
Brush Housing Authority

FINANCIAL STATEMENTS

Year Ended December 31, 2017



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September 26, 2018



TABLE OF CONTENTS

Independent Auditors' Report.....	2
MANAGEMENT DISCUSSION AND ANALYSIS.....	4
STATEMENT OF NET POSITION.....	7
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION	8
STATEMENT OF CASH FLOWS	9
NOTES TO FINANCIAL STATEMENTS.....	10
SUPPLEMENTARY INFORMATION	25



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying statement of net position of the Housing Authority of the City of Brush as of December 31, 2017, and the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

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; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Brush as of December 31, 2017, and the changes in its net position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining statements, financial data schedule, and accompanying schedule of expenditures of federal awards required by the Uniform Guidance is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States require that management discussion and analysis and supplementary pension information 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 statement 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, 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 evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018 on our consideration of the Housing Authority of the City of Brush'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Anderson & Whitney, P.C.

September 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Housing Authority of the City of Brush, Colorado's ("BHA" or the "Authority") annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage the readers to consider the information presented here in conjunction with the financial statements to enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

- BHA's assets exceeded liabilities by \$195,485 at December 31, 2017.
- The December 31, 2017 net position is \$78,054 less than the previous year. Total net position is 28% of 2017 operating expense.
- Do to the implementation of GASB Statement 68 on pensions there is a liability of \$189,283 recorded. This has caused the unrestricted net position to be a deficit.

OVERVIEW OF THE FINANCIAL STATEMENTS

BHA has a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to BHA's financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Authority's financial activities.

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

The *Statement of Activities* presents information on the Authority's operating revenues and expenses, nonoperating revenues and expenses, and whether the Authority's financial position has improved or deteriorated as a result of the year's activities.

The *Statement of Cash Flows* presents the change in the Authority's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Authority financed its activities and how it met its cash requirements.

The *Notes to Financial Statements* provide additional information essential to a full understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, assets exceeded liabilities by \$195,485.

The following table provides a summary of the Authority's net position for 2017 and 2016:

Business-Type Activities	2017	2016
Assets:		
Current and other assets	\$ 332,467	\$ 414,944
Capital assets	747,389	786,263
Total Assets and Deferred Outflows	1,079,856	1,201,207
Liabilities:		
Current and other liabilities	78,503	73,154
Long-term liabilities	805,870	854,514
Total Liabilities	884,373	927,668
Net Position:		
Net investment in capital assets	269,649	275,062
Restricted	129,631	134,416
Unrestricted	(203,795)	(135,939)
Total Net Position	\$ 195,485	\$ 273,539

A significant portion of the Authority's net position reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to residents; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources of since the capital assets themselves cannot be used to liquidate these liabilities. The only long-term debts are the loans for construction of the properties and the Northeast Colorado Housing, Inc. BHA has no other long-term debt.

Part of the Authority's net position represents resources that are subject to external restriction on how they may be used. Included in this category are the debt service reserves of \$129,631.

Changes in Net Position

The following table indicates the changes in net position:

<u>Business-Type Activities</u>	<u>2017</u>	<u>2016</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 351,089	\$ 344,972
Operating grants	246,659	246,544
General revenues:		
Capital grant	35,097	26,337
Investment earnings	588	781
<u>Total Revenues</u>	<u>633,433</u>	<u>618,634</u>
Expenses:		
Program services	635,281	583,708
Depreciation	70,524	71,008
Interest on long-term debt	5,682	7,106
<u>Total Expenses</u>	<u>711,487</u>	<u>661,822</u>
<u>Increase (Decrease) in Net Position</u>	<u>\$ (78,054)</u>	<u>\$ (43,188)</u>

Business-Type Activities

Business-type activities decreased BHA's net position by \$78,054 in 2017. Key elements of this decrease are as follows:

- Expenses of \$711,487 include a 29% increase in repairs and maintenance over 2016, as well as a significant increase in pension expense with the worsening financial position of PERA.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

BHA's investment in capital assets for its business-type activities as of December 31, 2017 totals \$747,389 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total decrease in capital assets for the current year was \$38,874, or 5%, due to regular depreciation expense.

The Authority implemented the straight-line method of depreciation for its capital assets, except for land which is not depreciated.

Long-term Debt

At December 31, 2017, BHA had \$610,295 of loans payable, funded from rent revenue and HUD rent supplements.

Additional information on BHA's debt can be found in Note 7.

OTHER MATTERS

Future changes in fair market rents and rent supplements must be approved by HUD and are expected to be minimal. These future revenues are expected to have a significant effect on the Authority's financial position and results of operations and were taken into account in developing the 2018 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of BHA's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided for additional financial information should be addressed to the Authority, Box 666, Brush, Colorado 80723.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
STATEMENT OF NET POSITION
December 31, 2017

ASSETS	
Current Assets	
Cash in bank and on hand	\$ 161,235
Cash in bank - security deposits	21,049
Restricted cash - reserve funds	129,631
Rent receivables (net of allowance for uncollectibles)	1,994
Notes receivable	1,351,463
Allowance for uncollectible notes	(1,351,463)
Accrued interest receivable	-
Prepaid insurance	4,717
Total Current Assets	<u>318,626</u>
Capital assets:	
Land	47,381
Buildings and improvements	3,062,757
Property and equipment	210,142
Less: accumulated depreciation	(2,572,891)
Net Capital Assets	<u>747,389</u>
Total Assets	<u>1,066,015</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	<u>13,841</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Plan	<u>36,792</u>
LIABILITIES	
Current Liabilities	
Accounts payable	16,796
Accrued payroll and payroll taxes	-
Accrued interest expense	423
Security deposits	20,784
Current portion of note payable	40,500
Total Current Liabilities	<u>78,503</u>
Long-term Liabilities	
Notes payable	579,795
Net pension liability	189,283
Total Liabilities	<u>847,581</u>
NET POSITION	
Invested in capital assets, net of related debt	269,649
Restricted for debt service	129,631
Unrestricted	(203,795)
Total Net Position	<u>\$ 195,485</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017

OPERATING REVENUES		
Rent	\$	285,096
Management fees		38,265
Rent subsidy		207,213
Operating subsidy		39,446
Operating grant		-
Other		24,400
Total Operating Revenues		<u>594,420</u>
OPERATING EXPENSES		
Legal		981
Payroll		95,888
Advertising		2,778
Repairs and maintenance		218,563
Elevator		7,494
Utilities		115,615
Telephone		5,467
Miscellaneous		4,531
Insurance		27,946
Accounting and auditing		24,045
Management fee		5,982
Employee benefits		72,915
Office rent		3,600
Payments in lieu of taxes		3,500
Office supplies		12,742
Bad debt expense		-
Payroll tax expense		1,584
Depreciation		102,174
Total Operating Expenses		<u>705,805</u>
Operating Income (Loss)		<u>(111,385)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income		588
Interest on notes payable		(5,682)
Inter-fund transfers		-
Insurance reimbursements		3,328
Total Nonoperating Revenues (Expenses)		<u>(1,766)</u>
Capital funds grant - HUD		35,097
Increase (decrease) in Net Position		<u>(78,054)</u>
Net Position - Beginning of Year		273,539
Net Position - End of Year	\$	<u><u>195,485</u></u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

Cash flows from operating activities:	
Cash receipts from tenants	\$ 593,459
Customer deposits received (returned)	(2,072)
Cash payments to suppliers for goods and services	(510,336)
Cash payments to employees for services	(95,888)
Net cash provided (used) by operating activities	<u>(14,837)</u>
Cash flows from noncapital financing activities:	
Net cash provided (used) by noncapital financing activities	<u>-</u>
Cash flows used in capital and related financing activities:	
Capital funds grant - HUD	35,097
Acquisition of capital assets/insurance	(28,323)
Principal paid on debt	(38,961)
Interest on debt	(5,708)
Net cash provided (used) by capital and related financing activities	<u>(37,895)</u>
Cash flows from investing activities:	
Interest received on investments	587
Net increase (decrease) in cash and cash equivalents	<u>(52,145)</u>
Cash and cash equivalents, beginning of year	364,061
Cash and cash equivalents, end of year	<u>\$ 311,916</u>
Operating Income (Loss)	\$ (111,385)
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	70,524
Changes in assets and liabilities:	
(Increase) decrease in rent receivables	(961)
(Increase) decrease in prepaid insurance	91
(Increase) decrease in due from other agencies	-
Increase (decrease) in accounts payable	1,248
Increase (decrease) in accrued payroll taxes	-
Increase (decrease) in security deposits payable	(2,072)
Increase (decrease) in pension liabilities	27,718
Total Adjustments	<u>96,548</u>
Net cash provided (used) by operating activities	<u>\$ (14,837)</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Fund Type

As required by generally accepted accounting principles, these financial statements present the Housing Authority of the City of Brush (Authority) (the primary government) and its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. Based upon the foregoing criteria, there are no component units included in the accompanying financial statements.

In 2002, the Authority assisted in the incorporation of Centennial Supportive Housing (CSH), a nonprofit organization with emphasis on the development, sponsorship and/or ownership of low to moderate income housing within Morgan County. CSH is not included in the reporting entity, as the Authority is not entitled to and cannot access the resources held by CSH. In 2004, the Authority issued an option to CSH to purchase certain Authority land for a new project for \$30,000, which was exercised in 2006.

Nature of Operations

Centennial Manor East, a 48-unit project for qualified elderly/handicapped persons was constructed through a loan from USDA Rural Development with 32 one-bedroom units receiving HUD project based rental assistance and 16 two-bedroom units receiving USDA Rural Development rental assistance. Centennial Manor West is a 30-unit, one-bedroom multistory unit built as a HUD conventional public housing project for the elderly/handicapped. Centennial South provides 12 units of qualified family housing with the construction financed through USDA Rural Development and the families receiving HUD project-based rental assistance.

The General Fund holds the Authority's unrestricted assets and related liabilities.

Basis of Accounting

The Authority's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities that use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Account Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e. total assets net of total liabilities) is segregated into invested in capital assets, net of related debt, restricted for debt service, and unrestricted components.

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

Colorado statutes do not require the Housing Authority to legally adopt an annual budget. The Supplemental Schedule of Revenues, Expenses, and Changes in Net Position is reported on the budget basis to enhance management's use of their financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are recorded at cost. Depreciation is computed using the straight-line method with estimated useful lives as follows:

Buildings and improvements	10 - 40 Years
Furniture and equipment	5 - 10 Years
Computers and printers	5 Years

The Authority does not capitalize property that has a cost of less than \$1,000 or does not have a useful life of one year or more. The Authority does not capitalize interest costs related to its constructed fixed assets. Donated assets are recorded at fair market value. The Authority did not purchase any capital assets during 2017.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provision or enabling legislation.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Income Taxes

The Authority is not subject to federal or state income taxes, and therefore no provision for income taxes has been recorded.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017 are recorded as prepaid items.

Use of Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits might not be recovered. However, the Colorado Public Deposit Protection Act (PDPA) requires that deposits of all units of local governments be held at eligible public depositories, whose eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution of held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At December 31, 2017, the carrying amount of the Authority's deposits of the business-type activities totaled \$314,142. Federal insurance coverage totaled \$500,000 at December 31, 2017. The Authority had petty cash of \$25 as of year-end.

Interest Rate Risk – Investments

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Colorado Revised Statute 24-75-601 limits investment maturities to five years or less. All deposits are reported at cost plus accrued interest. The value of certificates of deposit owned by the Authority as of December 31, 2017 is \$112,441. All of the Authority's certificates of deposit mature within one year.

The Authority has not formally adopted a written policy regarding interest rate risk and credit risk.

NOTE 3: INVESTMENTS – BRUSH VILLAGE PARTNERSHIP, LTD.

During 1994, the Authority became a 1% General Partner in Brush Village Partnership, Ltd., (Partnership). The Partnership owns a low-income housing project consisting of 40 units located in Brush, Colorado. The Authority invested \$96,966 as its partnership contribution to the project. The Partnership has incurred significant losses and it is doubtful that the Authority would be able to realize its original investment. At December 31, 2017, the Authority had a deficit capital balance of \$35,612. In addition, the Authority's share of partnership liabilities included \$25,502 of qualified nonrecourse financing and \$239,794 of other liabilities. These amounts have not been recorded in the Authority's financial statements.

NOTE 4: NOTES RECEIVABLE

Brush Village Partnership, Ltd. (Partnership) – A promissory note of \$800,000 bearing a 3.75% interest rate, compounded annually, secured by a junior lien on the 40-unit low-income housing project owned by the Partnership. Payments for interest and principal are due to the extent of the Partnership's cash flow available after cumulative distributions are paid to the owners of the Partnership. As of December 31, 2017, the accrued interest due is \$458,531. Accrued interest is added to the principal annually. The principal and accrued interest is due December 2018.

Total Notes Receivable	\$ 800,000
Less Allowance for Uncollectible Notes	(800,000)
Net Notes Receivable	<u>\$ --</u>

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 5: OTHER RECEIVABLES

In prior years, the Authority has assisted in the development of Brush Village Partnership, Ltd. The Authority currently manages the project on behalf of the private owners. Through the development of this project, the Authority was to receive development fees. The Authority would be paid an annual management fee by the private project only if there was surplus cash available. Any management fees not paid would accrue interest as determined by the management agreement. As described in Note 4, the Authority received promissory notes from the private entities as part of the development and/or sale of the project. Those notes accrue annual interest as specified in the promissory notes. The collection of the development fees, management fees, promissory notes and related accrued interest in future years is questionable. Therefore, the Authority has established reserves for all fees and interest due under the aforementioned agreements.

The following is a summary of the various fees:

Brush Village Partnership, Ltd. (BVPL)	
Development fees and expenses	\$ 92,933
Accrued interest on note receivable	458,531
Total Other Receivables	<u>551,464</u>
Less: Allowance for Uncollectible Accounts	<u>(551,464)</u>
Net Other Receivables	<u>\$ --</u>

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Non-depreciable assets				
Land	\$ 47,381	\$ --	\$ --	\$ 47,381
Total non-depreciable assets	<u>47,381</u>	<u>--</u>	<u>--</u>	<u>47,381</u>
Depreciable assets				
Buildings and improvements	3,031,107	31,650	--	3,062,757
Property and equipment	210,142	--	--	210,142
Total depreciable assets	<u>3,241,249</u>	<u>31,650</u>	<u>--</u>	<u>3,272,899</u>
Accumulated depreciation				
Buildings and improvements	2,322,556	63,790	--	2,386,346
Property and equipment	179,811	6,734	--	186,545
Total accumulated depreciation	<u>2,502,367</u>	<u>70,524</u>	<u>--</u>	<u>2,572,891</u>
Depreciable assets, net	<u>738,882</u>	<u>(38,874)</u>	<u>--</u>	<u>700,008</u>
Capital assets, net	<u>\$ 786,263</u>	<u>(38,874)</u>	<u>\$ --</u>	<u>\$ 747,389</u>

The Authority has no general infrastructure assets.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 7: NOTES PAYABLE AND RELATED COLLATERAL

Centennial Manor East – USDA Rural Development dated March 1, 1976, maturing in 2026, payable in monthly installments of \$1,907 including variable interest from 1% to 8.125%. Collateralized by property and equipment and tenant leases.	\$ 149,314
Centennial South – USDA Rural Development dated November 3, 1980, maturing in 2030, was refinanced and debt was forgiven of \$79,912 in 1999. In addition, the interest rate was reduced from 10.75% to 1%. The new note agreement requires monthly installments of \$1,114 and is collateralized by property.	327,981
Northeast Colorado Housing, Inc., dated December 31, 2003, payable in annual installments of \$5,500 beginning March 15, 2004, according to amended promissory note, accruing interest at 0%, unsecured.	143,000
	<u>\$ 620,295</u>

A summary of changes in notes payable as of December 31, 2017 is as follows:

Description	Balance 12/31/2016	Retired	Balance 12/31/2017	Due in one year
Rural Development – Centennial Manor East	\$ 170,686	\$ 21,372	\$ 149,314	\$ 22,000
Rural Development – Centennial Manor South	340,070	12,089	327,981	13,000
Northeast Colorado Housing, Inc.	148,500	5,500	143,000	5,500
	<u>\$ 659,256</u>	<u>\$ 38,961</u>	<u>\$ 620,295</u>	

Principal requirements for the Northeast Colorado Housing, Inc. notes are as follows:

Fiscal Year	Principal
2018	\$ 5,500
2019	5,500
2020	5,500
2021	5,500
2022	5,500
2023-2027	27,500
2028-2032	27,500
2033-2037	27,500
2038-2042	27,500
2043	5,500
	<u>\$ 143,000</u>

The debt service requirements to maturity for the Centennial Manor East and Centennial South projects are determined by the annual amount of interest subsidy received from USDA Rural Development, and are therefore not presented.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 8: FUND EQUITY

Reserved

Pursuant to the USDA – Rural Development loan requirements dated March 1, 1976 and June 1, 1999, the Authority is required to establish a reserve account of \$116,603 for Centennial Manor East and \$16,254 for Centennial Manor South at a rate of \$8,832 and \$3,612 per year, respectively, until the reserve balance is met. The ending reserve balances are as follows:

	Centennial Manor East	Centennial Manor South
Funded Reserve Balances	\$ 116,603	\$ 16,254
Required Reserve Balances	(116,603)	(16,254)
Excess	<u>\$ --</u>	<u>\$ --</u>

The Authority is allowed by USDA Rural Development to make withdrawals from these reserve accounts for extraordinary expenditures.

TABOR

On November 3, 1992, the voters of Colorado approved Amendment 1, commonly known as the TABOR Amendment, which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado, all local governments, and special districts.

The Commissioners of the Housing Authority of the City of Brush believe it is exempt from the provision of TABOR.

NOTE 9: PERA:

The Authority participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan description: Eligible employees of the Authority are provided with pensions through the Local Government Division Trust Fund - a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 9: PERA - Continued:

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary To Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. As these changes to plan provisions were not in effect at the end of 2017, a detailed summary of the changes required by SB 18-200 has been disclosed as a subsequent event.

Benefits provided: The LGDTF serves as a defined benefit retirement plan where retirees receive a monthly benefit for their lifetime, and generally, an annual increase each year, as eligible. Members of affiliated employers are eligible to receive a lifetime monthly retirement benefit when certain age and service credit requirements are met. These eligibilities vary by the membership date and consider credited service at key dates. The benefits are based upon a defined or fixed multiplier, age, years of credited service, and highest average salary (HAS). For most employees, HAS is one-twelfth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals $2.5\% \times HAS \times \text{Years of Service}$. If a member reaches early retirement eligibility and wishes to begin benefit payments prior to achieving the full retirement requirements, then the monthly amount is reduced to consider the early receipt of monthly payments. Alternatively, if greater, a lifetime benefit is available that is calculated by annuitizing the member's account. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree's death to a named beneficiary, and for which the benefit amount is appropriately adjusted.

In addition to retirement benefits, the LGDTF provides refund opportunities with matching employer dollars, if eligible, when leaving covered employment, and disability retirement and survivor benefits for those meeting certain criteria.

The schedules are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such preparation requires management of PERA to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ.

The schedules exclude employer-specific deferral amounts that may need to be recognized to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Specifically, this schedule excludes deferral amounts arising from the changes in employer proportion, differences between employer contributions and proportionate share of contributions, and employer contributions subsequent to the measurement date as defined in paragraphs 54, 55 and 57 of GASB Statement No. 68. Additionally, this schedule excludes contributions related to employer-specific liabilities as defined in paragraph 56 of GASB Statement No. 68.

Contributions: Eligible employees and the Authority are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized as follows:

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 9: PERA - Continued:

Years Ended December 31	2017	2016
Employer contribution rate as a percentage of salary	10.00%	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	(1.02)
Amount Apportioned to the LGDTF	8.98	8.98
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20	2.20
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50	1.50
Total Employer Contribution Rate to the LGDTF	12.68%	12.68%

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$11,554 for the year ended December 31, 2017.

At December 31, 2017, the Authority reported a liability of \$189,283 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Authority proportion of the net pension liability was based on Authority contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Authority proportion was .017 percent, which was approximately the same as measured as of December 31, 2016.

For the year ended December 31, 2017, the Authority recognized pension expense of \$40,696. At December 31, 2017, Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS Year Ended December 31, 2017

NOTE 9: PERA – Continued:

December 31, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,841	\$ 36,792
Net difference between projected and actual earnings on pension plan investments	--	--
Changes in assumptions and other inputs	2,000	--
Total	\$ 13,841	\$ 36,792

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Outflows:

Year Ending December 31	Amount
2018	\$ 13,593
2019	248
	\$ 13,841

Deferred Inflows:

Year Ending December 31	Amount
2018	\$ 13,643
2019	13,643
2020	9,506
	\$ 36,792

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 9: PERA – Continued:

Actuarial assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.4 percent
Real wage growth	1.1 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	3.5 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount Rate:	7.25 percent
Future post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07 (automatic)	2.0 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 9: PERA – Continued:

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Long Duration Gov't/Credit	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The basis for the projection of liabilities and the fiduciary net position used to determine the discount rate was an actuarial valuation performed as of December 31, 2016 and the financial status of the LGDTF as of the prior measurement date (December 31, 2016).

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 9: PERA – Continued:

Based on the assumptions and methods used, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Brush Housing Authority proportionate share of the net pension liability to changes in the discount rate: The following presents the LGDTF's collective net pension liability calculated using the discount rate of 7.25 percent as of the measurement date, as well as if it were calculated using a discount rate that is 1- percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent):

December 31, 2017	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 301,467	\$ 189,283	\$ 95,762

Pension plan fiduciary net position: Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Employees of the Authority that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 9: PERA – Continued:

The Authority contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The Authority is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for Authority are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2017, 2016, 2015, and 2013, the Authority contributions to the HCTF were \$929.43, \$1,158, \$1,074 and \$959, respectively, equal to their required contributions for each year.

During 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

NOTE 10: ACCRUED COMPENSATION

Salaries have been recorded as expenses when incurred rather than when paid. At December 31, 2017, accrued compensation amounted to \$-0-

NOTE 11: CONTINGENT LIABILITIES

Litigation:

The Authority has been involved in various legal actions wherein amounts have been claimed against the Authority. In the opinion of legal counsel, these suits are without substantial merit and should not result in judgments, which in the aggregate would have a material adverse effect on the Authority's basic financial statements.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2017

NOTE 12: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority carries commercial insurance with risk of loss transferring to the carriers. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past five fiscal years, and there were no material changes in coverage for 2017.

NOTE 13: SUBSEQUENT EVENTS

The Authority has evaluated subsequent event information through the date of the report, which is the date the financial statements are available to be issued. No events were noted that would require adjustment to or disclosure in the financial statements.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2017	\$11,554	\$11,554	\$91,121	12.7%
2016	12,938	12,938	102,034	12.7%
2015	11,933	11,933	94,108	12.7%
2014	13,345	13,345	105,244	12.7%

Until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Year Ended December 31	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2017	0.017%	\$189,283	\$95,888	197%	79.4%
2016	0.017%	229,558	94,728	242%	73.6%
2015	0.017%	187,268	94,108	199%	76.9%
2014	0.017%	152,372	105,245	145%	80.7%

Until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
SUPPLEMENTAL STATEMENT OF NET POSITION - ALL PROJECT FUNDS
December 31, 2017

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
ASSETS					
Cash in bank and on hand	\$ 10,289	\$ 69,432	\$ 28,927	\$ 52,587	\$ 161,235
Cash in bank - security deposits	11,019	7,635	2,395	-	21,049
Restricted cash - reserve funds	113,377	-	16,254	-	129,631
Rent receivables (net of allowance for uncollectibles)	166	262	1,566	-	1,994
Notes receivable	-	-	-	1,351,463	1,351,463
Allowance for uncollectible notes	-	-	-	(1,351,463)	(1,351,463)
Due from Section 8	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-
Prepaid insurance	703	885	3,129	-	4,717
Capital assets:					
Land	8,072	21,309	18,000	-	47,381
Buildings and improvements	1,212,714	1,291,043	559,000	-	3,062,757
Property and equipment	65,815	98,299	12,213	33,815	210,142
Less: accumulated depreciation	(981,476)	(1,141,501)	(416,544)	(33,370)	(2,572,891)
Total Assets	<u>440,679</u>	<u>347,364</u>	<u>224,940</u>	<u>53,032</u>	<u>1,066,015</u>
DEFERRED OUTFLOWS - Pensions	-	-	-	13,841	13,841
DEFERRED INFLOWS - Pensions	-	-	-	(36,792)	(36,792)
NET DEFERRALS	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,951)</u>	<u>(22,951)</u>
LIABILITIES					
Accounts payable	7,910	5,861	3,025	-	16,796
Accrued payroll and payroll taxes	-	-	-	-	-
Accrued interest expense	123	-	300	-	423
Security deposits	10,823	7,838	2,123	-	20,784
Noncurrent liabilities:					
Due within one year	22,000	-	13,000	5,500	40,500
Due in more than one year	127,314	-	314,981	137,500	579,795
Net pension liability	-	-	-	189,283	189,283
Total Liabilities	<u>168,170</u>	<u>13,699</u>	<u>333,429</u>	<u>332,283</u>	<u>847,581</u>
NET POSITION					
Invested in capital assets, net of related debt	155,811	269,150	(155,312)	-	269,649
Restricted for debt service	113,377	-	16,254	-	129,631
Unrestricted	3,321	64,515	30,571	(302,202)	(203,795)
Total Net Position	<u>\$ 272,509</u>	<u>\$ 333,665</u>	<u>\$ (108,487)</u>	<u>\$ (302,202)</u>	<u>\$ 195,485</u>

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
SUPPLEMENTAL STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET BASIS
ALL PROJECT FUNDS
For the Year Ended December 31, 2017

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
OPERATING REVENUES					
Rent	\$ 147,618	\$ 100,812	\$ 36,666	\$ -	\$ 285,096
Management fees	-	-	-	38,265	38,265
Rent subsidy	115,772	-	91,441	-	207,213
Operating subsidy	-	39,446	-	-	39,446
Other	15,482	8,844	74	-	24,400
Total Operating Revenues	<u>278,872</u>	<u>149,102</u>	<u>128,181</u>	<u>38,265</u>	<u>594,420</u>
OPERATING EXPENSES					
Legal	500	481	-	-	981
Payroll	50,033	31,266	14,589	-	95,888
Advertising	1,364	826	261	327	2,778
Repairs and maintenance	88,322	68,146	38,975	54,770	250,213
Elevator	-	7,494	-	-	7,494
Utilities	68,597	33,181	13,837	-	115,615
Telephone	3,548	665	1,254	-	5,467
Miscellaneous	4,001	(3,053)	-	3,583	4,531
Insurance	8,903	9,026	9,190	827	27,946
Accounting and auditing	11,797	5,783	4,465	2,000	24,045
Management fee	-	-	5,982	-	5,982
Employee benefits	16,763	14,225	11,973	29,954	72,915
Office rental fees	-	1,200	1,200	1,200	3,600
Payments in lieu of taxes	-	3,500	-	-	3,500
Office supplies	6,502	2,664	1,509	2,067	12,742
Bad debt expense	-	-	-	-	-
Payroll tax expense	876	453	255	-	1,584
Total Operating Expenses	<u>261,206</u>	<u>175,857</u>	<u>103,490</u>	<u>94,728</u>	<u>635,281</u>
Operating Income (Loss)	<u>17,666</u>	<u>(26,755)</u>	<u>24,691</u>	<u>(56,463)</u>	<u>(40,861)</u>
NONOPERATING REVENUES (EXPENSES)					
Capital funds grant - HUD	-	35,097	-	-	35,097
Operating grant	-	-	-	-	-
Inter-fund transfers	-	-	-	-	-
Insurance reimbursements	1,775	1,109	444	-	3,328
Interest income	493	22	73	-	588
Interest on notes payable	(1,520)	-	(4,162)	-	(5,682)
Principal paid on notes payable	(21,372)	-	(12,089)	(5,500)	(38,961)
Total Nonoperating Revenues (Expenses)	<u>(20,624)</u>	<u>36,228</u>	<u>(15,734)</u>	<u>(5,500)</u>	<u>(5,630)</u>
Net Income (Loss) - Budget Basis	<u>(2,958)</u>	<u>9,473</u>	<u>8,957</u>	<u>(61,963)</u>	<u>(46,491)</u>
ADJUSTMENTS FOR GAAP BASIS					
Depreciation	(13,645)	(44,421)	(12,458)	-	(70,524)
Principal paid on notes payable	21,372	-	12,089	5,500	38,961
Total GAAP Basis Adjustments	<u>7,727</u>	<u>(44,421)</u>	<u>(369)</u>	<u>5,500</u>	<u>(31,563)</u>
Change in Net Assets (GAAP Basis)	4,769	(34,948)	8,588	(56,463)	(78,054)
Total Net Assets (Deficit) - Beginning of Year	267,740	368,613	(117,075)	(245,739)	273,539
Total Net Assets (Deficit) - End of Year	<u>\$ 272,509</u>	<u>\$ 333,665</u>	<u>\$ (108,487)</u>	<u>\$ (302,202)</u>	<u>\$ 195,485</u>

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
SUPPLEMENTAL STATEMENT OF CASH FLOWS - ALL PROJECT FUNDS
For the Year Ended December 31, 2017

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
Cash flows from operating activities:					
Cash receipts from tenants	\$ 279,080	\$ 149,348	\$ 126,766	\$ 38,265	\$ 593,459
Customer deposits received (returned)	(1,526)	141	(687)	-	(2,072)
Cash payments to suppliers for goods and services	(211,190)	(144,920)	(87,216)	(67,010)	(510,336)
Cash payments to employees for services	(50,033)	(31,266)	(14,589)	-	(95,888)
Net cash provided (used) by operating activities	<u>16,331</u>	<u>(26,697)</u>	<u>24,274</u>	<u>(28,745)</u>	<u>(14,837)</u>
Cash flows from noncapital financing activities:					
Net cash provided (used) by noncapital financing activities	-	-	-	-	-
Cash flows used in capital and related financing activities:					
Capital funds grant - HUD	-	35,097	-	-	35,097
Acquisition of capital assets/insurance	1,775	1,109	(31,207)	-	(28,323)
Principal paid on debt	(21,372)	-	(12,089)	(5,500)	(38,961)
Interest on debt	(1,447)	-	(4,261)	-	(5,708)
Net cash provided (used) by capital and related financing activities	<u>(21,044)</u>	<u>36,206</u>	<u>(47,557)</u>	<u>(5,500)</u>	<u>(37,895)</u>
Cash flows from investing activities:					
Interest received on investments	493	21	73	-	587
Net cash provided (used) by investing activities	<u>493</u>	<u>21</u>	<u>73</u>	<u>-</u>	<u>587</u>
Net increase (decrease) in cash and cash equivalents	(4,220)	9,530	(23,210)	(34,245)	(52,145)
Cash and cash equivalents - beginning of year	138,906	67,537	70,786	86,832	364,061
Cash and cash equivalents - end of year	<u>\$ 134,686</u>	<u>\$ 77,067</u>	<u>\$ 47,576</u>	<u>\$ 52,587</u>	<u>\$ 311,916</u>
Operating Income (Loss)	\$ 2,994	\$ (36,057)	\$ 8,144	\$ (56,463)	\$ (81,382)
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation	13,645	44,421	12,458	-	70,524
Investment Earnings	(493)	(22)	(73)	-	(588)
Interest Expense	1,520	-	4,162	-	5,682
Capital Grant Funds	-	(35,097)	-	-	(35,097)
Changes in assets and liabilities:					
(Increase) decrease in rent receivables	208	246	(1,415)	-	(961)
(Increase) decrease in prepaid insurance	23	14	54	-	91
(Increase) decrease in due from other agencies	-	-	-	-	-
Increase (decrease) in accounts payable	(40)	(343)	1,631	-	1,248
Increase (decrease) in accrued payroll taxes	-	-	-	-	-
Increase (decrease) in security deposits payable	(1,526)	141	(687)	-	(2,072)
Increase (decrease) in pension liabilities	-	-	-	27,718	27,718
Total Adjustments	<u>13,337</u>	<u>9,360</u>	<u>16,130</u>	<u>27,718</u>	<u>66,545</u>
Net cash provided (used) by operating activities	<u>\$ 16,331</u>	<u>\$ (26,697)</u>	<u>\$ 24,274</u>	<u>\$ (28,745)</u>	<u>\$ (14,837)</u>

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017

SUMMARY OF AUDITORS' RESULTS

* Type of report issued on financial statements	Unmodified
* Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
* Noncompliance material to the financial statements noted	No
* Internal control over federal awards:	
Material weaknesses identified	No
Significant deficiencies identified	None reported
* Type of report issued on major program	Unmodified
* Audit findings disclosed	None under 2 CFR 200.516(a)
* Major program	Rural Rental Housing Loans
* Dollar threshold between Type A and Type B programs	(10.415) \$750,000
* Low-risk auditee	Yes

FINDINGS RELATED TO FINANCIAL STATEMENTS

* None

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

* None



Independent Auditors Report on Compliance for Each Major Federal Program and
Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Brush's (BHA) compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017. BHA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of BHA'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the 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 BHA'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 BHA's compliance.

Opinion on Each Major Federal Program

In our opinion the Housing Authority of the City of Brush complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Internal Control Over Compliance

Management of the Housing Authority of the City of Brush 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 requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weakness 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.

Anderson & Whitney, P.C.

September 21, 2018



Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance,
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

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

We have audited in accordance with auditing standards generally accepted in the United States 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 Housing Authority of the City of Brush and the related notes to the financial statements as of and for the year ended December 31, 2017, and have issued our report thereon dated September 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Brush'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.

Anderson & Whitney, P.C.

September 21, 2018

HOUSING AUTHORITY OF THE CITY OF BRUSH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

<u>Pass-through Entity / Federal Agency / Federal Program</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
<u>Direct Programs:</u>		
Department of Housing and Urban Development Rental Housing for Lower Income Families	14.149	\$ 174,072
United States Department of Agriculture - Rural Housing Service Rental Housing for Lower Income Families	10.427	33,141
United States Department of Agriculture - Rural Housing Service Rural Rental Housing Loans	10.415	514,761
Department of Housing and Urban Development Public and Indian Housing	14.850	39,446
Department of Housing and Urban Development Public Housing Capital Fund Program	14.872	35,097
Total - All Federal Grantors		<u>\$ 796,517</u>

Note: This schedule is prepared on the accrual basis of accounting.
The Authority does not have any subrecipients.
The Authority does not use the de minimis method for indirect costs.