

**HOUSING AUTHORITY OF THE TOWN OF HOLLY
HOLLY, COLORADO**

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

FOR THE YEAR ENDED DECEMBER 31, 2023

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Town of Holly
Holly, Colorado

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the Town of Holly (Authority), Colorado, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages i-v, 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 19, 2024, on my consideration of the Authority's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Authority's internal control over financial reporting and compliance.

Audit Solutions, LLC

Chesterfield, Missouri

June 19, 2024

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2023

This section of the Housing Authority of the City of Holly, Colorado's (Authority) annual financial report presents our management's discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2023. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets, all deferred outflows of resources, all liabilities, and all deferred inflows of resources, associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

- The term "net position" refers to the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. The Authority's total net position as of December 31, 2023, was \$212,709. The net position decreased by \$225, a decrease of 0.1% from the prior year.
- Revenues for the Authority were \$163,419 for the year ended December 31, 2023. This was an increase of \$19,415 or 13.5% over the prior year.
- Expenses for the Authority were \$163,644 for the year ended December 31, 2023. This was an increase of \$9,977 or 6.5% over the prior year.
- Tenant revenue for the Authority was \$84,459 for the fiscal year ended December 31, 2023, an increase of \$8,163 or 10.7% over the prior year.
- Governmental grants and subsidy for the Authority were \$78,904 for the year ended December 31, 2023, an increase of \$11,376 or 16.8% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. The Authority's financial statements are presented as fund level financial statements because the Authority only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations of the Authority creditors (liabilities and deferred inflows of resources). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS – (Continued)

Required Financial Statements – (Continued)

All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority’s operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

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

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Data*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authority’s to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2023, and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government’s financial position. As stated in the table on the following page, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$212,709 at the close of the year ended December 31, 2023, down from \$212,934 in fiscal year 2022. The decrease in net position of \$225 was due to the reasons noted below.

Current assets include cash, investments, and receivables. Of the \$12,609 increase in this category, cash and investments increased \$13,175, receivables decreased \$1,473, and prepaid expenses increased \$907.

CONDENSED STATEMENTS OF NET POSITION

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
ASSETS				
Current assets	\$ 129,106	\$ 116,497	\$ 12,609	10.8%
Capital assets	91,342	107,022	(15,680)	-14.7%
TOTAL ASSETS	<u>\$ 220,448</u>	<u>\$ 223,519</u>	<u>\$ (3,071)</u>	-1.4%
LIABILITIES				
Current liabilities	\$ 7,739	\$ 10,585	\$ (2,846)	-26.9%
TOTAL LIABILITIES	<u>7,739</u>	<u>10,585</u>	<u>(2,846)</u>	-26.9%
NET POSITION				
Net investment in capital assets	91,342	107,022	(15,680)	-14.7%
Unrestricted	121,367	105,912	15,455	14.6%
TOTAL NET POSITION	<u>\$ 212,709</u>	<u>\$ 212,934</u>	<u>\$ (225)</u>	-0.1%

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2023

FINANCIAL ANALYSIS – (Continued)

Capital assets decreased \$15,680 because current year depreciation expense exceeded current year capital asset additions. Change in capital assets is explained in the section titled "Capital Asset and Debt Administration" of this report.

Current liabilities decreased \$2,846 mainly due to a \$2,623 decrease in accounts payable.

The unrestricted net position was \$121,367 as of December 31, 2023. This amount may be used to meet the Authority's ongoing obligations. The Authority has sufficient funds to meet requirements for cash outlays for ten months. The Authority did not have any net position classified as restricted that is subject to external restrictions on how they may be used.

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

The largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Position shows the change in financial position of net position, the Statements of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**

	FY 2023	FY 2022	Dollar Change	Percent Change
REVENUES				
Operating - non-operating - capital contributions:				
Tenant revenue	\$ 84,459	\$ 76,296	\$ 8,163	10.7%
Governmental grants and subsidy	78,904	67,528	11,376	16.8%
Investment income	155	173	(18)	-10.4%
Miscellaneous revenues	-	7	(7)	-100.0%
Gain (loss) on disposal of capital assets	(99)	-	(99)	-100.0%
TOTAL REVENUES	163,419	144,004	19,415	13.5%
EXPENSES				
Administrative	63,205	60,256	2,949	4.9%
Utilities	15,641	15,018	623	4.1%
Ordinary maintenance and operations	48,691	45,151	3,540	7.8%
Insurance	15,731	13,562	2,169	16.0%
Other general expenses	1,655	1,068	587	55.0%
Depreciation expense	18,721	18,612	109	0.6%
TOTAL EXPENSES	163,644	153,667	9,977	6.5%
CHANGE IN NET POSITION	(225)	(9,663)	9,438	
NET POSITION				
Beginning net position	212,934	222,597	(9,663)	
Prior period adjustments	-	-	-	
NET POSITION - BEG OF YEAR	212,934	222,597	(9,663)	
NET POSITION - END OF YEAR	\$ 212,709	\$ 212,934	\$ (225)	

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2023

FINANCIAL ANALYSIS - (CONTINUED)

As can be seen in the table on the previous page, total revenues increased \$19,415 due to the reasons noted below.

- Tenant revenue increased \$8,163 or 10.7% from FY 2022 due to an increase in average dwelling rent per unit of \$65.66 or 15.5%. The average dwelling rental charge for FY 2023 was \$489.17, up from \$423.51 in FY 2022.
- Of the \$11,376 increase in governmental grants and subsidy, operating subsidy received from HUD increased \$10,061 or 60.3% and capital fund grants used for operating expenditures increased \$1,315.
- Investment income decreased \$18 or 10.4% from FY 2022.
- Miscellaneous revenues decreased \$7 from FY 2022.
- The Authority had a loss on disposal of capital assets of \$99 in FY 2023.

Total expenses increased by \$9,977 due to the reasons noted below.

- Administrative expenses increased \$2,949 or 4.9% from FY 2022 primarily due to an increase in administrative wages and benefits of \$2,461 or 5.3%.
- Utilities increased \$623 or 4.1% from FY 2022 due to an increase in water and sewer of \$717 or 10.9% and an increase in gas of \$319 or 5.0%. This was partially offset by a decrease in electricity of \$413 or 20.6%.
- Ordinary maintenance and operation increased \$3,540 or 7.8% from FY 2022 due to an increase in maintenance labor and benefits of \$7,049 or 26.3%. This was partially offset by a decrease in maintenance materials of \$2,875 or 32.8%, and a decrease in services contracted for repairs and maintenance of \$634 or 6.6%.
- Insurance increased \$2,169 or 16.0% from FY 2022 due to an increase in property and liability insurance of \$1,718 or 13.1%, and an increase in workers compensation insurance of \$451 or 94.2%.
- Other general expenses increased \$587 from FY 2022.
- The Authority had a \$109 or 0.6% increase in depreciation, which is the write-off of capital assets over their estimated useful life.

The Low Rent Public Housing occupancy rate as of December 31, 2023, was 88.0%, down from 90.6% in FYE 2022. The Authority currently has 4 zero-bedroom units, 30 one-bedroom units, 10 two-bedroom units, and 31 three-bedroom units.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

The Housing Authority of the City of Holly, Colorado's net investment in capital assets as of December 31, 2023, amounts to \$91,342 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, equipment, and construction in progress.

Capital Assets – The total decrease in the Authority's capital assets for the current fiscal year was 14.7% in terms of net book value. Actual expenditure to purchase or construct capital assets was \$3,140 for the year. The Authority has various contract commitments with contractors for the implementation of the HUD capital grants as outlined by the HUD approved Capital Grant Budget. Depreciation charges for the year totaled \$18,721. Additional information on the Authority's capital assets can be found in the notes to the financial statements of this report.

	Beginning	Additions	Depreciation	Disposals	Ending
Capital assets	\$107,022	\$3,140	\$(18,721)	\$(99)	\$91,342

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2024 Public Housing budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on occupied units and approved vacancies, utility consumption and rates, approved add-ons, formula income, and transition funding. The amount of funding is also established and approved by HUD. Formula income is based on rental income from the Authority's rent roll records for the period specified by HUD. Operating expenses are expected to increase by the economy's inflation rate.

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 its finances. Questions concerning any of the information provided in this report or a request for additional financial information should be addressed to Executive Director, Housing Authority of the City of Holly, P.O. Box 721, Holly, Colorado 81047.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF NET POSITION
December 31, 2023

ASSETS

Current Assets:

Cash and cash equivalents	\$	107,461
Cash - restricted		2,808
Investments		13,369
Receivables - net of allowances		1,608
Prepaid expenses		<u>3,860</u>

Total Current Assets 129,106

Non-current Assets:

Capital assets:

Land and construction in progress		29,731
Other capital assets, net of depreciation		<u>61,611</u>

Total capital assets - net 91,342

Total Non-current Assets 91,342

Total Assets \$ 220,448

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF NET POSITION - (Continued)
December 31, 2023

LIABILITIES

Current Liabilities:

Accounts payable	\$	1,928
Accrued salaries and benefits		2,970
Tenant security deposit liability		2,808
Unearned revenues		<u>33</u>

Total Current Liabilities 7,739

Total Liabilities 7,739

NET POSITION

Net investment in capital assets		91,342
Unrestricted		<u>121,367</u>

Total Net Position 212,709

Total Liabilities and Net Position \$ 220,448

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

OPERATING REVENUES	
Tenant revenue	\$ 84,459
Governmental grants and subsidy	<u>78,904</u>
Total operating revenue	<u>163,363</u>
OPERATING EXPENSES	
Administrative	63,205
Utilities	15,641
Ordinary maintenance and operations	48,691
Insurance	15,731
General	1,655
Depreciation expense	<u>18,721</u>
Total operating expenses	<u>163,644</u>
Operating income (loss)	<u>(281)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	155
Gain (loss) on disposal of capital assets	<u>(99)</u>
Net non-operating revenues (expenses)	<u>56</u>
Income (loss) before contributions and transfers	<u>(225)</u>
Change in net position	(225)
Total net position - beginning of year	<u>212,934</u>
Total net position - end of year	<u>\$ 212,709</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Received from tenants	\$ 83,980
Received from governmental grants and subsidy	79,722
Payments for goods and services	(65,065)
Payments to employees	(82,411)
Payment in lieu of taxes	<u>(66)</u>
Net cash provided by (used in) operating activities	<u>16,160</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(3,140)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds (payments) from sale (purchase) of investments	(54)
Receipts of interest and dividends	<u>155</u>
Net cash provided by (used in) investing activities	<u>101</u>
Net increase (decrease) in cash and cash equivalents	13,121
Cash and cash equivalents at beginning of year	<u>97,148</u>
Cash and cash equivalents at end of year	\$ <u><u>110,269</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended December 31, 2023

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$	(281)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		18,721
Change in assets and liabilities:		
Receivables, net		1,473
Prepaid expenses		(907)
Accounts and other payables		(1,742)
Tenant security deposit		(204)
Unearned revenues		32
Accrued expenses		<u>(932)</u>
Net cash provided by (used) by operating activities	\$	<u><u>16,160</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the Town of Holly (Authority) is a public body and a body corporate and politic organized under the laws of the State of Colorado that is legally separate, fiscally independent and governed by a Board of Commissioners. The Authority was established to provide Public and Indian Housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable federal agencies. Additionally, HUD has entered into the Annual Contributions Contract with the Authority for the purpose of administering housing and housing relating programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The financial statements of the Authority have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1A. Financial Reporting Entity

The Authority's financial reporting entity comprises the following:

Primary Government: Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, "The Financial Reporting Entity," and includes all component units of which the Authority appointed a voting majority of the units' board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority's financial statements.

1B. Basis of Presentation

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

Proprietary Fund Types - This fund is used to account for the Authority's ongoing activities that are similar to those often found in the private sector. The accounting objectives are the determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority's proprietary fund types:

Enterprise Fund - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority's programs as an enterprise fund.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1B. Basis of Presentation – (Continued)

The Authority operates the following programs in the enterprise fund:

Public and Indian Housing - The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

Public Housing Capital Fund - The purpose of this program is to provide funds annually to housing authorities for the modernization of the housing development and for management improvements.

1C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used.

1D. Budgets

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

1E. Estimates and assumptions

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. The major receivable balance consists of HUD, tenant accounts and accrued interest receivable.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	5-40 years
Site Improvements	15-40 years
Furniture, equipment and machinery - dwelling	5-10 years
Furniture, equipment and machinery - administrative	5-15 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted asset is related to the tenant security deposit fund under the Public and Indian Housing program.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1F. Assets, Liabilities, and Equity - (Continued)

Equity Classifications

Equity is classified as net position and displayed in two components:

- 1) Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Unrestricted net position—All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

1G. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority’s compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

2A. Program Accounting Requirements

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Public Housing Capital Fund	U.S. Department of Housing and Urban Development

2B. Deposits and Investments Laws and Regulations

It is the Authority’s policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Continued)

2B. Deposits and Investments Laws and Regulations - (Continued)

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

2C. Revenue Restrictions

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Public Housing Capital Fund	Modernization

For the year ended December 31, 2023, the Authority complied, in all material respects, with these revenue restrictions.

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3A. Cash and Investments

As of December 31, 2023, the Authority had the following cash deposits and investments:

Cash deposits	\$ 110,169
Petty cash	100
Certificate of deposit	<u>13,369</u>
Total	\$ <u>123,638</u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2023:

Cash and cash equivalents	\$ 107,461
Restricted assets	2,808
Investments	<u>13,369</u>
Total	\$ <u>123,638</u>

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2023

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3A. Cash and Investments – (Continued)

Deposits

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2023, the Authority's bank balances of \$114,901 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank.

Investments

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At December 31, 2023, the Authority's investment balance of \$13,369 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank.

The State of Colorado's (the State) Public Deposit Protection Act (PDPA) precludes the Authority from requiring banks to hold securities in the Authority's name. The Authority deposits are subject to and in accordance with the PDPA. Under this act, all uninsured deposits are fully collateralized. The eligible collateral pledged is held in custody by any Federal Reserve Bank, or branch thereof, or held in escrow by some other bank in a manner prescribed by rule and regulation or is segregated from other trust department securities. All collateral so held must be clearly identified as being securities maintained or pledged for the aggregate amount of public deposits accepted and held on deposit by the eligible public depository. The depository has the right at any time to make substitutions of eligible collateral maintained or pledged and must at all times be entitled to collect and retain all income derived from those investments without restriction.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At December 31, 2023, the concentration of the Authority's investment (excluding cash deposits) was as follows:

Type of Investment	Market Value	Maturity Date
Certificate of Deposit	\$ <u>13,369</u>	10/17/2024
Total	\$ <u><u>13,369</u></u>	

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2023

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3B. Restricted Assets

Restricted assets at December 31, 2023 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash Including Time Deposits</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
Security deposit	\$ 2,808	\$ ----	\$ ----	\$ 2,808

3C. Accounts Receivable

Receivables at December 31, 2023 consist of the following:

Tenants	\$ 1,583
Less: Allowance for doubtful accounts - tenants	<u>(516)</u>
Tenants – Net of Allowance	1,067
HUD – operating subsidy	530
Accrued Interest Receivable	<u>11</u>
Total Accounts Receivable	\$ <u>1,608</u>

3D. Capital Assets

A summary of capital asset activity for the year ended December 31, 2023 is as follows:

	<u>Balance January 1, 2023</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Balance December 31, 2023</u>
Non-depreciable assets:				
Land	\$ 29,731	\$ -	\$ -	\$ 29,731
Total non-depreciable assets	<u>29,731</u>	<u>-</u>	<u>-</u>	<u>29,731</u>
Depreciable assets:				
Building	927,237	1,157	-	928,394
Equipment - dwelling	10,126	1,983	(699)	11,410
Equipment - administration	<u>19,599</u>	<u>-</u>	<u>-</u>	<u>19,599</u>
Total depreciable assets	956,962	3,140	(699)	959,403
Accumulated depreciation	<u>(879,671)</u>	<u>(18,721)</u>	<u>600</u>	<u>(897,792)</u>
Total depreciable assets, net	<u>77,291</u>	<u>(15,581)</u>	<u>(99)</u>	<u>61,611</u>
Capital assets, net	\$ <u>107,022</u>	\$ <u>(15,581)</u>	\$ <u>(99)</u>	\$ <u>91,342</u>

Depreciation expense is charged to programs as follows:

	<u>Business-type Activities</u>
Low Rent	\$ 18,721
Total depreciation expense	\$ <u>18,721</u>

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2023

NOTE 3 – DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)

3E. Accounts Payable

Accounts payable at December 31, 2023 consist of the following:

Vendors and Contractors	\$	886
Accrued utilities		<u>1,042</u>
Total Accounts Payable	\$	<u><u>1,928</u></u>

NOTE 4 – OTHER NOTES

4A. Employee Pension Plan

The Authority does not provide pension benefits to its employees and has not incurred any cost associated with providing a pension plan.

4B. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Housing Insurance Services, Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with Pinnacle Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$1,000 deductibles.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4C. Commitments – Construction

At December 31, 2023, the Authority had no Capital Fund projects in progress.

4D. Contingencies

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS – (CONTINUED)
December 31, 2023

NOTE 4 – OTHER NOTES – (Continued)

4E. Financial Data Schedule

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense and includes investment income and gain or loss on disposal of capital assets in operating activities, which differs from the presentation of basic financial statements.

4F. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through June 19, 2024, and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4G. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2024 federal budget.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

FINANCIAL DATA SCHEDULE
Year Ended December 31, 2023

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$107,461	\$107,461		\$107,461
114 Cash - Tenant Security Deposits	\$2,808	\$2,808		\$2,808
100 Total Cash	\$110,269	\$110,269		\$110,269
122 Accounts Receivable - HUD Other Projects	\$530	\$530		\$530
126 Accounts Receivable - Tenants	\$1,583	\$1,583		\$1,583
126.1 Allowance for Doubtful Accounts -Tenants	-\$516	-\$516		-\$516
129 Accrued Interest Receivable	\$11	\$11		\$11
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,608	\$1,608		\$1,608
131 Investments - Unrestricted	\$13,369	\$13,369		\$13,369
142 Prepaid Expenses and Other Assets	\$3,860	\$3,860		\$3,860
150 Total Current Assets	\$129,106	\$129,106		\$129,106
161 Land	\$29,731	\$29,731		\$29,731
162 Buildings	\$928,394	\$928,394		\$928,394
163 Furniture, Equipment & Machinery - Dwellings	\$11,410	\$11,410		\$11,410
164 Furniture, Equipment & Machinery - Administration	\$19,599	\$19,599		\$19,599
166 Accumulated Depreciation	-\$897,792	-\$897,792		-\$897,792
160 Total Capital Assets, Net of Accumulated Depreciation	\$91,342	\$91,342		\$91,342
180 Total Non-Current Assets	\$91,342	\$91,342		\$91,342
290 Total Assets and Deferred Outflow of Resources	\$220,448	\$220,448		\$220,448
312 Accounts Payable <= 90 Days	\$886	\$886		\$886
321 Accrued Wage/Payroll Taxes Payable	\$2,970	\$2,970		\$2,970
341 Tenant Security Deposits	\$2,808	\$2,808		\$2,808
342 Unearned Revenue	\$33	\$33		\$33
346 Accrued Liabilities - Other	\$1,042	\$1,042		\$1,042
310 Total Current Liabilities	\$7,739	\$7,739		\$7,739
300 Total Liabilities	\$7,739	\$7,739		\$7,739
508.4 Net Investment in Capital Assets	\$91,342	\$91,342		\$91,342
512.4 Unrestricted Net Position	\$121,367	\$121,367		\$121,367
513 Total Equity - Net Assets / Position	\$212,709	\$212,709		\$212,709
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$220,448	\$220,448		\$220,448

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended December 31, 2023

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$82,670	\$82,670		\$82,670
70400 Tenant Revenue - Other	\$1,789	\$1,789		\$1,789
70500 Total Tenant Revenue	\$84,459	\$84,459	\$0	\$84,459
70600 HUD PHA Operating Grants	\$78,904	\$78,904		\$78,904
71100 Investment Income - Unrestricted	\$155	\$155		\$155
71600 Gain or Loss on Sale of Capital Assets	-\$99	-\$99		-\$99
70000 Total Revenue	\$163,419	\$163,419	\$0	\$163,419
91100 Administrative Salaries	\$44,982	\$44,982		\$44,982
91200 Auditing Fees	\$4,450	\$4,450		\$4,450
91400 Advertising and Marketing	\$176	\$176		\$176
91500 Employee Benefit contributions - Administrative	\$3,531	\$3,531		\$3,531
91600 Office Expenses	\$5,125	\$5,125		\$5,125
91800 Travel	\$1,122	\$1,122		\$1,122
91900 Other	\$3,819	\$3,819		\$3,819
91000 Total Operating - Administrative	\$63,205	\$63,205	\$0	\$63,205
93100 Water	\$5,074	\$5,074		\$5,074
93200 Electricity	\$1,592	\$1,592		\$1,592
93300 Gas	\$6,753	\$6,753		\$6,753
93600 Sewer	\$2,222	\$2,222		\$2,222
93000 Total Utilities	\$15,641	\$15,641	\$0	\$15,641
94100 Ordinary Maintenance and Operations - Labor	\$31,383	\$31,383		\$31,383
94200 Ordinary Maintenance and Operations - Materials and Other	\$5,882	\$5,882		\$5,882
94300 Ordinary Maintenance and Operations Contracts	\$8,962	\$8,962		\$8,962
94500 Employee Benefit Contributions - Ordinary Maintenance	\$2,464	\$2,464		\$2,464
94000 Total Maintenance	\$48,691	\$48,691	\$0	\$48,691
96110 Property Insurance	\$11,527	\$11,527		\$11,527
96120 Liability Insurance	\$3,274	\$3,274		\$3,274
96130 Workmen's Compensation	\$930	\$930		\$930
96100 Total insurance Premiums	\$15,731	\$15,731	\$0	\$15,731
96200 Other General Expenses	\$627	\$627		\$627
96300 Payments in Lieu of Taxes	\$66	\$66		\$66
96400 Bad debt - Tenant Rents	\$962	\$962		\$962
96000 Total Other General Expenses	\$1,655	\$1,655	\$0	\$1,655
96900 Total Operating Expenses	\$144,923	\$144,923	\$0	\$144,923
97000 Excess of Operating Revenue over Operating Expenses	\$18,496	\$18,496	\$0	\$18,496
97400 Depreciation Expense	\$18,721	\$18,721		\$18,721
90000 Total Expenses	\$163,644	\$163,644	\$0	\$163,644

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

FINANCIAL DATA SCHEDULE – (Continued)
Year Ended December 31, 2023

	Project Total	Subtotal	ELIM	Total
10010 Operating Transfer In	\$52,166	\$52,166	-\$52,166	\$0
10020 Operating transfer Out	-\$52,166	-\$52,166	\$52,166	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$225	-\$225	\$0	-\$225
11030 Beginning Equity	\$212,934	\$212,934		\$212,934
11190 Unit Months Available	192	192		192
11210 Number of Unit Months Leased	169	169		169
11270 Excess Cash	\$105,431	\$105,431		\$105,431
11620 Building Purchases	\$1,157	\$1,157		\$1,157
11630 Furniture & Equipment - Dwelling Purchases	\$1,983	\$1,983		\$1,983



Audit Solutions, LLC.

Certified Public Accountant

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

Board of Commissioners
Housing Authority of the Town of Holly
Holly, Colorado

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Housing Authority of the Town of Holly (Authority), Colorado, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated June 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of current findings, recommendations and replies that I consider to be significant deficiency as finding #2023-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result 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.

Audit Solutions, LLC

Chesterfield, Missouri

June 19, 2024



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the Town of Holly
Holly, Colorado

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the Town of Holly (Authority) and the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in the Government Auditing Standards issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

I compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of my agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the chart below.

I was engaged to perform an audit for the Authority as of and for the year ended December 31, 2023 and have issued my reports thereon dated June 19, 2024. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of the audit. Further, my opinion on the fair presentation of the Authority's Financial Data Schedule (FDS) dated June 19, 2024, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package, which includes the auditor's report, is available in its entirety from the Authority. I have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, I take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

This report was intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Audit Solutions, LLC

Chesterfield, Missouri
June 19, 2024

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

AGREED UPON PROCEDURES
December 31, 2023

Procedure	UFRS Rule Information	Hard Copy Document(s)	Agrees
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDAs, if applicable	√
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	√
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	√
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	√

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2023

The prior audit report for the year ended December 31, 2022, contained the following finding:

2022-001. Finding: Segregation of Duties
 Status: Not implemented – see current finding #2023-001.

HOUSING AUTHORITY OF THE TOWN OF HOLLY
Holly, Colorado

CURRENT FINDINGS, RECOMMENDATIONS AND REPLIES
December 31, 2023

The current audit report for the year ended December 31, 2023, disclosed the following audit finding:

2023-001. Segregation of Duties

Criteria:

To ensure effective internal control, a segregation of duties between individuals who authorize transactions and individuals who have control over related assets must always exist.

Condition:

The present system of internal accounting controls in certain situation does not provide for segregation of duties in the performance of functions due to a limited size of the staff.

Questioned Costs:

None noted.

Effect:

As a result of this condition, there is a likelihood that intentional or unintentional errors will go undetected.

Cause:

Due to the small size of the entity, the Authority's decision was based on a "cost to benefit" relationship which does not justify the addition of additional staff to accomplish the desired segregation.

Recommendation:

I recommend that the Authority take steps to ensure compensating controls are in place to mitigate the lack of segregation of duties so that risk of errors can be prevented.

Management's Response:

To ensure effective internal control over our assets due to the small size of the Authority, the Executive Director, Maintenance Supervisor and the Board of Directors all work closely together to prevent errors and protect our assets.

