Housing Authority of the City of Burlington, Colorado

Financial Statements and Independent Auditors' Report

June 30, 2021

Lutz

Housing Authority of the City of Burlington, Colorado

Index

INDEPENDENT AUDITORS' REPORT

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

We have audited the statement of net position – proprietary funds of the Housing Authority of the City of Burlington, Colorado, (the Authority), as of June 30, 2021, and were engaged to audit the related statements of revenues, expenses and changes in fund net position – proprietary funds and cash flows – proprietary funds for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the index.

Management's Responsibility 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows
We were not engaged as auditors of the Authority until after June 30, 2021. In our discussions with the newly hired Executive Director, there were fewer processes and procedures covering tenant eligibility. Since tenant eligibility directly affects the revenue streams and determine the changes in fund net position and cash flows, we were unable to determine whether any adjustments might have been necessary in respect of the profit for the year reported in the statement of revenues, expenses and changes in fund net position – proprietary funds and the net cash flows from operations activities reported in the statement of cash flows – proprietary funds.

Disclaimer of Opinion on the Results of Operations and Cash Flows
We do not express an opinion on the results of operations and cash flows of the Authority for the year ended June 30, 2021. Because of the significance of the matter discussed in the Basis for Disclaimer of Opinion on the Results of Operations and Cash Flows section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the results of operations and cash flows for the year ended June 30, 2021.

Opinion
In our opinion, the statement of net position – proprietary funds presents fairly, in all material respects, the financial position of the Authority as of June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The Public Housing Program's "Schedule of Net Position – Proprietary Funds" and "Schedule of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds" are presented for purposes of additional analysis and are not a required part of the basic financial statements. Further, the Financial Data Schedule is presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development and is not a required part of the 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 financial statements. Such 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 above described supplementary information is fairly stated in all material respects in relation to the 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 August 3, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Authority's internal control over financial reporting and compliance.

Lutz & Company, P.C.

August 3, 2022

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

Our discussion and analysis of the Housing Authority of the City of Burlington, Colorado, financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2021. Please read the MD&A in conjunction with the Authority's financial statements.

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

Overview of the Financial Statements

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

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Authority's activities. The Statement of Net Position includes all the Authority's assets, deferred outflow of resources, liabilities, and deferred inflow of resources, and provides information about the nature and amounts of investments in resources (assets) and obligations to the Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure, 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 Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, 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 notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplementary Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Authority to submit financial information electronically to HUD with the FDS format. The financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2021, and is required to be included in the audit reporting package.

Financial Highlights

The Authority's basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows. The Statement of Net Position provides a summary of the Authority's assets, deferred outflow of resources, liabilities, and deferred inflow of resources as of the close of business on June 30. The Statement of Revenues, Expenses and Changes in Fund Net Position summarizes the revenues and sources of those revenues generated during the year ended June 30 and the expenses incurred in operating the Authority for the year ended June 30.

The Authority accounts for its public housing activities in two related programs. The Authority has a low rent program that provides housing for qualified tenants and a capital fund program that the Authority uses for improvements to its low rent property.

Our analysis below focuses on the net position, the change in net position, the unrestricted resources, and the months expendable net asset ratio of the Authority as a whole and not the individual programs.

Net Position

	2021	Unaudited 2020	Increase (Decrease)	Percent Change
Current Assets, Net of Intraprogam	$ 101,365	$ 10,802	$ 90,563	838.4%
Capital Assets, Net	349,540	325,551	23,989	7.4%
Total Assets	450,905	336,353	114,552	34.1%
Deferred Outflow of Resources	-	-	-	0.0%
Current Liabilities, Net of Intraprogram	30,388	50,325	(19,937)	(39.6%)
Noncurrent Liabilities	1,120	-	1,120	100.0%
Total Liabilities	31,508	50,325	(18,817)	(37.4%)
Deferred Inflow of Resources	-	-	-	0.0%
Net Position				
Net Investment in Capital Assets	349,540	325,551	23,989	7.4%
Unrestricted	69,857	(39,523)	109,380	276.8%
Total Net Position:	**$ 419,397**	**$ 286,028**	**$ 133,369**	**46.6%**
Unrestricted Resources	**$ 70,977**	**$ (39,523)**	**$ 110,500**	**279.6%**
Months Expendable Net Asset Ratio	**4.4**	**(2.6)**	**7.0**	**267.1%**

Total assets for the year ended June 30, 2020, were $336,353 and $450,905 at June 30, 2021, a 34.1% increase. This increase of $114,552 is the function of an increase in current and capital assets. Current assets increased due to an increase in cash and HUD receivables. Net capital assets increased due to current year capital asset purchases in excess of current year capital asset depreciation.

Total liabilities of the Authority decreased $18,817 from 2020 to 2021. This decrease is mainly attributable to an decrease in accrued wages and accounts payable.

The unrestricted resources of an Authority is a measure of the liquidity of the Authority. If all of the Authority's current assets, less materials inventory, are converted to cash, and the Authority pays all current liabilities, the amount of cash left on hand are the unrestricted resources. In this case, the unrestricted resources at June 30, 2021, were $70,977.

The months expendable net asset ratio (MENAR) is a measure of how many months the Authority could operate under current conditions without any additional income. The MENAR is calculated by dividing the total expenses for the year, less depreciation, by twelve (12) to arrive at the average monthly expenses. The unrestricted resources ($70,977) is then divided by the average monthly expenses ($193,479 divided by 12 = $16,123) to arrive at the MENAR (4.4) as of June 30, 2021.

Changes in Net Position

	2021	Unaudited 2020	Increase (Decrease)	Percent Change
Revenues:				
Tenant Revenue	$ 110,784	$ 86,491	$ 24,293	28.1%
Operating Grants	212,735	102,953	109,782	106.6%
Investment Income	15	4	11	275.0%
Other Income	963	-	963	100.0%
Insurance Proceeds	41,767	-	41,767	100.0%
Gain (Loss) on Disposal of Assets	1,000	-	1,000	100.0%
Total Revenues	367,264	189,448	177,816	93.9%
Expenses:				
Administrative	63,560	83,061	(19,501)	(23.5%)
Utilities	16,583	16,947	(364)	(2.1%)
Ordinary Maintenance and Operations	85,120	73,598	11,522	15.7%
Insurance	28,216	7,386	20,830	282.0%
General	998	-	998	100.0%
Depreciation	39,418	40,630	(1,212)	(3.0%)
Total Expenses	233,895	221,622	12,273	5.5%
Increase (Decrease) in Net Position	**$ 133,369**	**$ (32,174)**	**$ 165,543**	**514.5%**

Total revenues of the Authority increased $177,816, a 93.9% increase. The major reason for this increase in revenues was due to increases in tenant rents, capital grants, and insurance proceeds. Capital revenues are reported based on the capital grant expenditures for the year. Operating grants increased when compared to the prior year. Grant income increased from the prior year due to increased allocations from Congress.

Total expenses of the Authority increased $12,273, or 5.5%, for the year ended June 30, 2021. This increase is mainly attributable to increases in ordinary maintenance and operations, general, and insurance expense. These increases are offset by decreases in administrative, utilities, and depreciation expense.

Capital Assets

At June 30, 2021, the Authority had $349,540 invested in (net) capital assets. This amount represents a net increase of $23,989 from June 30, 2020.

Capital Assets at Year End

	2021	Unaudited 2020	Increase Decrease	Percent Change
Land	$ 65,337	$ 65,337	$ -	0.0%
Buildings	2,101,227	2,048,301	52,926	2.6%
Furniture, Equipment & Machinery - Admin	21,608	56,352	(34,744)	(61.7%)
Furniture, Equipment & Machinery - Dwelling	57,869	52,118	5,751	11.0%
Subtotal	2,246,041	2,222,108	23,933	1.1%
Accumulated Depreciation	(1,896,501)	(1,896,557)	56	(0.0%)
Net Capital Assets	**$ 349,540**	**$ 325,551**	**$ 23,989**	**7.4%**

Some of the current year additions included: roofing, flooring, and mower.

The Authority has $74,109 remaining between the 2019 and 2020 capital fund program grants as of June 30, 2021.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding by the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession, and employment trends, which can affect resident incomes and therefore the amount of rental income.

Contacting the Housing Authority's Financial Management

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Executive Director, at the Housing Authority of the City of Burlington, Colorado 944 Lowell Avenue, Burlington, Colorado 80807, telephone number (719) 346-5464.

Housing Authority of the City of Burlington, Colorado

Statement of Net Position – Proprietary Funds

June 30, 2021

		Public Housing
CURRENT ASSETS		
Cash and Cash Equivalents	$	23,443
Accounts Receivable, Net		1,070
Accounts Receivable - HUD		76,852
Total Current Assets		101,365
CAPITAL ASSETS		
Land, Structures and Equipment		2,246,041
Accumulated Depreciation		(1,896,501)
Total Capital Assets		349,540
TOTAL ASSETS		**450,905**
DEFERRED OUTFLOW OF RESOURCES		**-**
CURRENT LIABILITIES		
Accounts Payable		8,096
Accrued Wages and Payroll Taxes Payable		15,432
Accrued Utilities		1,483
Tenant Prepaid Rent		277
Tenant Security Deposits		5,100
Total Current Liabilities		30,388
NONCURRENT LIABILITIES		
Accrued Compensated Absences		1,120
Total Noncurrent Liabilities		1,120
TOTAL LIABILITIES		**31,508**
DEFERRED INFLOW OF RESOURCES		**-**
NET POSITION		
Net Investment in Capital Assets		349,540
Unrestricted		69,857
Total Net Position	**$**	**419,397**

See Notes to Financial Statements.

Housing Authority of the City of Burlington, Colorado

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2021

		Public Housing
OPERATING REVENUE		
Dwelling Rent	$	107,039
Other Tenant Revenue		3,745
Operating Grants		212,735
Other Income		963
Total Operating Revenue		324,482
OPERATING EXPENSES		
Administrative		63,560
Utilities		16,583
Ordinary Maintenance and Operations		85,120
Insurance		28,216
General		998
Depreciation		39,418
Total Operating Expenses		233,895
Earnings/(Loss) from Operations		90,587
NONOPERATING REVENUES/(EXPENSES)		
Investment Interest		15
Insurance Proceeds		41,767
Gain (Loss) on Disposal of Assets		1,000
Total Nonoperating Revenues/(Expenses)		42,782
Change in Net Position		**133,369**
Net Position, June 30, 2020		**286,028**
Net Position, June 30, 2021	**$**	**419,397**

See Notes to Financial Statements.

Housing Authority of the City of Burlington, Colorado

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2021

	Public Housing
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Tenants	$ 68,285
Cash Received from Operating Grants	212,735
Cash Received from Other Operating Activities	963
Cash Payments to Suppliers	(149,515)
Cash Payments for Employees	(94,300)
Net Cash Provided by Operating Activities	38,168
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Capital Assets	1,000
Purchase of Capital Assets (Net)	(63,407)
Net Cash Used in Capital and Related Financing Activities	(62,407)
CASH FLOWS FROM INVESTING ACTIVITIES	
Liquidation of Investments	5,900
Interest Income	15
Extraordinary Maintenance	41,767
Net Cash Provided by Investing Activities	47,682
Net Increase in Cash and Cash Equivalents	23,443
Cash and Cash Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	**$ 23,443**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 90,587
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	39,418
(Increase) Decrease in Assets	
Accounts Receivable	(44,176)
Increase (Decrease) In Liabilities	
Outstanding Checks in Excess of Bank Balance	(28,844)
Accounts Payable	(2,569)
Security Deposits	1,677
Other Accrued Liabilities	(17,925)
Net Cash Provided by Operating Activities	**$ 38,168**

See Notes to Financial Statements.

1. General Statement and Summary of Significant Accounting Policies

General Statement

The Authority was created under the provisions of the laws of the State of Colorado. The purpose of the agency is to administer Public Housing Programs authorized by the United States Housing Act. The governing board is appointed by the mayor of the City of Burlington. The governing board employs executives; authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development (Annual Contributions Contract) pursuant to that agency's regulations and statutory authorizations; and causes the agency to construct, own, and operate public housing facilities. The financial liability of the Authority is essentially supported by the operating and debt service subsidies received under contract from the Federal government. The Housing Authority of the City of Burlington, Colorado is not considered a component unit of any other agency.

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. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority has elected to apply all applicable Financial Accounting Standards Board pronouncements, including those issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The more significant accounting policies of the Authority are described below.

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 GASB Statement No. 61. These criteria state that the financial reporting entity consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, there are no additional agencies or entities which should be included in the financial statements of the Authority.

Measurement Focus and Basis of Accounting

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, liabilities, fund net position, revenues and expenditures or expenses, as appropriate.

Proprietary Fund Type - The Authority uses a Proprietary Fund Type to account for the activities of the Authority in a manner similar to commercial enterprises. 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, if applicable.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflow of resources, liabilities (whether current or non-current), and deferred inflow of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents 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.

Operating and Non-operating Revenues and Expenses - The Authority distinguishes between operating and non-operating revenues and expenses in its Statement of Revenues, Expenses and Changes in Net Position. For this purpose, the Authority's operating revenues result from providing low-income housing services such as tenant rent and other tenant charges. Grants, which finance current operations, are reported as operating revenues. Operating expenses include the costs 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 non-operating revenues and expenses.

Major Fund Determination – The model as defined in Statement No. 34 established criteria for the determination of major funds. The Authority only has the Public Housing Program; therefore, it is the sole major fund.

Budgetary Information

The Authority annually prepares an estimate (budget) of its operations for the upcoming year. The Authority uses the budget for management purposes. The budget is adopted by the Board of Commissioners.

Use of 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 of certain assets, liabilities, revenues, expenditures, and other disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, all highly liquid investments (including restricted assets) with an initial maturity of three months or less are considered to be cash equivalents.

Investments

Investments are reported 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. Investments in certificates of deposits are reported at fair value, with fair value being cost plus interest earned. Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements.

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 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. The Authority reviews accounts receivable annually to determine if any receivables will potentially be uncollectible. Accounts receivable balances that are determined to be uncollectible are included in the allowance for doubtful accounts. After all attempts to collect the receivable have failed, the receivable is written off against the allowance.

Prepaid Expenses

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

Capital Assets

Capital assets are valued at historical cost. Donated capital assets are valued at the estimated fair value at the date of the donation. It is the policy of the Authority to capitalize all assets with a cost of $5,000 or greater. Lessor amounts are expensed. Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follow:

Buildings and Improvements	10 - 40 years
Furniture and Fixtures	5 - 10 years
Equipment	3 - 10 years

Impairment of Capital Assets

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of December 31, 2021, there has been no impairment of capital assets.

Compensated Absences

It is the Authority's policy to allow employees to accumulate earned but unused vacation and sick pay benefits up to certain limits. These amounts are charged to expense and a corresponding liability is established when earned. The current portion of accrued compensated absences is based upon expected use of the benefits within twelve months.

Grant Revenues

Grant revenues, net of estimated uncollectible amounts, if any, are recognized when all applicable eligibility requirements are met in accordance with GASB Statement No. 33. Grants received by the Authority before the eligibility requirements are met are reported as deferred inflow of resources or unearned revenue in accordance with GASB statement No. 65.

Investment Income

Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average pooled cash and investments balance.

Advertising

The Authority's policy is to expense advertising costs as incurred. Advertising for the year ended June 30, 2021, was $-0-.

Income Taxes

The Authority is a governmental subdivision and is exempt from federal and state income taxes.

Leases

The majority of leases and subleases are short-term operating leases.

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.

Activities of the Housing Authority

The Authority operates and administers public housing projects in the Burlington, Colorado area under agreements with the U.S. Department of Housing and Urban Development. The projects of the Authority are as follows:

Public Housing: Project CO 030 – 31 Units

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, capital contributions and special items. Net position is classified in the following three components:

Net investment in capital assets — Consists of 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. Deferred outflow of resources and deferred inflow of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted — Consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted — Consists of assets, deferred outflow of resources, liabilities, and deferred inflow of resources that do not meet the definition of "restricted" or "net investment in capital assets."

Use of Restricted/Unrestricted Net Position

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

2. Cash and Cash Equivalents

Cash (checking and savings) accounts are maintained by the Authority.

The amount of cash and cash equivalents of $23,443 are allocated as follows:

Unrestricted	$ 18,343
Tenant Security Deposits	5,100
	$ 23,443

3. Accounts Receivable

All receivables from tenants are for rentals and service charges. These receivables are shown net of an allowance for uncollectible amounts. This amount is estimated based upon historical information. Accounts receivable at June 30, 2021, were $1,070. The allowance is $-0- at June 30, 2021.

Receivables from HUD for operating and CFP subsidies totaled $76,852 at June 30, 2021.

As of June 30, 2021, there was rent prepaid in the amount of $277.

4. Contingencies

The entity is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to the federal grantors and/or program beneficiaries.

5. Capital Assets

A summary of capital assets is as follows:

	Unaudited Balance 6/30/20	Additions	Disposals	Balance 6/30/21
Land	$ 65,337	$ -	$ -	$ 65,337
Buildings	2,048,301	52,926	-	2,101,227
Furniture, Equipment & Machinery - Admin	56,352	4,730	(39,474)	21,608
Furniture, Equipment & Machinery - Dwelling	52,118	5,751	-	57,869
Subtotal	2,222,108	63,407	(39,474)	2,246,041
Accumulated Depreciation	(1,896,557)	(39,418)	39,474	(1,896,501)
Net Capital Assets	$ 325,551	$ 23,989	$ -	$ 349,540

Depreciation for the current year was $39,418.

6. Major Source of Revenues

The Authority receives a significant portion of its funding from the U.S. Department of Housing and Urban Development (HUD). These funds, including grants received, constitute a significant portion of the Authority's operations capital. Therefore, any change in funding from HUD could have a major impact on the operations of the Authority. For the year ended June 30, 2021, the Authority received the following funding from HUD:

Operating Subsidy	$ 84,776
Capital Fund Program Grants	127,959
	$ 212,735

7. 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 June 30, 2021, 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.

8. Restatement of Net Position

The net position for the Authority as of June 30, 2020, has been restated to reflect the voiding of previously expensed checks and the recording of unsubstantiated prepaid expenses. An adjustment was made during the year ended June 30, 2021.

Effect on Net Position

Beginning Net Position	$	295,860
Adjustment		(9,832)
Restated Net Position	$	286,028

9. Subsequent Events

Upon evaluation, the Authority notes that there were no material subsequent events between the date of the financial statements and August 3, 2022, the date the financial statements were issued or available to be issued.

SUPPLEMENTARY INFORMATION

Housing Authority of the City of Burlington, Colorado

Schedule of Net Position – Proprietary Funds

June 30, 2021

	Public Housing	Capital Fund	Total
CURRENT ASSETS			
Cash and Cash Equivalents	$ 23,443	$ -	$ 23,443
Accounts Receivable, Net	1,070	-	1,070
Accounts Receivable - HUD	76,852	-	76,852
Total Current Assets	101,365	-	101,365
CAPITAL ASSETS			
Land, Structures and Equipment	2,224,643	21,398	2,246,041
Accumulated Depreciation	(1,894,074)	(2,427)	(1,896,501)
Total Capital Assets	330,569	18,971	349,540
TOTAL ASSETS	**431,934**	**18,971**	**450,905**
DEFERRED OUTFLOW OF RESOURCES	**-**	**-**	**-**
CURRENT LIABILITIES			
Accounts Payable	8,096	-	8,096
Accrued Wages and Payroll Taxes Payable	15,432	-	15,432
Accrued Utilities	1,483	-	1,483
Tenant Prepaid Rent	277	-	277
Tenant Security Deposits	5,100	-	5,100
Total Current Liabilities	30,388	-	30,388
NONCURRENT LIABILITIES			
Accrued Compensated Absences	1,120	-	1,120
Total Noncurrent Liabilities	1,120	-	1,120
TOTAL LIABILITIES	**31,508**	**-**	**31,508**
DEFERRED INFLOW OF RESOURCES	**-**	**-**	**-**
NET POSITION			
Net Investment in Capital Assets	330,569	18,971	349,540
Unrestricted	69,857	-	69,857
Total Net Position	**$ 400,426**	**$ 18,971**	**$ 419,397**

Housing Authority of the City of Burlington, Colorado

Schedule of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2021

	Public Housing	Capital Fund	Total
OPERATING REVENUE			
Dwelling Rent	$ 107,039	$ -	$ 107,039
Excess Utilities/Other Tenant Revenue	3,745	-	3,745
Other Income	963	-	963
Operating Grants	84,776	127,959	212,735
Total Operating Revenue	196,523	127,959	324,482
OPERATING EXPENSES			
Administrative	63,560	-	63,560
Tenant Services		-	-
Utilities	16,583	-	16,583
Ordinary Maintenance and Operations	85,120	-	85,120
Insurance	28,216	-	28,216
General	998	-	998
Depreciation	37,800	1,618	39,418
Total Operating Expenses	232,277	1,618	233,895
Net Operating Income (Loss)	(35,754)	126,341	90,587
NONOPERATING REVENUES/(EXPENSES)			
Investment Interest	15	-	15
Insurance Proceeds	41,767	-	41,767
Gain (Loss) on Disposal of Assets	1,000	-	1,000
Total Nonoperating Revenues/(Expenses)	42,782	-	42,782
Income (Loss) Before Contributions	7,028	126,341	133,369
Transfers	127,959	(127,959)	-
CHANGE IN NET POSITION	**$ 262,946**	**$ (129,577)**	**$ 133,369**

Housing Authority of the City of Burlington, Colorado

Financial Data Schedule

June 30, 2021

Submission Type: Audited/Non Single Audit		Fiscal Year End: 6/30/2021	
	CO030000001 Project Total	14.PHC Public Housing CARES Act Funding	Total
111 Cash - Unrestricted	$18,343		$18,343
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	$5,100		$5,100
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	$23,443	$0	$23,443
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	$76,852		$76,852
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous	$0		
126 Accounts Receivable - Tenants	$1,070		$1,070
126.1 Allowance for Doubtful Accounts -Tenants	$0		
126.2 Allowance for Doubtful Accounts - Other			
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable	$0		
120 Total Receivables, Net of Allowances for Doubtful Accounts	$77,922	$0	$77,922
131 Investments - Unrestricted	$0		
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			

Housing Authority of the City of Burlington, Colorado

Financial Data Schedule

June 30, 2021

Submission Type: Audited/Non Single Audit			Fiscal Year End: 6/30/2021
	CO030000001 Project Total	14.PHC Public Housing CARES Act Funding	Total
142 Prepaid Expenses and Other Assets	$0		
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	$101,365	$0	$101,365
161 Land	$65,337		$65,337
162 Buildings	$2,106,978		$2,106,978
163 Furniture, Equipment & Machinery - Dwellings	$52,118		$52,118
164 Furniture, Equipment & Machinery - Administration	$21,608		$21,608
165 Leasehold Improvements			
166 Accumulated Depreciation	-$1,896,501		-$1,896,501
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	$349,540	$0	$349,540
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	$349,540	$0	$349,540

Housing Authority of the City of Burlington, Colorado

Financial Data Schedule

June 30, 2021

Submission Type: Audited/Non Single Audit		Fiscal Year End: 6/30/2021	
	CO030000001 Project Total	14.PHC Public Housing CARES Act Funding	Total
200 Deferred Outflow of Resources	$0		$0
290 Total Assets and Deferred Outflow of Resources	$450,905	$0	$450,905
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	$8,096		$8,096
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	$15,432		$15,432
322 Accrued Compensated Absences - Current Portion	$0		
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government			
341 Tenant Security Deposits	$5,100		$5,100
342 Unearned Revenue	$277		$277
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other	$1,483		$1,483
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	$30,388	$0	$30,388

Housing Authority of the City of Burlington, Colorado

Financial Data Schedule

June 30, 2021

Submission Type: Audited/Non Single Audit			Fiscal Year End: 6/30/2021
	CO030000001 Project Total	14.PHC Public Housing CARES Act Funding	Total
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	$1,120		$1,120
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	$1,120	$0	$1,120
300 Total Liabilities	$31,508	$0	$31,508
400 Deferred Inflow of Resources	$0		$0
508.4 Net Investment in Capital Assets	$349,540	$0	$349,540
511.4 Restricted Net Position	$0	$0	$0
512.4 Unrestricted Net Position	$69,857	$0	$69,857
513 Total Equity - Net Assets/Position	$419,397	$0	$419,397
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets/Position	$450,905	$0	$450,905

Housing Authority of the City of Burlington, Colorado

Financial Data Schedule

Year Ended June 30, 2021

Submission Type: Audited/Non Single Audit							Fiscal Year End: 6/30/2021
	CO030000001 14.850 Low Rent Public Housing	CO030000001 14.872 Capital Fund Program	CO030000001 Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	Elimination	Total
70300 Net Tenant Rental Revenue	$107,039		$107,039		$107,039		$107,039
70400 Tenant Revenue - Other	$3,745		$3,745		$3,745		$3,745
70500 Total Tenant Revenue	$110,784	$0	$110,784	$0	$110,784	$0	$110,784
70600 HUD PHA Operating Grants	$84,776	$127,959	$212,735	$0	$212,735		$212,735
70610 Capital Grants							$0
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue							
70800 Other Government Grants							
71100 Investment Income - Unrestricted	$15		$15		$15		$15
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	$963		$963		$963		$963
71600 Gain or Loss on Sale of Capital Assets	$1,000		$1,000		$1,000		$1,000
72000 Investment Income - Restricted							
70000 Total Revenue	$197,538	$127,959	$325,497	$0	$325,497	$0	$325,497
91100 Administrative Salaries	$46,075		$46,075	$0	$46,075		$46,075
91200 Auditing Fees	$0						$0
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing	$0				$0		$0
91500 Employee Benefit Contributions - Administrative	$2,752		$2,752		$2,752		$2,752
91600 Office Expenses	$1,044		$1,044		$1,044		$1,044
91700 Legal Expense	$637		$637		$637		$637
91800 Travel	$2,974		$2,974		$2,974		$2,974
91810 Allocated Overhead							
91900 Other	$10,078		$10,078	$0	$10,078		$10,078

Housing Authority of the City of Burlington, Colorado

Financial Data Schedule

Year Ended June 30, 2021

Submission Type: Audited/Non Single Audit							Fiscal Year End: 6/30/2021
	CO030000001 14.850 Low Rent Public Housing	CO030000001 14.872 Capital Fund Program	CO030000001 Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	Elimination	Total
91000 Total Operating - Administrative	$63,560	$0	$63,560	$0	$63,560	$0	$63,560
92000 Asset Management Fee							
92100 Tenant Services - Salaries							
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	$0			$0			
92500 Total Tenant Services	$0	$0	$0	$0	$0	$0	$0
93100 Water	$4,543		$4,543		$4,543		$4,543
93200 Electricity	$6,037		$6,037		$6,037		$6,037
93300 Gas	$4,829		$4,829		$4,829		$4,829
93400 Fuel							
93500 Labor							
93600 Sewer	$0						
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense	$1,174		$1,174		$1,174		$1,174
93000 Total Utilities	$16,583	$0	$16,583	$0	$16,583	$0	$16,583
94100 Ordinary Maintenance and Operations - Labor	$43,321		$43,321		$43,321		$43,321
94200 Ordinary Maintenance and Operations - Materials and Other	$20,304		$20,304	$0	$20,304		$20,304
94300 Ordinary Maintenance and Operations Contracts	$19,343		$19,343	$0	$19,343		$19,343
94500 Employee Benefit Contributions - Ordinary Maintenance	$2,152		$2,152		$2,152		$2,152
94000 Total Maintenance	$85,120	$0	$85,120	$0	$85,120	$0	$85,120
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	$0	$0
96110 Property Insurance	$25,867		$25,867		$25,867		$25,867
96120 Liability Insurance	$0						
96130 Workmen's Compensation	$0						
96140 All Other Insurance	$2,349		$2,349		$2,349		$2,349

Housing Authority of the City of Burlington, Colorado

Financial Data Schedule

Year Ended June 30, 2021

Submission Type: Audited/Non Single Audit							Fiscal Year End: 6/30/2021
	CO030000001 14.850 Low Rent Public Housing	CO030000001 14.872 Capital Fund Program	CO030000001 Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	Elimination	Total
96100 Total insurance Premiums	$28,216	$0	$28,216	$0	$28,216	$0	$28,216
96200 Other General Expenses							
96210 Compensated Absences	$5,452		$5,452		$5,452		$5,452
96300 Payments in Lieu of Taxes							
96400 Bad debt - Tenant Rents	-$4,454		-$4,454		-$4,454		-$4,454
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	$998	$0	$998	$0	$998	$0	$998
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	$0	$0
96900 Total Operating Expenses	$194,477	$0	$194,477	$0	$194,477	$0	$194,477
97000 Excess of Operating Revenue over Operating Expenses	$3,061	$127,959	$131,020	$0	$131,020	$0	$131,020
97100 Extraordinary Maintenance	$0				$0		$0
97200 Casualty Losses - Non Capitalized							
97300 Housing Assistance Payments							
97350 HAP Portability-In							
97400 Depreciation Expense	$37,800	$1,618	$39,418		$39,418		$39,418
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	$232,277	$1,618	$233,895	$0	$233,895	$0	$233,895
10010 Operating Transfer In	$127,959		$127,959		$127,959	-$127,959	$0
10020 Operating Transfer Out		-$127,959	-$127,959		-$127,959	$127,959	$0
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							

Housing Authority of the City of Burlington, Colorado

Financial Data Schedule

Year Ended June 30, 2021

Submission Type: Audited/Non Single Audit							Fiscal Year End: 6/30/2021
	CO030000001 14.850 Low Rent Public Housing	CO030000001 14.872 Capital Fund Program	CO030000001 Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	Elimination	Total
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)	$41,767		$41,767		$41,767		$41,767
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)	$169,726	-$127,959	$41,767	$0	$41,767	$0	$41,767
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$134,987	-$1,618	$133,369	$0	$133,369	$0	$133,369
11020 Required Annual Debt Principal Payments							
11030 Beginning Equity	$295,860	$0	$295,860	$0	$295,860		$295,860
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-$30,421	$20,589	-$9,832		-$9,832		-$9,832
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	372		372		372		372
11210 Number of Unit Months Leased	364		364		364		364
11270 Excess Cash	$15,949		$15,949		$15,949		$15,949
11610 Land Purchases	$0	$0	$0		$0		$0
11620 Building Purchases	$58,677	$0	$58,677		$58,677		$58,677
11630 Furniture & Equipment - Dwelling Purchases	$0	$0	$0		$0		$0
11640 Furniture & Equipment - Administrative Purchases	$4,730	$0	$4,730		$4,730		$4,730
11650 Leasehold Improvements Purchases	$0	$0	$0		$0		$0
11660 Infrastructure Purchases	$0	$0	$0		$0		$0
13510 CFFP Debt Service Payments	$0	$0	$0		$0		$0
13901 Replacement Housing Factor Funds	$0	$0	$0		$0		$0

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

Board of Commissioners
Housing Authority of the City of Burlington, 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 Housing Authority of the City of Burlington, Colorado (the Authority), which comprise the statement of net position as of June 30, 2021, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 3, 2022.

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

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 over financial reporting 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 identified certain deficiencies in internal control that we consider to be material weaknesses.

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 reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as Findings 2021-001, 2021-002, and 2021-003 to be material weaknesses.

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. We did not identify deficiencies in internal control that we consider to be significant deficiencies, as defined above.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Authority'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 multiple instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances of noncompliance are described in the accompanying Schedule of Findings and Responses as Findings 2021-004, 2021-005, 2021-006, and 2021-007.

Housing Authority of the City of Burlington, Colorado's Response to Findings
The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lutz & Company, P.C.

August 3, 2022

Housing Authority of the City of Burlington, Colorado

Schedule of Findings and Responses

June 30, 2021

FINDING 2021-001:

Material Weakness in Internal Control – Lack of Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: The Authority does not have adequate personnel to assign responsibilities in such a way that different employees handle different portions of a transaction.

Context: Due to the limited number of personnel, duties and responsibilities related to custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts cannot be properly segregated.

Effect: An individual controlling a transaction from beginning to conclusion does not have oversight from other individuals to ensure that the transaction was properly executed and recorded.

Cause: The Authority's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Recommendation: Due to the present size of the staff, it may not be feasible for the Authority to correct this situation by the hiring of additional employees, due to cost benefit considerations. We would recommend that the board of commissioners take an active part in internal controls and closely monitor all accounting functions, while seeking ways to continue to strengthen compensating controls.

Auditee Response/Corrective Action Plan: See page 36.

FINDING 2021-002:

Material Weakness in Internal Control – Application of Accounting Practices

Criteria: Proper application of accounting principles that are in conformity with accounting principles generally accepted in the United States of America require that an organization have effective controls over the application of those principles. The application of such principles is necessary to ensure that the entity's financial statements and notes to the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Condition: The Authority does not have sufficient expertise in the selection and application of accounting principles to ensure that the financial statements and the accompanying notes to the financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

<u>Context</u>: Due to the limited number of personnel, duties and responsibilities related to custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts can be difficult to complete within the scope of accounting principles generally accepted in the United States of America.

<u>Effect</u>: The Authority has a limited number of personnel; therefore, it lacks the appropriate oversight over the selection and applications of accounting principles generally accepted in the United States of America.

<u>Cause</u>: Due to the nature and size of the Authority, controls and processes over documentation storage were lacking which resulted in some documentation not being able to be provided to the auditor.

<u>Recommendation</u>: Due to cost benefit considerations, it may not be feasible for the Authority to correct this situation.

<u>Auditee Response/Corrective Action Plan</u>: See page 36.

FINDING 2021-003:

Material Weakness in Internal Control – Application of Rent Rates

<u>Criteria</u>: A proper system of internal control would apply the correct rent rates to the correct tenants every month with a maximum rent rate that is applicable in accordance with federal regulations.

<u>Condition</u>: The Authority did not accurately apply rent rates to its tenants.

<u>Context</u>: The Executive Director was not aware that mistakes were made in applying inaccurate rent rates to its tenants.

<u>Effect</u>: The Authority has been charging tenants an amount less than the calculated rent rate for those tenants.

<u>Cause</u>: Tenants were being charged a rent amount lesser than the recertified amount by the Executive Director.

<u>Recommendation</u>: The Executive Director should verify that tenants are being charged the correct amounts for which they were recertified.

<u>Auditee Response/Corrective Action Plan</u>: See page 36.

FINDING 2021-004:

Compliance with Regulations – Tenant Reexamination

Criteria: In accordance with HUD Notice PIH 2017-12, an extension of HUD Notice PIH 2010-19, PHA's are required to review the EIV income report for each new admission, historical adjustment, and interim reexamination. This includes confirming/ validating family-reported income within 120 days of the submission date, print and maintain a copy of the EIV Income Report in the tenant file, and resolving any income discrepancies with the family within 60 days of the EIV income Report date.

Condition: Multiple instances were noted in which the Authority did not timely utilize HUD's EIV Income Report for tenants.

Context: The Executive Director failed to confirm/validate family income and print and maintain a copy of the EIV Income Report in the tenant file for family income on multiple tenants that were selected for testing.

Effect: The Authority was not in compliance with HUD Notice PIH 2017-12, an extension of HUD Notice PIH 2010-19.

Cause: The Executive Director failed to adequately perform her duties over tenant file compliance.

Recommendation: The Executive Director should familiarize herself with the requirements of this notice to ensure the proper procedures are followed and the proper documents are retained in the tenant files.

Auditee Response/Corrective Action Plan: See page 36.

FINDING 2021-005:

Compliance with Regulations – Tenant File Documentation

Criteria: In accordance with 24 CFR Section 960.257, tenants receiving income-based rent assistance must have their family income and composition reexamined by the Authority at least annually, including utilizing HUD's EIV system in accordance with HUD Notice PIH 2017-12, an extension of HUD Notice PIH 2010-19. In addition to an annual reexamination, the tenant's unit must be inspected, and the inspection documented on an annual basis.

Condition: Multiple instances were noted in which the Authority did not timely conduct a reexamination of family income and composition or have the required documentation in the file.

Context: The Executive Director failed to perform reexaminations of family income on multiple tenants that were selected for testing and numerous instances of missing documentation were noted.

Effect The Authority was not in compliance with 24 CFR 960.257 or HUD Notice PIH 2017-12, an extension of HUD Notice PIH 2010-19.

Cause: The Executive Director failed to adequately perform her duties over tenant file compliance.

Recommendation: The Executive Director should familiarize herself with the requirements of these documents to ensure the proper procedures are followed and the proper documents are retained in the tenant files.

Auditee Response/Corrective Action Plan: See page 36.

FINDING 2021-006:

Compliance with Regulations – Federal Awards Compliance – Allowable Costs

Criteria: Under the Code of Federal Regulations Title 2, Part 200, Subpart E costs incurred by the Authority must be necessary and reasonable in addition to conforming with the limitations and exclusions set forth by the aforementioned principles.

Condition: An undetermined amount of bank overdraft fees and interest on payroll tax payment plans were paid throughout the course of the year.

Context: The Authority was not fully aware of the restrictions regarding the federal cash being used to pay for the expenses and there was insufficient money to pay bills timely due to mismanagement of funds.

Effect The Authority was not in compliance with the Code of Federal Regulations Title 2, Part 200, Subpart E.

Cause: The Authority used cash received from federal awards to pay the cost of overdraft fees and interest that could have been avoided.

Recommendation: The Executive Director should familiarize herself with federal regulations regarding the allowable use of cash received through federal awards.

Auditee Response/Corrective Action Plan: See page 36.

FINDING 2021-007:

Compliance with Regulations – Operating Budget

Criteria: In accordance with the Annual Contributions Contract HUD-53012A, Section 11: “The HA shall prepare and have approved by its Board of Commissioners an operating budget for each of its fiscal years in a manner, and using such forms, as prescribed by HUD. The HA shall submit a calculation of operating subsidy eligibility in the manner prescribed by HUD in regulations in Title 24 of the Code of Federal Regulations.”

Condition: An operating budget was not submitted for the fiscal year 2021.

Context: The Authority failed to prepare and submit an operating budget for the fiscal year 2021 to HUD for approval.

Effect The Authority was not in compliance with the Annual Contributions Contract HUD-53012A, Section 11.

Cause: The Executive Director failed to perform her duties and submit a budget to HUD for the fiscal year 2021.

Recommendation: The Executive Director should familiarize herself with the requirements of the Annual Contributions Contract HUD-53012A, Section 11.

Auditee Response/Corrective Action Plan: See page 36.

Housing Authority of the City of Burlington, Colorado

Summary Schedule of Prior Audit Findings

June 30, 2021

No prior year audit was conducted, thus no prior year audit findings to report.

BURLINGTON HOUSING AUTHORITY
944 LOWELL
BURLINGTON, CO 80807
(719) 346-5464

Corrective Action Plan

Contact Person: **Shauna Richardson**
944 Lowell Ave
Burlington, CO 80807
(719) 346-5464

Finding 2021-001
The Authority is relatively small with only one full-time administrative staff and some assistance from a part-time staff. Further the Board of Commissioners is a volunteer board and not a managing board. It does not have the time nor expertise to provide the necessary services to correct the internal control deficiencies noted. The Board of Commissioners has reviewed this issue and determined there are no additional procedures which can reasonably be done to eliminate these deficiencies. As such, the Board of Commissioners accepts this finding.

Finding 2021-002
The Authority is relatively small with only one full-time administrative staff and some assistance from a part-time staff. The use of a fee accountant is meant to assist with maintaining appropriate accounting principles. The Authority has switched fee accountants during this fiscal year and elected a new executive director, it is believed that this switch will assist in improving the Authority's ability to operate using these principals.

Finding 2021-003
The previous executive director was unfamiliar with the requirements regarding application of rent rates or was unable to adequately fulfill the requirements. The newly hired executive director is working to familiarize herself with the requirements and fulfill them to the best of her ability.

Finding 2021-004
The Authority is working to familiarize itself with the appropriate rules and regulations regarding HUD Notice PIH 2017-12, an extension of HUD Notice PIH 2010-19.

Finding 2021-005
The Authority is working to familiarize itself with the appropriate rules and regulations regarding HUD Notice PIH 2017-12, an extension of HUD Notice PIH 2010-19.

Finding 2021-006
The Authority is working to familiarize itself with the appropriate rules and regulations regarding the Code of Federal Regulations Title 2, Part 200, Subpart E.

Finding 2021-007
The Authority is working to familiarize itself with the appropriate rules and regulations regarding the Annual Contributions Contract HUD-53012A, Section 11.

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MIND WHAT MATTERS

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED UPON PROCEDURES

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

Board of Commissioners
Housing Authority of the City of Burlington, 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 June 30, 2021. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

Housing Authority of the City of Burlington, 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 June 30, 2021. 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.

We were engaged by Housing Authority of the City of Burlington, Colorado to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. 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 REAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

Lutz & Company, P.C.

August 3, 2022

LUTZ & COMPANY, PC
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Housing Authority of the City of Burlington, Colorado

Attachment to Independent Accountants' Report on Applying Agreed-Upon Procedures

June 30, 2021

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	FINDINGS
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDAs, if applicable	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditors' supplementary report on FDS	Agrees
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Agrees

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