	Weighted-Average Maturity (in Years)	Percent of the Treasury Pool
Commercial Paper	0.219	22.6 %	0.151	22.6 %
U.S. Treasury Bills/Notes/Bonds	5.472	19.0	5.262	21.3
U.S. Agency Securities	2.707	5.2	3.625	5.6
Asset-Backed Securities	3.077	2.0	3.195	2.5
Corporate Bonds	6.369	24.9	6.730	26.7
Money Market Funds	0.112	6.1	0.087	5.6
Mortgage-Backed Securities	12.081	18.1	15.393	13.3
Other	2.618	2.1	6.683	2.4

None of the investments in the Pool are subject to custodial credit, foreign currency, or concentration of credit risk.

NOTE 4 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; or acts of God. The Authority maintains commercial insurance for all risks of loss. There have been no claims since the Authority's inception on June 3, 2022.

NOTE 5 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations, which apply to the state of Colorado and all local governments.

The Authority is a "special purpose authority", not part of the "State" under C.R.S. 24-77-102(15) and (16), and not a "district" as defined in TABOR and is therefore exempt from its provisions.

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

Board of Directors
Middle Income Housing Authority
Denver, 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 Middle Income Housing Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Middle Income Housing Authority's basic financial statements, and have issued our report thereon dated February 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Middle Income Housing Authority'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 Middle Income Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Middle Income Housing Authority's internal control.

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

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Middle Income Housing Authority'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
February 12, 2025

CliftonLarsonAllen LLP
CLAconnect.com

Board of Directors
Middle Income Housing Authority
Denver, Colorado

We have audited the financial statements of Middle Income Housing Authority as of and for the year ended June 30, 2024, and have issued our report thereon dated February 12, 2025. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our statement of work dated August 1, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Middle Income Housing Authority are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2024.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

The following immaterial misstatements detected as a result of audit procedures were corrected by management:

- $1,770 to beginning net position and cash to roll forward beginning net position
- $16,930 to reverse a prior year entry to accounts payable and expenses paid in 2024
- $3,972 to accrue legal expenses in fiscal year 2024

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated February 12, 2025.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate communication to you dated February 12, 2025, communicating internal control related matters identified during the audit.

* * *

This communication is intended solely for the information and use of the board of directors and management of Middle Income Housing Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
February 12, 2025

COLORADO
Middle Income
Housing Authority

1600 Broadway, Denver, CO 80202

February 12, 2025

CliftonLarsonAllen LLP
370 Interlocken Blvd, Suite 500
Broomfield, Colorado 80021

This representation letter is provided in connection with your audit of the financial statements of Middle Income Housing Authority, which comprise the respective statements of net position as of December 31, 2024 and 2023, and the respective statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to misstatements that are material. Misstatements, including omissions, 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.

We confirm, to the best of our knowledge and belief, as of February 12, 2025, the following representations made to you during your audit of the financial statements as of and for the years ended December 31, 2024 and 2023.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated August 1, 2024, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. We acknowledge and have fulfilled our responsibility 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.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, including those measured at fair value, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

5. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

7. You have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.

8. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

9. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

10. The State of Colorado has determined that the Authority is a special purpose authority of the State. The Authority is a "special purpose authority," not a part of the "State" under C.R.S. 24-77-102(15) and (16), and not a "district" as defined in TABOR and is therefore exempt from its provisions.

11. In the opinion of management and Authority's counsel, the Authority is not subject to income taxes.

Information Provided

1. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records (including information obtained from within and outside of the general and subsidiary ledgers), documentation, and other matters.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a. Management;

b. Employees who have significant roles in internal control; or

c. Others when the fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.

7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.

9. There are no known related-party relationships or transactions which need to be accounted for or disclosed in accordance with U.S. GAAP.

10. We have a process to track the status of audit findings and recommendations.

11. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Middle Income Housing Authority, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

13. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

14. The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.

15. We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources $750,000 or more. For this representation, “award” means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies

or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.

16. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

17. The financial statements properly classify all funds and activities.

18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

19. Components of net position (unrestricted) are properly classified and, if applicable, approved.

20. Revenues are appropriately classified in the statements of revenues, expenses, and changes in net position.

21. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

22. In regards to the preparation of the financial statement services performed by you, we have:

    a. Made all management judgments and decisions and assumed all management responsibilities.

    b. Designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee the services.

    c. Evaluated the adequacy and results of the services performed.

    d. Accepted responsibility for the results of the services.

    e. Ensured that the entity's data and records are complete and received sufficient information to oversee the services.

Signed by:
Hilary Cooper
Signature: 6CD3618209B3433... Title: Program Administrator
Hilary Cooper, Colorado Office of Economic Development & International Trade

DocuSigned by:
Signature: 6FE5C98E39404CF... Title: Treasurer
Thomas Bryan, Middle Income Housing Authority

CliftonLarsonAllen LLP
CLAconnect.com

Management
Middle Income Housing Authority
Denver, Colorado

In planning and performing our audit of the financial statements of Middle Income Housing Authority (the Authority) as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the entity'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. 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 may exist that have not been identified.

Other deficiencies in internal control and other matters

During our audit, we became aware of other deficiencies in internal control and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. While the nature and magnitude of the other deficiencies in internal control were not considered important enough to merit the attention of the board of directors, they are considered of sufficient importance to merit management's attention and are included herein to provide a single, comprehensive communication for both those charged with governance and management.

- Segregation of Duties

  The Authority has an inherent problem it shares with other entities of its size in that it has limited number of personnel performing accounting and administrative functions; therefore, complete segregation of duties and responsibilities may not be practical. Segregation of duties can be accomplished by assigning duties so that no one person has control over an entire transaction process. This includes the initiation, authorization, recording, and review of journal entries. A review of these duties should be performed by an individual independent of those functions. We recommend management review and strengthen the Authority's segregation of duties policies and procedures to ensure that appropriate controls are in place to mitigate the risk of errors or fraud.

- <u>Account Reconciliations</u>

  During our audit, we posted three adjusting journal entries to correct beginning net position, cash, accounts payable, and expenses. Each adjustment related to year-end accrual entries. To mitigate this risk, we recommend that the Authority establish formal procedures and deadlines for the preparation and review of year-end account reconciliations. Additionally, these procedures should include documentation requirements to provide a clear audit trail and evidence of the reconciliation process.

  We suggest that the Authority develop a checklist or schedule to ensure that all significant accounts are reconciled and reviewed promptly at year-end. Implementing these controls will enhance the reliability of the financial reporting process and provide greater assurance that the financial statements are free from material misstatement.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

* * *

This communication is intended solely for the information and use of management, the board of directors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
February 12, 2025