



Summit Combined Housing Authority
Frisco, Colorado

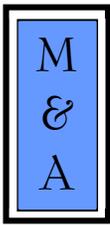
Financial Statements

December 31, 2021

**Summit Combined Housing Authority
Financial Statements
December 31, 2021**

Table of Contents

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	A1 – A3
MANAGEMENT’S DISCUSSION and ANALYSIS	B1 – B5
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	C1
Statement of Activities	C2
Fund Financial Statements:	
Balance Sheet – Governmental Funds with Reconciliation to the to the Governmental Statement of Net Position	C3
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds with Reconciliation to the Governmental Statement of Activities	C4
NOTES to the FINANCIAL STATEMENTS	D1 – D11
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Major Governmental Funds:	
General Fund	E1
Loan Program	E2



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Summit Combined Housing Authority
Frisco, Colorado**

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Summit Combined Housing Authority (the "Authority") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of December 31, 2021 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
MATTHEW D. MILLER, CPA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Summit Combined Housing Authority
Frisco, Colorado

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

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

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

Required Supplementary Information

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

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Summit Combined Housing Authority
Frisco, Colorado

Required Supplementary Information (continued)

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information in section E is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
September 22, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

Summit Combined Housing Authority Management's Discussion and Analysis December 31, 2021

As management of the Summit Combined Housing Authority, (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's 2021 financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded its liabilities and deferred inflows of resources at December 31, 2021 by \$3,897,510.
- The Authority's net position increased by \$289,983 in 2021.
- The Authority collected sales taxes in 2021 totaling \$14,298,177 for the year.
- The Authority's aggregate governmental fund balances increased by \$487,884, as the General Fund balance increased by \$172,187, and the Loan Program Fund balance increased by \$315,697.

OVERVIEW of the FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These components are discussed below.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Authority'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 of whether the financial position of the Authority is improving or deteriorating.

The Statement of Activities presents information showing how the Authority's net position changed during the most recent 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. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and other general revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the Authority include administrative services and grant activities related to housing in Summit County, Colorado (the "County"), as well as down payment assistance.

The Authority's government-wide financial statements can be found on pages C1 and C2 of this report.

OVERVIEW of the FINANCIAL STATEMENTS (continued)

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations for both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances facilitate this comparison between governmental funds and governmental activities.

As required by Colorado statutes, the Authority is required to adopt an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided for all funds to demonstrate compliance.

The basic governmental fund financial statements can be found on pages C3 through C4.

Proprietary Funds Proprietary funds are commonly known as enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Authority does not have any proprietary funds.

Notes to the Financial Statements: The notes provide additional information (e.g., background of the entity, accounting policies used by the Authority, etc.) that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: As previously discussed, the Authority adopts annual appropriated budgets for all its funds in accordance with Colorado statutes. The budgetary comparison schedules have been provided for all its funds to demonstrate compliance with the state budget law and are found on pages E1 through E2 for the Authority's governmental funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table summarizes the Authority's net position for 2021:

Assets:	
Current assets	\$ 5,926,122
Other assets	1,365,623
Capital assets, net	<u>42,906</u>
Total Assets	<u>7,334,651</u>
Liabilities:	
Current liabilities	2,899,836
Long-term liabilities	<u>537,305</u>
Total Liabilities	<u>3,437,141</u>
Net Position:	
Net investment in capital assets	42,906
Restricted	2,057,190
Unrestricted	<u>1,797,414</u>
Total Net Position	<u>\$ 3,897,510</u>

The largest portion of the Authority's assets is the loan program. These assets are used to provide down payment assistance.

The Authority's total net position – the extent to which assets exceeded liabilities – was \$3,897,510 at December 31, 2021. This comprises the Authority's net investment in capital assets (\$42,906), restricted net position (\$2,057,190 – which represents resources that are subject to external restrictions on how they may be used), and unrestricted net position (\$1,797,414), which may be used to meet the Authority's ongoing obligations. The Authority reports positive balances in the governmental components of net position at December 31, 2021.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

The following table summarizes the changes in the Authority's net position for 2021:

Revenues:	
Program revenues:	
Charges for services	\$ 349,332
Operating grants / contributions	25,000
General revenues:	
Taxes, interest and other revenue	<u>14,331,697</u>
Total Revenues	<u>14,706,029</u>
Expenses:	
General government	14,403,546
Interest on long-term debt	<u>12,500</u>
Total Expenses	<u>14,416,046</u>
Change in Net Position	289,983
Net Position - Beginning (restated)	<u>3,607,527</u>
Net Position - Ending	<u><u>\$ 3,897,510</u></u>

Governmental activities increased the Authority's net position by \$289,983 during 2021, accounting for an 8% increase in net position for the year.

FINANCIAL ANALYSIS of the AUTHORITY'S FUNDS

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the Authority's primary operating fund. At December 31, 2021, unassigned fund balance of the General Fund was \$943,071 and total fund balance was \$1,007,852. The fund balance of the Authority's General Fund increased by \$172,187 during 2021, primarily as a result of increases in sales tax revenues and real estate services.

The Loan Program Fund ended 2021 with a total fund balance of \$1,995,488; an increase of \$315,697 from 2020 primarily as a result of loan repayments and interest exceeding the amount of new loans issued during the year.

Budget Variances in the General Fund:

The Authority's General Fund ended 2021 \$196,026 ahead of budget, as revenues exceeded expectations by \$5,531,357 and aggregate expenditures yielded a \$5,335,331 negative budget variance, both variances were due to an increase in sales taxes collected and disbursed to local governments.

The Authority noted the following significant variances from budget in the General Fund during 2021:

	<u>Budget</u>	<u>Actual</u>	<u>Variance: Positive / (Negative)</u>	<u>Reason</u>
Revenues:				
Sales tax collected for other governments	8,438,302	13,827,047	5,388,745	Increase in economic activity
Sales tax revenue	403,737	471,130	67,393	Increase in economic activity
Charges for services:				
Real estate revenues	113,245	193,909	80,664	Development projects completed faster than expected
Expenditures:				
General government:				
Sales tax distributions and fees	8,438,302	13,827,047	(5,388,745)	Higher sales tax collections

CAPITAL ASSETS

Additional information about the Authority's capital assets can be found in the Notes to the Financial Statements in section D.

REQUEST for INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Summit Combined Housing Authority, 37 Peak One Circle, Suite 224, Frisco, Colorado 80443-4760.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

Summit Combined Housing Authority
Statement of Net Position
December 31, 2021

	Governmental Activities
Assets:	
Cash and investments - Unrestricted	932,697
Restricted cash and investments	2,035,672
Accounts receivable, net	30,450
Sales tax receivable	2,901,278
Prepaid expenses	3,079
Interest receivable	1,444
Notes receivable:	
Principal receivable within one year	21,502
Principal receivable in more than one year	652,319
Investment in LLC	713,304
Capital assets, net of accumulated depreciation	42,906
Total Assets	7,334,651
Liabilities:	
Accounts payable	2,889,406
Accrued liabilities	10,430
Compensated absences	24,805
Notes payable	512,500
Total Liabilities	3,437,141
Net Position:	
Net investment in capital assets	42,906
Restricted:	
Emergencies	25,222
Ophir Mountain	36,480
Loan programs	1,995,488
Unrestricted	1,797,414
Total Net Position	3,897,510

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

Summit Combined Housing Authority
Statement of Activities
For the Year Ended December 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) / Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	14,403,546	349,332	25,000	-	(14,029,214)
Interest on long-term debt	12,500	-	-	-	(12,500)
Total - Governmental activities	<u>14,416,046</u>	<u>349,332</u>	<u>25,000</u>	<u>-</u>	<u>(14,041,714)</u>
		General revenues:			
					14,298,177
					431
					33,089
					<u>14,331,697</u>
		Change in Net Position			289,983
		Net Position - Beginning (restated)			<u>3,607,527</u>
		Net Position - Ending			<u><u>3,897,510</u></u>

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

SUMMIT



**COMBINED
HOUSING AUTHORITY**

FUND FINANCIAL STATEMENTS

Summit Combined Housing Authority
Governmental Funds Balance Sheet
with Reconciliation to the Governmental Statement of Net Position
December 31, 2021

	General Fund	Loan Program	Total
Assets:			
Cash and investments - Unrestricted	932,697	-	932,697
Restricted cash and investments	36,480	1,999,192	2,035,672
Accounts receivable, net	30,450	-	30,450
Sales tax receivable	2,901,278	-	2,901,278
Prepaid expenses	3,079	-	3,079
Total Assets	3,903,984	1,999,192	5,903,176
Liabilities:			
Accounts payable	2,885,702	3,704	2,889,406
Accrued liabilities	10,430	-	10,430
Total Liabilities	2,896,132	3,704	2,899,836
Fund Balances:			
Non-spendable:			
Prepays	3,079	-	3,079
Restricted:			
Emergencies	25,222	-	25,222
Ophir Mountain	36,480	-	36,480
Unassigned	943,071	1,995,488	2,938,559
Total Fund Balances	1,007,852	1,995,488	3,003,340
Total Liabilities and Fund Balances	3,903,984	1,999,192	5,903,176

Amounts reported to governmental activities in the statement of net position are different because:

Total Fund Balances - Governmental funds	3,003,340
Statement of Activities the cost of these assets is allocated over their estimated financial resources and, therefore, are not reported in governmental funds.	42,906
Investments related to governmental activities are not currently available financial resources and, therefore, are not reported in the funds.	713,304
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(24,805)
Long-term receivables related to governmental activities are not currently available financial resources and, therefore, are not reported in the funds.	675,265
Long-term notes payable related to governmental activities are not currently available financial resources and, therefore, are not reported in the funds.	(512,500)
Total net position - Governmental activities	3,897,510

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

Summit Combined Housing Authority
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds with Reconciliation to the Governmental Statement of Activities
For the Year Ended December 31, 2021

	General Fund	Loan Program	Total
Revenues:			
Sales tax collected for other governments	13,827,047	-	13,827,047
Sales tax revenue	471,130	-	471,130
Intergovernmental	-	25,000	25,000
Loan principal repayments	-	278,815	278,815
Loan interest	-	74,068	74,068
Charges for services			
Real estate revenues	193,909	-	193,909
Other service revenue	70,039	-	70,039
Loan activity revenue	12,966	-	12,966
Interest income	252	179	431
Total Revenues	14,575,343	378,062	14,953,405
Expenditures:			
Sales tax distributions and fees	13,827,047	-	13,827,047
Operations	553,417	-	553,417
Loan expenses	22,692	62,365	85,057
Total Expenditures	14,403,156	62,365	14,465,521
Net Change in Fund Balances	172,187	315,697	487,884
Fund Balances - Beginning (restated)	835,665	1,679,791	2,515,456
Fund Balances - Ending	1,007,852	1,995,488	3,003,340

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total governmental funds 487,884

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. (3,301)

Gain on the investment in LLC reported in the Statement of Activities is not from the receipt of current financial resources and therefore is not reported as revenues in the governmental funds. 33,089

Governmental funds report loan issuances as expenditures and repayments as revenue. However, in the government-wide Statement of Activities, loan program issues are reported as increases in notes receivable, repayments are reported as decreases in notes receivable, and interest earned on those notes are reported as revenue. These are the changes in the Loan Program for the year:

Loan Program principal repayments	(278,815)	
Loan Program new loan issuances	53,656	
Change in accrued interest on loans	(1,650)	
Change in loan allowance	16,394	
		(210,415)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in accrued compensated absences	(4,774)	
Accrued interest on note payable	(12,500)	
		(17,274)

Change in Net Position of Governmental Activities **289,983**

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

SUMMIT



**COMBINED
HOUSING AUTHORITY**

NOTES TO THE FINANCIAL STATEMENTS

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021

I. Summary of Significant Accounting Policies

The Authority was formed in 2006 when Summit County, Colorado (the “County”) and the towns of Breckenridge, Dillon, Frisco, Montezuma and Silverthorne (collectively the “Towns”) executed an intergovernmental agreement providing for the establishment of the Summit Combined Housing Authority (the “Authority”), a multijurisdictional housing authority pursuant to Section 29-1-204.5 of the Colorado Revised Statutes, as amended. The Authority is governed by a Board of Directors composed of one director elected from the County and from each of the Towns.

The multijurisdictional plan of the Authority provides for the succession of the Authority to include all rights, privileges, assets, liabilities, obligations and operations of the existing Summit County Housing Authority. Pursuant to an election held in November 2006, for ten years commencing in 2007, the Authority collects a 0.125% sales and use tax within the County and a development impact fee of up to \$2 per square foot of new construction within the County to be used for affordable housing purposes. Pursuant to an election held in November 2015, the 0.125% sales and use tax was approved to commence January 1, 2017 and continue thereafter as a voter-approved revenue change. The Authority collects and retains a portion of the sales tax and distributes the remainder to the County and the Towns. The County and the Towns collect and retain the use tax and development impact fees.

Additionally, pursuant to an election held in November 2016, for ten years commencing in 2017, the Authority will collect an additional 0.6% sales tax to be used for affordable housing purposes. The Authority collects and retains a portion of the sales tax and distributes the remainder to the County and the Towns. Pursuant to an election held in November 2021, the 0.6% sales tax was approved to be extended for twenty years from the original approved ballot in 2007 through 2027.

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

A. Reporting Entity

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

The accompanying financial statements present the primary government (the Authority) and its component units entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority’s operations. Discretely-presented component units, if any, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Authority. The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's individual major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Authority's governmental function reports the general government (administration) and the operations of the Authority's loan program.

1. Government-wide Financial Statements

Government-wide financial statements report information on all the activities of the Authority.

The government-wide Statement of Activities reports both the gross and net cost of each of the Authority's governmental functions. The governmental functions are primarily supported by general government revenues (sales tax and use taxes, investment earnings, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the governmental function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

2. Fund Financial Statements

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

The Authority reports the following major governmental funds:

General Fund – Accounts for all financial resources of the Authority, except those required to be accounted for in the enterprise funds or other governmental funds. This fund accounts for the administrative activities of the Authority. The major sources of revenue are from sales tax and development fees.

Loan Program Fund – Accounts for all resources of the Authority related to down payment assistance loan activity to assist local home buyers with the purchase of a home.

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

1. Long-term Economic Focus and Accrual Basis

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

2. Current Financial Focus and Modified Accrual Basis

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

3. Financial Statement Presentation

Amounts reported as program revenues include: 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided; 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Cash Equivalents

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

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

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

2. Restricted Cash and Cash Equivalents

Certain of the Authority's deposits are classified as restricted because their use is restricted to specific purposes by legally binding commitments. The Authority's restricted deposits include balances related to amounts to be used solely to fund down-payment assistance loans, and amounts restricted for use related to Ophir Mountain.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

Program loans receivable are due from homeowners, secured by a subordinate deeds of trust, and were originally funded through down payment assistance grants and contributions. An allowance for loan losses is based upon management's periodic review of the collectability of program loans in light of historical experience with similar programs and the nature of the Authority's loan portfolio. At December 31, 2021, the Authority has established an allowance of \$6,806 to provide for program loans which may not be collectible.

4. Capital Assets

Capital assets include leasehold improvements. Capital assets are defined by the Authority as assets with an initial cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets, if any, are recorded at acquisition value.

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets (excluding land) are depreciated, using the straight-line method, over the following estimated useful lives:

	Estimated Lives
Leasehold improvements	<u>15 years</u>

5. Compensated Absences

Earned but unused vacation benefits are recorded as an expense and liability when incurred in the government-wide financial statements.

6. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Activities between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from other funds" or "due to other funds". Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as "internal balances".

7. Fund Equity

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

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Equity (continued)

The Authority classifies governmental fund balances as follows:

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

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

Under the terms of grant agreements, the Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, they are both restricted and unrestricted in order to finance the Authority's programs. It is the Authority's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

8. Use of Estimates

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

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements

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

The Authority's financial statements include a reconciliation between governmental funds total fund balance and net position of governmental activities as reported in the government-wide Statement of Net Position. The differences include long-term receivables for the loan program, capital assets and accumulated depreciation; and accrued compensated absences.

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

The Authority's financial statements also include a reconciliation between net change in fund balances - total governmental funds and change in net position of governmental activities as reported in the government-wide Statement of Activities. The differences include accounting for the long-term loan program, capital assets (acquisitions, disposals, and depreciation); and changes in accrued compensated absences.

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

Annual appropriations are adopted for all of the Authority's funds. Prior to the end of the fiscal year, the Authority's management submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. Budgets include proposed expenditures for all funds and the means of financing them. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at the end of each calendar year. Budgets are legally enacted upon approval by the Board.

The budget for the Authority's governmental fund is prepared on a basis consistent with GAAP.

The Authority conforms to the following procedures, in compliance with CRS 29-1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the Executive Director submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board to obtain taxpayer comments.
- Prior to December 31, the Board adopts the budget by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board.

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment

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

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

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

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The Authority has reserved \$25,222 of the December 31, 2021 fund balance in the General Fund for this purpose. The Authority's management believes it is compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

IV. Detailed Notes on all Funds

A. Deposits and Investments

Colorado's 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 levels insured by the Federal Deposit Insurance Corporation (the "FDIC") must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The FDIC insures the first \$250,000 of the Authority's interest-bearing deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by the PDPA. The Authority's deposits at December 31, 2021 are entirely covered by FDIC or by PDPA.

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

IV. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2021, the carrying value of the Authority's deposits was \$2,968,369 and the bank balance of these accounts was \$2,969,622. The difference between carrying and bank balances represents items that had not cleared the bank at year end.

The Authority held deposits and investments with the following ratings and maturities at December 31, 2021:

<u>Type</u>	<u>Standard & Poor's Rating</u>	<u>Carrying Amount</u>	<u>Investment Maturities</u>	
			<u>Less Than One Year</u>	<u>One to Five Years</u>
Deposits:				
Checking	Not Rated	\$ 2,715,585	2,715,585	-
Savings	Not Rated	252,784	252,784	-
Totals		<u>\$ 2,968,369</u>	<u>2,968,369</u>	<u>-</u>

The Authority's cash and investments are presented on the Statement of Net Position at December 31, 2021 as follows:

Cash and investments - Unrestricted	\$ 932,697
Restricted cash and investments	<u>2,035,672</u>
Total	<u>\$ 2,968,369</u>

The Authority's restricted cash balances are as follows at December 31, 2021:

Loan Program:	
Down payment assistance	\$ 1,999,192
General Fund:	
Ophir Mountain	<u>36,480</u>
Total	<u>\$ 2,035,672</u>

B. Program Loans Receivable

In 2008, the Authority entered into a revolving loan fund agreement with the County and the Towns to grant down payment assistance loans to the qualified buyers of affordable housing units for terms not to exceed 10 years and secured by a junior deed of trust on the subject property and bearing interest at 3% per annum. Upon termination of the agreement, any undisbursed funds shall be distributed to the County and Towns, and each loan assigned to the County or Town in which the property is located. Total loans receivable as of December 31, 2021 under this program totaled \$282,010.

The Authority's other program loans receivable of \$398,617 consist of subordinatedly-secured down payment assistance notes due from homeowners, bearing interest at 2 – 3% per annum, and maturing between 2022 to 2041. These loans are funded by Colorado Division of Housing.

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

IV. Detailed Notes on all Funds (continued)

D. Investment in LLC

During 2001, the Authority purchased a 50% membership interest in Breckenridge Terrace, LLC ("the LLC") for \$250,000 to provide housing for residents of the County. Pursuant to the Operating Agreement, the Authority is to receive 100% of Project Cash Flow in the amount of \$661,77 plus 5% cumulative simple interest per annum as an Investor Member Preferred Return. Should a capital event occur due to the sale of the LLC's property or debt refinancing, and the Project Cash Flow has been realized, Project Cash Flows shall be distributed as described above. As of December 31, 2021, the Authority's investment balance was \$713,304.

E. Capital Assets

The following are the changes in the Authority's capital assets for the year ended December 31, 2021:

	<u>12/31/20</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/21</u> <u>Balance</u>
Governmental Activities:				
Capital assets being depreciated:				
Leasehold improvements	49,507	-	-	49,507
Total capital assets being depreciated	49,507	-	-	49,507
Less accumulated depreciation for:				
Leasehold improvements	(3,300)	(3,301)	-	(6,601)
Total accumulated depreciation	(3,300)	(3,301)	-	(6,601)
Total capital assets being depreciated, net	46,207	(3,301)	-	42,906
Governmental Activities Capital Assets, net	\$ 46,207	(3,301)	-	42,906

Depreciation expense of \$3,301 was charged to the General Government function.

F. Note Payable

During 2001, the Town of Breckenridge loaned the Authority \$250,000 to acquire a 50% equity interest in the LLC, as detailed in Note IV.D. Pursuant to an intergovernmental agreement, the Authority is to repay the note plus 5% cumulative simple interest per annum upon a capital event as described in the LLC's Operating Agreement; plus 50% of the balance of funds to which the Authority is entitled to receive from the LLC as a result of the occurrence of the capital event. As of December 31, 2021, the balance of the note payable was \$512,500.

Summit Combined Housing Authority
Notes to the Financial Statements
December 31, 2021
(Continued)

IV. Detailed Notes on all Funds (continued)

G. Long-Term Liabilities – Governmental Activities

Changes in the Authority’s long-term liabilities for governmental activities during 2021 were as follows:

	<u>12/31/20</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/21</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Accrued compensated absences	\$ 20,030	4,775	-	24,805	12,403
Note payable	500,000	12,500	-	512,500	-
Totals	<u>\$ 520,030</u>	<u>17,275</u>	<u>-</u>	<u>537,305</u>	<u>12,403</u>

V. Other Information

A. Risk Management

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

B. Restatement of Net Position

Beginning Net Position in the Statement of Activities has been restated for the Authority’s investment in LLC and note payable to the Town of Breckenridge as follows:

Net Position - Beginning of Year	\$ 3,427,312
Record long-term note payable	(500,000)
Record investment in LLC	<u>680,215</u>
Net Position - Beginning of Year (restated)	<u>\$ 3,607,527</u>

C. Restatement of Fund Classification

The Loan Program Fund has been restated from a proprietary fund to a governmental fund. Fund balance was restated as follows:

Fund Balance - Beginning of Year	\$ 2,565,470
Reverse long-term note payable, net of allowance	(882,585)
Reverse loan interest receivable	<u>(3,094)</u>
Fund Balance - Beginning of Year (restated)	<u>\$ 1,679,791</u>



REQUIRED SUPPLEMENTARY INFORMATION

Summit Combined Housing Authority
Governmental Fund - General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Final Budget Variance: Positive (Negative)
Revenues:			
Sales tax collected for other governments	8,438,302	13,827,047	5,388,745
Sales tax revenue	403,737	471,130	67,393
Charges for services:			
Real estate revenues	113,245	193,909	80,664
Other service revenue	63,026	70,039	7,013
Loan activity revenue	25,294	12,966	(12,328)
Interest income	382	252	(130)
Total Revenues	9,043,986	14,575,343	5,531,357
Expenditures:			
General government:			
Sales tax distributions and fees	8,438,302	13,827,047	(5,388,745)
Operations	599,231	553,417	45,814
Loan expenses	30,292	22,692	7,600
Total Expenditures	9,067,825	14,403,156	(5,335,331)
 Net Change in Fund Balance	 (23,839)	 172,187	 196,026
Fund Balance - Beginning		835,665	
Fund Balance - Ending		1,007,852	

**Summit Combined Housing Authority
Governmental Fund - Loan Program
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2021**

	Original and Final Budget	Actual	Final Budget Variance: Positive (Negative)
Revenues:			
Loan principal repayments	-	278,815	278,815
Loan interest and fees	48,244	74,068	25,824
Investment earnings	129	179	50
Grants	-	25,000	25,000
Total Revenues	<u>48,373</u>	<u>378,062</u>	<u>329,689</u>
Expenditures:			
Loan closeout expense	8,640	8,709	(69)
New loan issues	-	53,656	(53,656)
Total expenditures	<u>8,640</u>	<u>62,365</u>	<u>(53,725)</u>
Net Change in Fund Balance	<u>39,733</u>	315,697	<u>275,964</u>
Fund Balance - Beginning (restated)		<u>1,679,791</u>	
Fund Balance - Ending		<u>1,995,488</u>	