

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

Financial Statements

With Independent Auditor's Report

March 31, 2024

TABLE OF CONTENTS

Independent Auditors' Report	iv
Management Discussion and Analysis	v
Basic Financial Statements	
Statement of Net Position	vi
Statement of Revenues, Expenses and Changes in Net Position	vii
Statement of Cash Flows	viii
Notes to Financial Statements	ix
OTHER SUPPLEMENTAL INFORMATION	
Financial Data Schedules	x

Green & Associates LLC

Certified Public Accountants & Business Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Municipality of the City of Aspen, Colorado

Opinions

We have audited the accompanying financial statements of the Municipality of the City of Aspen, Colorado as of and for the year ended March 31, 2011 and the related notes to the financial statements which collectively comprise the financial statements of the Municipality of the City of Aspen, Colorado's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipality of the City of Aspen, Colorado as of March 31, 2011 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Municipality of the City of Aspen, Colorado 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes 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 accounting that raise substantial doubt about the Municipality of the City of Aspen, Colorado's ability to continue as a going concern for the foreseeable period beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of 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 opinion. Reasonable assurance is a high level of assurance but is not a absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement even if it exists. The risk of not detecting a material misstatement resulting from fraud is lower than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgments made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards we

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include evaluation on a test basis of evidence regarding the amounts and disclosures of 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, not for the purpose of expressing an opinion on the effectiveness of the accounting of the City of Aspen, Colorado'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 appropriate that raise substantial doubt about the accounting of the City of Aspen, Colorado'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 all other matters that are planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit

Required Supplementary Information

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

Supplementary Information

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

Fort Collins, CO
Office No. 970-225-1111

Management Discussion and Analysis

Management Discussion and Analysis

This management discussion and analysis of the financial activities of the City of Aspen, Colorado, is intended to provide readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2018.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statement. The Authority's financial statements comprise two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements The 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. The difference between the two reported as net position. Other 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 an underlying event gives rise to the change occurs regardless of the time of related cash flows.

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 financial-related legal requirements. The Authority consists of one proprietary enterprise fund containing both operating and grant programs which are described in Note 5 to Financial Statements.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements are included in the report.

Financial Analysis

As noted, net position may serve as a useful indicator of the Authority's financial position. Assets exceeded liabilities by \$5,000,000 at the close of the most recent fiscal year.

The largest portion of the Authority's net position reflects its net investment in capital assets (land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide affordable low rent housing to its tenants. These assets are not available for future spending. Although the Authority's investment in its capital assets are reported net of related debt, it should be noted that resources to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

	2019	2018	Increase or Decrease 2019 vs 2018
ASSETS			
Cash and equivalents	\$ 5,000,000	\$ 10,000,000	\$ (5,000,000)
Other current assets	5,000,000	10,000,000	(5,000,000)
Capital assets	10,000,000	10,000,000	0
Total Assets	20,000,000	30,000,000	(10,000,000)
LIABILITIES			
Current liabilities	5,000,000	5,000,000	0
Total Liabilities	5,000,000	5,000,000	0
NET POSITION			
Net investment in capital assets	10,000,000	10,000,000	0
Unrestricted	10,000,000	20,000,000	(10,000,000)
Total Net Position	20,000,000	30,000,000	(10,000,000)

Condensed Statement of Activities is presented in the following table

	2019	2018	Increase or Decrease 2019 vs 2018
Revenue:			
Operating Revenue	\$ 10,000,000	\$ 15,000,000	\$ (5,000,000)
Non-operating grants	10,000,000	5,000,000	5,000,000
Gain on sale of assets	0	10,000,000	(10,000,000)
Interest Income	5,000,000	5,000,000	0
Total Revenue	25,000,000	35,000,000	(10,000,000)
Expenses:			
Operating expenses	10,000,000	15,000,000	(5,000,000)
Total Expenses	10,000,000	15,000,000	(5,000,000)
Change in Net Position	15,000,000	20,000,000	(5,000,000)
Net Position beginning	5,000,000	10,000,000	(5,000,000)
Net Position ending	20,000,000	30,000,000	(10,000,000)

As of the current fiscal year as well as in the previous fiscal year the authority is able to report a positive balance in the net position. Current and other assets are increased due to increase in cash. This is primarily a result of revenues exceeding expenditures less depreciation throughout the year. Operating revenue increased in 2019 due to a decrease in the vacancy rate. Operating expenses decreased due to a change in various operating costs and utilities.

Condensed Statement of Cash Flows is presented in the following table:

	<u>2024</u>	<u>2023</u>
Cash from (for) Operating Activities	\$ 5,000	\$ 10,000
Cash from (on) Capital Financing Activities	\$ 5,000	\$ 10,000
Cash from (for) Capital and Related Financing Activities	\$ 10,000	\$ 10,000
Cash from (for) Investing Activities	\$ 5,000	\$ 55,000
Increase (Decrease)	<u>\$ 5,000</u>	<u>\$ 10,000</u>
Cash and Cash Equivalents at Beginning of Year	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 15,000</u></u>	<u><u>\$ 20,000</u></u>

Capital Asset and Debt Administration

Capital Assets. The Authority’s investment in capital assets as of March 31, 2024 amounts to \$100,000 net of accumulated depreciation. This investment in capital assets includes land, building and improvements, machinery and equipment. The Authority’s capital expenditures during fiscal year 2024 were \$5,000 relating to the upgrades to the facilities. The Authority did not dispose of any capital assets during the year. The remaining activity related to capital assets were the normal depreciation capital additions. Additional information on capital assets can be found in note 5 to the accompanying financial statements.

Long Term Debt

At the end of the year, the Authority had no long-term debt.

Economic Factors and Next Year’s Revenue

The Authority does not receive any revenue by taxes. The Authority’s rental rates are expected to decrease in fiscal year 2025. The Authority expects that subsidy will not increase in 2025.

Request for Information

This financial report is designed to provide an overview of the Alsen Creek Housing Authority’s finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Housing Authority of the City of Alsen Creek, Colorado, Russell Benitez, Alsen Creek CO 80800.

Basic Financial Statements

Housing Authority of the City of Walsenburg, Colorado
Statement of Net Position
March 31, 2024

ASSETS

Current Assets

Cash and cash equivalents	\$ 3,225,072
Prepaid expenses	18,920
Accounts receivable- tenants, net	781
Grants and other receivables	280,182
Accrued interest	224
Investments	189,800
Restricted cash	47,770
Total Current Assets	3,762,749

Noncurrent Assets

Capital assets	
Nondepreciable	763,087
Depreciable	7,961,255
Less: accumulated depreciation	(7,312,665)
Net Capital Assets	1,411,677
Total Noncurrent Assets	1,411,677
Total Assets	5,174,426

LIABILITIES

Current Liabilities

Accounts payable	26,900
Other accrued liabilities	58,117
Tenant security deposits	47,770
Unearned revenue	2,527
Accrued compensated absences	14,804
Total Current Liabilities	150,118

Net Position

Net investment in capital assets	1,411,677
Unrestricted	3,612,631
Total Net Position	\$ 5,024,308

Housing Authority of the City of Walsenburg, Colorado
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended March 31, 2024

Operating Revenues

Dwelling rental - net	\$ 399,229
Other	19,005
Total Operating Revenues	418,234

Operating Expenses

General and administrative	353,986
Utilities	104,525
Maintenance and operation	253,971
Depreciation	118,398
Total Operating Expenses	830,880
Operating Income (Loss)	(412,646)

Non-Operating Revenues (Expenses)

HUD contributions and grants	437,134
Interest income	3,998
Total Non-Operating Revenues (Expenses)	441,132
Change in Net Position	28,486
Net Position, Beginning of Year	4,995,822
Net Position, End of Year	\$ 5,024,308

Housing Authority of the City of Walsenburg, Colorado
Statement of Cash Flows
For the Year Ended March 31, 2024

Cash Flows From Operating Activities:	
Cash received from tenants	\$ 416,899
Cash payments to tenants and suppliers	(401,243)
Cash payments to employees	(317,812)
Net Cash (Used) For Operating Activities	(302,156)
 Cash Flows From Noncapital Financing Activities:	
HUD contributions and grants	415,428
Net Cash Provided by Non-Capital Financing Activities	415,428
 Cash Flows From Capital and Related Financing Activities:	
Purchase of property, plant and equipment	(40,806)
Net Cash Provided (Used) by Capital and Related Financing Activities	(40,806)
 Cash Flows from Investing Activities:	
Purchases of investments	(796)
Interest income	3,995
Net Cash Provided by Investing Activities	3,199
Net increase in Cash and Cash Equivalents	75,665
Cash and Cash Equivalents, Beginning	3,197,177
Cash and Cash Equivalents, Ending	\$ 3,272,842
 Detail of cash and cash equivalents:	
Cash - Unrestricted	3,225,072
Cash-Restricted	47,770
Total	\$ 3,272,842
 Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating (Loss)	(412,646)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation and Amortization	118,398
Changes in Assets and Liabilities:	
Accounts Receivable - Tenants	(424)
Prepaid expenses	(6,967)
Accounts payable	(2,085)
Accrued liabilities	1,623
Accrued compensated absences	856
Deferred revenue	504
Tenant security deposits	(1,415)
Net Cash Used for Operating Activities	(302,156)

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements
March 31, 2024

Note 1 Summary of Significant Accounting Policies

The Housing Authority of the City of Walsenburg, Colorado (the Authority) was established by the City of Walsenburg, Colorado in order to administer the public housing programs subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD). The Authority provides housing units of housing under the program. The Authority is operated by a Board of Commissioners. The accounting policies of the Authority conform to generally accepted accounting Principles (GAAP) as applicable to governments. The governmental accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority follows all pronouncements issued by GASB. The more significant of the Authority's policies are described below.

Financial Reporting Entity

The Authority follows GASB State and local government provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of governmental organizations elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes but is not limited to appointment of a majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. Based upon the application of these criteria, no entities will be included in the Authority's reporting entity. The Housing Authority of the City of Walsenburg, Colorado is not a component unit of any other entities.

Basis of Accounting

Enterprise fund accounting is utilized by the Authority in accordance with accounting principles generally accepted in the United States of America. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets. Retirement of bonds is recorded as a reduction of liabilities.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the board has decided the determination of revenues earned, cost incurred and/or net income is necessary for management accountability. All assets, deferred inflows, liabilities, deferred outflows associated with the operation of the Authority are included in the statement of net position.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund is charges for providing low-income housing. Operating expenses for the enterprise fund include the cost of providing low-income housing and administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses. The Authority presents its activities as a single enterprise proprietary fund.

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2024

Note 1 Summary of Significant Accounting Policies (Continued)

The Authority follows the provisions of governmental accounting Standards Board (GASB) State and local government Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments as amended by State and local government The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34 and State and local government Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. These state and local government standards establish standards for external financial reporting for all state and local governmental entities. This includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses and changes in net position and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets, restricted, and unrestricted.

Assets, Liabilities and Net Position

Investments - Investments are recorded at fair value and are reported at cost.

Receivables - All receivables are reported at their book value and where appropriate are reduced by the estimated portion that is expected to be uncollectible.

Prepaid expenses – Prepaid balances are for payments made by the Authority in the current year for items to be consumed in subsequent years.

Capital assets These consist of all property, plant and equipment. The Authority defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or estimated historical cost if donated.

Depreciation of all depreciable capital assets is carried as expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives within the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	50 years
Equipment	10 years
Operational equipment	10 years

Compensated Absences Pursuant to its personnel policies, the Authority will compensate individual employees for unused vacation and sick leave accumulated upon their separation of employment. The Authority reports these potential payments as a liability for compensated absences. The net change in compensated absences was an increase of \$5,000 for the year ended 2024.

Net Position – Net position is classified as net position and displayed in three components:

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 borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2024

Note 1 Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position (Continued)

Restricted net position – consists of net position with constraints placed on the use either by intergovernmental programs such as creditors, grantors or laws or regulations of other governmental entities or state or federal constitutional provisions or enabling legislation.

Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” These net positions are available for future operations or distributions. The authority utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for other purposes.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are defined as investments including restricted assets with a maturity of three months or less at date of acquisition. The authority considers certificates of deposit with maturities of more than three months at date of purchase as investments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis. Annual appropriated budgets are adopted for the fund. All annual appropriations lapse at fiscal year-end. The authority adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing. All budgets lapse at year-end.
- Prior to March 1st, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The authority board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the authority board or revised by the authority board.

Note 2 Cash and Investments

Cash Deposits

As of March 31, 2024, the District's cash deposits had a carrying balance of \$500,000 and a corresponding loan balance of \$500,000 of which \$500,000 was insured by the Federal Deposit Insurance Corporation, respectively.

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2024

Note 2 Cash and Investments (Continued)

The Colorado Public Deposit Protection Act (PDP) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDP. PDP allows the institution to create a single collateral pool for all public funds. The pool for all the insured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 100% of the insured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the nature of eligible depositories and reporting of the insured deposits and assets maintained in the collateral pools. The authority had \$500,000 collateralized under PDP.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. The authority does not have a deposit policy for custodial credit risk. As of March 31, 2024, none of the Authority's bank deposits were exposed to custodial credit risk.

Investments

Colorado statutes specify in public investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks.
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The authority does not have a formal investment policy.

As of March 31, 2024, the authority had \$500,000 invested in certificates of deposit (CD's) with a maturity ranging from 30 days to 6 months from date of purchase. All CD's were insured under the FDIC and are valued under amortized cost.

Cash and cash equivalents consisted of the following:

Deposits in financial institutions	\$ 500,000
Cash on hand	0
Total Cash and Cash Equivalents	\$ 500,000

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2024

Note 3 Accounts Receivable

Accounts receivable balance at March 31, 2024, as comprised of the following:

Program	Tenants Receivable	Balance for Bad Debt	Receivable Net of Allowance
Tenant receivables	\$ 100,000	\$ 0	\$ 100,000
Total	\$ 100,000	\$ 0	\$ 100,000

Note 4 Fixed Assets

The following is a summary of fixed assets at March 31, 2024:

	Balance 3/31/2023	Additions	Deletions	Balance 3/31/2024
Nondepreciable				
Land	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000
Total Nondepreciable	\$ 1,000,000	\$ 0	\$ 0	\$ 1,000,000
Depreciable				
Buildings and improvements	\$ 1,000,000	\$ 50,000	\$ 0	\$ 1,050,000
Cellular equipment	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Maintenance equipment	\$ 50,000	\$ 50,000	\$ 0	\$ 100,000
Total Depreciable	\$ 1,050,000	\$ 100,000	\$ 0	\$ 1,150,000
TOTAL	\$ 2,050,000	\$ 100,000	\$ 0	\$ 2,150,000
Less accumulated Depreciation	\$ 1,000,000	\$ 100,000	\$ 0	\$ 1,100,000
Total accumulated Depreciation	\$ 1,000,000	\$ 100,000	\$ 0	\$ 1,100,000
Net Capital Assets	\$ 1,050,000	\$ 0	\$ 0	\$ 1,050,000

Note 5 Retirement Plan

The Authority participates in the Standard Jones Variable annuity plan. The Executive Director is authorized to establish and amend the plan benefits. The Authority provides retirement benefits for all of its full time employees through a defined contribution plan. Employees are eligible to participate from the date of employment. The Authority contributes an amount equal to 8% of the employee's base salary each month. The Authority's contributions for each employee are fully vested after five years of continuous service. The Authority's contributions for the year ending March 31, 2023 and 2024 were \$50,000 and \$50,000.

Note 6 Contingencies and Commitments

The Authority is exposed to various risks related to torts, theft of data and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. Settled claims are not expected to exceed commercial coverage in any of the past three years.

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2024

Note 6 Contingencies and Commitments (Continued)

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of March 31, 2024, no significant amounts of grant expenses have not been audited. The Authority believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the Authority.

In 2005, the Colorado voters passed the Tax and Bond Limit Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 2024 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenues received in excess of the limitations may be required to be refunded unless the local electorate votes to retain the revenue. The Tax and Bond Limit Amendment is subject to any interpretations. Therefore, the Authority believes it is exempt because it receives no taxes and is funded primarily by federal grants and contributions.

Note 7 Economic Dependency

The Authority is economically dependent on annual contributions and grants from HUD. The extent of this funding from HUD depends upon appropriations from the Federal government and is subject to annual renewals.

Other Supplemental Information