

HOUSING AUTHORITY OF THE CITY OF WALSENBURG, COLORADO

Financial Statements

With Independent Auditor's Report

March 31, 2025

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Green & Associates LLC

Certified Public Accountants & Business Consultants

Board of Directors
Housing Authority of the City of Walsenburg, Colorado

Opinions

We have audited the accompanying financial statements of the Housing Authority of the City of Walsenburg, Colorado as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Walsenburg, Colorado's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the City of Walsenburg, Colorado as of March 31, 2025, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Walsenburg, Colorado'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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of the financial statements.

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- 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 Housing Authority of the City of Walsenburg, Colorado's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Authority of the City of Walsenburg, Colorado's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

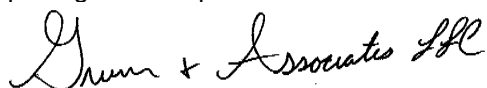
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Housing Authority of the City of Walsenburg, Colorado's basic financial statements. The Financial Data Schedules, and 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*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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 our opinion, the Financial Data Schedules, and 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, we have also issued our report dated December 22, 2025 on our consideration of the Housing Authority of the City of Walsenburg, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Housing Authority of the City of Walsenburg, Colorado'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 Housing Authority of the City of Walsenburg, Colorado's internal control over financial reporting and compliance.



Fort Collins, Colorado
December 22, 2025

Management Discussion and Analysis

Management Discussion and Analysis

As management of the Housing Authority of the City of Walsenburg, Colorado (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2025.

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

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

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as an underlying event giving rise to the change occurs, regardless of the time of related cash flows.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority consists of one proprietary enterprise fund containing housing and grant programs which are described in Note 1 to Financial Statements.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement begin on page 9.

Financial Analysis

As noted, net position may, over time serve as a useful indicator of the Authority's financial position. Assets exceeded liabilities by \$6,030,428 at the close of the most recent fiscal year.

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

Condensed Statement of Net Position

	2025	2024	Increase (Decrease) CY vs. PY
ASSETS			
Cash and equivalents	\$ 4,241,003	\$ 3,225,072	\$ 1,015,931
Other current assets	207,299	537,677	(330,378)
Capital assets	1,737,007	1,411,677	325,330
Total Assets	<u>6,185,309</u>	<u>5,174,426</u>	<u>1,010,883</u>
LIABILITIES			
Current liabilities	154,881	150,118	4,763
Total liabilities	<u>154,881</u>	<u>150,118</u>	<u>4,763</u>
NET POSITION			
Net investment in capital assets	1,737,007	1,411,677	325,330
Unrestricted	4,293,421	3,612,631	680,790
Total Net Position	<u>\$ 6,030,428</u>	<u>\$ 5,024,308</u>	<u>\$ 1,006,120</u>

Condensed Statement of Activities is presented in the following table:

	2025	2024	Increase (Decrease) CY vs. PY
Revenue:			
Operating Revenue	\$ 457,519	\$ 418,234	\$ 39,285
HUD grants	1,536,646	437,134	1,099,512
Loss on sale of assets	(1,375)	-	(1,375)
Interest Income	4,611	3,998	613
Total Revenue	<u>1,997,401</u>	<u>859,366</u>	<u>1,138,035</u>
Expenses:			
Operating Expenses	991,281	830,880	160,401
Total Expenses	<u>991,281</u>	<u>830,880</u>	<u>160,401</u>
Change in Net Position	1,006,120	28,486	977,634
NetPosition-Beginning	5,024,308	4,995,822	28,486
Net Position-Ending	<u>\$ 6,030,428</u>	<u>\$ 5,024,308</u>	<u>\$ 1,006,120</u>

As of the current fiscal year, as well as in the previous fiscal year, the Authority is able to report a positive balance in the net position. Current and other assets are increased due to increase in cash. This is primarily a result of revenues exceeding expenditures, less depreciation, throughout the year. Operating revenue increased in 2025 due to a decrease in the vacancy rate. Operating expenses increased due to a change in various operating costs and utilities.

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

	<u>2025</u>	<u>2024</u>
Cash from (for) Operating Activities	\$ 22,643	\$ (302,156)
Cash from Non Capital Financing Activities	1,378,094	415,428
Cash from (for) Capital and Related Financing Activities	(436,385)	(40,806)
Cash from (for) Investing Activities	<u>3,809</u>	<u>3,199</u>
Increase (Decrease)	968,161	75,665
Cash and Cash Equivalents, Beginning of Year	<u>3,272,842</u>	<u>3,197,177</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,241,003</u></u>	<u><u>\$ 3,272,842</u></u>

Capital Asset and Debt Administration

Capital Assets. The Authority's investment in capital assets as of March 31, 2025, amounts to \$1,737,007 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment. The Authority's capital expenditures during fiscal year 2025 were \$436,385 relating to the upgrades to the facilities. The Authority disposed of various dwelling equipment during the year that was substantially depreciated. The remaining activity related to capital assets were the normal depreciation capital additions. Additional information on capital assets can be found in note 5 to the accompanying financial statements.

Long Term Debt

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

Economic Factors and Next Year's Revenue

The Authority does not receive any revenue by taxes. The Authority's rental rates are not expected to increase in fiscal year 2026. The Authority expects that subsidy will not increase in 2026.

Request for Information

This financial report is designed to provide an overview of the Walsenburg Housing Authority's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to The Housing Authority of the City of Walsenburg, Colorado, 220 Russell Avenue, Walsenburg, CO 81089.

Basic Financial Statements

Housing Authority of the City of Walsenburg, Colorado
Statement of Net Position
March 31, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$ 4,193,799
Prepaid expenses	13,439
Accounts receivable- tenants, net	685
Grants and other receivables	2,349
Accrued interest	226
Investments	190,600
Restricted cash	47,204
Total Current Assets	4,448,302

Noncurrent Assets

Capital assets	
Nondepreciable	763,087
Depreciable	8,358,315
Less: accumulated depreciation	(7,384,395)
Net Capital Assets	1,737,007
Total Noncurrent Assets	1,737,007
Total Assets	6,185,309

LIABILITIES

Current Liabilities

Accounts payable	54,576
Other accrued liabilities	35,844
Tenant security deposits	47,204
Unearned revenue	5,066
Accrued compensated absences	12,191
Total Current Liabilities	154,881

Net Position

Net investment in capital assets	1,737,007
Unrestricted	4,293,421
Total Net Position	\$ 6,030,428

Housing Authority of the City of Walsenburg, Colorado
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended March 31, 2025

Operating Revenues

Dwelling rental - net	\$ 424,237
Other	33,282
Total Operating Revenues	457,519

Operating Expenses

General and administrative	384,100
Utilities	131,390
Maintenance and operation	366,111
Depreciation	109,680
Total Operating Expenses	991,281
Operating (Loss)	(533,762)

Non-Operating Revenues (Expenses)

HUD contributions and grants	1,100,261
Loss on disposal of assets	(1,375)
Interest income	4,611
Total Non-Operating Revenues (Expenses)	1,103,497
Income Before Capital Contributions	569,735
Capital contributions	436,385
Change in Net Position	1,006,120
Net Position, Beginning of Year	5,024,308
Net Position, End of Year	\$ 6,030,428

Housing Authority of the City of Walsenburg, Colorado
Statement of Cash Flows
For the Year Ended March 31, 2025

Cash Flows From Operating Activities:	
Cash received from tenants	\$ 459,588
Cash payments to tenants and suppliers	(557,199)
Cash payments to employees	(316,131)
Net Cash (Used) For Operating Activities	<u>(413,742)</u>
Cash Flows From Noncapital Financing Activities:	
HUD contributions and grants	1,378,094
Net Cash Provided by Non-Capital Financing Activities	<u>1,378,094</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of property, plant and equipment	(436,385)
Capital contributions	436,385
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>
Cash Flows from Investing Activities:	
Purchases of investments	(800)
Interest income	4,609
Net Cash Provided by Investing Activities	<u>3,809</u>
Net increase in Cash and Cash Equivalents	968,161
Cash and Cash Equivalents, Beginning	<u>3,272,842</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,241,003</u>
Detail of cash and cash equivalents:	
Cash - Unrestricted	4,193,799
Cash-Restricted	47,204
Total	<u>\$ 4,241,003</u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities:	
Operating (Loss)	(533,762)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation and Amortization	109,680
Changes in Assets and Liabilities:	
Accounts Receivable - Tenants	96
Prepaid expenses	5,481
Accounts payable	27,676
Accrued liabilities	(22,273)
Accrued compensated absences	(2,613)
Deferred revenue	2,539
Tenant security deposits	(566)
Net Cash Used for Operating Activities	<u>(413,742)</u>

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements
March 31, 2025

Note 1 Summary of Significant Accounting Policies

The Housing Authority of the City of Walsenburg, Colorado (the Authority) was established by the City of Walsenburg, Colorado in order to administer the public housing programs subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD). The Authority provides 114 units of housing under the program. The Authority is operated by a Board of Commissioners. The accounting policies of the Authority conform to Generally Accepted Accounting Principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Authority follows all pronouncements issued by GASB. The more significant of the Authority's policies are described below.

Financial Reporting Entity

The Authority follows GASB Statement No. 14 which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of governmental organizations elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. Based upon the application of these criteria, no entities will be included in the Authority's reporting entity. The Housing Authority of the City of Walsenburg, Colorado is not a component unit of any other entities.

Basis of Accounting

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

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

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

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

The Authority follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management’s discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

Assets, Liabilities and Net Position

Investments - Investments are recorded at fair value, which approximates cost.

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

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

Capital assets - These consist of all property, plant and equipment. The Authority defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or estimated historical cost if donated.

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

Buildings and improvements	15 - 40 years
Admin equipment	7 - 10 years
Operational equipment	7 - 10 years

Compensated Absences - Pursuant to its personnel policies, the Authority will compensate individual employment for unused vacation and sick leave accumulated upon their separation of employment. The Authority reports these potential payments as a liability for compensated absences. The net change in compensated absences was a decrease of \$2,613 for the year ended.

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

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2025

Note 1 Summary of Significant Accounting Policies (Continued)
Assets, Liabilities and Net Position (Continued)

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Cash Equivalents

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

Estimates

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

Budgets and Budgetary Accounting

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

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to March 31, the budget is adopted by formal resolution.
- Budgets are required to be filed with the State of Colorado within thirty days after the beginning of the fiscal year.
- Expenditures may not legally exceed appropriations at the fund level.
- The Authority Board must approve revisions that alter the total expenditures of any fund.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Authority Board or revised by the Authority Board.

Note 2 Cash and Investments

Cash Deposits

As of March 31, 2025, the District’s cash deposits had a carrying balance of \$4,240,803 and a corresponding bank balance of \$4,250,505, of which \$250,000 was insured by the Federal Deposit Insurance Corporation, respectively.

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2025

Note 2 Cash and Investments (Continued)

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. The Authority had \$4,000,505 collateralized under PDPA.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of March 31, 2025, none of the Authority's bank deposits were exposed to custodial credit risk.

Investments

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

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

The Authority does not have a formal investment policy.

As of March 31, 2025, the Authority had \$190,600 invested in certificates of deposit (CD's) with a maturity ranging from 182 days to 12 months from date of purchase. All CD's were insured under the FDIC and are valued under amortized cost.

Cash and cash equivalents consisted of the following:

Deposits in financial institutions	\$ 4,240,803
Cash on hand	200
Total Cash and Cash Equivalents	<u>\$ 4,241,003</u>

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2025

Note 3 Accounts Receivable

Accounts receivable balance at March 31, 2025, was comprised of the following:

Program	Tenants Receivable	Allowance for Bad Debt	Receivable Net of Allowance
Tenant receivables	\$ 685	\$ -	\$ 685
Total	\$ 685	\$ -	\$ 685

Note 4 Fixed Assets

The following is a summary of fixed assets at March 31, 2025:

	Balance 3/31/2024	Additions	Deletions	Balance 3/31/2025
Nondepreciable				
Land	\$ 763,087	\$ -	\$ -	\$ 763,087
Total Nondepreciable	763,087	-	-	763,087
Depreciable				
Buildings and improvements	7,470,863	407,391	-	7,878,254
Dwelling equipment	100,657	-	(39,324)	61,333
Maintenance equipment	389,735	28,994	-	418,729
Total Depreciable	7,961,255	436,385	(39,324)	8,358,316
TOTAL	8,724,342	436,385	(39,324)	9,121,403
Less Accumulated Depreciation	(7,312,665)	(109,680)	37,949	(7,384,396)
Total Accumulated Depreciation	(7,312,665)	(109,680)	37,949	(7,384,396)
Net Capital Assets	\$ 1,411,677	\$ 326,705	\$ (1,375)	\$ 1,737,007

Note 5 Retirement Plan

The Authority participates in a 457 variable annuity plan. The Executive Director is authorized to establish and amend the plan benefits. The Authority provides retirement benefits for all of its full-time employees through a defined contribution plan. Employees are eligible to participate from the date of employment. The Authority matches an amount up to 8% of the employee's base salary each month. The Authority's contributions for each employee are fully vested after five years of continuous service. The Authority's contributions for the year ending March 31, 2025, 2024 and 2023 were \$19,548, \$9,251 and \$10,568.

Note 6 Contingencies and Commitments

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

Housing Authority of the City of Walsenburg, Colorado
Notes to the Financial Statements (Continued)
March 31, 2025

Note 6 Contingencies and Commitments (Continued)

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of March 31, 2025, significant amounts of grant expenses have not been audited, but the Authority believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual funds or the overall financial position of the Authority.

In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded, unless the local electorate votes to retain the revenue. The Tabor Amendment is subject to many interpretations; however, the Authority believes it is exempt because it receives no taxes and is funded primarily by federal grants and contributions.

Note 7 Economic Dependency

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

Other Supplemental Information

Housing Authority of the City of Walsenburg (CO003)
WALSENBURG, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2025

	Project Total	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,634,906	\$234,188	\$1,869,094		\$1,869,094
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted	\$2,324,706		\$2,324,706		\$2,324,706
114 Cash - Tenant Security Deposits	\$47,204		\$47,204		\$47,204
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$4,006,816	\$234,188	\$4,241,004		\$4,241,004
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$2,349		\$2,349		\$2,349
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$685		\$685		\$685
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable	\$226		\$226		\$226
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$3,260	\$0	\$3,260		\$3,260
131 Investments - Unrestricted	\$190,600		\$190,600		\$190,600
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$13,438		\$13,438		\$13,438
143 Inventories					
143.1 Allowance for Obsolete Inventories					
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$4,214,114	\$234,188	\$4,448,302		\$4,448,302
161 Land	\$763,087		\$763,087		\$763,087
162 Buildings	\$7,878,252		\$7,878,252		\$7,878,252
163 Furniture, Equipment & Machinery - Dwellings	\$53,455		\$53,455		\$53,455
164 Furniture, Equipment & Machinery - Administration	\$426,608		\$426,608		\$426,608
165 Leasehold Improvements					
166 Accumulated Depreciation	-\$7,384,395		-\$7,384,395		-\$7,384,395
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,737,007	\$0	\$1,737,007		\$1,737,007
171 Notes, Loans and Mortgages Receivable - Non-Current					
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets					
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$1,737,007	\$0	\$1,737,007		\$1,737,007
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$5,951,121	\$234,188	\$6,185,309		\$6,185,309
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$45,496		\$45,496		\$45,496
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$5,923		\$5,923		\$5,923
322 Accrued Compensated Absences - Current Portion	\$937		\$937		\$937
324 Accrued Contingency Liability					

Housing Authority of the City of Walsenburg (CO003)
WALSENBURG, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2025

	Project Total	1 Business Activities	Subtotal	ELIM	Total
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government	\$31,026		\$31,026		\$31,026
341 Tenant Security Deposits	\$47,204		\$47,204		\$47,204
342 Unearned Revenue	\$5,066		\$5,066		\$5,066
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other	\$7,975		\$7,975		\$7,975
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$143,627	\$0	\$143,627		\$143,627
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$11,254		\$11,254		\$11,254
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$11,254	\$0	\$11,254		\$11,254
300 Total Liabilities	\$154,881	\$0	\$154,881		\$154,881
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$1,737,007		\$1,737,007		\$1,737,007
511.4 Restricted Net Position	\$2,324,706		\$2,324,706		\$2,324,706
512.4 Unrestricted Net Position	\$1,734,527	\$234,188	\$1,968,715		\$1,968,715
513 Total Equity - Net Assets / Position	\$5,796,240	\$234,188	\$6,030,428		\$6,030,428
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$5,951,121	\$234,188	\$6,185,309		\$6,185,309

Housing Authority of the City of Walsenburg (CO003)
WALSENBURG, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2025

	Project Total	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$424,237		\$424,237		\$424,237
70400 Tenant Revenue - Other	\$14,030		\$14,030		\$14,030
70500 Total Tenant Revenue	\$438,267	\$0	\$438,267	\$0	\$438,267
70600 HUD PHA Operating Grants	\$1,137,029		\$1,137,029		\$1,137,029
70610 Capital Grants	\$399,616		\$399,616		\$399,616
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$4,611		\$4,611		\$4,611
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$2,345		\$2,345		\$2,345
71600 Gain or Loss on Sale of Capital Assets	-\$1,374		-\$1,374		-\$1,374
72000 Investment Income - Restricted					
70000 Total Revenue	\$1,980,494	\$0	\$1,980,494	\$0	\$1,980,494
91100 Administrative Salaries	\$153,462		\$153,462		\$153,462
91200 Auditing Fees	\$8,900		\$8,900		\$8,900
91300 Management Fee					
91310 Book-keeping Fee					
91400 Advertising and Marketing	\$395		\$395		\$395
91500 Employee Benefit contributions - Administrative	\$51,062		\$51,062		\$51,062
91600 Office Expenses	\$8,282		\$8,282		\$8,282
91700 Legal Expense					
91800 Travel					
91810 Allocated Overhead					
91900 Other	\$35,778		\$35,778		\$35,778
91000 Total Operating - Administrative	\$257,879	\$0	\$257,879	\$0	\$257,879
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$108		\$108		\$108
92500 Total Tenant Services	\$108	\$0	\$108	\$0	\$108
93100 Water	\$53,104		\$53,104		\$53,104
93200 Electricity	\$11,323		\$11,323		\$11,323
93300 Gas	\$5,558		\$5,558		\$5,558
93400 Fuel					
93500 Labor					
93600 Sewer	\$43,994		\$43,994		\$43,994
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$113,979	\$0	\$113,979	\$0	\$113,979
94100 Ordinary Maintenance and Operations - Labor	\$139,685		\$139,685		\$139,685
94200 Ordinary Maintenance and Operations - Materials and Other	\$106,960		\$106,960		\$106,960
94300 Ordinary Maintenance and Operations Contracts	\$36,385		\$36,385		\$36,385

Housing Authority of the City of Walsenburg (CO003)
WALSENBURG, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2025

	Project Total	1 Business Activities	Subtotal	ELIM	Total
94500 Employee Benefit Contributions - Ordinary Maintenance	\$43,405		\$43,405		\$43,405
94000 Total Maintenance	\$326,435	\$0	\$326,435	\$0	\$326,435
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other					
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$38,275		\$38,275		\$38,275
96120 Liability Insurance	\$9,999		\$9,999		\$9,999
96130 Workmen's Compensation	\$1,805		\$1,805		\$1,805
96140 All Other Insurance	\$29,278		\$29,278		\$29,278
96100 Total insurance Premiums	\$79,357	\$0	\$79,357	\$0	\$79,357
96200 Other General Expenses	\$180		\$180		\$180
96210 Compensated Absences	\$20,371		\$20,371		\$20,371
96300 Payments in Lieu of Taxes	\$31,026		\$31,026		\$31,026
96400 Bad debt - Tenant Rents	\$607		\$607		\$607
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$52,184	\$0	\$52,184	\$0	\$52,184
96710 Interest of Mortgage (or Bonds) Payable					
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$829,942	\$0	\$829,942	\$0	\$829,942
97000 Excess of Operating Revenue over Operating Expenses	\$1,150,552	\$0	\$1,150,552	\$0	\$1,150,552
97100 Extraordinary Maintenance	\$51,659		\$51,659		\$51,659
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments					
97350 HAP Portability-In					
97400 Depreciation Expense	\$109,680		\$109,680		\$109,680
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$991,281	\$0	\$991,281	\$0	\$991,281
10010 Operating Transfer In	\$736,969		\$736,969	-\$736,969	\$0
10020 Operating Transfer Out	-\$736,969		-\$736,969	\$736,969	\$0
10030 Operating Transfers from/to Primary Government					
10040 Operating Transfers from/to Component Unit					
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss					
10080 Special Items (Net Gain/Loss)					
10091 Inter Project Excess Cash Transfer In					
10092 Inter Project Excess Cash Transfer Out					
10093 Transfers between Program and Project - In					
10094 Transfers between Project and Program - Out					
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0

Housing Authority of the City of Walsenburg (CO003)
WALSENBURG, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2025

	Project Total	1 Business Activities	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$989,213	\$0	\$989,213	\$0	\$989,213
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$4,790,120	\$234,188	\$5,024,308		\$5,024,308
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$16,907		\$16,907		\$16,907
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	1341		1341		1341
11210 Number of Unit Months Leased	1325		1325		1325
11270 Excess Cash	\$1,663,182		\$1,663,182		\$1,663,182
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$407,390		\$407,390		\$407,390
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$28,994		\$28,994		\$28,994
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

SINGLE AUDIT SECTION

Green & Associates LLC

Certified Public Accountants & Business Consultants

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

To the Board of Commissioners

Housing Authority of the City of Walsenburg, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Walsenburg, Colorado's basic financial statements, and have issued our report thereon date December 22, 2025.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Fort Collins, CO 80522

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Walsenburg, Colorado's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Drum + Associates LLP".

Fort Collins, Colorado
December 22, 2025

Green & Associates LLC

Certified Public Accountants & Business Consultants

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

To the Board of Commissioners
Housing Authority of the City of Walsenburg, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Housing Authority of the City of Walsenburg, 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 Housing Authority of the City of Walsenburg, Colorado's major federal programs for the year ended March 31, 2025. Housing Authority of the City of Walsenburg, Colorado's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Authority of the City of Walsenburg, Colorado 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 March 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Housing Authority of the City of Walsenburg, Colorado and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Housing Authority of the City of Walsenburg, Colorado'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 Housing Authority of the City of Walsenburg, Colorado's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our 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 Housing Authority of the City of Walsenburg, Colorado's compliance based on our 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 Housing Authority of the City of Walsenburg, Colorado'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, we:

- 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 Housing Authority of the City of Walsenburg, Colorado's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding Housing Authority of the City of Walsenburg, Colorado'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 Housing Authority of the City of Walsenburg, Colorado's internal control over compliance. Accordingly, no such opinion is expressed.

We are 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 we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-001. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-001 to be material weaknesses.

Our 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.

Government Auditing Standards requires the auditor to perform limited procedures on Housing Authority of the City of Walsenburg, Colorado's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Housing Authority of the City of Walsenburg, Colorado's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.



Fort Collins, Colorado
December 22, 2025

Housing Authority of the City of Walsenburg, Colorado
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2025

<u>Federal Grantor</u>	<u>CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of Housing and Urban Development		
Operating Subsidy	14.850	400,060
Capital Fund Program	14.872	917,927
Total Housing and Urban Development and Federal Financial Awards		<u>\$ 1,317,987</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority. All federal financial assistance received by the reporting entity directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the schedule.

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Federal financial assistance provided to sub recipients is treated as an expenditure when it is paid to the sub-recipient. The Authority passed through \$0 to sub-recipients for the year then ended.

The Authority uses the de minimis indirect cost rate of 10%.

Housing Authority of the City of Walsenburg, Colorado
Schedule of Findings and Questioned Costs
March 31, 2025

Summary of Auditors' Results
Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material Weakness identified? _____ yes x no
- Significant deficiency identified that are not considered to be material weakness? _____ yes x no

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material Weakness identified? x yes _____ no
- Significant deficiency identified that are not considered to be material weakness? _____ yes x no

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? x yes _____ no

Identification of major programs:

Public Housing Capital Fund Program 14.872

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes x no

Housing Authority of the City of Walsenburg, Colorado
Schedule of Findings and Questioned Costs
March 31, 2025

Current years findings:

2025 – 001: Period of Performance

Federal Program CFDA # 14.872 Capital Fund Program

Type of Finding: Material Weakness in Internal Control over Compliance

Condition: Management of a financial reporting entity is required to establish and maintain internal controls over compliance to ensure that they are compliant with all requirements of Federal programs. The Authority did not obligate sufficient amounts of expenditures within the allotted time frame for one capital fund program out of five programs tested.

Criteria or specific requirement: Unless an extension is approved by HUD, a PHA must obligate at least 90 percent of each Capital Fund grant, including formula grants, non-accumulating RHF, natural disaster, and lead-based paint grants within 24 months of the funds becoming available to the PHA for obligation.

Effect: In one instance out of five capital fund programs tested the PHA did not obligate 90% of the capital funds within the period of performance.

Cause: There were miscommunications and misunderstanding between HUD and the PHA regarding the requirements for extending deadlines and obligations related to COVID-19 consequences, including impacts on supply chains and staffing capacity. Additionally, there was confusion concerning the applicable guidelines for small, rural, high-performing PHAs. This misunderstanding affected the interpretation and implementation of certain requirements and timelines.

Repeat Finding: This is not a repeat finding.

Recommendation: It is recommended the Authority review all of the policies in place relating to the obligation of capital programs to ensure that funding is properly obligated and expended within the required time frame.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

Prior years findings: None

Housing Authority of the City of Walsenburg, Colorado
Corrective Action Plan
March 31, 2025

2025 – 001: Period of Performance

Federal Program CFDA # 14.872 Capital Fund Program

Type of Finding: Material Weakness in Internal Control over Compliance

Recommendation: Recommendation: It is recommended the Authority review all of the policies in place relating to the obligation of capital programs to ensure that funding is properly obligated and expended within the required time frame.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action in response to finding: The PHA will proactively seek clarification from HUD when guidance is unclear or when operational challenges arise. The PHA remains committed to full compliance with HUD requirements and values its collaborative relationship with HUD. The Authority appreciates the guidance and technical assistance provided and will continue to work proactively to ensure clarity, transparency, and accountability moving forward.

Name of the contact person responsible for corrective action: Jacque Sikes, Executive Director

Planned completion date for corrective action plan: January 2026