

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

FINANCIAL STATEMENTS

Year Ended December 31, 2017

E

RECEIVED

Office of the State Auditor

August 30, 2018

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
BRIGHTON, COLORADO

TABLE OF CONTENTS

Year Ended December 31, 2017

Management's Discussion and Analysis i - v

Independent Auditor's Report 1

BASIC FINANCIAL STATEMENTS

Statement of Net Position 3
Statement of Activities 4
Statement of Cash Flows 5
Notes to Financial Statements 6 - 14

SUPPLEMENTAL FINANCIAL INFORMATION

Combining Schedule of Program Net Position..... 15
Combining Schedule of Program Revenue, Expense, and Changes in Net Position 16
Combining Schedule of Cash Flows 17

REAC Submission (Financial Data Schedule) 18 - 19

Federal Financial Assistance Reports

Schedule of Expenditures of Federal Awards 20

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* 21

Independent Auditor's Report on Compliance for Each
Major Program and Internal Control over Compliance Required by
the Uniform Guidance 23

Schedule of Findings and Questioned Costs 25 - 26

**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, 2017

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, 2017. 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, 2017 was \$1,535,442. The net position decreased by \$65,866, a decrease or (4%) over the prior year. Of this amount, \$2,899,076 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 \$1,685,435 for the year ended December 31, 2017. This was a decrease of (\$328,083) or (16%) over the prior year.
- Operating expenses for the Authority were \$1,606,387 for the year ended December 31, 2017. This was a decrease of (\$128,336) or (7%) 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 2017	FY 2016	Dollar Change	Percent Change
Current and other assets	\$ 2,487,630	\$ 1,327,499	\$ 1,160,131	87%
Notes Receivable	1,028,482	753,101	275,381	37%
Capital assets	<u>11,357,913</u>	<u>2,078,961</u>	<u>9,278,952</u>	446%
Total Assets	<u>14,874,025</u>	<u>4,159,561</u>	<u>10,714,464</u>	<u>258%</u>
Current liabilities	754,384	341,729	412,655	121%
Non-current liabilities	<u>12,584,199</u>	<u>2,050,792</u>	<u>10,533,407</u>	514%
Total Liabilities	<u>13,338,583</u>	<u>2,392,521</u>	<u>10,946,062</u>	<u>458%</u>
Deferred Inflows of Resources	-	165,730	(165,730)	100%
Net Position				
Net Investments in Capital				
Assets	(1,512,048)	8,053	(1,520,101)	-18876%
Restricted	148,414	586,780	(438,366)	-75%
Unrestricted	<u>2,899,076</u>	<u>1,006,475</u>	<u>1,892,601</u>	188%
Total Net Position	<u>\$ 1,535,442</u>	<u>\$ 1,601,308</u>	<u>\$ (65,866)</u>	<u>-4%</u>

- Total assets increased by \$10,714,464, the majority of the increase was in capital assets of \$9,278,952, an increase in current and other assets of \$1,160,131 and an increase of \$275,381 in notes receivable.
- Current and other assets increased by \$1,160,131, the majority of the increase was in unrestricted Cash and Investments of \$1,354,198. \$700,000 of the cash is due to refinancing of the TBK portfolio, taking out the equity and putting the proceeds into a Development Reserve Account to be used for future development. Restricted cash decrease by (\$604,692), the majority of the decrease was the Platte Valley Manor land proceeds of \$545,000 that was restricted by HUD to be used for development. The proceeds was used this year for the Rental Assistance Demonstration (RAD) Conversion Phase I rehab of the current 6 units and finishing out the basement to increase the density to 12 units. \$5,828 is restricted cash for the Housing Choice Voucher program. Tenant accounts receivable increased by \$20,659, pre-paid expenses increased by \$10 and other income increase by \$390,713, which \$298,482

was a RAD receivable for a Home Grant loan and a decrease in tenant notes receivable of (\$757).

There was an increase in Notes Receivable of \$275,381. The Authority received Home Funds Grant of \$298,482 that was loaned to the RAD fund and recorded as a loan receivable in Development and a final payment of \$23,101 was received 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 \$9,278,952, the Authority acquired Hughes Station, a 120 unit complex located in Brighton, Colorado.
- Current liability increased by \$412,655 from the prior year, an increase of \$36,124 in the amount payable to vendors and contractors which is merely the result of the timing of payments made and the majority was an increase of \$266,948 in current mortgage payable from the prior year and \$54,973 increase in security deposit liability. The accrued wages payable for 2017 increased to \$49,405 and the accrued current compensated absences increased to \$5,206.
- The long-term liabilities increased by \$10,533,407 as a result of the purchase of Hughes Station new mortgage and an increase in compensated absences of \$1,302.
- Total Net Position decreased by (\$65,866).

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

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues				
Rental	444,582	388,747	55,835	14%
Grants and Contributions	37,492	142,660	(105,168)	-74%
Other	1,203,361	1,482,111	(278,750)	-19%
Total Operating Revenue	\$ 1,685,435	\$ 2,013,518	\$ (328,083)	-16%
 Total Operating Expenses	 1,606,387	 1,734,723	 (128,336)	 -7%
 Net Operating Income (Loss)	 79,048	 278,795	 (199,747)	 -72%
 Net Non-Operating Rev/Exp	 (144,914)	 214,945	 (359,859)	 -167%
 Change in Net Position	 (65,866)	 493,740	 (559,606)	 -113%
 Net Position - Beginning	 1,601,308	 1,107,570	 493,738	 45%
 Net Position - Ending	 \$ <u>1,535,442</u>	 \$ <u>1,601,308</u>	 \$ <u>(65,866)</u>	 <u>-4%</u>

- Rental income increased \$55,835 due to yearly rent increases on the existing units and the purchase of Hughes Station. The grants and contributions decreased by (\$105,168), Public Housing Fund was converted over to the Rental Assistance Demonstration (RAD) in August of 2017 and received \$37,492 in operating subsidy and \$142,660 the prior year.
- Other income decreased by (\$278,750), this was mainly due to the Tri-party Agreement of \$782,000 received in the prior year and none this year. The Authority received a HOME Grant of \$298,482 that was a loan to the RAD rehab project and the remainder includes RAD project design fees, housing consulting income, biz launch donations, portability administrative fee revenue, fraud recovery fees and tenant charges.
- Operating expenses were \$1,606,387 for 2017 fiscal year and \$1,734,723 for 2016 fiscal year, a decrease of (\$128,336). This was mainly due the RAD rehab project expenses being capitalized. 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 (\$65,866) change in net position before transfers at the end of 2017 was due to an increase in net operating revenue of \$79,048 and a decrease in net non-operating revenue of (\$144,914).

Capital Assets

CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Non-Depreciable Assets				
Land	522,356	783,357	(261,001)	-33%
Construction in Progress	790,439	21,880	768,559	3513%
Depreciable Assets				
Land Improvements	20,726	20,726	0	0%
Buildings	11,104,913	2,266,692	8,838,221	390%
Equipment	37,877	37,877	0	0%
Total Capital Assets	\$ <u>12,476,311</u>	\$ <u>3,130,532</u>	<u>9,345,779</u>	<u>299%</u>
Less Depreciation	<u>(1,118,398)</u>	<u>(1,051,571)</u>	<u>(66,827)</u>	<u>6%</u>
Net Capital Asses	\$ <u><u>11,357,913</u></u>	\$ <u><u>2,078,961</u></u>	<u><u>9,278,952</u></u>	<u><u>446%</u></u>

As of December 31, 2017, the Authority had \$11,357,913 invested in capital assets, including buildings and improvements and equipment. As of December 31, 2016, this amount was \$2,078,961. The increase in Capital Assets from 2016 to 2017 was \$9,278,952, land decreased by (\$261,001) and buildings increased by \$8,838,221. The depreciation expense the year was (\$66,827) and increase of \$768,559 in construction in progress.

Debt Administration

As of December 31, 2017 and 2016, the Authority had mortgage debt of \$12,869,961 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. As of August 1, 2017 6 of the 16 Public Housing units was converted to the Rental Assistance Demonstration (RAD) and the 12 remaining units was transferred to Development. As of August 1, 2017 the fund had a net position of \$0 of which \$0 is invested in capital assets, all assets was transferred to the RAD and Development Funds. The main sources of revenues was: rental charges to tenants, HUD annual operating subsidy, HUD capital grant, and other income such as interest and repairs.
- Rental Assistance Demonstration (RAD) – Currently owns and operates 6 RAD units that was converted from Public Housing as of August 17, 2017. A requirement of the RAD Contract is to have 11 RAD units, the units are currently under construction building out the basements to increase the units to 12 and one unit will be market rent. The fund has a net position of \$950,593 which \$512,307 are net investments in capital assets, and \$386,262 in unrestricted net position. The main sources of revenues are rental charges to tenants, project based voucher revenue and other income such as interest and repairs.
- Development – Owns/operates 37 units of housing for low-income individuals and families utilizing various revenue sources. The number of units increased from 25 to 37 by the transfer of the 12 Public Housing units. The fund has a net position of \$807,736 which (\$907,061) are net investments in capital assets, and \$1,714,979 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 \$5,828 and unrestricted net position of \$41,185. 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

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

23720 Pondview Place
Golden, CO 80401

(303) 694-2727

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, 2017, 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, 2017, 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 16, 2018, 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 16, 2018

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

STATEMENT OF NET POSITION

December 31, 2017

	<u>BUSINESS -TYPE ACTIVITIES</u>
ASSETS	
CURRENT ASSETS	
Cash and equivalents	\$ 1,807,793
Restricted cash	223,959
Accounts receivable, net:	
Tenants	25,727
Other	423,675
Prepaid expense	1,062
Notes receivable - tenants	5,414
TOTAL CURRENT ASSETS	<u>2,487,630</u>
NONCURRENT ASSETS	
Note receivable	1,028,482
Capital assets, net	11,357,913
TOTAL NONCURRENT ASSETS	<u>12,386,395</u>
TOTAL ASSETS	<u>14,874,025</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	336,395
Compensated absences	44,231
Security deposits	76,938
Current portion of long-term debt	296,820
TOTAL CURRENT LIABILITES	<u>754,384</u>
LONG-TERM LIABILITIES	
Mortgages payable	12,573,141
Compensated absences	11,058
TOTAL LONG-TERM LIABILITES	<u>12,584,199</u>
TOTAL LIABILITIES	<u>13,338,583</u>
NET POSITION	
Net investment in capital assets	(1,512,048)
Restricted	148,414
Unrestricted	2,899,076
TOTAL NET POSITION	<u>\$ 1,535,442</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, 2017

	BUSINESS -TYPE ACTIVITIES
OPERATING REVENUES	
Rental income	\$ 444,582
Federal operating grants	37,492
Other revenue	1,203,361
TOTAL OPERATING REVENUES	1,685,435
OPERATING EXPENSES	
Administrative	1,140,089
Utilities	54,925
Ordinary maintenance	126,320
General expense	218,226
Depreciation	66,827
TOTAL OPERATING EXPENSES	1,606,387
OPERATING INCOME (LOSS)	79,048
NON-OPERATING REVENUES (EXPENSES)	
HUD contribution	1,970,517
Housing Assistance Payments	(1,874,530)
HAP Portability	(583,354)
Federal capital grant	357,294
Other grant expenses	(16,036)
Interest revenue	86,172
Gain (loss) on sale of capital assets	562
Nonoperating fees	(16,890)
Interest expense	(68,649)
NET NON-OPERATING REVENUES (EXPENSES)	(144,914)
CHANGE IN NET POSITION	(65,866)
NET POSITION, BEGINNING OF YEAR	1,601,308
NET POSITION, ENDING OF YEAR	\$ 1,535,442

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, 2017

	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,216,758
Cash paid to suppliers	(1,041,846)
Cash paid to employees	(567,299)
Net cash (used) by operating activities	(392,387)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital grants	(130,055)
Net change of fixed assets	531,662
Retirement of fixed assets	647,748
Principal retired	(1,724,108)
Debt issuance proceeds	2,327,803
Compensated absences	(6,507)
Interest paid	(68,649)
Net cash provided by capital and related financing activities	1,577,894
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	86,172
Principal received	45,224
Net cash provided by investing activities	131,396
Net increase in cash and cash equivalents	1,316,903
CASH, BEGINNING	714,849
CASH, ENDING	\$ 2,031,752
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net income (loss)	\$ 79,048
ADJUSTMENTS	
Depreciation expense	66,827
Changes in asset and liabilities:	
Accounts receivable	(410,615)
Prepaid expense	(10)
Accounts payable	129,884
Deposits held	(59,455)
Other liabilities	(133,994)
Accrued payroll liabilities	(64,072)
Total adjustments	(471,435)
NET CASH (USED) BY OPERATING ACTIVITIES	\$ (392,387)

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

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 has two component units (RAD and Hughes Station) that qualify as blended component units in accordance with GASBS14, as modified by GASBS61 and GASBS80: the component units are blended into the primary government's financial statements in a manner similar to a department or activity of the primary government.

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, 2017

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 one major proprietary fund consisting of the following programs:

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

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

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

The *RAD Program Fund* is a blended component unit of the Authority, in accordance with Governmental Accounting Standards and HUD guidance. The RAD Program Fund accounts for HUD Rental Assistance Demonstration (RAD) program activities.

The *Hughes Station Fund* is a blended component unit of the Authority, in accordance with Governmental Accounting Standards and HUD guidance. The Hughes Station Fund accounts for the Hughes Station rental program activities.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 \$5,000. 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 unit, 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, 2017

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.

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.

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.

**HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 2: CASH AND INVESTMENTS (Continued)

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, 2017, and reported at fair value, are as follows:

	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 2,004,485
Cash held by fiscal agent	27,267
Total deposits	\$ 2,031,752
 Reconciliation to Statement of Net Position	
Current:	
Cash and equivalents	\$ 1,833,667
Restricted cash	198,085
Total cash and equivalents	\$ 2,031,752

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 \$1,945,351 and carrying balances of \$2,031,752 at December 31, 2017. At December 31, 2017, the Authority had \$603,090 exceeding FDIC coverage at a single institution. That amount was 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 also restricted for replacement reserves and other debt requirements. Cash is restricted as follows:

Section 8 program	\$ 5,828
Development program	21,384
RAD program	53,417
Hughes Station	117,456
	\$ 198,085

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 4: CAPITAL ASSETS

The following table presents the capital asset activity of the Authority for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 783,357	\$ 132,309	\$ (393,310)	\$ 522,356
Construction in progress	21,880	768,559	-	790,439
Total capital assets not being depreciated	<u>805,237</u>	<u>900,868</u>	<u>(393,310)</u>	<u>1,312,795</u>
Capital assets being depreciated:				
Land improvements	20,726	-	-	20,726
Buildings and improvements	2,266,692	8,838,221	-	11,104,913
Equipment	37,877	-	-	37,877
Total capital assets being depreciated	<u>2,325,295</u>	<u>8,838,221</u>	<u>-</u>	<u>11,163,516</u>
Less accumulated depreciation:				
Land improvements	(13,781)	(1,940)	-	(15,721)
Buildings and improvements	(999,913)	(64,887)	-	(1,064,800)
Equipment	(37,877)	-	-	(37,877)
Total accumulated depreciation	<u>(1,051,571)</u>	<u>(66,827)</u>	<u>-</u>	<u>(1,118,398)</u>
Net capital assets being depreciated	<u>1,273,724</u>	<u>8,771,394</u>	<u>-</u>	<u>10,045,118</u>
Total capital assets, net of accumulated depreciation	<u><u>\$ 2,078,961</u></u>	<u><u>\$ 8,903,703</u></u>	<u><u>\$ (393,310)</u></u>	<u><u>\$ 11,357,913</u></u>

Depreciation was charged to functions/programs as follows:

Business-type activities:	
Affordable housing	<u><u>\$ 66,827</u></u>

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, 2017, the Authority and employees contributed \$109,530 and \$109,530 respectively, equal to the required contributions.

**HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6: LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the Authority for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Current Portion
Business-type activities:					
HOME program	\$ 218,059	\$ -	\$ 1,260	\$ 216,799	\$ 123,000
TBK Development Mortgage	-	2,340,500	-	2,340,500	40,866
MJT Properties - Water Work	-	75,000	-	75,000	-
HOME Loan RAD	-	298,482	-	298,482	-
Mile High - Hughes Station	-	2,150,000	-	2,150,000	22,326
Assumed loans - Hughes Station	-	7,789,180	-	7,789,180	110,628
Mortgage (10th Avenue)	268,765	-	268,765	-	-
Mortgage consolidation	1,248,083	-	1,248,083	-	-
MJT Properties - Windmill	336,000	-	336,000	-	-
	<u>2,070,907</u>	<u>12,653,162</u>	<u>1,854,108</u>	<u>12,869,961</u>	<u>296,820</u>
Mortgages payable	48,781	66,905	60,398	55,288	44,231
Compensated absences	<u>\$ 2,119,688</u>	<u>\$ 12,720,067</u>	<u>\$ 1,914,506</u>	<u>\$ 12,925,249</u>	<u>\$ 341,051</u>

Mortgages payable

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.

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 or 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 2017. 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.

**HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6: LONG-TERM OBLIGATIONS (Continued)

In 2017, the Authority secured a 20-year note payable to TBK Bank for \$2,340,500 due in monthly installments of \$11,252, including interest at 4.00% per annum, through November 2037. A balloon payment of \$1,115,935 is due in December 2037. The mortgage is secured with the property at 234 N.10th Avenue.

In 2017, the Authority secured a \$75,000 loan from MJT Properties, Inc. secured by Sorrento subdivision property and easements. The note is due in full on May 17, 2022. The loan is interest free unless paid late.

In 2017, the Authority secured a \$2,150,000 loan, secured by Hughes Station. The loan is due in monthly installments of \$12,890, including interest at 6% per annum, through December 2021. A balloon payment of \$2,046,319 is due in December 2021.

In December of 2017, the Authority assumed five loans totaling \$7,789,180 as part of the Hughes Station purchase agreement. One \$526,339 loan was assumed with monthly payments at \$18,029 including interest at 5.6% per annum, through June 2021, and balloon payment of \$501,267 due in November 2021. One loan was assumed at \$5,212,841 with monthly payments of \$27,447 including interest at 3% per annum, through November 2048. The remaining loans are forgivable loans of \$2,576,339 with no interest accruing.

Future debt service requirements

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

For the year ended December 31,	Business-type activities	
	Mortgages payable	
	Principal	Interest
2018	\$ 296,820	\$ 385,087
2019	185,760	400,187
2020	283,551	393,675
2021	2,735,782	378,330
2022	2,215,227	228,718
2023-2027	988,018	1,056,705
2028-2032	1,077,450	892,273
2033-2037	2,679,591	697,017
2038-2042	1,005,703	288,876
2043-2047	1,168,241	126,337
2048	233,816	3,522
	<u>\$ 12,869,961</u>	<u>\$ 4,850,727</u>

Total interest expense paid in 2017 was \$64,729, none of which was capitalized.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017, 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.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

PROPRIETARY FUNDS
COMBINING SCHEDULE OF
PROGRAM NET POSITION

December 31, 2017

	Public Housing	Section 8 Vouchers	Development Program	Component Units		Totals
				RAD	Hughes Station	
ASSETS						
CURRENT ASSETS						
Cash and equivalents	\$ -	\$ 50,381	\$ 938,634	\$ 86,617	732,161	\$ 1,807,793
Restricted cash	-	5,828	21,384	52,024	144,723	223,959
Accounts receivable, net						
Tenants	-	13,074	10,148	2,505	-	25,727
Other	-	717	53,309	298,482	71,167	423,675
Notes receivable - tenants	-	2,360	2,143	911	-	5,414
Prepaid assets	-	170	828	64	-	1,062
TOTAL CURRENT ASSETS	-	72,530	1,026,446	440,603	948,051	2,487,630
NONCURRENT ASSETS						
Notes receivable	-	-	1,028,482	-	-	1,028,482
Capital assets, net	-	-	1,725,238	810,789	8,821,886	11,357,913
TOTAL NONCURRENT ASSETS	-	-	2,753,720	810,789	8,821,886	12,386,395
TOTAL ASSETS	-	72,530	3,780,166	1,251,392	9,769,937	14,874,025
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	-	25,517	263,458	924	46,496	336,395
Compensated absences	-	-	44,231	-	-	44,231
Tenant deposits	-	-	21,384	1,393	54,161	76,938
Current portion of long-term debt	-	-	163,866	-	132,954	296,820
TOTAL CURRENT LIABILITIES	-	25,517	492,939	2,317	233,611	754,384
LONG-TERM LIABILITIES						
Mortgages payable	-	-	2,468,433	298,482	9,806,226	12,573,141
Compensated absences	-	-	11,058	-	-	11,058
TOTAL LONG-TERM LIABILITIES	-	-	2,479,491	298,482	9,806,226	12,584,199
TOTAL LIABILITIES	-	25,517	2,972,430	300,799	10,039,837	13,338,583
NET POSITION						
Net investment in capital assets	-	-	(907,061)	512,307	(1,117,294)	(1,512,048)
Restricted	-	5,828	-	52,024	90,562	148,414
Unrestricted	-	41,185	1,714,797	386,262	756,832	2,899,076
TOTAL NET POSITION	\$ -	\$ 47,013	\$ 807,736	\$ 950,593	\$ (269,900)	\$ 1,535,442

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, 2017

	Public Housing	Section 8 Vouchers	Development Program	Component Units		Totals
				RAD	Hughes Station	
OPERATING REVENUES						
Rental income	\$ 29,522	\$ -	\$ 391,514	\$ 11,332	\$ 12,214	\$ 444,582
Federal operating grants	37,492	-	-	-	-	37,492
Other revenue	189	627,929	276,761	298,482	-	1,203,361
TOTAL OPERATING REVENUES	67,203	627,929	668,275	309,814	12,214	1,685,435
OPERATING EXPENSES						
Administrative	31,577	171,243	451,736	223,965	261,568	1,140,089
Utilities	13,332	-	41,572	21	-	54,925
Ordinary maintenance	26,818	-	99,490	-	12	126,320
General expense	11,109	2,141	188,362	-	16,614	218,226
Depreciation	-	-	63,452	3,375	-	66,827
TOTAL OPERATING EXPENSES	82,836	173,384	844,612	227,361	278,194	1,606,387
OPERATING INCOME (LOSS)	(15,633)	454,545	(176,337)	82,453	(265,980)	79,048
NON-OPERATING REVENUES (EXPENSES)						
HUD contribution	-	1,970,517	-	-	-	1,970,517
Housing Assistance Payments	-	(1,874,530)	-	-	-	(1,874,530)
HAP Portability	-	(583,354)	-	-	-	(583,354)
Federal capital grant	58,812	-	298,482	-	-	357,294
Other grant expenses	-	-	(16,036)	-	-	(16,036)
Interest revenue	630	18	85,524	-	-	86,172
Non-operating expense	-	-	(16,890)	-	-	(16,890)
Gain (loss) on sale of capital assets	-	-	562	-	-	562
Interest expense	-	-	(64,729)	-	(3,920)	(68,649)
NET NON-OPERATING REVENUES (EXPENSES)	59,442	(487,349)	286,913	-	(3,920)	(144,914)
NET INCOME (LOSS) BEFORE TRANSFERS	43,809	(32,804)	110,576	82,453	(269,900)	(65,866)
OTHER FINANCING SOURCES						
Transfers in (out)	(920,567)	-	52,427	868,140	-	-
CHANGE IN NET POSITION	(876,758)	(32,804)	163,003	950,593	(269,900)	(65,866)
NET POSITION, BEGINNING	876,758	79,817	644,733	-	-	1,601,308
NET POSITION, ENDING	\$ -	\$ 47,013	\$ 807,736	\$ 950,593	\$ (269,900)	\$ 1,535,442

See the independent auditor's report.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON

PROPRIETARY FUNDS
COMBINING SCHEDULE OF CASH FLOWS

Year Ended December 31, 2017

	Public Housing	Section 8 Vouchers	Development Program	Component Units		Totals
				RAD	Hughes Station	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers and HUD supplements	\$ 64,681	\$ 640,736	\$ 620,459	\$ 7,916	\$(117,034)	\$ 1,216,758
Cash paid to suppliers	(88,876)	(221,517)	(275,236)	(224,519)	(231,698)	(1,041,846)
Cash paid to employees	(30,891)	(141,696)	(394,712)	-	-	(567,299)
Net cash provided (used) by operating activities	(55,086)	277,523	(49,489)	(216,603)	(348,732)	(392,387)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Net capital and non-operating grants	58,812	(487,349)	298,482	-	-	(130,055)
Net gain/(cost) of capital assets	-	-	(184,978)	(512,896)	1,229,536	531,662
Retirement of capital assets	647,186	-	562	-	-	647,748
Principal retired	-	-	(1,724,108)	-	-	(1,724,108)
Debt issuance proceeds	-	-	2,327,803	-	-	2,327,803
Compensated absences	-	-	(6,507)	-	-	(6,507)
Interest paid	-	-	(64,729)	-	(3,920)	(68,649)
Transfers in (out)	(920,567)	-	52,427	868,140	-	-
Net cash provided (used) by capital and related financing activities	(214,569)	(487,349)	698,952	355,244	1,225,616	1,577,894
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	630	18	85,524	-	-	86,172
Principal received	-	-	45,224	-	-	45,224
Net cash provided by investing activities	630	18	130,748	-	-	131,396
Net increase (decrease) in cash and cash equivalents	(269,025)	(209,808)	780,211	138,641	876,884	1,316,903
CASH, BEGINNING	269,025	266,017	179,807	-	-	714,849
CASH, ENDING	\$ -	\$ 56,209	\$ 960,018	\$ 138,641	\$ 876,884	\$ 2,031,752
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Net income (loss)	\$ (15,633)	\$ 454,545	\$ (176,337)	\$ 82,453	\$(265,980)	\$ 79,048
ADJUSTMENTS						
Depreciation expense	-	-	63,452	3,375	-	66,827
Changes in asset and liabilities:						
Accounts receivable	2,713	12,807	(53,070)	(301,898)	(71,167)	(410,615)
Prepaid expense	310	261	(517)	(64)	-	(10)
Accounts payable	(9,813)	(153,446)	245,723	924	46,496	129,884
Deposits held	(5,235)	-	5,254	(1,393)	(58,081)	(59,455)
Other liabilities	-	-	(133,994)	-	-	(133,994)
Accrued payroll liabilities	(27,428)	(36,644)	-	-	-	(64,072)
Total adjustments	(39,453)	(177,022)	126,848	(299,056)	(82,752)	(471,435)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (55,086)	\$ 277,523	\$ (49,489)	\$ (216,603)	\$(348,732)	\$ (392,387)

See the independent auditor's report.

HOUSING AUTHORITY OF THE CITY OF BRIGHTON, COLORADO
 FINANCIAL DATA SCHEDULE
 December 31, 2017

Line Item #	Account Description	Low Rent 14.850	Housing Choice Vouchers 14.871	Business Activities	Component Unit Blended RAD	Component Unit Blended Hughes Station	Subtotal	TOTAL
ASSETS:								
CURRENT ASSETS:								
Cash:								
111	Cash - unrestricted	-	50,381	938,634	85,224	758,035	1,832,274	1,832,274
113	Cash - other restricted	-	5,828	-	52,024	117,456	175,308	175,308
114	Cash - tenant security deposits	-	-	21,384	1,393	1,393	24,170	24,170
115	Cash -restricted - current liabilities	-	-	-	-	-	-	-
100	Total cash	-	56,209	960,018	138,641	876,884	2,031,752	2,031,752
Accounts and notes receivables:								
122-010	Accounts receivable - HUD operating subsidy	-	-	-	-	-	-	-
122-030	Accounts receivable - HUD other projects-Other	-	13,791	-	-	-	13,791	13,791
122	Accounts receivable - HUD other projects	-	13,791	-	-	-	13,791	13,791
125	Accounts receivable- Misc	-	-	53,309	298,482	71,167	422,958	422,958
126	Accounts receivable- tenants	-	-	12,291	3,416	-	15,707	15,707
127	Notes and mortgages receivable- current	-	-	-	-	-	-	-
128	Fraud recovery	-	2,360	-	-	-	2,360	2,360
129	Accrued interest receivable	-	-	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	-	16,151	65,600	301,898	71,167	454,816	454,816
Current investments								
131	Investments - unrestricted	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	170	828	64	-	1,062	1,062
143	Inventories	-	-	-	-	-	-	-
150	TOTAL CURRENT ASSETS	-	72,530	1,026,446	440,603	948,051	2,487,630	2,487,630
NONCURRENT ASSETS:								
Fixed assets:								
161	Land	-	-	513,806	29,276	-	543,082	543,082
162	Buildings	-	-	2,063,216	219,811	8,821,886	11,104,913	11,104,913
163	Furniture, equipment & machinery - dwellings	-	10,920	24,717	2,240	-	37,877	37,877
164	Furniture, equipment & machinery - administration	-	-	-	-	-	-	-
166	Accumulated depreciation	-	(10,920)	(885,256)	(222,222)	-	(1,118,398)	(1,118,398)
167	Construction in progress	-	-	8,755	781,684	-	790,439	790,439
160	Total capital assets, net of accumulated depreciation	-	-	1,725,238	810,789	8,821,886	11,357,913	11,357,913
171-040	Notes, Loans, & mortgages receivable-Tax Credit	-	-	1,028,482	-	-	1,028,482	1,028,482
171	Notes and mortgages receivable - non-current	-	-	1,028,482	-	-	1,028,482	1,028,482
174	Other assets	-	-	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	-	-	2,753,720	810,789	8,821,886	12,386,395	12,386,395
190	TOTAL ASSETS	-	72,530	3,780,166	1,251,392	9,769,937	14,874,025	14,874,025
LIABILITIES AND EQUITY:								
LIABILITIES:								
CURRENT LIABILITIES								
312	Accounts payable < 90 days	-	4,320	68,388	924	46,496	120,128	120,128
321	Accrued wage/payroll taxes payable	-	21,197	195,070	-	-	216,267	216,267
322	Accrued compensated Absences-current	-	-	44,231	-	-	44,231	44,231
325	Accrued interest payable	-	-	-	-	-	-	-
341	Tenant security deposits	-	-	21,384	1,393	54,161	76,938	76,938
342	Deferred Revenue	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	-	-	-	-	-	-	-
343-020	Capital Projects/Mortgage Revenue	-	-	163,866	-	132,954	296,820	296,820
343	Current portion of Long-Term debt - capital projects	-	-	163,866	-	132,954	296,820	296,820
310	TOTAL CURRENT LIABILITIES	-	25,517	492,939	2,317	233,611	754,384	754,384
NONCURRENT LIABILITIES:								
351-020	Long-term debt - Capital Projects/Mortgage Revenue	-	-	2,468,433	298,482	9,806,226	12,573,141	12,573,141
351	Long-term debt, net of current- capital projects	-	-	2,468,433	298,482	9,806,226	12,573,141	12,573,141
353	Noncurrent liabilities- other	-	-	-	-	-	-	-
354	Noncurrent compensated absences	-	-	11,058	-	-	11,058	11,058
350	TOTAL NONCURRENT LIABILITIES	-	-	2,479,491	298,482	9,806,226	12,584,199	12,584,199
300	TOTAL LIABILITIES	-	25,517	2,972,430	300,799	10,039,837	13,338,583	13,338,583
400	Deferred inflow of Resources	-	-	-	-	-	-	-
508.1	Net investments in capital assets	-	-	(907,061)	512,307	(1,117,294)	(1,512,048)	(1,512,048)
511.1	Restricted	-	5,828	-	52,024	90,562	148,414	148,414
512.1	Unrestricted	-	41,185	1,714,797	386,262	756,832	2,899,076	2,899,076
513	TOTAL EQUITY/NET POSITION	-	47,013	807,736	950,593	(269,900)	1,535,442	1,535,442
600	TOTAL LIABILITIES AND EQUITY/NET POSITION	-	72,530	3,780,166	1,251,392	9,769,937	14,874,025	14,874,025

HOUSING AUTHORITY OF THE CITY OF BRIGHTON, COLORADO
FINANCIAL DATA SCHEDULE
Year Ended December 31, 2017

Line Item #	Account Description	Public Housing							Subtotal	TOTAL
		Low Rent 14,850	Capital Funds 14,872	Housing Choice Vouchers 14,874	HOME	Business Activities	Component Unit Blended RAD	Component Unit Blended Hughes Station		
REVENUE:										
70300	Net tenant rental revenue	29,522	-	-	-	391,514	11,332	12,214	444,582	444,582
70400	Tenant revenue - other	189	-	-	-	580	-	-	769	769
70500	Total tenant revenue	29,711	-	-	-	392,094	11,332	12,214	445,351	445,351
70600	HUD PHA operating grants	37,492	58,812	1,970,517	-	-	-	-	2,066,821	2,066,821
70600	HUD PHA operating grants	37,492	58,812	1,970,517	-	-	-	-	2,066,821	2,066,821
70610	HUD Capital grants	-	-	-	-	-	-	-	-	-
70800	Other government grants	-	-	-	298,482	-	-	-	298,482	298,482
72000	Investment income - restricted	-	-	14	-	-	-	-	14	14
71100	Investment income - unrestricted	630	-	4	-	85,524	-	-	86,158	86,158
	Investment Income	630	-	18	-	85,524	-	-	86,172	86,172
71500	Other revenue	-	-	627,929	-	276,181	298,482	-	1,202,592	1,202,592
70000	TOTAL REVENUE	67,833	58,812	2,598,464	298,482	753,799	309,814	12,214	4,099,418	4,099,418
EXPENSES:										
91100	Administrative salaries	18,698	-	104,527	-	394,712	-	-	517,937	517,937
91200	Auditing fees	-	-	1,020	-	2,040	-	-	3,060	3,060
91400	Advertising and marketing	37	-	199	-	3,206	-	-	3,442	3,442
91500	Employee benefit contributions- administrative	4,729	-	29,121	-	93,899	-	-	127,749	127,749
91600	Office Expense	2,119	-	9,146	-	7,572	123	-	18,960	18,960
91700	Legal Expense	1,403	-	2,792	-	5,944	-	122,530	132,669	132,669
91800	Travel	125	-	1,123	-	1,476	-	-	2,724	2,724
91900	Other	2,079	-	14,225	-	36,786	223,842	139,968	416,900	416,900
91000	Total Operating-Administrative	29,190	-	162,153	-	545,635	223,965	262,498	1,223,441	1,223,441
92100	Tenant services - salaries	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	-	-	-	-	-	-	-	-	-
92400	Tenant services - other	-	-	-	-	-	-	-	-	-
92500	Total Tenant Services	-	-	-	-	-	-	-	-	-
93100	Water	12,490	-	-	-	38,988	-	-	51,478	51,478
93200	Electricity	400	-	-	-	1,720	21	21	2,162	2,162
93300	Gas	442	-	-	-	864	-	-	1,306	1,306
93800	Other utilities expense	-	-	-	-	-	-	-	-	-
92500	Total Utilities	13,332	-	-	-	41,572	21	21	54,946	54,946
94100	Ordinary maintenance and operations - labor	12,193	-	-	-	58,324	-	-	70,517	70,517
94200	Ordinary maintenance and operations - materials & other	5,780	-	-	-	13,826	-	-	19,606	19,606
Ordinary Maintenance and Operations Contracts										
94300-010	Garbage and Trash Removal Contracts	1,742	-	-	-	5,766	-	-	7,508	7,508
94300-040	Elevator expense	-	-	-	-	-	-	-	-	-
94300-050	Landscape & Grounds Contracts	2,315	-	-	-	4,685	-	-	7,000	7,000
94300-090	Unit Turnaround Contracts	3,144	-	-	-	12,654	-	-	15,798	15,798
94300-070	Electrical Contracts	250	-	-	-	-	-	-	250	250
94300-080	Plumbing Contracts	1,394	-	-	-	1,958	-	-	3,352	3,352
94300-090	Extermination Contracts	-	-	-	-	-	-	-	-	-
94300-100	Janitorial Contracts	-	-	-	-	225	-	-	225	225
94300-110	Routine Maintenance Contracts	-	-	-	-	-	-	-	-	-
94300-120	Misc. Contracts	-	-	-	-	2,052	-	-	2,052	2,052
94300	Ordinary Maintenance and Operations Contracts	8,845	-	-	-	27,340	-	-	35,185	35,185
94500	Employee benefit contributions- ordinary maintenance	3,023	-	-	-	18,570	-	-	19,593	19,593
94000	Total Maintenance	29,841	-	-	-	116,060	-	-	145,901	145,901
96110	Property Insurance	372	-	-	-	5,266	-	15,266	20,904	20,904
96120	Liability Insurance	930	-	3,131	-	3,063	-	-	7,124	7,124
96130	Workers Compensation	1,914	-	4,189	-	4,524	-	409	11,036	11,036
96140	All Other Insurance	162	-	1,102	-	221	-	-	1,485	1,485
96100	Total Insurance Premiums	3,378	-	8,422	-	13,074	-	15,675	40,549	40,549
96200	Other General Expenses	-	-	1,575	-	91,202	-	-	92,777	92,777
96210	Compensated Absences	-	-	1,234	-	5,981	-	-	7,215	7,215
96300	PILLOT	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	-	-	-	-	-	-	-	-	-
96000	Total Other General Expenses	-	-	2,809	-	97,183	-	-	99,992	99,992
96710	Interest on Mortgage (or Bonds) Payable	-	-	-	-	64,729	-	3,920	68,649	68,649
96700	Interest expense and Amortization cost	-	-	-	-	64,729	-	3,920	68,649	68,649
96900	TOTAL OPERATING EXPENSES	75,741	-	173,384	-	878,253	223,986	282,114	1,633,478	1,633,478
	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(7,908)	58,812	2,425,080	298,482	(124,454)	85,828	(269,900)	2,465,940	2,465,940
97300	Housing assistance payments	7,095	-	1,874,530	-	-	-	-	1,881,625	1,881,625
97350	HAP portability in	-	-	583,354	-	-	-	-	583,354	583,354
97400	Depreciation expense	-	-	-	-	63,452	3,375	-	66,827	66,827
90000	TOTAL EXPENSES	82,836	-	2,631,268	-	941,705	227,361	282,114	4,165,284	4,165,284
10010	Operating transfers in	58,812	-	-	-	-	-	-	58,812	58,812
10020	Operating transfers out	-	(58,812)	-	-	-	-	-	(58,812)	(58,812)
10080	Special Items, net gain/loss	(920,567)	-	-	-	52,427	868,140	-	-	-
10093	Transfers between programs and Project - in	-	-	-	-	298,482	-	-	298,482	298,482
10094	Transfers between programs and Project - out	-	-	-	-	(298,482)	-	-	(298,482)	(298,482)
10100	TOTAL OTHER FINANCING SOURCES (USES)	(861,755)	(58,812)	-	(298,482)	350,909	868,140	-	-	-
10000	TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(876,758)	-	(32,804)	(0)	163,003	950,593	(269,900)	(65,866)	(65,866)
MEMO account information										
11020	Required Annual Debt Principal Payments	-	-	-	-	-	-	-	-	-
11030	Beginning equity	876,758	-	79,817	-	644,733	-	-	1,601,308	1,601,308
11040	Equity Transfers	-	-	-	-	-	-	-	-	-
11190	Unit Months Available	112	n/a	2,935	-	330	24	1,440	3,047	3,047
11210	Unit Months Leased	98	n/a	2,486	-	330	16	1,440	2,584	2,584
11620	Building Purchases	n/a	-	n/a	-	n/a	-	-	-	-
	Equity Roll Forward Test	-	-	47,013	-	807,736	950,593	(269,900)	1,535,442	1,535,442
	Calculation from R/E Statement	-	-	47,013	-	807,736	950,593	(269,900)	1,535,442	1,535,442
	B/S Line 513	-	-	-	-	-	-	-	(0)	(0)

THIS PAGE INTENTIONALLY LEFT BLANK

Federal Financial Assistance Reports

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

Year Ended December 31, 2017

Program and Assistance Type	CFDA Number	Program Expenditures
U.S Department of Housing and Urban Development		
Low Income Public Housing Operating Subsidy	14.850	\$ 37,492
Section 8 Housing Choice Voucher program	14.871	2,631,998
Capital Fund program	14.872	58,812
Home Investment Partnership Program	14.239	<u>298,482</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 3,026,784</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, 2017, 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

Member of the American Institute of Certified Public Accountants

23720 Pondview Place
Golden, CO 80401

(303) 694-2727

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, 2017, 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 16, 2018.

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 16, 2018

HAMBLIN AND ASSOCIATES, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants

23720 Pondview Place
Golden, CO 80401

(303) 694-2727

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, 2017. 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, 2017.

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 16, 2018

HOUSING AUTHORITY OF THE CITY OF BRIGHTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

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, 2017

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, 2017, 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, 2017 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, 2017, 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, 2017 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>
----------------	------------------	---------------

None		
------	--	--

THIS PAGE INTENTIONALLY LEFT BLANK