

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

FINANCIAL STATEMENTS

Year Ended December 31, 2016



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

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**Management's Discussion and Analysis
(Unaudited Required Supplementary Information)**

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
DECEMBER 31, 2016

As management of the Housing Authority of the City of Brighton, Colorado (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

Financial Highlights

- The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of December 31, 2016 was \$1,601,310. The net position increased by \$493,740, an increase of 45% over the prior year. Of this amount, \$1,006,475 was reported as "unrestricted". 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 \$2,013,518 for the year ended December 31, 2016. This was an increase of \$767,730 or 62% over the prior year.
- Operating expenses for the Authority were \$1,734,723 for the year ended December 31, 2016. This was an increase of \$957,330 or 123% from the prior year.

Using the Financial Statements

The Financial Statements consist of Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Authority as an entire operating entity, and they are reported on a full accrual basis where income is reported when earned and expenses are reported as incurred.

The Statement of Net Position – Proprietary Funds presents information on all the Authority assets and liabilities. Under GASB 34, the difference between a PHA's assets and liabilities is Net Position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds show the reader operating revenues and expenses by fund and for the Authority as a whole. This statement shows the reader operating profit/loss before grants and transfers between funds to demonstrate profitability before assistance.

A fund is a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and net position and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

The Statement of Cash Flows – Proprietary Funds provides our third statement which converts our accrual accounting to cash to let the reader know by fund and as a whole how the Authority increased or decreased our cash position during the year and what the sources or uses of the cash were.

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 and can be found immediately after the financial statements in the audit report.

CONDENSED STATEMENTS OF NET POSITION

	FY 2016	FY 2015	Dollar Change	Percent Change
Current and other assets	\$ 1,327,499	\$ 542,066	\$ 785,433	145%
Notes Receivable	753,101	769,070	(15,969)	-2%
Capital assets	2,078,961	1,880,521	198,440	11%
Total Assets	<u>4,159,561</u>	<u>3,191,657</u>	<u>967,904</u>	<u>30%</u>
Current liabilities	341,729	308,763	32,966	11%
Non-current liabilities	2,050,792	1,775,324	275,468	16%
Total Liabilities	<u>2,392,521</u>	<u>2,084,087</u>	<u>308,434</u>	<u>15%</u>
Deferred Inflows of Resources	165,730	-	165,730	100%
Net Position				
Net Investments in Capital				
Assets	8,053	115,862	(107,809)	-93%
Restricted	586,782	2,363	584,419	24732%
Unrestricted	1,006,475	989,345	17,130	2%
Total Net Position	<u>\$ 1,601,310</u>	<u>\$ 1,107,570</u>	<u>\$ 493,740</u>	<u>45%</u>

- Total assets increased by \$967,904, the majority of which was an increase in current and other assets of \$785,433, an increase in capital assets of \$198,440 and a decrease of (\$15,969) in notes receivable.
- Current and other assets increased by \$785,433, the majority of the increase was in restricted/unrestricted Cash and Investments of \$862,218. \$545,000 was for the sale of the Platte Valley Manor land, the proceeds are restricted by HUD to be used for development, \$207,473 is restricted cash for the Housing Choice Voucher program and HUD accounts receivable decreased by (\$80,233) this was 2015 receivable for Operating Subsidy in the Public Housing Program. Tenant accounts receivable decreased by (\$900), pre-paid expenses and other income increase by \$1,853 and an increase in tenant notes receivable of \$2,495.

There was a decrease in Notes Receivable of (\$15,969). A payment was received reducing the loan receivable from BURA for the Brighton Village Tax Credit Project.

- The increase in net capital assets reflects the Authority's investment in capital assets (e.g. land, buildings and equipment) less depreciation. Capital Assets had an increase of \$198,440, the Authority acquired a piece of land located at Sorrento Subdivision to build a 96 Multi-family unit complex and sold two pieces of land located at 781 S. 5th and 185 Southern was sold to a tax credit project to build Brighton Village Phase II in Brighton, Colorado.
- Current liability increased by \$32,966 from the prior year of which the majority was a decrease of (\$39,388) in the amount payable to vendors and contractors which is merely the result of the timing of payments made, an increase of \$46 in current mortgage payable from the prior year and \$577 increase in security deposit liability. The accrued wages payable for 2016 increased by \$32,705 and the accrued current compensated absences increased to \$39,025.
- The long-term liabilities increased by \$275,468 as a result of the principal payments for long-term obligations increase by \$306,203 majority was due to the purchase of land in Sorrento Subdivision mortgage and an decrease in compensated absences of (\$30,735).
- Total Net Position increased by \$493,740.

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues				
Rental	388,747	354,301	34,446	10%
Grants and Contributions	142,660	294,602	(151,942)	-52%
Other	1,482,111	596,885	885,226	148%
Total Operating Revenue	\$ <u>2,013,518</u>	\$ <u>1,245,788</u>	\$ <u>767,730</u>	<u>62%</u>
 Total Operating Expenses	 <u>1,734,723</u>	 <u>777,393</u>	 <u>957,330</u>	 <u>123%</u>
 Net Operating Income (Loss)	 <u>278,795</u>	 <u>468,395</u>	 <u>(189,600)</u>	 <u>-40%</u>
 Net Non-Operating Rev/Exp	 <u>214,945</u>	 <u>(422,870)</u>	 <u>637,815</u>	 <u>-151%</u>
 Change in Net Position	 493,740	 45,525	 448,215	 985%
 Net Position - Beginning	 <u>1,107,570</u>	 <u>1,062,045</u>	 <u>45,525</u>	 4%
 Net Position - Ending	 \$ <u><u>1,601,310</u></u>	 \$ <u><u>1,107,570</u></u>	 \$ <u><u>493,740</u></u>	 <u><u>45%</u></u>

- Rental income increased \$34,446 due to yearly rent increases on the existing units. The grants and contributions decreased by (151,942). the Authority received a CDBG Grant funding of \$151,513 in 2015 and none in 2016.

- Other income increased by \$885,226, of this \$782,000 was from the sale of the Platte Valley Manor land for a Tri-Party Agreement and the remainder includes RAD project management fees, housing consulting income, biz launch donations, portability administrative fee revenue, fraud recovery fees and tenant charges.
- Operating expenses were \$1,734,723 for 2016 fiscal year and \$777,393 for 2015 fiscal year, an increase of \$957,330. This was mainly due the Tri-party agreement pay-off of \$782,000 and the age of the existing units. The Authority continues to implement control to ensure that budget versus actual revenue and expenses are in line and analyzing how to lower costs in all departments on a weekly basis.
- The \$448,215 change in net position before transfers at the end of 2016 was due to a decrease in net operating revenue of (\$189,600) and an increase in net non-operating revenue of \$637,815.

Capital Assets

CAPITAL ASSETS				
	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Non-Depreciable Assets				
Land	783,357	536,567	246,790	46%
Construction in Progress	21,880	2,300	19,580	851%
Depreciable Assets				
Land Improvements	20,726	20,726	0	0%
Buildings	2,266,692	2,266,692	0	0%
Equipment	37,877	37,877	0	0%
Total Capital Assets	<u>\$ 3,130,532</u>	<u>\$ 2,864,162</u>	<u>266,370</u>	<u>9%</u>
Less Depreciation	<u>(1,051,571)</u>	<u>(983,641)</u>	<u>(67,930)</u>	<u>7%</u>
Net Capital Asses	<u><u>\$ 2,078,961</u></u>	<u><u>\$ 1,880,521</u></u>	<u><u>198,440</u></u>	<u><u>11%</u></u>

As of December 31, 2016, the Authority had \$2,078,961 invested in capital assets, including buildings and improvements and equipment. As of December 31, 2015, this amount was \$1,880,521. The increase in Capital Assets from 2015 to 2016 was \$198,440, land increased by \$246,790 and buildings did not increase. The depreciation expense the year was (\$67,930) and increase of \$19,580 in construction in progress.

Debt Administration

As of December 31, 2016 and 2015, the Authority had mortgage debt of \$1,764,659 and \$2,070,908 respectively. Details of the mortgages can be found in Note #6 of the financial statements.

Fund Analysis

- Public Housing – Owns and operates 16 units of housing for rent to low-income individuals and families. The fund has a net position of \$876,758 of which \$98,033 is invested in capital assets. The main sources of revenues are: rental charges to tenants, HUD annual operating subsidy, HUD capital grant, and other income such as interest and repairs.
- Development – Owns/operates 25 units of housing for low-income individuals and families utilizing various revenue sources. The fund has a net position of \$644,734 which (\$89,980) are net investments in capital assets, and \$765,103 in unrestricted net position. The main sources of revenues are rental charges to tenants and other income such as interest and repairs.
- Section 8 Housing Choice Vouchers – Provided on average 215 rental vouchers for low-income clients. The fund has restricted net position of \$41,743 and unrestricted net position of \$38,075. The Authority also receives administrative fees as part of this program.

Requests for Information

The financial report is designed to provide a general overview of the Housing Authority of the City of Brighton's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Housing Authority of the City of Brighton
22 South 4th Avenue, Suite 202
Brighton, Colorado 80601

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Housing Authority of the City of Brighton
Brighton, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Brighton (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Brighton's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Brighton, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Brighton's financial statements as a whole. The combining schedules of program information are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not required part of the basic financial statements. The Financial Data Schedule on pages 18 - 19 is presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

The combining schedules of program information, the schedule of expenditures of federal awards, and Financial Data Schedule are the responsibility of management and were derived from and relate 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of program information, the schedule of expenditures of federal awards, and Financial Data Schedule are 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 29, 2017, on our consideration of the Housing Authority of the City of Brighton'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 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 Housing Authority of the City of Brighton's internal control over financial reporting and compliance.

Hamblin and Associates

Golden, Colorado
August 29, 2017

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

STATEMENT OF NET POSITION

December 31, 2016

	<u>BUSINESS -TYPE ACTIVITIES</u>
ASSETS	
CURRENT ASSETS	
Cash and equivalents	\$ 513,004
Restricted cash	769,242
Accounts receivable, net:	
Tenants	29,682
Other	8,348
Prepaid expense	1,052
Notes receivable - tenants	6,171
TOTAL CURRENT ASSETS	<u>1,327,499</u>
NONCURRENT ASSETS	
Note receivable	753,101
Capital assets, net	2,078,961
TOTAL NONCURRENT ASSETS	<u>2,832,062</u>
TOTAL ASSETS	<u>4,159,561</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	83,905
Accrued salaries	166,862
Compensated absences	39,025
Security deposits	22,065
Current portion of long-term debt	29,872
TOTAL CURRENT LIABILITES	<u>341,729</u>
LONG-TERM LIABILITIES	
Mortgages payable	2,041,036
Compensated absences	9,756
TOTAL LONG-TERM LIABILITES	<u>2,050,792</u>
TOTAL LIABILITIES	<u>2,392,521</u>
DEFERRED INFLOWS OF RESOURCES	<u>165,730</u>
NET POSITION	
Net investment in capital assets	8,053
Restricted	586,782
Unrestricted	1,006,475
TOTAL NET POSITION	<u>\$ 1,601,310</u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

	<u>BUSINESS -TYPE ACTIVITIES</u>
OPERATING REVENUES	
Rental income	\$ 388,747
Federal operating grants	142,660
Other revenue	<u>1,482,111</u>
TOTAL OPERATING REVENUES	<u>2,013,518</u>
OPERATING EXPENSES	
Administrative	615,451
Utilities	45,593
Ordinary maintenance	105,553
General expense	900,195
Depreciation	<u>67,931</u>
TOTAL OPERATING EXPENSES	<u>1,734,723</u>
OPERATING INCOME (LOSS)	<u>278,795</u>
NON-OPERATING REVENUES (EXPENSES)	
HUD contribution	2,017,222
Housing Assistance Payments	(1,828,798)
HAP Portability	(504,468)
Federal capital grant	25,498
Other grant expenses	(33,841)
Interest revenue	935
Nonoperating fees	(1,238)
Interest expense	<u>(61,381)</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>214,945</u>
CHANGE IN NET POSITION	493,740
NET POSITION, BEGINNING OF YEAR	<u>1,107,570</u>
NET POSITION, ENDING OF YEAR	<u><u>\$ 1,601,310</u></u>

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

	<u>TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,850,226
Cash paid to suppliers	(1,278,583)
Cash paid to employees	(274,815)
Net cash provided (used) by operating activities	296,828
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Restricted assets	(1,550)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants	70,745
Purchase of fixed assets	233,495
Retirement of fixed assets	727
Principal retired	(29,826)
Debt issuance proceeds	336,000
Increase in compensated absences	(8,291)
Interest paid	(61,381)
Net cash provided (used) by capital and related financing activities	541,469
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	935
Principal received	45,224
Net cash provided (used) by investing activities	46,159
Net increase (decrease) in cash and cash equivalents	882,906
CASH, BEGINNING	399,340
CASH, ENDING	\$ 1,282,246
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net income (loss)	\$ (37,216)
ADJUSTMENTS	
Depreciation expense	67,931
Changes in asset and liabilities:	
Accounts receivable	152,719
Prepaid expense	(357)
Accounts payable	(50,051)
Accrued liabilities	163,802
Total adjustments	334,044
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 296,828

The accompanying notes are an integral part of the financial statements.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: Summary of Significant Accounting Policies and Organization:

The accounting policies of the Housing Authority of the City of Brighton (the Authority) conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The Authority was established to provide affordable housing in Brighton, Colorado. The Authority has entered into annual contracts with the U.S. Department of Housing and Urban Development (HUD) to be the administrator of Low-Income Public Housing and Section 8 Housing Assistance programs. The entity is a public corporation fiscally independent and governed by the Board of Commissioners.

The Authority is economically dependent upon HUD and derives a significant portion of its operating revenues from HUD rent subsidies.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the Authority as a whole. The reporting information includes all of the non-fiduciary activities of the Authority. The effect of inter-fund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Authority. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority had no governmental or fiduciary activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Authority. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the Authority funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the programs. It is the Authority's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

The Authority reports the following major proprietary funds:

The *Public Housing Fund* accounts for the operations of the public housing units owned by the Authority.

The *Section 8 Vouchers Fund* accounts for the financial activities of the Authority's housing choice voucher program.

The *Development Program Fund* accounts for the acquisition and development of affordable housing utilizing various revenue sources.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity

Cash, cash equivalents, and investments – Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value.

For the purposes of the statement of cash flows, the Authority considers cash and cash equivalents to be all cash on hand, cash on demand deposit and highly liquid investments with a maturity of three months or less when purchased.

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

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

Capital assets – Capital assets, which include sites, site improvements, buildings and improvements, transportation, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add value to the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Asset type</u>	<u>Years</u>
Buildings and improvements	15-40
Equipment	5-15

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

If proprietary fund assets are constructed, interest is capitalized on the assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Compensated absences – It is the Authority’s policy to permit employees to accumulate a limited amount of earned but used sick pay benefits, which will be paid to employees upon separation from Authority. All compensated absence liabilities are accrued when incurred in the government-wide financial statements.

Deferred revenues – Deferred revenues include grants for which the Authority has received funding but allowable expenditures have not yet been incurred.

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities.

Net position/Fund equity – Net position in the government-wide financial statements are classified as invested in capital assets, net of related debt, and unrestricted. Net position of \$41,743 is restricted for use in the Section 8 Vouchers program.

Revenues and Expenditures/Expenses

Revenues and expenses – Revenues and expenses of proprietary funds are recognized in essentially the same manner as in commercial accounting. Proprietary funds distinguish operating revenues and expenses from non-operating activities. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with the principal ongoing operation. The Authority does not consider grant receipts as operating revenue.

**HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 2: CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. The PDPA specifies eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (“FDIC”) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value equal to at least 102 percent of the uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The Authority is governed by the deposit and investment limitations of state law. The deposits and investments held at December 31, 2016, and reported at fair value, are as follows:

	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,282,246
 Reconciliation to Statement of Net Position	
Current:	
Cash and equivalents	\$ 513,004
Restricted cash	769,242
Total cash and investments	\$ 1,282,246

Custodial Credit Risk

In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the government’s deposits may not be returned to it. Deposits in three financial institutions, reported as cash and cash equivalents had bank balances of \$1,287,996 and carrying balances of \$1,282,246 at December 31, 2016. At December 31, 2016, the Authority had no amount exceeding FDIC coverage at a single institution. Therefore no amounts required to be protected under the PDPA as described above.

NOTE 3: RESTRICTED CASH

The tenant lease agreement requires a security deposit equal to \$50 or the total tenant payment, whichever is greater; HUD regulations require that these funds be held in trust in a separate bank account. Cash is restricted for tenant deposits in the Public Housing program and the Development program in the amounts of \$5,335 and \$16,730, respectively.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4: CAPITAL ASSETS

The following table presents the capital asset activity of the Authority for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2015
Capital assets not being depreciated				
Land	\$ 496,857	\$ 336,000	\$ (49,500)	\$ 783,357
Construction in progress	2,300	19,580	-	21,880
Total capital assets not being depreciated	<u>499,157</u>	<u>355,580</u>	<u>(49,500)</u>	<u>805,237</u>
Capital assets being depreciated				
Land improvements	20,726	-	-	20,726
Buildings and improvements	2,266,692	-	-	2,266,692
Equipment	37,877	-	-	37,877
Total capital assets being depreciated	<u>2,325,295</u>	<u>-</u>	<u>-</u>	<u>2,325,295</u>
Less accumulated depreciation				
Land improvements	(11,597)	(2,205)	-	(13,802)
Buildings and improvements	(934,166)	(65,726)	-	(999,892)
Equipment	(37,877)	-	-	(37,877)
Total accumulated depreciation	<u>(983,640)</u>	<u>(67,931)</u>	<u>-</u>	<u>(1,051,571)</u>
Net capital assets being depreciated	<u>1,341,655</u>	<u>(67,931)</u>	<u>-</u>	<u>1,273,724</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,840,812</u>	<u>\$ 268,069</u>	<u>\$ (49,500)</u>	<u>\$ 2,078,961</u>

Depreciation was charged to functions/programs as follows:

Business-type activities:

Affordable housing \$ 67,931

NOTE 5: DEFINED CONTRIBUTION PENSION PLAN

The Authority contributes to a single-employer defined contribution money purchase plan established by the City of Brighton. The contribution requirements of the Plan are established by and may be amended by the Brighton City Council. The Authority is required to contribute nine percent of each participant's covered salary to the Plan, and employees must contribute nine percent of covered salaries. During the year ended December 31, 2016, the Authority and employees contributed \$74,391 and \$74,391 respectively, equal to the required contributions.

**HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6: LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the Authority for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016	Current Portion
Business-type activities:					
HOME program	\$ 219,320	\$ -	\$ 1,260	\$ 218,060	\$ -
Mortgage (10th Avenue)	273,736	-	4,971	268,765	5,199
Mortgage consolidation	1,271,678	-	23,595	1,248,083	24,673
MJT Properties - Windmill	-	336,000	-	336,000	-
Mortgages payable	1,764,734	336,000	29,826	2,070,908	29,872
Compensated absences	40,491	63,283	54,993	48,781	39,025
	<u>\$ 1,805,225</u>	<u>\$ 399,283</u>	<u>\$ 84,819</u>	<u>\$ 2,119,689</u>	<u>\$ 68,897</u>

Mortgages payable

In 2015, the Authority secured a 20-year note payable to Valley Bank & Trust for \$275,000 due in monthly installments of \$1,300, including interest 3.85% per annum, through August 2035. A balloon payment of \$135,884 is due in August 2035. The mortgage is secured with the properties at 324 & 326 S. 7th Avenue.

The Authority obtained a mortgage payable to Valley Bank & Trust due in monthly installments of \$3,625, including interest at 4.20% per annum, through May, 2031. A balloon payment of \$40,578 is due in January, 2027. The mortgage is secured development property of the Authority except for the HOME program properties described below.

The Authority has a loan under the Home Investment Partnerships Program (HOME) through Adams County. The loan is non-interest bearing and is deferred until either there is a change in occupancy resulting in a ten percent of greater increase in cash flow over 2012. A reevaluation will occur every five years until the note is paid in full or a loan repayment has begun. The last reevaluation was in 2012. If the loan becomes due, it is the intent of Adams County to commit HOME funds for repayment of the loan in the form of a low-interest loan, with an interest rate not to exceed 3.00% per annum. The loan is secured by real property at 227 North 7th Street.

The Authority has a loan payable under the HOME program through Adams County which is non-interest bearing, due in installments of \$105 through March, 2024. A balloon payment is due in April, 2024. The loan is secured by three duplexes.

**HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6: LONG-TERM OBLIGATIONS (Continued)

In 2015, the Authority secured a 20-year note payable to Valley Bank & Trust for \$1,287,674 due in monthly installments of \$6,079, including interest at 3.85% per annum, through March 2035. A balloon payment of \$609,173 is due in March 2035. The mortgage is secured with the property at 234 N.10th Avenue.

In 2016, the Authority secured a \$336,000 loan from MJT Properties, Inc. secured by Sorrento subdivision property and easements. The note is due in full on January 28, 2023. The loan is interest free unless paid late.

Future debt service requirements

The following is a summary of the debt service requirements of the Authority to maturity, including balloon payments as scheduled.

<u>For the year ended</u> <u>December 31,</u>	Business-type activities	
	Mortgages payable	
	Principal	Interest
2017	29,872	58,673
2018	155,319	57,486
2019	33,553	56,251
2020	125,956	55,125
2021	34,905	53,640
2022-2026	532,391	246,409
2027-2031	238,562	204,160
2032-2035	920,350	107,905
	<u>\$ 2,070,908</u>	<u>\$ 839,650</u>

Total interest expense paid in 2016 was \$61,381, none of which was capitalized.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 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; natural disasters; job related illnesses and injuries of employees for which the Authority carries commercial insurance. There have been no significant reductions in insurance coverage from those carried in the prior year, and the amount of settlements has not exceeded insurance coverage for any of the past three fiscal years.

NOTE 8: SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Authority participates in a number of federal programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. As of December 31, 2016, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Authority.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The Amendment contains tax, spending, revenue and debt limitations that apply to the State of Colorado, all local governments and special districts.

The Authority considers itself to be an enterprise as defined by TABOR, thus being exempt from the provisions of the Amendment.

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SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

PROPRIETARY FUNDS
COMBINING SCHEDULE OF
PROGRAM NET POSITION

December 31, 2016

	<u>Public Housing</u>	<u>Section 8 Vouchers</u>	<u>Development Program</u>	<u>Totals</u>
ASSETS				
CURRENT ASSETS				
Cash and equivalents	\$ 274,260	\$ 58,544	\$ 180,200	\$ 513,004
Restricted cash	545,039	207,473	16,730	769,242
Accounts receivable, net				
Tenants	2,312	24,614	2,756	29,682
Other	-	717	7,631	8,348
Notes receivable - tenants	401	3,627	2,143	6,171
Prepaid assets	310	431	311	1,052
TOTAL CURRENT ASSETS	<u>822,322</u>	<u>295,406</u>	<u>209,771</u>	<u>1,327,499</u>
NONCURRENT ASSETS				
Notes receivable	-	-	753,101	753,101
Capital assets, net	98,033	-	1,980,928	2,078,961
TOTAL NONCURRENT ASSETS	<u>98,033</u>	<u>-</u>	<u>2,734,029</u>	<u>2,832,062</u>
TOTAL ASSETS	<u>920,355</u>	<u>295,406</u>	<u>2,943,800</u>	<u>4,159,561</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	10,834	13,214	59,857	83,905
Accrued salaries	27,428	36,644	102,790	166,862
Compensated absences	-	-	39,025	39,025
Tenant deposits	5,335	-	16,730	22,065
Current portion of long-term debt	-	-	29,872	29,872
TOTAL CURRENT LIABILITIES	<u>43,597</u>	<u>49,858</u>	<u>248,274</u>	<u>341,729</u>
LONG-TERM LIABILITIES				
Mortgages payable	-	-	2,041,036	2,041,036
Compensated absences	-	-	9,756	9,756
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>-</u>	<u>2,050,792</u>	<u>2,050,792</u>
TOTAL LIABILITIES	<u>43,597</u>	<u>49,858</u>	<u>2,299,066</u>	<u>2,392,521</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>165,730</u>		<u>165,730</u>
NET POSITION				
Net investment in capital assets	98,033	-	(89,980)	8,053
Restricted	545,039	41,743	-	586,782
Unrestricted	233,686	38,075	734,714	1,006,475
TOTAL NET POSITION	<u>\$ 876,758</u>	<u>\$ 79,818</u>	<u>\$ 644,734</u>	<u>\$ 1,601,310</u>

See the independent auditor's report.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

PROPRIETARY FUNDS
COMBINING SCHEDULE OF
PROGRAM REVENUES, EXPENSES, AND CHANGES IN NET POSITION

December 31, 2016

	<u>Public Housing</u>	<u>Section 8 Vouchers</u>	<u>Development Program</u>	<u>Totals</u>
OPERATING REVENUES				
Rental income	\$ 63,681	\$ -	\$ 325,066	\$ 388,747
Federal operating grants	142,660	-	-	142,660
Other revenue	<u>2,299</u>	<u>532,484</u>	<u>947,328</u>	<u>1,482,111</u>
TOTAL OPERATING REVENUES	<u>208,640</u>	<u>532,484</u>	<u>1,272,394</u>	<u>2,013,518</u>
OPERATING EXPENSES				
Administrative	160,889	168,757	285,805	615,451
Utilities	21,262	-	24,331	45,593
Ordinary maintenance	40,376	-	65,177	105,553
General expense	28,759	861	870,575	900,195
Depreciation	<u>9,763</u>	<u>-</u>	<u>58,168</u>	<u>67,931</u>
TOTAL OPERATING EXPENSES	<u>261,049</u>	<u>169,618</u>	<u>1,304,056</u>	<u>1,734,723</u>
OPERATING INCOME (LOSS)	<u>(52,409)</u>	<u>362,866</u>	<u>(31,662)</u>	<u>278,795</u>
NON-OPERATING REVENUES (EXPENSES)				
HUD contribution	-	2,017,222	-	2,017,222
Housing Assistance Payments	-	(1,828,798)	-	(1,828,798)
HAP Portability	-	(504,468)	-	(504,468)
Federal capital grant	-	-	25,498	25,498
Other grant expenses	-	-	(33,841)	(33,841)
Interest revenue	855	33	47	935
Non-operating expense	-	-	(1,238)	(1,238)
Gain (loss) on sale of capital assets	600,289	-	727	601,016
Interest expense	<u>-</u>	<u>-</u>	<u>(61,381)</u>	<u>(61,381)</u>
NET NON-OPERATING REVENUES (EXPENSES)	<u>601,144</u>	<u>(316,011)</u>	<u>(70,188)</u>	<u>214,945</u>
CHANGE IN NET POSITION	<u>548,735</u>	<u>46,855</u>	<u>(101,850)</u>	<u>493,740</u>
NET POSITION, BEGINNING	<u>328,023</u>	<u>32,963</u>	<u>746,584</u>	<u>1,107,570</u>
NET POSITION, ENDING	<u>\$ 876,758</u>	<u>\$ 79,818</u>	<u>\$ 644,734</u>	<u>\$ 1,601,310</u>

See the independent auditor's report.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

**PROPRIETARY FUNDS
COMBINING SCHEDULE OF CASH FLOWS**

Year Ended December 31, 2016

	<u>Public Housing</u>	<u>Section 8 Vouchers</u>	<u>Development Program</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers and HUD supplements	\$ 364,453	\$ 208,324	\$ 1,277,449	\$ 1,850,226
Cash paid to suppliers	(133,679)	(95,513)	(1,049,391)	(1,278,583)
Cash paid to employees	(75,160)	(69,164)	(130,491)	(274,815)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>155,614</u>	<u>43,647</u>	<u>97,567</u>	<u>296,828</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES				
Restricted assets	<u>-</u>	<u>-</u>	<u>(1,550)</u>	<u>(1,550)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital grants	(120,484)	165,731	25,498	70,745
Net gain/(cost) of capital assets	600,289	-	(366,794)	233,495
Retirement of capital assets	-	-	727	727
Principal retired	-	-	(29,826)	(29,826)
Debt issuance proceeds	-	-	336,000	336,000
Compensated absences	-	-	(8,291)	(8,291)
Interest paid	-	-	(61,381)	(61,381)
Net cash provided (used) by capital and related financing activities	<u>479,805</u>	<u>165,731</u>	<u>(104,067)</u>	<u>541,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	855	33	47	935
Principal received	<u>-</u>	<u>-</u>	<u>45,224</u>	<u>45,224</u>
Net cash provided by investing activities	<u>855</u>	<u>33</u>	<u>45,271</u>	<u>46,159</u>
Net increase (decrease) in cash and cash equivalents	636,274	209,411	37,221	882,906
CASH, BEGINNING	<u>183,025</u>	<u>56,606</u>	<u>159,709</u>	<u>399,340</u>
CASH, ENDING	<u>\$ 819,299</u>	<u>\$ 266,017</u>	<u>\$ 196,930</u>	<u>\$ 1,282,246</u>
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Net income (loss)	<u>\$ (52,409)</u>	<u>\$ 46,855</u>	<u>\$ (31,662)</u>	<u>\$ (37,216)</u>
ADJUSTMENTS				
Depreciation expense	9,763	-	58,168	67,931
Changes in asset and liabilities:				
Accounts receivable	155,813	(8,149)	5,055	152,719
Prepaid expense	(199)	(139)	(19)	(357)
Accounts payable	16,698	(29,984)	(36,765)	(50,051)
Accrued liabilities	25,948	35,064	102,790	163,802
Total adjustments	<u>208,023</u>	<u>(3,208)</u>	<u>129,229</u>	<u>334,044</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 155,614</u>	<u>\$ 43,647</u>	<u>\$ 97,567</u>	<u>\$ 296,828</u>

See the independent auditor's report.

Other Supplementary Information

HOUSING AUTHORITY OF THE CITY OF BRIGHTON, COLORADO
 FINANCIAL DATA SCHEDULE
 December 31, 2016

Line Item #	Account Description	Low Rent 14.850	Housing Choice Vouchers 14.871	Business Activities	TOTAL
ASSETS:					
CURRENT ASSETS:					
Cash:					
111	Cash - unrestricted	268,925	58,544	180,200	507,669
113	Cash - other restricted	545,039	207,473	-	752,512
114	Cash - tenant security deposits	5,335	-	16,730	22,065
115	Cash -restricted - current liabilities	-	-	-	-
100	Total cash	<u>819,299</u>	<u>266,017</u>	<u>196,930</u>	<u>1,282,246</u>
Accounts and notes receivables:					
122-010	Accounts receivable - HUD operating subsidy	-	-	-	-
122-030	Accounts receivable - HUD other projects-Other	-	25,331	-	25,331
122	Accounts receivable - HUD other projects	<u>-</u>	<u>25,331</u>	<u>-</u>	<u>25,331</u>
125	Accounts receivable- Misc	-	-	7,631	7,631
126	Accounts receivable- tenants	2,312	-	2,756	5,068
127	Notes and mortgages receivable- current	401	-	2,143	2,544
128	Fraud recovery	-	3,627	-	3,627
129	Accrued interest receivable	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	<u>2,713</u>	<u>28,958</u>	<u>12,530</u>	<u>44,201</u>
Current investments					
131	Investments - unrestricted	-	-	-	-
132	Investments - restricted	-	-	-	-
142	Prepaid expenses and other assets	310	431	311	1,052
143	Inventories	-	-	-	-
150	TOTAL CURRENT ASSETS	<u>822,322</u>	<u>295,406</u>	<u>209,771</u>	<u>1,327,499</u>
NONCURRENT ASSETS:					
Fixed assets:					
161	Land	57,309	-	726,047	783,356
162	Buildings	620,823	-	1,666,597	2,287,420
163	Furniture, equipment & machinery - dwellings	-	10,920	24,717	35,637
164	Furniture, equipment & machinery - administrator	2,240	-	-	2,240
166	Accumulated depreciation	(595,464)	(10,920)	(445,187)	(1,051,571)
167	Construction in progress	13,125	-	8,755	21,880
160	Total capital assets, net of accumulated depreciation	<u>98,033</u>	<u>-</u>	<u>1,980,929</u>	<u>2,078,962</u>
171-040	Notes, Loans, & mortgages receivable-Tax Credit	-	-	753,101	753,101
171	Notes and mortgages receivable - non-current	<u>-</u>	<u>-</u>	<u>753,101</u>	<u>753,101</u>
174	Other assets	-	-	-	-
180	TOTAL NONCURRENT ASSETS	<u>98,033</u>	<u>-</u>	<u>2,734,030</u>	<u>2,832,063</u>
190	TOTAL ASSETS	<u>920,355</u>	<u>295,406</u>	<u>2,943,801</u>	<u>4,159,562</u>
LIABILITIES AND EQUITY:					
LIABILITIES:					
CURRENT LIABILITIES					
312	Accounts payable < 90 days	10,834	13,214	59,856	83,904
321	Accrued wage/payroll taxes payable	27,428	36,644	102,790	166,862
322	Accrued compensated Absences-current	-	-	39,026	39,026
325	Accrued interest payable	-	-	-	-
341	Tenant security deposits	5,335	-	16,730	22,065
342	Deferred Revenue	-	-	-	-
346	Accrued Liabilities - Other	-	165,730	-	165,730
343-020	Capital Projects/Mortgage Revenue	-	-	29,872	29,872
343	Current portion of Long-Term debt - capital projects	<u>-</u>	<u>-</u>	<u>29,872</u>	<u>29,872</u>
310	TOTAL CURRENT LIABILITIES	<u>43,597</u>	<u>215,588</u>	<u>248,274</u>	<u>507,459</u>
NONCURRENT LIABILITIES:					
351-020	Long-term debt - Capital Projects/Mortgage Revenue	-	-	2,041,036	2,041,036
351	Long-term debt, net of current- capital projects	<u>-</u>	<u>-</u>	<u>2,041,036</u>	<u>2,041,036</u>
353	Noncurrent liabilities- other	-	-	-	-
354	Noncurrent compensated absences	-	-	9,757	9,757
350	TOTAL NONCURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>2,050,793</u>	<u>2,050,793</u>
300	TOTAL LIABILITIES	<u>43,597</u>	<u>215,588</u>	<u>2,299,067</u>	<u>2,558,252</u>
508.1	Net investments in capital assets	98,033	-	(89,980)	8,053
511.1	Restricted	545,039	41,743	-	586,782
512.1	Unrestricted	233,686	38,075	734,714	1,006,475
513	TOTAL EQUITY/NET POSITION	<u>876,758</u>	<u>79,818</u>	<u>644,734</u>	<u>1,601,310</u>
600	TOTAL LIABILITIES AND EQUITY/NET POSITION	<u>920,355</u>	<u>295,406</u>	<u>2,943,801</u>	<u>4,159,562</u>

HOUSING AUTHORITY OF THE CITY OF BRIGHTON, COLORADO
FINANCIAL DATA SCHEDULE
Year Ended December 31, 2016

Line Item #	Account Description	Public Housing					TOTAL
		Low Rent 14.850	Capital Funds 14.872	Housing Choice Vouchers 14.874	Communty Services Block Grant 14.239	Business Activities	
REVENUE:							
70300	Net tenant rental revenue	63,681	-	-	-	325,066	388,747
70400	Tenant revenue - other	2,272	-	-	-	453	2,725
70500	Total tenant revenue	65,953	-	-	-	325,519	391,472
70600	HUD PHA operating grants	86,912	55,748	2,017,222	-	-	2,159,882
70600	HUD PHA operating grants	86,912	55,748	2,017,222			2,159,882
70610	HUD Capital grants	-	-	-	-	-	-
70800	Other government grants	-	-	-	25,498	-	25,498
72000	Investment income - restricted	-	-	8	-	-	8
71100	Investment income - unrestricted	855	-	25	-	47	927
	Investment income	855		33		47	935
71500	Other revenue	28	-	532,484	-	946,874	1,479,386
70000	TOTAL REVENUE	153,748	55,748	2,549,739	25,498	1,272,440	4,057,173
EXPENSES:							
91100	Administrative salaries	50,766	-	103,524	-	233,281	387,571
91200	Auditing fees	765	-	1,010	-	1,285	3,060
91400	Advertising and marketing	1,130	-	674	-	1,496	3,300
91500	Employee benefit contributions- administrative	13,815	-	29,426	-	65,594	108,835
91600	Office Expense	2,596	-	10,210	-	7,869	20,675
91700	Legal Expense	2,978	-	1,266	-	9,477	13,721
91800	Travel	1,041	-	1,511	-	2,679	5,231
91900	Other	5,101	-	13,618	-	12,946	31,665
91000	Total Operating-Administrative	78,192		161,239		334,627	574,058
92100	Tenant services - salaries	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	-	-	-	-	-	-
92400	Tenant services - other	-	-	-	-	-	-
92500	Total Tenant Services						
93100	Water	20,581	-	-	-	24,017	44,598
93200	Electricity	338	-	-	-	72	410
93300	Gas	343	-	-	-	242	585
93800	Other utilities expense	-	-	-	-	-	-
92500	Total Utilities	21,262				24,331	46,593
94100	Ordinary maintenance and operations - labor	23,401	-	-	-	38,453	61,854
94200	Ordinary maintenance and operations - materials & other	7,399	-	-	-	8,631	16,030
	Ordinary Maintenance and Operations Contracts						
94300-010	Garbage and Trash Removal Contracts	3,060	-	-	-	4,948	8,008
94300-040	Elevator expense	-	-	-	-	-	-
94300-050	Landscape & Grounds Contracts	505	-	-	-	2,162	2,667
94300-060	Unit Turnaround Contracts	2,746	-	-	-	5,655	8,401
94300-070	Electrical Contracts	-	-	-	-	151	151
94300-080	Plumbing Contracts	1,781	-	-	-	3,317	5,098
94300-090	Extermination Contracts	-	-	-	-	-	-
94300-100	Janitorial Contracts	-	-	-	-	-	-
94300-110	Routine Maintenance Contracts	-	-	-	-	-	-
94300-120	Misc. Contracts	1,484	-	-	-	1,860	3,344
94300	Ordinary Maintenance and Operations Contracts	9,576				18,093	27,669
94500	Employee benefit contributions- ordinary maintenance	5,458	-	-	-	8,797	14,255
94000	Total Maintenance	45,834				73,974	119,808
96110	Property Insurance	2,049	-	-	-	3,368	5,417
96120	Liability Insurance	1,103	-	1,457	-	1,854	4,414
96130	Workers Compensation	908	-	3,082	-	2,881	6,871
96140	All Other Insurance	1,254	-	749	-	2,073	4,076
96100	Total Insurance Premiums	5,314		5,288		10,176	20,778
96200	Other General Expenses	95,430	-	2,388	-	830,536	928,354
96210	Compensated Absences	993	-	703	-	6,595	8,291
96300	PILOT	4,262	-	-	-	-	4,262
96400	Bad debt - tenant rents	-	-	-	-	-	-
96000	Total Other General Expenses	100,685		3,091		837,131	940,907
96710	Interest on Mortgage (or Bonds) Payable	-	-	-	-	61,381	61,381
96700	Interest expense and Amortization cost					61,381	61,381
96900	TOTAL OPERATING EXPENSES	251,287		169,618		1,341,620	1,762,525
	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(97,539)	55,748	2,380,121	25,498	(69,180)	2,294,648
97300	Housing assistance payments	-	-	1,828,798	-	-	1,828,798
97350	HAP portability in	-	-	504,468	-	-	504,468
97400	Depreciation expense	9,763	-	-	-	58,168	67,931
90000	TOTAL EXPENSES	261,050		2,502,884		1,399,788	4,163,722
10010	Operating transfers in	-	(55,748)	-	-	-	(55,748)
10020	Operating transfers out	55,748	-	-	-	-	55,748
10080	Special items, net gain/loss	600,289	-	-	-	-	600,289
10093	Transfers between programs and Project - in	-	-	-	-	25,498	-
10094	Transfers between programs and Project - out	-	-	-	(25,498)	-	-
10100	TOTAL OTHER FINANCING SOURCES (USES)	656,037	(55,748)		(25,498)	25,498	600,289
10000	TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	548,735		46,855		(101,850)	493,740
MEMO account information							
11020	Required Annual Debt Principal Payments	-	-	-	-	-	-
11030	Beginning equity	328,023	-	32,963	-	746,584	1,107,570
11040	Equity Transfers	-	-	-	-	-	-
11190	Unit Months Available	192	n/a	2,880	-	208	3,072
11210	Unit Months Leased	192	n/a	2,538	-	208	2,730
11620	Building Purchases	n/a	-	n/a	-	n/a	-

Federal Financial Assistance Reports

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

Program and Assistance Type	CFDA Number	Program Expenditures
U.S Department of Housing and Urban Development		
Low Income Public Housing Operating Subsidy	14.850	\$ 86,912
Section 8 Housing Choice Voucher program	14.871	2,502,884
Capital Fund program	14.872	55,748
Community Services Block Grant (Pass through from Adams County)	14.239	<u>25,498</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 2,671,042</u>

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The schedule of expenditures of federal awards includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2015, and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because this schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Authority has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

See the Independent Auditor's Report.

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

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

Board of Directors
Housing Authority of the City of Brighton
Brighton, 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 business-type activities of the Housing Authority of the City of Brighton (the Authority), as of and for the year ended December 31, 2016, 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 29, 2017.

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 an 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.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hamblin and Associates

Golden, Colorado
August 29, 2017

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Housing Authority of the City of Brighton (the Authority) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2016. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the City of Brighton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Hamblin and Associates

Golden, Colorado
August 29, 2017

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? none reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? none reported

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

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

Identification of major program:

CFDA 14.871 Section 8 Housing Choice Voucher program

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

Auditee qualified as low-risk auditee? Yes

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

A. Reportable Conditions in Internal Control

The audit of the financial statements of the Housing Authority of the City of Brighton, as of and for the year ended December 31, 2016, did not disclose any reportable conditions in the internal control of the Authority that would be considered a material weakness.

B. Compliance Findings

The audit of the financial statements of the Authority as of and for the year ended December 31, 2016 did not disclose any instances of noncompliance with certain provisions of laws, regulations, and grants that were material to those financial statements.

III. Findings and Questioned Costs

A. Reportable Conditions in Internal Control

The audit of the federal awards of the Authority as of and for the year ended December 31, 2016, did not disclose any reportable conditions in the internal control of the Authority that would be considered a material weakness.

B. Compliance Findings

The audit of the federal awards of the Authority as of and for the year ended December 31, 2016 did not disclose any instances of noncompliance with certain provisions of laws, regulations, and grants that were material to those financial statements.

C. Status of Prior Year Findings

<u>Finding</u>	<u>Condition</u>	<u>Status</u>
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None		
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