

**HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
FOUNTAIN, COLORADO**

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

FOR THE YEAR ENDED DECEMBER 31, 2025

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

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Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Fountain
Fountain, 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 City of Fountain (Authority), Colorado, as of and for the year ended December 31, 2025, 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, 2025, 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 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 and analysis on pages i-vii 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 and the PHA's Statement of Certification of Actual Modernization Cost are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is also presented for purposes 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, PHA's Statement of Certification of Actual Modernization Cost and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2026, 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.



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

June 18, 2026

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
December 31, 2025

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Financial Highlights

The most significant changes on the 2025 financial statements were in unrestricted cash, accumulated depreciation, construction in progress, accrued wage/payroll taxes payable, accrued comp absences – noncurrent, operating grants, other revenue, administrative salaries, emp benefits contributions – administrative, ordinary maintenance & operations contracts and employee benefit contributions – ordinary maintenance.

Overview of the Financial Statements

The annual report includes a Management Discussion and Analysis report, the Basic Financial Statements, the Notes to the Financial Statements, and the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The financial statements are presented as fund-level financial statements because the Board only has proprietary funds.

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

For accounting purposes, the Board is classified as an enterprise fund. Enterprise funds account for activities like those found in the private business sector where the determination of net position is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which assets and liabilities, associated with the operation of these funds, are included on the balance sheet. Their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. Our discussion and analysis provide an overview of the financial activities and performance for year-end December 31, 2025.

All 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 ability of management to meet budgets, maintain property (meets HUD specifications and inspections), and determines whether the Board has successfully recovered costs through its rental fees and other charges. It can also be used to measure profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions as the source, expenditures, and change in cash during the reporting period.

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

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Board to submit financial information electronically to HUD using the FDS format.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2022

Financial Analysis

One of the most important questions concerning finances is the following: “Is the Board as a whole better or worse because of the achievements of the reported fiscal year?” The purpose of the information presented in this Management’s Discussion and Analysis is to assist the reader in answering this question.

The basic financial statements are the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on December 31, 2025. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarizes revenues, sources of those revenues generated, and expenses incurred in operating the Board for the year-ended December 31, 2025.

Housing Authority of the City of Fountain has a Section 8 Housing Choice Voucher program that provides rental assistance to qualified individuals living in private housing.

The following analysis focuses on the net position and the change in net position not the individual programs.

Net Position				
December 31, 2025				
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>% of Change</u>
Current Assets	\$ 2,021,784	\$ 1,892,248	\$ 129,536	6.85%
Capital Assets, Net	1,456,335	1,445,138	11,197	0.77%
Noncurrent Assets	<u>389,271</u>	<u>389,271</u>	<u>0</u>	<u>0.00%</u>
Total Assets	<u>3,867,390</u>	<u>3,726,657</u>	<u>140,733</u>	<u>3.78%</u>
Current Liabilities	152,181	194,780	(42,599)	-21.87%
Noncurrent Liabilities	<u>476,321</u>	<u>570,646</u>	<u>(94,325)</u>	<u>-16.53%</u>
Total Liabilities	<u>628,502</u>	<u>765,426</u>	<u>(136,924)</u>	<u>-17.89%</u>
Net Position:				
Investment in Capital Assets	974,693	931,300	43,393	4.66%
Restricted Net Position	52,747	61,153	(8,406)	-13.75%
Unrestricted Net Position	<u>2,211,448</u>	<u>1,968,778</u>	<u>242,670</u>	<u>12.33%</u>
Total Net Position	<u>\$ 3,238,888</u>	<u>\$ 2,961,231</u>	<u>\$ 277,657</u>	<u>9.38%</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2022

Financial Analysis – (Continued)

Capital Assets (Net of Accumulated Depreciation) December 31, 2025				
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>% of Change</u>
Land	\$ 259,361	\$ 259,361	\$ 0	0.00%
Buildings	3,977,604	3,967,286	10,318	0.26%
Furniture & Equipment - Dwell	245,148	245,148	0	0.00%
Furniture & Equipment - Admin	200,685	183,886	16,799	9.14%
Leasehold Improvements	716,619	716,619	0	0.00%
Construction in progress	<u>342,127</u>	<u>276,002</u>	<u>66,125</u>	<u>23.96%</u>
Subtotal	5,741,544	5,648,302	93,242	1.65%
Accumulated Depreciation	<u>(4,285,209)</u>	<u>(4,203,164)</u>	<u>(82,045)</u>	<u>1.95%</u>
Net Capital Assets	\$ <u>1,456,335</u>	\$ <u>1,445,138</u>	\$ <u>11,197</u>	<u>0.77%</u>

Net Position

Total assets consist of current and capital assets. Current assets are resources that are expected, based on plans and intentions, to be converted into cash or their equivalent during the current operating cycle. Capital assets are long-term tangible assets obtained because of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land.

Total liabilities consist of current and noncurrent payables. Current liabilities are current debts that are owed and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt. Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume current financial resources to satisfy the debt.

Total assets increased due to unrestricted cash. Total liabilities decreased accrued wage/payroll taxes payable and accrued comp absences - noncurrent. Non-current assets are assets which are not easily convertible to cash or are not expected to become cash within the next fiscal year.

The Housing Authority had \$44,590 in Capital Grant revenue that was drawn down and expanded during the current year.

Total Net Position

As of December 31, 2025, the Board had \$3,238,888 invested in total net position. Of this amount, \$2,211,448 of unrestricted net position may be used to meet the Board’s future ongoing expenses and obligations. Restricted net position of \$52,747 was available. The remainder of \$974,693 represents the investment in furnishings and equipment.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2022

Financial Analysis – (Continued)

Debt

Fountain Housing Authority's long-term debt consisted of \$481,642, in which the current portion of note payables is \$24,608 and the noncurrent portion is \$457,034.

	Expendable Fund Balance			% of
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
Expendable Fund Balance	\$ <u>1,821,082</u>	\$ <u>1,641,575</u>	\$ <u>179,507</u>	<u>10.94%</u>
Number of Months Expendable Fund	<u>23.71</u>	<u>18.48</u>	<u>5.22</u>	<u>28.25%</u>

Expendable Fund Balance

If current assets, less materials inventory, were converted to cash and all current liabilities were paid, the Board's cash balance (expendable fund balance) would be \$1,821,082 which increased \$179,507.

Number of Months Expendable Fund Balance

The expendable fund balance is divided by average monthly expense (total expenses for the year, less depreciation, divided by twelve (12) to determine the number of months expendable fund balance. This factor indicates the number of months the entity could operate without relying on additional funding. As of the fiscal year end, the Board could continue operations for 23.71 months.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2022

Financial Analysis – (Continued)

Changes in Net Position				
For the Years Ended December 31				
	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>% of Change</u>
Revenue:				
Tenant Revenue	\$ 695,428	\$ 683,473	\$ 11,955	1.75%
Federal Grants & Subsidy	3,578,109	3,389,068	189,041	5.58%
Investment	11,870	36,772	(24,902)	-67.72%
Other Income	226,102	113,349	112,753	99.47%
Total Revenue	<u>4,511,509</u>	<u>4,222,662</u>	<u>288,847</u>	<u>6.84%</u>
Expenses:				
Administrative	259,539	465,922	(206,383)	-44.30%
Utilities	115,454	105,395	10,059	9.54%
Routine Maintenance	387,255	391,791	(4,536)	-1.16%
Protective Services	5,497	639	4,858	760.25%
General	129,751	84,941	44,810	52.75%
Interest	12,522	16,893	(4,371)	-25.87%
Nonroutine	224	130	94	72.31%
Casualty Loss	11,648	0	11,648	100.00%
Housing Assistance Payments	3,229,917	2,936,758	293,159	9.98%
Depreciation	82,045	84,527	(2,482)	-2.94%
Total Operating Expenses	<u>4,233,852</u>	<u>4,086,996</u>	<u>146,806</u>	<u>3.59%</u>
Increase (Decrease) in Net Position	<u>\$ 277,657</u>	<u>\$ 135,666</u>	<u>\$ 141,991</u>	<u>104.66%</u>

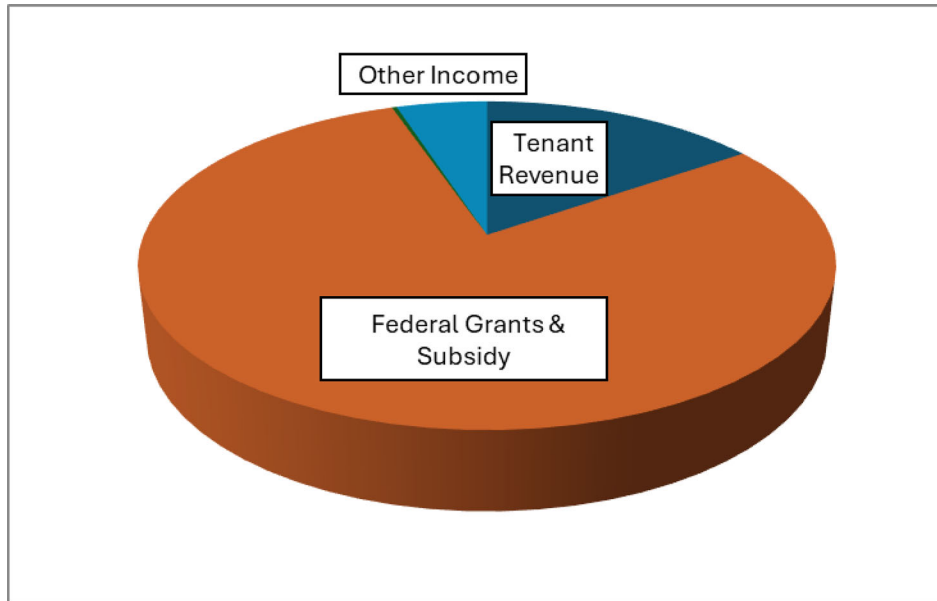
Total revenue increased due to Federal Grants & Subsidy, and other income. Total operating expenses have increased due to changes in Housing Assistance Payments rent expenses are due to the number of Section 8 applicants assisted with housing needs and costs per unit leased. The net effect was an increase in changes in net position.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

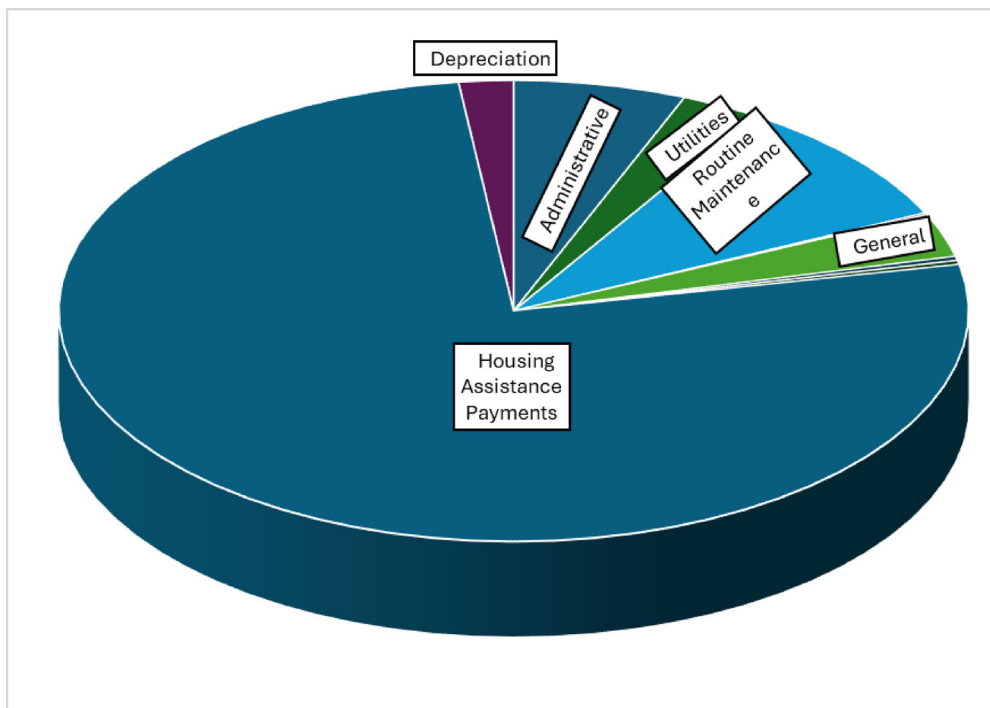
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2022

Financial Analysis – (Continued)

2025 Total Revenue



2025 Total Operating Expenses



HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) – (Continued)
December 31, 2022

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations. The entity is affected by both federal budgetary decisions and by local economic conditions.

Contacting the Housing Authority’s Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Authority’s finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Ms. Ashley Reeder, Executive Director, Housing Authority of Fountain, 501 East Iowa Ave, Fountain, CO 80817, telephone number (719) 382-5639.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF NET POSITION
December 31, 2025

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,711,941
Cash - restricted	112,995
Receivables - net of allowances of \$39,311	154,368
Inventory - net of allowances of \$1,006	20,382
Prepaid expenses	<u>22,098</u>

Total Current Assets	<u>2,021,784</u>
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Non-current Assets:

Long term receivables	389,271
Capital assets:	
Land and construction in progress	601,488
Other capital assets, net of depreciation	<u>854,847</u>

Total capital assets - net	<u>1,456,335</u>
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Total Non-current Assets	<u>1,845,606</u>
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Total Assets	<u><u>\$ 3,867,390</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF NET POSITION - (Continued)
December 31, 2025

LIABILITIES

Current Liabilities:

Accounts payable	\$ 49,119
Tenant security deposit liability	55,983
Accrued compensated absences	7,779
Current portion of long-term debt	24,608
Unearned revenues	<u>14,692</u>

Total Current Liabilities	<u>152,181</u>
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Non-current Liabilities:

Long term debt, net of current portion	457,034
Compensated absences	<u>19,287</u>

Total Non-current Liabilities	<u>476,321</u>
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Total Liabilities	<u>628,502</u>
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NET POSITION

Net investment in capital assets	974,693
Restricted	52,747
Unrestricted	<u>2,211,448</u>

Total Net Position	<u>3,238,888</u>
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Total Liabilities and Net Position	<u><u>\$ 3,867,390</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2025

OPERATING REVENUES

Tenant revenue	\$ 695,428
Governmental grants and subsidy	3,518,159
Miscellaneous	<u>226,102</u>
 Total operating revenue	 <u>4,439,689</u>

OPERATING EXPENSES

Administrative	259,539
Utilities	115,454
Ordinary maintenance and operations	387,255
Protective services	5,497
Insurance	80,258
General	49,493
Non routine maintenance	11,872
Housing assistance payment	3,229,917
Depreciation expense	<u>82,045</u>
 Total operating expenses	 <u>4,221,330</u>

Operating income (loss)	<u>218,359</u>
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NON-OPERATING REVENUES (EXPENSES)

Investment income	11,870
Interest expense	<u>(12,522)</u>

Net non-operating revenues (expenses)	<u>(652)</u>
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Income (loss) before contributions and transfers	<u>217,707</u>
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Capital contributions	<u>59,950</u>
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Change in net position	277,657
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Total net position - beginning of year	<u>2,961,231</u>
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Total net position - end of year	<u><u>\$ 3,238,888</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$ 675,187
Received from governmental grants and subsidy	3,466,495
Received from other operating activities	227,396
Payments for goods and services	(430,863)
Payments to employees	(536,773)
Payment for housing assistance	<u>(3,229,917)</u>

Net cash provided by (used in) operating activities	<u>171,525</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions	59,950
Purchases of capital assets	(93,242)
Principal paid on capital debt	(32,196)
Interest paid on capital debt	<u>(12,522)</u>

Net cash provided by (used in) capital and related financing activities	<u>(78,010)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Receipts of interest and dividends	<u>25,537</u>
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Net cash provided by (used in) investing activities	<u>25,537</u>
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Net increase (decrease) in cash and cash equivalents	119,052
Cash and cash equivalents at beginning of year	<u>1,705,884</u>

Cash and cash equivalents at end of year	<u><u>\$ 1,824,936</u></u>
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See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

STATEMENT OF CASH FLOWS - (Continued)
For the Year Ended December 31, 2025

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

Operating income (loss)	\$	218,359
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		82,045
Change in assets and liabilities:		
Receivables, net		(4,941)
Inventories, net		6,316
Prepaid expenses		(11,859)
Accounts and other payables		33,079
Tenant security deposit		(761)
Unearned revenues		(5,697)
Compensated absences		(71,563)
Accrued expenses		<u>(73,453)</u>
Net cash provided by (used) by operating activities	\$	<u><u>171,525</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of the City of Fountain (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 Low-Rent 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 Annual Contributions Contract with the Authority for the purpose of administering housing and housing related 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 CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

1B. Basis of Presentation - (Continued)

The Authority operates the following programs in the enterprise fund:

Public Housing Operating Fund – 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.

Section 8 Housing Choice Vouchers – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses HAP funds to the amount needed by the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

Section 8 New Construction & Substantial Rehabilitation (Fountain Townhomes) – The organization operates 14-unit apartment project located in Fountain, Colorado under Colorado Housing and Finance Authority (CHFA) Insured Project. Under this program, HUD provides Section 8 project-based assistance to the housing authorities to help bridge the gap between the rents needed to make a project feasible and the rents affordable to the tenants.

State & Local (Fountain Mesa Court Townhomes) – The organization operates 64-unit apartment project located in Fountain, Colorado under Colorado Housing and Finance Authority (CHFA) Insured Project.

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.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

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.

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.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD, miscellaneous and tenant accounts receivable.

Inventories

Inventories are accounted for under the consumption method and recorded at lower of cost or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expenditure at the time the items are consumed. Inventories are classified as current assets on the Statement of Net Position, net of an allowance for obsolete inventory.

Prepaid Expenses

Prepaid expenditures, such as insurance premiums and deferred costs, which are expected to be written off within the next fiscal year, are included in current assets.

Capital Assets

Capital assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$1,000 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

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

Capital Assets - (Continued)

Depreciation of all exhaustible capital 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	15-40 years
Furniture, equipment and machinery - dwelling	5 years
Furniture, equipment and machinery - administrative	3-7 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the security deposit fund and reserve accounts under the Public Housing Operating Fund, Section 8 N/C S/R and State & Local programs.

Compensated Absences

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in three 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) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation. The statement of net position of the Authority reports \$52,747 of restricted net position which consists of maintenance reserves relating to Section 8 N/C S/R program.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted are available, the Authority's policy is to apply restricted assets to fund restricted costs and then unrestricted as they are needed.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

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 Change 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:

Program

Public Housing Operating Fund
Public Housing Capital Fund
Section 8 Housing Choice Vouchers
Section 8 New Construction & Substantial
Rehabilitation - (Fountain Townhomes)
State & Local - (Fountain Mesa Court Townhomes)

Required By

U.S. Department of Housing and Urban Development
U.S. Department of Housing and Urban Development
U.S. Department of Housing and Urban Development
U.S. Department of Housing and Urban Development
State of Colorado

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. As reflected in Note 3A, all deposits were fully insured or collateralized.

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.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

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
HAP Grant	Housing Assistance Payments

For the year ended December 31, 2025, 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

As of December 31, 2025, the Authority had the following cash deposits:

Cash deposits	\$ 1,824,553
Petty cash	<u>383</u>
Total	<u>\$ 1,824,936</u>

Following is a reconciliation of the Authority's deposit balances as of December 31, 2025:

Cash and cash equivalents	\$ 1,711,941
Restricted assets	<u>112,995</u>
Total	<u>\$ 1,824,936</u>

Deposits

Custodial Credit Risk - Deposits

For an investment, custodial credit risk 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, 2025, the Authority's bank balances of \$1,871,455 were entirely covered by FDIC insurance or by the State of Colorado's (the State) Public Deposit Protection Act (PDPA) which 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.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

3A. Cash – (Continued)

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.

3B. Restricted Assets

Restricted assets at December 31, 2025, consist of the following:

Type of Restricted Assets	Cash Including Time Deposits	Investments	Accrued Interest	Total
Reserve account	\$ 52,747	\$ ----	\$ ----	\$ 52,747
Security deposit	60,248	----	----	60,248
Total	<u>\$ 112,995</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 112,995</u>

3C. Accounts Receivable

Receivables at December 31, 2025, consist of the following:

Tenants	\$ 38,386	
Less: Allowance for doubtful account - tenants	<u>(31,520)</u>	\$ 6,866
Miscellaneous	8,709	
Less: Allowance for doubtful account – miscellaneous	<u>(7,791)</u>	918
HUD		<u>146,584</u>
Total Accounts Receivable		<u>\$ 154,368</u>

3D. Long Term Receivable

The Authority has provided a note receivable to Fountain Ridge South Apartments, LLP in the amount of \$389,271. The maturity date of the note is July 1, 2044. The interest rate is 1%.

The Authority is a special limited partner in Fountain Ridge South Apartments, LLP. The ownership interest is .05%. The partnership is a tax credit partnership that has 75 units in Fountain, Colorado. The partnership interest is recorded on an equity basis and is presently (\$675). The notes receivable is \$389,271 and is secured by a lien on the property. The notes are classified as long term because current payments are not expected. The notes receivable is part of the financing from the Colorado Division of Housing that were provided to the Partnership but are required to be given to a non-profit organization such as the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

3E. Inventory

Inventory at December 31, 2025, comprised of the following:

Inventory	\$ 21,388
Less: Allowance for obsolete inventory	<u>(1,006)</u>
Inventory - net of allowance	<u>\$ 20,382</u>

3F. Prepaid Expenses

Prepaid expenses totaled \$22,098 at December 31, 2025, and consisted of primarily prepaid insurance and deferred costs.

3G. Capital Assets

A summary of capital asset activity for the year ended December 31, 2025, is as follows:

	Balance January 1, 2025	Additions	(Retirement)	Balance December 31, 2025
Non-depreciable assets:				
Land	\$ 259,361	\$ -	\$ -	\$ 259,361
Construction in progress	<u>276,002</u>	<u>66,125</u>	<u>-</u>	<u>342,127</u>
Total non-depreciable assets	<u>535,363</u>	<u>66,125</u>	<u>-</u>	<u>601,488</u>
Depreciable assets:				
Building	3,967,286	10,318	-	3,977,604
Equipment - dwelling	245,148	-	-	245,148
Equipment - administration	183,886	16,799	-	200,685
Leasehold improvements	<u>716,619</u>	<u>-</u>	<u>-</u>	<u>716,619</u>
Total depreciable assets	<u>5,112,939</u>	<u>27,117</u>	<u>-</u>	<u>5,140,056</u>
Accumulated depreciation	<u>(4,203,164)</u>	<u>(82,045)</u>	<u>-</u>	<u>(4,285,209)</u>
Total depreciable assets, net	<u>909,775</u>	<u>(54,928)</u>	<u>-</u>	<u>854,847</u>
Capital assets, net	<u>\$ 1,445,138</u>	<u>\$ 11,197</u>	<u>\$ -</u>	<u>\$ 1,456,335</u>

Depreciation expense is charged to programs as follows:

	Business-type Activities
Public Housing Operating Fund	\$ 33,265
Housing Choice Vouchers	3,740
State & Local	43,284
S8 N/C S/R	<u>1,756</u>
Total depreciation expense	<u>\$ 82,045</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

3H. Right to Use Asset – Subscription

The Authority has recorded the right to use assets under Leasehold Improvements. The assets are right to use assets for subscription for the use of software. The right to use assets are amortized on a straight-line basis over the terms of the related lease.

	Balance Jan 1, 2025		Additions		(Retirement)		Balance Dec 31, 2025
Right to Use Asset:							
Software	\$ 60,336	\$	---	\$	---	\$	60,336
Less: accumulated amortization	(44,247)		(12,067)		---		(56,314)
Right to Use Asset, net	\$ 16,089	\$	(12,067)	\$	---	\$	4,022

3I. Accounts Payable

Accounts payable at December 31, 2025, consist of the following:

PILOT	\$ 1,200
HUD – interest payback	13,667
HUD PHA projects – Port-ins	33,354
Other current liabilities – Surplus cash - HUD	898
Total Accounts Payable	\$ 49,119

3J. Non-current Liabilities

Non-current liabilities at December 31, 2025, consist of the following:

Accrued compensated absences	\$ 19,287
Mortgage payable	457,034
Total Non-Current Liabilities	\$ 476,321

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

3J. Non-current Liabilities - (Continued)

The following is the summary of changes in long-term liabilities:

	Balance Jan 1, 2025	Additions	Deductions	Balance Dec 31, 2025	Amounts Due within One Year
Accrued compensated absences	\$ 88,766	\$ ---	\$ 69,479	\$ 19,287	\$ 7,779
Subscription	4,309	---	4,309	---	4,309
Mortgage payable	<u>477,571</u>	<u>---</u>	<u>20,537</u>	<u>457,034</u>	<u>20,300</u>
Total Non-Current Liabilities	<u>\$ 570,646</u>	<u>\$ ---</u>	<u>\$ 94,325</u>	<u>\$ 476,321</u>	<u>\$ 32,388</u>

Annual Debt Service Requirements

The long-term debt consists of the following mortgages:

Fountain Townhomes:

The Authority has a mortgage payable to Colorado Housing and Finance Authority (CHFA) which is due in monthly installments of \$2,642, including principal and interest, with final maturity scheduled for December 1, 2033, at an interest rate of 5.75%. The balance due as of December 31, 2025, is \$201,279 (including current portion). The apartment project serves as collateral for this loan.

Additionally, the Authority has a second mortgage payable to Federal Housing Administration obtained through the Mark to Market program, consisting of a mortgage restructuring in the amount of \$140,399. This mortgage has a maturity date of December 1, 2033, at an interest rate of 4.00%. Principal is due in full at maturity, however, if the Authority operates Fountain Townhomes as affordable housing until maturity, the second mortgage will be forgiven. The apartment project serves as collateral for this loan.

The annual debt service requirements to maturity for long-term debt as of December 31, 2025, are as follows:

Year Ending Dec 31,	HUD		
	Principal	Interest	Total
2026	\$ 20,300	\$ 11,408	\$ 31,708
2027	21,346	10,362	31,708
2028	22,422	9,286	31,708
2029	23,528	8,180	31,708
2030	24,664	7,044	31,708
2031 - 2034	<u>229,418</u>	<u>69,521</u>	<u>298,939</u>
Total	<u>\$ 341,678</u>	<u>\$ 115,801</u>	<u>\$ 457,479</u>

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

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

3J. Non-current Liabilities - (Continued)

Fountain Mesa Court Townhomes:

The Project has a first and second mortgage payable to Colorado Division of Housing in the amount of \$78,802 and \$56,854. The note is due in one balloon payment on June 1, 2054. The apartment project serves as collateral for this loan.

The annual debt service requirements to maturity for long-term debt as of December 31, 2025, are as follows:

Year Ending Dec 31,	HUD		
	Principal	Interest	Total
2026	\$ -	\$ 242	\$ 242
2054	135,656	-	135,656
Total	\$ 135,656	\$ 242	\$ 135,898

NOTE 4 – OTHER NOTES

4A. Commitments – Construction

At December 31, 2025, the Authority had the following pending Public Housing Capital Fund projects in progress:

	Funds Approved	Funds Expended - Project to Date
CFP 501-20	\$ 83,122	\$ 82,848
CFP 501-22	\$ 105,945	\$ 101,666
CFP 501-23	\$ 109,344	\$ 69,307

4B. Contingencies

The Authority is subject to possible examinations made by the 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 CITY OF FOUNTAIN
Fountain, Colorado

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
December 31, 2025

NOTE 4 – OTHER NOTES – (Continued)

4C. 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 State Farm Insurance.
b. Physical property loss and natural disasters	Purchased commercial insurance with \$5,000 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.

4D. 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, interest expense, extraordinary maintenance, casualty losses and Housing Assistance Payment (HAP) and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

4E. Related Party

The Authority is a special limited partner in the Fountain Ridge South Apartments, a tax-credit project. The equity interest owned in the partnership is not material to the financial statements. The Authority has voucher clients housed in the tax credit project.

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 18, 2026, 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 2026 federal budget.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
December 31, 2025

1. Actual Capital Fund Program costs are as follows:

	<u>501-21</u>
Funds approved	\$ 87,432
Funds expended	<u>87,432</u>
Excess of Funds Approved	<u>\$ ---</u>
Funds advanced	\$ 87,432
Funds expended	<u>87,432</u>
Excess (deficiency) of Funds Advanced	<u>\$ ---</u>

2. The costs as shown on the Actual Cost Certificate dated June 3, 2026, submitted to HUD for approval is in agreement with the Authority's records as of December 31, 2025.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2025

Federal Grantor	Assistance Listings Number		Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Public Housing Operating Fund	14.850	\$	99,183
Public Housing Capital Fund	14.872		61,732
<i>Housing Voucher Cluster:</i>			
Section 8 Housing Choice Vouchers	14.871		3,275,719
<i>Section 8 Project-Based Cluster:</i>			
Section 8 New Construction & Substantial Rehabilitation	14.182		141,475
Multifamily Assisted Housing Reform and Affordability Act	14.197	*	341,678
Home Investment Partnerships Program	14.239	*	135,656
Total Expenditures of Federal Awards		\$	<u>4,055,443</u>

* Consists of principal loan balance at December 31, 2025.

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Fountain (Authority) under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – SOURCES OF FUNDING

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

NOTE 4 – SUB-RECIPIENTS

There were no sub-recipients for the year ended December 31, 2025.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
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FINANCIAL DATA SCHEDULE
Year Ended December 31, 2025

	Project Total	2 State/Local	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$614,865	\$561,495	\$13,543	\$522,038	\$1,711,941		\$1,711,941
113 Cash - Other Restricted	\$0		\$52,747	\$0	\$52,747		\$52,747
114 Cash - Tenant Security Deposits	\$3,750	\$49,228	\$7,270	\$0	\$60,248		\$60,248
100 Total Cash	\$618,615	\$610,723	\$73,560	\$522,038	\$1,824,936	\$0	\$1,824,936
122 Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$146,584	\$146,584		\$146,584
125 Accounts Receivable - Miscellaneous	\$8,709	\$0	\$0	\$0	\$8,709		\$8,709
126 Accounts Receivable - Tenants	\$2,466	\$23,776	\$12,144	\$0	\$38,386		\$38,386
126.1 Allowance for Doubtful Accounts - Tenants	-\$247	-\$19,129	-\$12,144	\$0	-\$31,520		-\$31,520
126.2 Allowance for Doubtful Accounts - Other	-\$7,791	\$0	\$0	\$0	-\$7,791		-\$7,791
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,137	\$4,647	\$0	\$146,584	\$154,368	\$0	\$154,368
142 Prepaid Expenses and Other Assets	\$13,850	\$8,248	\$0	\$0	\$22,098		\$22,098
143 Inventories	\$7,486	\$10,694	\$3,208	\$0	\$21,388		\$21,388
143.1 Allowance for Obsolete Inventories	-\$352	-\$503	-\$151	\$0	-\$1,006		-\$1,006
144 Inter Program Due From	\$2,968	\$57,803	\$0	\$116	\$60,887	-\$60,887	\$0
150 Total Current Assets	\$645,704	\$691,612	\$76,617	\$668,738	\$2,082,671	-\$60,887	\$2,021,784
161 Land	\$26,742	\$182,432	\$50,187	\$0	\$259,361		\$259,361
162 Buildings	\$2,279,123	\$1,041,852	\$656,629	\$0	\$3,977,604		\$3,977,604
163 Furniture, Equipment & Machinery - Dwellings	\$131,262	\$87,449	\$26,437	\$0	\$245,148		\$245,148
164 Furniture, Equipment & Machinery - Administration	\$93,336	\$85,377	\$7,021	\$14,951	\$200,685		\$200,685
165 Leasehold Improvements	\$521,669	\$128,205	\$49,848	\$16,897	\$716,619		\$716,619
166 Accumulated Depreciation	-\$2,458,019	-\$1,109,491	-\$687,925	-\$29,774	-\$4,285,209		-\$4,285,209
167 Construction in Progress	\$342,127	\$0	\$0	\$0	\$342,127		\$342,127
160 Total Capital Assets, Net of Accumulated Depreciation	\$936,240	\$415,824	\$102,197	\$2,074	\$1,456,335	\$0	\$1,456,335
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0	\$389,271	\$0	\$0	\$389,271		\$389,271
180 Total Non-Current Assets	\$936,240	\$805,095	\$102,197	\$2,074	\$1,845,606	\$0	\$1,845,606
290 Total Assets	\$1,581,944	\$1,496,707	\$178,814	\$670,812	\$3,928,277	-\$60,887	\$3,867,390

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2022

	Project Total	2 State/Local	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
322 Accrued Compensated Absences - Current Portion	\$1,083	\$3,705	\$390	\$2,601	\$7,779		\$7,779
331 Accounts Payable - HUD PHA Programs	\$9,624	\$0	\$0	\$4,043	\$13,667		\$13,667
332 Account Payable - PHA Projects	\$0	\$0	\$0	\$33,354	\$33,354		\$33,354
333 Accounts Payable - Other Government	\$1,200	\$0	\$0	\$0	\$1,200		\$1,200
341 Tenant Security Deposits	\$3,750	\$45,666	\$6,567	\$0	\$55,983		\$55,983
342 Unearned Revenue	\$7,475	\$6,334	\$883	\$0	\$14,692		\$14,692
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$3,102	\$20,300	\$1,206	\$24,608		\$24,608
345 Other Current Liabilities	\$0	\$0	\$898	\$0	\$898		\$898
347 Inter Program - Due To	\$24,203	\$0	\$5,403	\$31,281	\$60,887	-\$60,887	\$0
310 Total Current Liabilities	\$47,335	\$58,807	\$34,441	\$72,485	\$213,068	-\$60,887	\$152,181
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$135,656	\$321,378	\$0	\$457,034		\$457,034
354 Accrued Compensated Absences - Non Current	\$4,331	\$6,309	\$2,858	\$5,789	\$19,287		\$19,287
350 Total Non-Current Liabilities	\$4,331	\$141,965	\$324,236	\$5,789	\$476,321	\$0	\$476,321
300 Total Liabilities	\$51,666	\$200,772	\$358,677	\$78,274	\$689,389	-\$60,887	\$628,502
508.4 Net Investment in Capital Assets	\$936,240	\$277,066	-\$239,481	\$868	\$974,693		\$974,693
511.4 Restricted Net Position	\$0	\$0	\$52,747	\$0	\$52,747		\$52,747
512.4 Unrestricted Net Position	\$594,038	\$1,018,869	\$6,871	\$591,670	\$2,211,448		\$2,211,448
513 Total Equity - Net Assets / Position	\$1,530,278	\$1,295,935	-\$179,863	\$592,538	\$3,238,888	\$0	\$3,238,888
600 Total Liabilities and Equity - Net	\$1,581,944	\$1,496,707	\$178,814	\$670,812	\$3,928,277	-\$60,887	\$3,867,390

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)

Year Ended December 31, 2022

	Project Total	2 State/Local	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$185,304	\$461,850	\$38,360	\$0	\$685,514		\$685,514
70400 Tenant Revenue - Other	\$2,677	\$1,367	\$5,870	\$0	\$9,914		\$9,914
70500 Total Tenant Revenue	\$187,981	\$463,217	\$44,230	\$0	\$695,428	\$0	\$695,428
70600 HUD PHA Operating Grants	\$100,965	\$0	\$141,475	\$3,275,719	\$3,518,159		\$3,518,159
70610 Capital Grants	\$59,950	\$0	\$0	\$0	\$59,950		\$59,950
71100 Investment Income - Unrestricted	\$500	\$10,775	\$95	\$500	\$11,870		\$11,870
71400 Fraud Recovery	\$0	\$0	\$0	\$18,946	\$18,946		\$18,946
71500 Other Revenue	\$7,460	\$46,677	\$188	\$152,831	\$207,156		\$207,156
70000 Total Revenue	\$356,856	\$520,669	\$185,988	\$3,447,996	\$4,511,509	\$0	\$4,511,509
91100 Administrative Salaries	\$17,003	\$69,430	\$12,237	\$74,099	\$172,769		\$172,769
91200 Auditing Fees	\$2,836	\$7,186	\$1,324	\$7,564	\$18,910		\$18,910
91500 Employee Benefit contributions - Administrative	\$6,668	\$0	\$0	\$19,978	\$26,646		\$26,646
91600 Office Expenses	\$4,784	\$10,838	\$538	\$4,920	\$21,080		\$21,080
91700 Legal Expense	\$0	\$204	\$0	\$0	\$204		\$204
91800 Travel	\$0	\$715	\$98	\$0	\$813		\$813
91900 Other	\$4,338	\$3,637	\$1,155	\$9,987	\$19,117		\$19,117
91000 Total Operating - Administrative	\$35,629	\$92,010	\$15,352	\$116,548	\$259,539	\$0	\$259,539
93100 Water	\$18,973	\$3,873	\$17,499	\$0	\$40,345		\$40,345
93200 Electricity	\$24,683	\$2,668	\$14,891	\$0	\$42,242		\$42,242
93300 Gas	\$9,105	\$2,466	\$5,699	\$0	\$17,270		\$17,270
93600 Sewer	\$9,151	\$899	\$5,547	\$0	\$15,597		\$15,597
93000 Total Utilities	\$61,912	\$9,906	\$43,636	\$0	\$115,454	\$0	\$115,454
94100 Ordinary Maintenance and Operations - Labor	\$23,812	\$65,254	\$13,969	\$0	\$103,035		\$103,035
94200 Ordinary Maintenance and Operations - Materials and Other	\$9,955	\$27,021	\$6,814	\$394	\$44,184		\$44,184
94300 Ordinary Maintenance and Operations Contracts	\$48,667	\$65,801	\$24,098	\$0	\$138,566		\$138,566
94500 Employee Benefit Contributions - Ordinary Maintenance	\$25,323	\$65,641	\$10,506	\$0	\$101,470		\$101,470
94000 Total Maintenance	\$107,757	\$223,717	\$55,387	\$394	\$387,255	\$0	\$387,255

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)

Year Ended December 31, 2022

	Project Total	2 State/Local	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
95200 Protective Services - Other Contract Costs	\$5,497	\$0	\$0	\$0	\$5,497		\$5,497
95000 Total Protective Services	\$5,497	\$0	\$0	\$0	\$5,497	\$0	\$5,497
96110 Property Insurance	\$25,698	\$50,099	\$465	\$40	\$76,302		\$76,302
96140 All Other Insurance	\$1,100	\$188	\$30	\$2,638	\$3,956		\$3,956
96100 Total Insurance Premiums	\$26,798	\$50,287	\$495	\$2,678	\$80,258	\$0	\$80,258
96200 Other General Expenses	\$0	\$0	\$16,164	\$0	\$16,164		\$16,164
96300 Payments in Lieu of Taxes	\$400	\$0	\$0	\$0	\$400		\$400
96400 Bad debt - Tenant Rents	\$0	\$22,449	\$10,480	\$0	\$32,929		\$32,929
96000 Total Other General Expenses	\$400	\$22,449	\$26,644	\$0	\$49,493	\$0	\$49,493
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$242	\$12,186	\$94	\$12,522		\$12,522
96700 Total Interest Expense and Amortization Cost	\$0	\$242	\$12,186	\$94	\$12,522	\$0	\$12,522
96900 Total Operating Expenses	\$237,993	\$398,611	\$153,700	\$119,714	\$910,018	\$0	\$910,018
97000 Excess of Operating Revenue over Operating Expenses	\$118,863	\$122,058	\$32,288	\$3,328,282	\$3,601,491	\$0	\$3,601,491
97100 Extraordinary Maintenance	\$224	\$0	\$0	\$0	\$224		\$224
97200 Casualty Losses - Non-capitalized	\$11,648	\$0	\$0	\$0	\$11,648		\$11,648
97300 Housing Assistance Payments	\$0	\$0	\$0	\$3,085,999	\$3,085,999		\$3,085,999
97350 HAP Portability-In	\$0	\$0	\$0	\$143,918	\$143,918		\$143,918
97400 Depreciation Expense	\$33,265	\$43,284	\$1,756	\$3,740	\$82,045		\$82,045
90000 Total Expenses	\$283,080	\$441,895	\$155,456	\$3,353,371	\$4,233,802	\$0	\$4,233,802
10010 Operating Transfer In	\$1,782	\$0	\$0	\$0	\$1,782	-\$1,782	\$0
10020 Operating transfer Out	-\$1,782	\$0	\$0	\$0	-\$1,782	\$1,782	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$73,726	\$78,774	\$30,532	\$94,625	\$277,657	\$0	\$277,657

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended December 31, 2022

	Project Total	2 State/Local	14.182 N/C S/R Section 8 Programs	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
11020 Required Annual Debt Principal Payments	\$0	\$9,125	\$19,522	\$0	\$28,647		\$28,647
11030 Beginning Equity	\$1,456,552	\$1,217,161	-\$210,395	\$497,913	\$2,961,231		\$2,961,231
11170 Administrative Fee Equity	\$0			\$592,538	\$592,538		\$592,538
11190 Unit Months Available	480	768	168	2263	3679		3679
11210 Number of Unit Months Leased	420	737	152	2263	3572		3572
11270 Excess Cash	\$557,557				\$557,557		\$557,557
11620 Building Purchases	\$76,443				\$76,443		\$76,443
11640 Furniture & Equipment - Administrative Purchases	\$5,711				\$5,711		\$5,711



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 City of Fountain
Fountain, 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 the Housing Authority of the City of Fountain (Authority), Colorado, as of and for the year ended December 31, 2025, 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 18, 2026.

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 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.

My consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding #2025-001 and #2025-002 to be a material weakness.

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 Finding

The Authority's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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.



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

June 18, 2026



Audit Solutions, LLC.

Certified Public Accountant

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

Board of Commissioners
Housing Authority of the City of Fountain
Fountain, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Housing Authority of the City of Fountain (Authority), Colorado's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended December 31, 2025. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

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

I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. My audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

June 18, 2026



Audit Solutions, LLC.

Certified Public Accountant

INDEPENDENT AUDITORS REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of Fountain
Fountain, Colorado

I have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the City of Fountain 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 OMB Uniform Guidance 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 in accordance with the audit requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), by the Authority as of and for the year ended December 31, 2025, and have issued my report thereon dated June 18, 2026. The information in the "Hard Copy Documents" column was included within the scope or was a by-product of that audit. Further, my opinion on the fair presentation of the Financial Data Schedule (FDS) dated June 18, 2026, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by Uniform Guidance, which includes the auditor's reports, is available in its entirety from the Authority. I have not performed any additional 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 is intended solely for the information and use of the Authority and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Shoaib Khar, CPA

Audit Solutions, LLC

Chesterfield, Missouri

June 18, 2026

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

AGREED UPON PROCEDURES
December 31, 2025

Procedure	UFRS Rule Information	Hard Copy Document(s)	Agrees
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule, all CFDA's	√
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	√
3	Type of opinion to FDS (data element G5100-010)	Auditor's supplemental report on FDS	√
4	Audit findings narratives (data element G5200-010)	Schedule of Findings and Questioned costs	√
5	General Information (data element series G2000, G2100, G2200, G2300, G90000, G9100)	OMB Data Collection Form	√
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	√
8	Type of compliance requirement (G4000-020 & G4000-030)	OMB Data Collection Form	√
9	Basic financial statements and auditors' reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	√

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2025

The prior audit report for the year ended December 31, 2024, contained the following audit findings:

Financial Statement Findings

2024-001.	Finding:	Significant Audit Adjustments.
	Status:	Not implemented (see current financial statement finding #2025-001).
2024-002.	Finding:	Account Analysis.
	Status:	Not implemented (see current financial statement finding #2025-002).

Federal Award Findings

None Noted.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

➤ Material weakness(es) identified? Yes
➤ Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? No
➤ Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major programs:

➤ ALN #14.197 Multifamily Assisted Housing Reform and Affordability Act

➤ ALN #14.871 *Housing Voucher Cluster*
Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee? Yes

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
December 31, 2025

Section II - Financial Statement Findings

The current audit report for the year ended December 31, 2025, disclosed the following Financial Statement audit findings:

2025-001. Significant Audit Adjustments

Criteria:

The Authority should take the steps necessary to ensure accuracy and completeness of the financial statements.

Condition:

This audit required a number of significant adjusting journal entries. These entries were necessary because certain unadjusted general ledger accounts were incorrect and/or not recorded correctly. In addition, the Authority did not record prior year proposed audit adjustments.

Questioned Costs:

None noted.

Effect:

The PHA's financial statements before any adjusting entries contained errors and/or were not properly recorded.

Cause:

This appears to be an oversight by the Authority.

Recommendation:

I recommend that the Authority exercise more care in processing and recording transactions and that more care be taken to ensure the completeness of financial reporting.

Management's Response:

Fountain Housing Authority acknowledges the audit finding regarding significant adjusting journal entries. We agree that several entries required correction and that this reflects the need for stronger review and recording procedures. To address this, FHA will enhance our transaction processing, month end review, and documentation practices to ensure the accuracy and completeness of all journal entries prior to financial statement preparation. We will also increase the frequency and clarity of communication with our fee accountant to verify financial information throughout the year and ensure timely identification and correction of discrepancies.

FHA is committed to improving the reliability of our financial reporting and maintaining full compliance with audit and accounting standards.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
December 31, 2025

Section II - Financial Statement Findings – (Continued)

2025-002 Account Analysis

Criteria:

HUD has certain accounting requirements for gathering, processing and reporting all financial transactions.

Condition:

The level of effort devoted towards account analysis of balance sheet and income and expense items was insufficient. Certain accounts were noted to be incorrect and/or unsupported with sufficient detail as follows:

- A/P port-ins - \$33,354
- Salaries reported in the general ledger did not reconcile to the monthly billing by the City of Fountain.
- Several old outstanding checks were noted on the Dec 2025 bank reconciliation which were voided by the Authority subsequently.
- The Authority has not paid PILOT for the last two years.
- The Authority failed to record liability in the amount of \$56,568 at year-end.

Questioned Costs:

None noted.

Effect:

The Authority has not maintained ledgers with sufficient accuracy and failed to record significant liabilities for proper financial statement presentation.

Cause:

The Authority has not adhered to proper accounting procedures.

Recommendation:

I recommend that the PHA formulate a plan of action whereby all financial information can be gathered, processed, recorded and presented in an accurate and timely fashion.

Management's Response:

Fountain Housing Authority acknowledges the audit finding related to account analysis and the accuracy of certain balance sheet and income statement items. All required financial information was provided to the fee accountant; however, several items were not recorded or reconciled correctly in the general ledger.

To address this, FHA will strengthen our internal review of account activity, including reconciliation of salaries, outstanding checks, and payroll related liabilities. We will also increase the frequency and clarity of communication with our fee accountant to verify entries, confirm reconciliations, and ensure that all financial activity is recorded accurately and supported with appropriate documentation. FHA is committed to improving the completeness and reliability of our financial reporting and ensuring adherence to HUD accounting requirements.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
December 31, 2025

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended December 31, 2025, disclosed no Federal Awards audit findings and questioned costs.

HOUSING AUTHORITY OF THE CITY OF FOUNTAIN
Fountain, Colorado

CORRECTIVE ACTION PLAN
December 31, 2025

The following is the Corrective Action Plan for FY 2025 findings:

Financial Statement Findings:

2025-001. Significant Audit Adjustments

Corrective action planned: FHA will enhance the transaction processing, month end review, and documentation practices to ensure the accuracy and completeness of all journal entries prior to financial statement preparation.

Contact person: Ashlei Reeder, Executive Director.

Anticipated completion date: By 12/31/2026

2025-002. Account Analysis

Corrective action planned: FHA will strengthen its internal review of account activity, including reconciliation of salaries, outstanding checks, and payroll related liabilities. We will also increase the frequency and clarity of communication with our fee accountant to verify entries, confirm reconciliations, and ensure that all financial activity is recorded accurately and supported with appropriate documentation.

Contact person: Ashlei Reeder, Executive Director.

Anticipated completion date: By 12/31/2026

Federal Award Finding:

The current audit report for the year ended December 31, 2025, disclosed no Federal Awards audit findings and questioned costs.