

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

**BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTAL INFORMATION
AND
SUPPLEMENTAL INFORMATION**

Year Ended March 31, 2026

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**REQUIRED SUPPLEMENTAL INFORMATION-
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended March 31, 2026

This section of the Housing Authority of the Town of Kersey, Colorado's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended on March 31, 2026. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the basic financial statements as a whole.

FINANCIAL HIGHLIGHTS

The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of March 31, 2026 was \$642,930. The net position increased by \$25,929 an increase of 4% over the prior year. Of this amount, \$394,666 was reported as "unrestricted net position". Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to creditors and operations of facilities.

Operating income for the Authority was \$113,450 for the year ended March 31, 2026. This was an increase of \$994 or less than 1% over the prior year.

Operating expenses for the Authority were \$199,525 for the year ended March 31, 2026. This was a decrease of (\$15,547) or 8% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management's Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of supplemental information. Since the Authority is comprised of all enterprise funds, no entity-wide basic financial statements are shown.

Required Financial Statements

Proprietary Fund Financial Statements - The basic financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2026

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

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

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

The Authority's Public Housing Program is the only major proprietary fund for presentation purposes. The Authority has no nonmajor funds.

Notes to Financial Statements

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

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authorities to submit financial information electronically to HUD using the FDS format. The submitted financial information transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2026 is required to be included in the audit reporting package.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2026

FINANCIAL ANALYSIS (CONT'D)

CONDENSED STATEMENT OF NET POSITION

	FY 2026	FY 2025	Dollar Change	Percent Change
Current and other assets	\$ 422,161	\$ 395,246	\$ 26,915	7%
Capital assets	248,264	249,436	(1,172)	-0.5%
Total Assets	<u>670,425</u>	<u>644,682</u>	<u>25,743</u>	<u>4%</u>
Current liabilities	21,045	19,491	1,554	8%
Other liabilities	6,450	8,190	(1,740)	-21%
Total Liabilities	<u>27,495</u>	<u>27,681</u>	<u>(186)</u>	<u>-1%</u>
Net Position				
Net investment in capital assets	248,264	249,436	(1,172)	-0.5%
Unrestricted	394,666	367,565	27,101	7%
Total Net Position	<u>\$ 642,930</u>	<u>\$ 617,001</u>	<u>\$ 25,929</u>	<u>4%</u>

Net Position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$642,930 at the close of the year ended March 31, 2026. This represents an increase of \$25,929 or 4% over the prior year. The majority of the increase was attributed to HUD capital fund grants and operations for the year ended March 31, 2026.

Current and other assets increased by \$26,915 which was attributed to operations before depreciation and non-capital fund grants used for capital improvements which resulted in a net increase in cash of \$77,819. This was offset by a decrease of (\$49,041) in the amount receivable from HUD which will vary based on grant utilization.

Total liabilities decreased by (\$186) which was the typical variability from year to year based on the timing of payments.

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

Unrestricted net position as of March 31, 2026 was \$394,666, an increase of \$27,101. Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to creditors and operations of facilities. The Authority has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to sustain operations. The Authority had no restricted net position that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

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

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2026

FINANCIAL ANALYSIS (CONT'D)

Operating expenses for the Authority were \$175,033 for the year ended March 31, 2026. This was a decrease of (\$15,419) or 8% from the prior year. The most significant decrease was in maintenance which increased by (\$9,020) which will vary from year to year based on unit turnaround and various maintenance projects completed. The other various category fluctuations were not attributed to any specific event or unusual circumstance other than the typical variability from year to year.

OCCUPANCY

Regarding Occupancy for the Fiscal year ending March 31, 2026 at Kersey Housing Authority, the year was largely successful for occupancy, with most units experiencing near 100 percent occupancy during the year; 229/240 unit lease months or 95% occupancy. While KHA began the year in April of 2025 with only 1 vacant unit (#3 KHA requested Tenant family transfer of units after 20 years of occupancy) we had a delay in turnaround as the unit was NOT in good physical condition and required extensive updates and repairs to paint, flooring, trim, lighting, appliances, and complete bathroom replacement as well as addition of drier vents and removal of gas appliances which were replaced with electric. Throughout the year KHA experienced a few overlapping, voluntary move outs with some turnarounds taking 60-90 days as incoming applicants required proper 30 days notice to their former landlords before occupancy could commence with KHA. KHA ended the fiscal year with 100% occupancy.

Kersey Housing Authority continues to have an open waiting list and is actively seeking qualified applicants, that are able to 'move in quickly' when they are offered a unit. From time to time we still find applicants that are hesitant to move to a more rural small town, without public transportation to doctors, grocery stores or other amenities that Kersey doesn't yet have. Applicants are also hesitant to accept some of our smaller apartments, or are not willing to downsize. Recently we have also had many applicants that no longer qualify for assistance due to HOTMA changes to asset limits, as well as applicants assumed they could 'sell the farm and move in', not understanding that they would maybe be better suited to remain in the home they own, if it is safe and habitable. Most recently we have experienced applicants expecting our units to be fully furnished, have washer/drier in unit as well as have Air Conditioning, and this is just not reasonable or feasible for KHA to provide in our small units, that lack ductwork for AC.

CAPITAL ASSETS

The Authority's net investment in capital assets as of March 31, 2026 amounts to \$248,264. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress, less accumulated depreciation.

The total decrease in the Authority's net investment in capital assets for the current fiscal year was .5% in terms of net book value. The actual amount to purchase or construct capital assets was \$24,657 for the year and was mostly for unit rehab and boilers. Depreciation charges for the year totaled \$24,492. Additional information on the Authority's capital assets can be found in Note E of the notes to financial statements of this report.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2026

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2027 budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on rental income, other income and utility consumption and costs. The amount of funding is also established and approved by HUD. In projecting the amount of rental income, the Authority considered prior year rental income and occupancy rates. The operating expenses are expected to increase by the economy's inflation rate.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Housing Authority of the Town of Kersey, P.O. Box 117, Kersey, Colorado 80644.

INDEPENDENT AUDITOR'S REPORT

Randal D. Niewedde, CPA
Jeffrey J. Wiens, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Housing Authority of the Town of Kersey, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the major fund of the Housing Authority of the Town of Kersey, Colorado, as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Town of Kersey, Colorado's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Housing Authority of the Town of Kersey, Colorado as of March 31, 2026, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to 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 Town of Kersey, 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 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 Housing Authority of the Town of Kersey, Colorado's ability to continue as a going concern for twelve months beyond the financial date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS 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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 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 purposes of expressing an opinion on the effectiveness of the Housing Authority of the Town of Kersey, 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 the Housing Authority of the Town of Kersey, 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, schedule of employer's proportionate share of net pension liability, schedule of employer's proportionate share of the collective net OPEB liability, schedule of employer's contributions-pension plan, schedule of employer contributions-OPEB plan and the notes to required supplementary information for the pension plan and OPEB plan be presented to supplement the basic financial statements. Such information, 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 inquires 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority of the Town of Kersey, Colorado's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and is not a required part of the basic financial statements. The Financial Data Schedules are 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 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2026 on our consideration of the Housing Authority of the Town of Kersey, 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 the Housing Authority of the Town of Kersey, 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 the Housing Authority of the Town of Kersey, Colorado's internal control over financial reporting and compliance.

Niewedde & Wiens, CPA's

York, Nebraska
August 28, 2026

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
STATEMENT OF NET POSITION
March 31, 2026

ASSETS

**Public
Housing**

CURRENT ASSETS:

Cash and cash equivalents	\$ 413,343
Accrued interest receivable	257
Due from other governments	1,928
Prepaid insurance	184
<i>Restricted:</i>	
Cash and cash equivalents	6,449
TOTAL CURRENT ASSETS	422,161

NONCURRENT ASSETS:

Capital Assets, non-depreciable	9,788
Capital Assets, depreciable, net	238,476
TOTAL NONCURRENT ASSETS	248,264
TOTAL ASSETS	670,425

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	2,599
Accrued payroll and benefits payable	764
Due to other governments	3,100
Compensated absences payable	8,125
Unearned revenue	8
Tenant security deposits payable	6,449
TOTAL CURRENT LIABILITIES	21,045

NONCURRENT LIABILITIES:

Compensated absences payable	6,450
TOTAL NONCURRENT LIABILITIES	6,450
TOTAL LIABILITIES	27,495

NET POSITION

Net investment in capital assets	248,264
Unrestricted	394,666
TOTAL NET POSITION	\$ 642,930

See accompanying notes.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUND
Year Ended March 31, 2026

	<u>Public Housing</u>
OPERATING REVENUES	
Rental income	\$ 109,541
Other income	<u>3,909</u>
TOTAL OPERATING REVENUES	113,450
OPERATING EXPENSES	
Administrative	43,402
Tenant services	517
Utilities	38,589
Ordinary maintenance and operations	66,672
General expense	25,853
Depreciation	<u>24,492</u>
TOTAL OPERATING EXPENSES	<u>199,525</u>
OPERATING INCOME (LOSS)	<u>(86,075)</u>
NONOPERATING REVENUES (EXPENSES)	
HUD operating subsidy	57,925
HUD capital grants - operations	34,719
Interest income	500
Loss on capital asset dispositions	<u>(1,336)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>91,808</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	5,733
CAPITAL CONTRIBUTIONS	
HUD capital fund grants	<u>20,196</u>
INCREASE (DECREASE) IN NET POSITION	25,929
NET POSITION:	
Net position, beginning balance	617,001
TOTAL NET POSITION - ENDING BALANCE	<u>\$ 642,930</u>

See accompanying notes.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended March 31, 2026

	<u>Public Housing</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Rental receipts	\$ 109,540
Other receipts	3,909
Tenant security deposits	914
Cash payments for goods and services	(111,674)
Cash payments to employees for services	<u>(62,197)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(59,508)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
HUD operating subsidy	55,997
HUD capital grants - operations	<u>55,880</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	111,877
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases and construction of capital assets	(24,657)
HUD capital fund grants	<u>50,004</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	25,347
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>103</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>103</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,819
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>341,973</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 419,792</u></u>

See accompanying notes.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
STATEMENT OF CASH FLOWS-PROPRIETARY FUND (CONT'D)
Year Ended March 31, 2026

	<u>Public Housing</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (86,075)
Adjustments to reconcile operating income (loss) to	
net cash provided (used) by operating activities:	
Depreciation	24,492
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	
(Increase) decrease in prepaid insurance	2,120
Increase (decrease) in accounts payable	(1,862)
Increase (decrease) in tenant security deposits payable	914
Increase (decrease) in salaries and benefits payable	(364)
Increase (decrease) in accrued absences payable	1,268
Increase (decrease) in unearned revenue	(1)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u><u>(59,508)</u></u>

See accompanying notes.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
NOTES TO FINANCIAL STATEMENTS
March 31, 2026

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Authority was created under the laws of the State of Colorado. The purpose of the Authority is to administer the Housing programs authorized by the United States Housing Act of 1937 and amendments contained in the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

Financial Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Government Accounting Standards Board Codification. These criteria state that the financial reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit. Based on these criteria, there are no additional agencies or entities which should be included in the financial statements of the Authority.

Basis of accounting, measurement focus, and financial statement presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures or expenses, as appropriate.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses and Changes in Fund Net Position. For this purpose, the Authority's operating revenues result from providing low-income housing services such as tenant rent, rental assistance and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
NOTES TO FINANCIAL STATEMENTS
March 31, 2026

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The model as defined in Statement No. 34 establishes criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major Funds. If non-major funds exist, these funds are combined in a single column in the fund financial statements. The Authority reports the following major enterprise fund:

Public Housing Program. This fund accounts for the operation, maintenance, and development of housing units which are owned by the Authority. The development of the projects were funded primarily by the U.S. Department of Housing and Urban Development through loans and bonds. The loans have been forgiven by HUD and the bond debt service and repayment requirements are the responsibility of HUD and therefore no outstanding liabilities are recorded. The program is subsidized annually by operating subsidy from HUD and through Capital Grants for capital improvements.

Budgetary Process

The Authority establishes a budget for the fiscal year and is adopted by the Board of Commissioners.

Cash and Investments

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

The Authority's deposits can only be invested in the following HUD approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings deposits, money-market deposit accounts, municipal depository fund, super now accounts, certificates of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities (STRIPS), and mutual funds that consist of securities purchased from the HUD approved list.

Accounts Receivable

All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

Prepaid Items

Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
NOTES TO FINANCIAL STATEMENTS
March 31, 2026

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. Intangible assets with indefinite useful lives are reported at cost. Contributions of assets are recorded at acquisition value at the date received. The Authority generally capitalizes assets with cost of \$2,000 or more as purchases and construction outlays occur.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Inexhaustible intangible assets with indefinite useful lives are not amortized. Estimated useful lives are as follows:

Buildings	20-40 years
Building improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply the restricted component of net position first.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, deferred outflows, liabilities, deferred inflows, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Grant Revenue

The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as unearned revenue.

Compensated Absences

The Authority's policy allows employees to accumulate unused vacation leave up to 40 hours and sick leave up to a maximum of 160 hours.

Postemployment Benefits Other Than Pensions (OPEB)

OPEB benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has not incurred, adopted a plan or obligated resources to other postemployment benefits as defined in GASB Statement No. 75.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
NOTES TO FINANCIAL STATEMENTS
March 31, 2026

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

The leases entered into are considered short-term operating leases. The Authority has not entered into any material leases to be accrued as defined by GASB 87.

Subscription-Based Information Technology Arrangements

The Authority has not entered into any material subscription-based information technology arrangements to be accrued as defined by GASB 96.

Income Taxes

The Authority is a governmental subdivision of the State of Colorado and is exempt from Federal and State income taxes.

Taxpayer's Bill of Rights

In November, 1992, the voters of the State of Colorado approved an amendment to the State's Constitution limiting the amount of revenue which may be spent or retained by Colorado governmental entities. The amendment is in effect for most governmental entities for the years beginning after 1992, but exempts "enterprise" funds from the limitations. The Board of Commissioners of the Authority believes it is exempt from the provisions of the TABOR amendment because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenue from state and local grants) as defined in the constitutional amendment. The Board also believes it is not subject to the provisions of TABOR because the governing board is not an elected board, does not have an electoral constituency, and does not have the power to impose taxes, all basic operational requirements of TABOR.

NOTE B - DEPOSITS AND INVESTMENTS

At March 31, 2026, the Authority's carrying amount of deposits was \$419,792 and the bank balances were \$419,792. As required by the Colorado Public Deposit Protection Act (PDPA), any amount in excess of the FDIC threshold (including accrued interest) shall be collateralized as required by the Public Deposit Protection Acts, article 10.5 of title 11, C.R.S., as amended or article 47 of title 11, C.R.S., as amended. All of the bank balances were covered by federal depository insurance.

NOTE C – DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Position at March 31, 2026 is as follows:

HUD – operating subsidy	\$ <u>1,928</u>
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HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
NOTES TO FINANCIAL STATEMENTS
March 31, 2026

NOTE D – RESTRICTED ASSETS

Cash and cash equivalents of \$6,449 as presented in the Statement of Net Position at March 31, 2026 is restricted for Tenant Security Deposits.

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2026 was as follows:

	Balance 4/1/2025	Increases	Decreases	Balance 3/31/2026
Non-depreciable assets:				
Land	\$ 4,300	\$ -	\$ -	\$ 4,300
Intangible assets	5,488	-	-	5,488
Construction in progress	-	20,196	(20,196)	-
Total non-depreciable assets	<u>9,788</u>	<u>20,196</u>	<u>(20,196)</u>	<u>9,788</u>
Depreciable assets				
Buildings	874,989	24,657	(7,004)	892,642
Equipment - Administration	15,705	-	-	15,705
Total depreciable assets	<u>890,694</u>	<u>24,657</u>	<u>(7,004)</u>	<u>908,347</u>
Total Capital Assets	<u>900,482</u>	<u>44,853</u>	<u>(27,200)</u>	<u>918,135</u>
Accumulated depreciation				
Buildings	637,348	23,985	(5,667)	655,666
Equipment - Administration	13,697	507	-	14,204
Total accumulated depreciation	<u>651,045</u>	<u>24,492</u>	<u>(5,667)</u>	<u>669,871</u>
Depreciable assets, net	<u>239,649</u>	<u>165</u>	<u>(1,337)</u>	<u>238,476</u>
Capital assets, net	<u>\$ 249,437</u>	<u>\$ 20,361</u>	<u>\$ (21,533)</u>	<u>\$ 248,264</u>

NOTE F – ACCOUNTS PAYABLE

A summary of accounts payable as presented in the Statement of Net Position at March 31, 2026 is as follows:

Vendors and contractors	\$ <u>2,599</u>
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NOTE G – UNEARNED REVENUE

A summary of unearned revenue as presented in the Statement of Net Position at March 31, 2026 is as follows:

Tenant prepaid rents	\$ <u>8</u>
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HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
NOTES TO FINANCIAL STATEMENTS
March 31, 2026

NOTE H – DUE TO OTHER GOVERNMENTS

A summary of due to other governments as presented in the Statement of Net Position at March 31, 2026 is as follows:

Health and Human Services – interest	\$ <u>3,100</u>	[1]
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[1] – This represents interest income earned in excess of \$500 to be remitted to U.S Treasury via Health and Human Services as required by 2 CFR 200.305(b)(12).

NOTE I—ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Position as of March 31, 2026 is as follows:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated absences	\$ <u>16,548</u>	\$ <u>(1,973)</u>	\$ <u>14,575</u>	\$ <u>8,358</u>

NOTE J – CONTINGENCIES

The Authority recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any to be immaterial.

NOTE K - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance.

During the year ended March 31, 2026, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

SUPPLEMENTAL INFORMATION

Housing Authority of the Town of Kersey (CO018)
Kersey, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2026

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$413,343	\$413,343		\$413,343
114 Cash - Tenant Security Deposits	\$6,449	\$6,449		\$6,449
100 Total Cash	\$419,792	\$419,792		\$419,792
122 Accounts Receivable - HUD Other Projects	\$1,928	\$1,928		\$1,928
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
129 Accrued Interest Receivable	\$257	\$257		\$257
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,185	\$2,185		\$2,185
142 Prepaid Expenses and Other Assets	\$184	\$184		\$184
150 Total Current Assets	\$422,161	\$422,161		\$422,161
161 Land	\$9,788	\$9,788		\$9,788
162 Buildings	\$892,642	\$892,642		\$892,642
163 Furniture, Equipment & Machinery - Dwellings	\$15,705	\$15,705		\$15,705
166 Accumulated Depreciation	-\$669,871	-\$669,871		-\$669,871
160 Total Capital Assets, Net of Accumulated Depreciation	\$248,264	\$248,264		\$248,264
180 Total Non-Current Assets	\$248,264	\$248,264		\$248,264
290 Total Assets and Deferred Outflow of Resources	\$670,425	\$670,425		\$670,425
312 Accounts Payable <= 90 Days	\$468	\$468		\$468
321 Accrued Wage/Payroll Taxes Payable	\$764	\$764		\$764
322 Accrued Compensated Absences - Current Portion	\$8,125	\$8,125		\$8,125
331 Accounts Payable - HUD PHA Programs	\$3,100	\$3,100		\$3,100
341 Tenant Security Deposits	\$6,449	\$6,449		\$6,449
342 Unearned Revenue	\$8	\$8		\$8
345 Other Current Liabilities	\$2,131	\$2,131		\$2,131
310 Total Current Liabilities	\$21,045	\$21,045		\$21,045
354 Accrued Compensated Absences - Non Current	\$6,450	\$6,450		\$6,450
350 Total Non-Current Liabilities	\$6,450	\$6,450		\$6,450
300 Total Liabilities	\$27,495	\$27,495		\$27,495
508.4 Net Investment in Capital Assets	\$248,264	\$248,264		\$248,264
511.4 Restricted Net Position	\$0	\$0		\$0
512.4 Unrestricted Net Position	\$394,666	\$394,666		\$394,666
513 Total Equity - Net Assets / Position	\$642,930	\$642,930		\$642,930
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$670,425	\$670,425		\$670,425

Housing Authority of the Town of Kersey (CO018)

Kersey, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 03/31/2026

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$107,546	\$107,546		\$107,546
70400 Tenant Revenue - Other	\$1,995	\$1,995		\$1,995
70500 Total Tenant Revenue	\$109,541	\$109,541	\$0	\$109,541
70600 HUD PHA Operating Grants	\$92,644	\$92,644		\$92,644
70610 Capital Grants	\$20,196	\$20,196		\$20,196
70700 Total Fee Revenue	\$0	\$0	\$0	\$0
71100 Investment Income - Unrestricted	\$500	\$500		\$500
71500 Other Revenue	\$3,909	\$3,909		\$3,909
71600 Gain or Loss on Sale of Capital Assets	-\$1,336	-\$1,336		-\$1,336
70000 Total Revenue	\$225,454	\$225,454	\$0	\$225,454
91100 Administrative Salaries	\$22,931	\$22,931		\$22,931
91200 Auditing Fees	\$4,250	\$4,250		\$4,250
91400 Advertising and Marketing	\$91	\$91		\$91
91500 Employee Benefit contributions - Administrative	\$2,031	\$2,031		\$2,031
91600 Office Expenses	\$5,744	\$5,744		\$5,744
91700 Legal Expense	\$213	\$213		\$213
91800 Travel	\$585	\$585		\$585
91900 Other	\$7,557	\$7,557		\$7,557
91000 Total Operating - Administrative	\$43,402	\$43,402	\$0	\$43,402
92400 Tenant Services - Other	\$517	\$517		\$517
92500 Total Tenant Services	\$517	\$517	\$0	\$517
93100 Water	\$19,742	\$19,742		\$19,742
93200 Electricity	\$10,943	\$10,943		\$10,943
93300 Gas	\$7,904	\$7,904		\$7,904
93000 Total Utilities	\$38,589	\$38,589	\$0	\$38,589
94100 Ordinary Maintenance and Operations - Labor	\$34,451	\$34,451		\$34,451
94200 Ordinary Maintenance and Operations - Materials and Other	\$7,229	\$7,229		\$7,229
94300 Ordinary Maintenance and Operations Contracts	\$22,264	\$22,264		\$22,264
94500 Employee Benefit Contributions - Ordinary Maintenance	\$2,728	\$2,728		\$2,728
94000 Total Maintenance	\$66,672	\$66,672	\$0	\$66,672
95000 Total Protective Services	\$0	\$0	\$0	\$0
96120 Liability Insurance	\$23,582	\$23,582		\$23,582
96130 Workmen's Compensation	\$877	\$877		\$877
96140 All Other Insurance	\$434	\$434		\$434
96100 Total Insurance Premiums	\$24,893	\$24,893	\$0	\$24,893
96210 Compensated Absences	\$960	\$960		\$960
96000 Total Other General Expenses	\$960	\$960	\$0	\$960
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$175,033	\$175,033	\$0	\$175,033
97000 Excess of Operating Revenue over Operating Expenses	\$50,421	\$50,421	\$0	\$50,421
97400 Depreciation Expense	\$24,492	\$24,492		\$24,492
90000 Total Expenses	\$199,525	\$199,525	\$0	\$199,525
10010 Operating Transfer In	\$34,719	\$34,719	-\$34,719	\$0
10020 Operating transfer Out	-\$34,719	-\$34,719	\$34,719	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$25,929	\$25,929	\$0	\$25,929
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$617,001	\$617,001		\$617,001
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0		\$0
11190 Unit Months Available	240	240		240
11210 Number of Unit Months Leased	229	229		229
11270 Excess Cash	\$386,346	\$386,346		\$386,346
11620 Building Purchases	\$24,657	\$24,657		\$24,657

Housing Authority of the Town of Kersey (CO018)

Kersey, CO

Single Project Revenue and Expense

Submission Type: Audited/Non Single
Audit

Fiscal Year End: 03/31/2026

Project: CO018000001 Ft. Latham Manor

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$107,546		\$107,546
70400 Tenant Revenue - Other	\$1,995		\$1,995
70500 Total Tenant Revenue	\$109,541	\$0	\$109,541
70600 HUD PHA Operating Grants	\$57,925	\$34,719	\$92,644
70610 Capital Grants		\$20,196	\$20,196
71100 Investment Income - Unrestricted	\$500		\$500
71500 Other Revenue	\$3,909		\$3,909
71600 Gain or Loss on Sale of Capital Assets	-\$1,336		-\$1,336
70000 Total Revenue	\$170,539	\$54,915	\$225,454
91100 Administrative Salaries	\$22,931		\$22,931
91200 Auditing Fees	\$4,250		\$4,250
91400 Advertising and Marketing	\$91		\$91
91500 Employee Benefit contributions - Administrative	\$2,031		\$2,031
91600 Office Expenses	\$5,744		\$5,744
91700 Legal Expense	\$213		\$213
91800 Travel	\$585		\$585
91900 Other	\$7,557		\$7,557
91000 Total Operating - Administrative	\$43,402	\$0	\$43,402
92400 Tenant Services - Other	\$517		\$517
92500 Total Tenant Services	\$517	\$0	\$517
93100 Water	\$19,742		\$19,742
93200 Electricity	\$10,943		\$10,943
93300 Gas	\$7,904		\$7,904
93000 Total Utilities	\$38,589	\$0	\$38,589
94100 Ordinary Maintenance and Operations - Labor	\$34,451		\$34,451
94200 Ordinary Maintenance and Operations - Materials and Other	\$7,229		\$7,229
94300 Ordinary Maintenance and Operations Contracts	\$22,264	\$0	\$22,264
94500 Employee Benefit Contributions - Ordinary Maintenance	\$2,728		\$2,728
94000 Total Maintenance	\$66,672	\$0	\$66,672
95000 Total Protective Services	\$0	\$0	\$0
96120 Liability Insurance	\$23,582		\$23,582
96130 Workmen's Compensation	\$877		\$877
96140 All Other Insurance	\$434		\$434
96100 Total Insurance Premiums	\$24,893	\$0	\$24,893
96210 Compensated Absences	\$960		\$960
96000 Total Other General Expenses	\$960	\$0	\$960
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$175,033	\$0	\$175,033
97000 Excess of Operating Revenue over Operating Expenses	-\$4,494	\$54,915	\$50,421
97400 Depreciation Expense	\$24,492		\$24,492
90000 Total Expenses	\$199,525	\$0	\$199,525
10010 Operating Transfer In	\$34,719		\$34,719
10020 Operating transfer Out		-\$34,719	-\$34,719
10100 Total Other financing Sources (Uses)	\$34,719	-\$34,719	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$5,733	\$20,196	\$25,929
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$617,001	\$0	\$617,001
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$20,196	-\$20,196	\$0
11190 Unit Months Available	240		240
11210 Number of Unit Months Leased	229		229
11270 Excess Cash	\$386,346		\$386,346
11620 Building Purchases	\$4,461	\$20,196	\$24,657

GOVERNMENT AUDITING STANDARDS SECTION

**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**

Independent Auditors Report

To the Board of Commissioners
Housing Authority of the Town of Kersey, 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 of the major fund of the Housing Authority of the Town of Kersey, Colorado, as of and for the year ended March 31, 2026, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Town of Kersey, Colorado's basic financial statements, and have issued our report thereon dated August 28, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the Town of Kersey, Colorado's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the Town of Kersey, Colorado's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the Town of Kersey, 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 combination of deficiencies, in internal control, such that there is a reasonably possibility that a material misstatement of the entity's basic 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 responses, we did identify a deficiency in internal control that we consider to be a material weakness and is described in the accompanying schedule of findings and responses as Finding 2026-1.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Kersey, Colorado's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have direct and material effect on the financial statements. 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*.

Housing Authority of the Town of Kersey, Colorado Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Housing Authority of the Town of Kersey, Colorado's response to the finding identified in our audit and is described in the accompanying schedule of findings and responses. The Housing Authority of the Town of Kersey, Colorado's response was not subjected to the other auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response.

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.

Niewedde & Wiens, CPA's

York, Nebraska
August 28, 2026

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
March 31, 2026

The audit report for the year ended March 31, 2025 contained one finding and no questioned costs.

Finding 2025-1: Lack of segregation of duties – This finding is repeated due to the Authority's status as a small entity with limited staffing. As a result, it is not financially feasible to implement full segregation of duties.

HOUSING AUTHORITY OF THE TOWN OF KERSEY, COLORADO
SCHEDULE OF FINDINGS AND RESPONSES
March 31, 2026

Finding 2026-1: Internal Control Structure
Material Weakness

Criteria: A properly designed internal control structure depends significantly on appropriate segregation of duties among multiple individuals. Duties related to initiating, authorizing, recording, processing, and reporting financial data should be divided among personnel to reduce the risk of error or fraud that could lead to a material misstatement of the financial statements.

Condition: The Authority employs only one administrative staff member. As a result, responsibilities are not assigned in a manner that allows different employees to handle different aspects of a transaction. This lack of personnel results in an inadequate internal control structure.

Cause: The Authority operates with limited staff and financial resources, which makes the segregation of duties impractical.

Effect or Potential Effect: The absence of segregation of duties constitutes a significant deficiency in internal control. This deficiency increases the risk of material misstatement in the financial statements, whether due to error or fraud.

Recommendation: Due to the Authority's size and limited resources, hiring additional staff to achieve full segregation of duties may not be financially feasible. This situation is common among small entities. However, the Authority's Board should evaluate the cost-benefit of implementing any additional compensating controls. While it is not our role to design internal controls, we recommend that the Board consider the risk and determine whether additional oversight or mitigating procedures are warranted.

Housing Authority of the Town of Kersey
P.O. Box 117
Kersey, CO. 80644
Phone: (970) 351-8229
Fax: (970) 336-1178
Email: Kerseyha@mindspring.com

**CORRECTIVE ACTION PLAN
Year Ended March 31, 2026**

The following are responses to and the corrective action to be taken in regard to the finding as reported in the accompanying Schedule of Findings and Responses for the fiscal year ended March 31, 2026:

ITEM

- 2026-1** The Authority is a small entity and acknowledges the lack of segregation of duties due to the limited number of personnel. Given our size, implementing additional controls by hiring more staff would result in a significant increase in costs. At this time, we believe the cost of implementing such controls would outweigh the expected benefits.

Contact Person: Shelby Marcum, Executive Director
P.O. Box 117
Kersey, CO 80644
970-351-8229

AGREED-UPON PROCEDURE

Independent Accountant's Report on Applying Agreed-Upon Procedure

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

We have performed the procedures enumerated below on whether the electronic submission of certain information agrees with the hard copy documents within the reporting package for the year ended March 31, 2026. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

The Housing Authority of the City of Kersey, Colorado, has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the REAC's UFRS requirements for the submission of the PHA financial data for the year ended March 31, 2026. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

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

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

We were engaged by the Housing Authority of the City of Kersey, Colorado to perform this agreed-upon procedure engagement and conducted our engagement in accordance with attestation standards established by the AICPA and the standards applicable to attestation engagements contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on UFRS Rule Information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Housing Authority of the City of Kersey, Colorado and REAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedure engagement.

This report is intended solely for the information and use of the Housing Authority of the City of Kersey, Colorado and REAC, and is not intended to be, and should not be, used by anyone other than these specified parties.

We were engaged to perform an audit of the financial statements of the Housing Authority of the City of Kersey, Colorado as of and for the year ended March 31, 2026, and have issued our report thereon dated August 28, 2026. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Housing Authority of the City of Kersey, Colorado's Financial Data Schedule dated August 28, 2026, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the financial statement package and the Financial Data Schedule, which includes the auditor's report, is available in its entirety from the Housing Authority of the City of Kersey, Colorado. We have not performed any additional auditing procedures since the date of the aforementioned audit report.

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

Niewedde & Wiens, CPA's

York, Nebraska
August 28, 2026