
Brush Housing Authority

FINANCIAL STATEMENTS

Year Ended December 31, 2018



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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, 2018, 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, 2018, 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 and OPEB 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 27, 2019 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 27, 2019

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, 2018. 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 \$151,590 at December 31, 2018.
- The December 31, 2018 net position is \$30,378 less than the previous year. Total net position is 22% of 2018 operating expense.
- Due to the implementation of GASB Statement 68 on pensions and GASB Statement 75 on other post – employment benefits (OPEB) there is a pension liability of \$213,726 and an OPEB liability of \$14,966 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, non-operating 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, 2018, assets exceeded liabilities by \$151,590.

The following table provides a summary of the Authority's net position for 2018 and 2017:

Business-Type Activities	2018	2017
Assets:		
Current and other assets	\$ 321,549	\$ 332,467
Capital assets	694,074	747,389
Total Assets and Deferred Outflows	1,015,623	1,079,856
Liabilities:		
Current and other liabilities	133,165	78,503
Long-term liabilities	730,868	805,870
Total Liabilities	864,033	884,373
Net Position:		
Net investment in capital assets	251,161	269,649
Restricted	122,141	129,631
Unrestricted	(221,712)	(203,795)
Total Net Position	\$ 151,590	\$ 195,485

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 \$122,141.

Changes in Net Position

The following table indicates the changes in net position:

<u>Business-Type Activities</u>	<u>2018</u>	<u>2017</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 381,894	\$ 351,089
Operating grants	221,036	246,659
General revenues:		
Capital grant	45,361	35,097
Investment earnings	794	588
<u>Total Revenues</u>	<u>649,085</u>	<u>633,433</u>
Expenses:		
Program services	603,783	635,281
Depreciation	71,264	70,524
Interest on long-term debt	4,416	5,682
<u>Total Expenses</u>	<u>679,463</u>	<u>711,487</u>
<u>Increase (Decrease) in Net Position</u>	<u>\$ (30,378)</u>	<u>\$ (78,054)</u>

Business-Type Activities

Business-type activities decreased BHA's net position by \$30,378 in 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

BHA's investment in capital assets for its business-type activities as of December 31, 2018 totals \$694,074 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total decrease in capital assets for the current year was \$53,315, or 8%, due to regular depreciation expense being greater than new assets added.

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, 2018, BHA had \$579,968 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 2019 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, 2018

ASSETS	
Current Assets	
Cash in bank and on hand	\$ 114,955
Cash in bank - security deposits	25,298
Restricted cash - reserve funds	122,141
Rent receivables (net of allowance for uncollectibles)	975
Notes receivable	1,351,463
Allowance for uncollectible notes	(1,351,463)
Due from other agencies	10,683
Other receivables	-
Accrued interest receivable	-
Prepaid insurance	10,727
Total Current Assets	<u>284,779</u>
Capital assets:	
Land	47,381
Buildings and improvements	3,080,707
Property and equipment	210,142
Less: accumulated depreciation	(2,644,156)
Net Capital Assets	<u>694,074</u>
Total Assets	<u>978,853</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	<u>36,770</u>
LIABILITIES	
Current Liabilities	
Accounts payable	33,044
Accrued payroll and payroll taxes	-
Accrued interest expense	423
Security deposits	21,906
Current portion of note payable	41,000
Total Current Liabilities	<u>96,373</u>
Long-term Liabilities	
Notes payable	538,968
Net OPEB liability	14,966
Net pension liability	213,726
Total Liabilities	<u>864,033</u>
DEFERRED INFLOWS OF RESOURCES - Pensions	
	<u>-</u>
NET POSITION	
Net Investment in capital assets	251,161
Restricted for debt service	122,141
Unrestricted	(221,712)
Total Net Position	<u>\$ 151,590</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, 2018

OPERATING REVENUES		
Rent	\$	297,642
Management fees		60,007
Rent subsidy		183,243
Operating subsidy		37,793
Operating grant		-
Other		24,245
Total Operating Revenues		<u>602,930</u>
OPERATING EXPENSES		
Legal		394
Payroll		97,661
Advertising		3,412
Repairs and maintenance		232,486
Elevator		3,185
Utilities		132,238
Telephone		5,067
Miscellaneous		4,477
Insurance		36,519
Accounting and auditing		29,136
Management fee		29,010
Employee benefits		5,628
Office rent		3,662
Payments in lieu of taxes		-
Office supplies		15,262
Bad debt expense		4,098
Payroll tax expense		1,548
Depreciation		71,264
Total Operating Expenses		<u>675,047</u>
Operating Income (Loss)		<u>(72,117)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income		794
Interest on notes payable		(4,416)
Inter-fund transfers		-
Weather damage repairs		-
Total Nonoperating Revenues (Expenses)		<u>(3,622)</u>
Capital funds grant - HUD		45,361
Increase (decrease) in Net Position		<u>(30,378)</u>
Net Position - Beginning of Year		195,485
Prior Period Adjustment - OPEB		(13,517)
Net Position - End of Year	\$	<u>151,590</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, 2018

Cash flows from operating activities:	
Cash receipts from tenants	\$ 603,949
Customer deposits received (returned)	1,122
Cash payments to suppliers for goods and services	(540,395)
Cash payments to employees for services	(97,661)
Net cash provided (used) by operating activities	<u>(32,985)</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	45,361
Acquisition of capital assets	(17,950)
Principal paid on debt	(40,326)
Interest on debt	(4,416)
Net cash provided (used) by capital and related financing activities	<u>(17,331)</u>
Cash flows from investing activities:	
Interest received on investments	794
Net increase (decrease) in cash and cash equivalents	<u>(49,522)</u>
Cash and cash equivalents, beginning of year	311,916
Cash and cash equivalents, end of year	<u>\$ 262,394</u>
Operating Income (Loss)	\$ (72,117)
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	71,264
Changes in assets and liabilities:	
(Increase) decrease in rent receivables	1,019
(Increase) decrease in prepaid insurance	(6,010)
(Increase) decrease in due from other agencies	(10,683)
Increase (decrease) in accounts payable	16,249
Increase (decrease) in accrued payroll taxes	-
Increase (decrease) in security deposits payable	1,122
Increase (decrease) in pension liabilities	(33,829)
Total Adjustments	<u>39,132</u>
Net cash provided (used) by operating activities	<u>\$ (32,985)</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

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, 2018

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 2018.

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, 2018

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:

Net Investment in capital assets – 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, 2018 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, 2018

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At December 31, 2018, the carrying amount of the Authority's deposits of the business-type activities totaled \$262,394. Federal insurance coverage totaled \$500,000 at December 31, 2018. 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, 2018 is \$142,992. 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, 2018, the Authority had a deficit capital balance of \$77,113. In addition, the Authority's share of partnership liabilities included \$24,474 of qualified nonrecourse financing and \$235,993 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, 2018, 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, 2018

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	551,464
Less: Allowance for Uncollectible Accounts	(551,464)
Net Other Receivables	\$ --

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
Non-depreciable assets				
Land	\$ 47,381	\$ --	\$ --	\$ 47,381
Total non-depreciable assets	47,381	--	--	47,381
Depreciable assets				
Buildings and improvements	3,062,757	17,950	--	3,080,707
Property and equipment	210,142	--	--	210,142
Total depreciable assets	3,272,899	--	--	3,290,849
Accumulated depreciation				
Buildings and improvements	2,386,346	66,060	--	2,452,406
Property and equipment	186,545	5,205	--	191,750
Total accumulated depreciation	2,572,891	71,265	--	2,644,156
Depreciable assets, net	700,008	(53,315)	--	646,693
Capital assets, net	\$ 747,389	\$ (53,315)	\$ --	\$ 694,074

The Authority has no general infrastructure assets.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

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. \$ 127,827

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. 314,641

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. 137,500
\$ 579,968

A summary of changes in notes payable as of December 31, 2018 is as follows:

Description	Balance 12/31/2017	Retired	Balance 12/31/2018	Due in one year
Rural Development – Centennial Manor East	\$ 149,314	\$ 21,487	\$ 127,827	\$ 22,000
Rural Development – Centennial Manor South	327,981	13,340	314,641	13,500
Northeast Colorado Housing, Inc.	143,000	5,500	137,500	5,500
	<u>\$ 620,295</u>	<u>\$ 40,327</u>	<u>\$ 579,968</u>	

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

Fiscal Year	Principal
2019	\$ 5,500
2020	5,500
2021	5,500
2022	5,500
2023	5,500
2024-2028	27,500
2029-2033	27,500
2034-2038	27,500
2039-2043	27,500
	<u>\$ 137,500</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, 2018

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	\$ --	\$ --

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, 2018

NOTE 9: PERA - Continued:

Benefits provided: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit. The service retirement benefit is limited to 100 percent of highest average salary.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy, expected rates of return, and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal law.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual increase reserve for the LGDTF.

Contributions: Eligible employees and the Housing 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, 2018

NOTE 9: PERA - Continued:

Years Ended December 31	2018	2017
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%

At December 31, 2018, the Housing Authority reported a liability of \$213,276 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The Housing Authority proportion of the net pension liability was based on the Housing Authority contributions to the LGDTF for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2018, the Housing Authority proportion was .017 percent, which was approximately the same as measured as of December 31, 2017.

For the year ended December 31, 2018, the Housing Authority recognized pension expense of \$(22,272). At December 31, 2018, the Housing 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, 2018

NOTE 9: PERA – Continued:

December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,937	\$ --
Net difference between projected and actual earnings on pension plan investments	27,833	--
Change in assumptions	--	--
Contributions subsequent to the measurement date	--	--
Total	\$ 36,770	\$ --

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

Year Ending December 31	Amount
2019	\$ 7,354
2020	7,354
2021	7,354
2022	7,354
2023	7,354
	\$ 36,770

Actuarial assumptions: The total pension liability in the December 31, 2018 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	4.0 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Future post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07 and DPS benefit structure	0 percent through 2019 and 1.5 percent compounded annually thereafter.
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

The actuarial assumptions used in the December 31, 2017 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.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 9: PERA – Continued:

Healthy mortality assumptions for active members were based on the RP-20 14 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.

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.

Several factors were considered in evaluating the long-term rate of return assumption for the Trust Fund, 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	30 Year Expected Geometric	
	Target Allocation	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- EmerQinQ	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
HiQh Yield	1.38%	4.30%
Non-U.S. Fixed Income- Developed	1.84%	0.60%
EmerQinQ Market Debt	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%	0.20%
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 percent.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 9: PERA – Continued:

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, 2017 and the financial status of the Trust Fund as of the prior measurement date (December 31, 2017). Based on these assumptions and methods, the Trust Fund'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 collective net pension liability to changes in the discount rate: The following presents the proportionate share of the Trust Funds' collective net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be 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) than the current rate:

Discount rate	(6.25%)	Rate (7.25%)	(8.25%)
Proportionate share of the net pension liability	\$ 326,957	\$ 213,726	\$ 118,997

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, 2018

NOTE 10: Other Postemployment Benefits:

BHA participates in the Health Care Trust Fund. The Health Care Trust Fund (HCTF or Trust Fund) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 75 and is administered by the Public Employees' Retirement Association of Colorado (PERA). PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at <https://www.copera.org/investments/pera-financial-reports>.

General Information about the OPEB Plan:

Plan description: Eligible employees of BHA are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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.

Benefits provided: The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 10 – Other Postemployment Benefits – Continued:

Basis of Presentation: The Schedule of Employer Allocations and Schedule of Collective OPEB Amounts (the Schedules) present amounts that are elements of the financial statements of the Trust Fund or its participating employers. Accordingly, they do not purport to be a complete presentation of the fiduciary net position or changes in fiduciary net position of the Trust Fund or its participating employers. 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 Schedule of Collective OPEB Amounts represents collective amounts for the Trust Fund. This schedule excludes employer-specific deferral amounts that may need to be recognized to comply with GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than 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 64, 65 and 68 of GASB Statement No. 75.

Contributions: Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer Allocation Percentages: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, requires participating employers in the Trust Fund to recognize their proportionate share of the collective net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense in their financial statements. The Schedule of Employer Allocations is prepared to provide employers with their calculated proportion. The proportions presented in this schedule are based on employer contributions as a percentage of total employer contributions during the measurement period or reporting months January 1, 2018 through December 31, 2018. This schedule reports contributions and allocations for each reporting agency affiliated with PERA in the Trust Fund.

As reported in the Trust Fund's Statement of Changes in Fiduciary Net Position in the December 31, 2018 PERA CAFR, BHA's Proportionate share of the employer contributions were \$952 compared to the total employer contributions of \$929 on the Schedule of Employer Allocations. The difference is due to the annualization of contributions and other adjustments to better represent the long-term contribution effort of the employers in the Trust Fund.

Actuarial Valuation Date: The collective total OPEB liability is based upon the December 31, 2017 actuarial valuation, and generally accepted actuarial techniques were applied to roll forward the collective total OPEB liability to December 31, 2018. The roll forward calculation includes actual benefits, interest on the total OPEB liability, the annual normal cost (also called service cost), changes of benefit terms, differences between expected and actual experience at the end of year, and changes of assumptions or other inputs.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 10 – Other Postemployment Benefits – Continued:

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At December 31, 2018, BHA reported a liability of \$14,966 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. BHA proportion of the net OPEB liability was based on BHA contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, BHA proportion was .001 percent, which was approximately the same as its proportion measured as of December 31, 2017.

For the year ended December 31, 2018, BHA recognized OPEB expense of \$929. At December 31, 2018, BHA did not have deferred outflows of resources and deferred inflows of resources related to OPEB that were material to the financial statements.

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.0 percent in 2025

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 10 – Other Postemployment Benefits – Continued:

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.00%
2019	5.00%	3.25%
2020	5.00%	3.50%
2021	5.00%	3.75%
2022	5.00%	4.00%
2023	5.00%	4.00%
2024	5.00%	4.25%
2025+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 10 – Other Postemployment Benefits – Continued

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 for the State and Local Government Divisions 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.

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the Trust Fund

Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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.

Several factors were considered in evaluating the long-term rate of return assumption for the Trust Fund, 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.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 10 – Other Postemployment Benefits – Continued:

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%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	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%	0.20%
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%.

Sensitivity of BHA proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates: The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$14,553	\$14,966	\$15,441

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 10 – Other Postemployment Benefits – Continued:

Discount rate: The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the Trust Fund'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 OPEB 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.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 10 – Other Postemployment Benefits – Continued:

Sensitivity of BHA proportionate share of the net OPEB liability to changes in the discount rate: The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25 percent) or one percentage-point higher (8.25 percent) than the current rate:

December 31, 2018	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 16,073	\$ 14,966	\$ 12,779

OPEB plan fiduciary net position. Detailed information about the HCTF'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.

NOTE 11: ACCRUED COMPENSATION

Salaries have been recorded as expenses when incurred rather than when paid. At December 31, 2018, accrued compensation amounted to \$-0-.

NOTE 12: 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.

NOTE 13: 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 2018.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2018

NOTE 14: 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.

NOTE 15 – RESTATEMENT OF BEGINNING NET POSITION

As of January 1, 2018, Brush Housing Authority has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of this standard requires governments to calculate and report the cost and obligations associated with post-employment benefits in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net postemployment benefits liability.

The adjustment to the beginning balance of net position is as follows:

Net Position – December 31, 2017, as previously reported	\$ 195,485
Restatement due to implementation of GASB Statement 75	(13,517)
Net Position – December 31, 2017, as restated	\$ 181,968

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 11,556	\$ 11,556	\$ 91,142	12.68%
2017	11,554	11,554	91,121	12.68%
2016	12,938	12,938	102,034	12.68%
2015	11,933	11,933	94,108	12.70%
2014	13,345	13,345	105,244	12.70%

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

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 929	\$ 929	\$ 91,142	1.02%
2017	929	929	91,121	1.02%

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
2018	0.017%	\$ 213,726	\$ 91,142	234%	76.0%
2017	0.017%	189,283	91,121	197%	79.4%
2016	0.017%	229,558	102,034	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.

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB 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
2018	0.001%	\$ 14,966	\$ 91,142	16%	17.0%
2017	0.001%	13,517	91,121	15%	17.5%

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, 2018

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
ASSETS					
Cash in bank and on hand	\$ 4,883	\$ 64,122	\$ 17,076	\$ 28,874	\$ 114,955
Cash in bank - security deposits	14,549	7,874	2,875	-	25,298
Restricted cash - reserve funds	105,887	-	16,254	-	122,141
Rent receivables (net of allowance for uncollectibles)	101	375	499	-	975
Notes receivable	-	-	-	1,351,463	1,351,463
Allowance for uncollectible notes	-	-	-	(1,351,463)	(1,351,463)
Inter property receivable	-	-	-	-	-
Due from other agencies	(516)	-	2,316	8,883	10,683
Other receivables	-	-	-	-	-
Allowance for uncollectible	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-
Prepaid insurance	7,814	455	2,458	-	10,727
Capital assets:					
Land	8,072	21,309	18,000	-	47,381
Buildings and improvements	1,220,664	1,291,043	569,000	-	3,080,707
Property and equipment	65,815	98,299	12,213	33,815	210,142
Less: accumulated depreciation	(994,279)	(1,185,235)	(431,272)	(33,370)	(2,644,156)
Total Assets	<u>432,990</u>	<u>298,242</u>	<u>209,419</u>	<u>38,202</u>	<u>978,853</u>
DEFERRED OUTFLOWS					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,770</u>	<u>36,770</u>
LIABILITIES					
Accounts payable	20,070	7,438	3,891	1,645	33,044
Accrued payroll and payroll taxes	-	-	-	-	-
Accrued interest expense	123	-	300	-	423
Security deposits	11,585	7,474	2,847	-	21,906
Noncurrent liabilities:					
Due within one year	22,000	-	13,500	5,500	41,000
Due in more than one year	105,827	-	301,141	132,000	538,968
Net HCTF liability	-	-	-	14,966	14,966
Net pension liability	-	-	-	213,726	213,726
Total Liabilities	<u>159,605</u>	<u>14,912</u>	<u>321,679</u>	<u>367,837</u>	<u>864,033</u>
DEFERRED INFLOWS					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION					
Invested in capital assets, net of related debt	172,445	225,416	(146,700)	-	251,161
Restricted for debt service	105,887	-	16,254	-	122,141
Unrestricted	(4,947)	57,914	18,186	(292,865)	(221,712)
Total Net Position	<u>\$ 273,385</u>	<u>\$ 283,330</u>	<u>\$ (112,260)</u>	<u>\$ (292,865)</u>	<u>\$ 151,590</u>

For the Year Ended December 31, 2018

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
OPERATING REVENUES					
Rent	\$ 149,454	\$ 102,229	\$ 45,959	\$ -	\$ 297,642
Management fees	-	-	-	60,007	60,007
Rent subsidy	117,136	-	66,107	-	183,243
Operating subsidy	-	37,793	-	-	37,793
Other	14,691	8,117	1,416	21	24,245
Total Operating Revenues	<u>281,281</u>	<u>148,139</u>	<u>113,482</u>	<u>60,028</u>	<u>602,930</u>
OPERATING EXPENSES					
Legal	394	-	-	-	394
Payroll	24,210	33,205	5,938	34,308	97,661
Advertising	1,743	1,136	352	181	3,412
Repairs and maintenance	100,513	81,045	42,541	8,387	232,486
Elevator	-	3,185	-	-	3,185
Utilities	66,510	46,337	14,826	4,565	132,238
Telephone	3,023	1,183	861	-	5,067
Miscellaneous	625	42	144	3,666	4,477
Insurance	16,700	7,875	8,582	3,362	36,519
Accounting and auditing	14,205	7,917	5,014	2,000	29,136
Management fee	20,770	-	8,240	-	29,010
Employee benefits	11,663	12,888	10,385	(29,308)	5,628
Office rental fees	-	1,262	1,200	1,200	3,662
Payments in lieu of taxes	-	-	-	-	-
Office supplies	5,158	2,775	1,215	6,114	15,262
Tenant Services	766	976	216	2,140	4,098
Payroll tax expense	413	475	101	559	1,548
Total Operating Expenses	<u>266,693</u>	<u>200,301</u>	<u>99,615</u>	<u>37,174</u>	<u>603,783</u>
Operating Income (Loss)	<u>14,588</u>	<u>(52,162)</u>	<u>13,867</u>	<u>22,854</u>	<u>(853)</u>
NONOPERATING REVENUES (EXPENSES)					
Capital funds grant - HUD	-	45,361	-	-	45,361
Operating grant	-	-	-	-	-
Inter-fund transfers	-	-	-	-	-
Weather damage repairs	-	-	-	-	-
Interest income	497	199	98	-	794
Interest on notes payable	(1,406)	-	(3,010)	-	(4,416)
Principal paid on notes payable	(21,486)	-	(13,340)	(5,500)	(40,326)
Total Nonoperating Revenues (Expenses)	<u>(22,395)</u>	<u>45,560</u>	<u>(16,252)</u>	<u>(5,500)</u>	<u>1,413</u>
Net Income (Loss) - Budget Basis	<u>(7,807)</u>	<u>(6,602)</u>	<u>(2,385)</u>	<u>17,354</u>	<u>560</u>
ADJUSTMENTS FOR GAAP BASIS					
Depreciation	(12,803)	(43,733)	(14,728)	-	(71,264)
Principal paid on notes payable	21,486	-	13,340	5,500	40,326
Total GAAP Basis Adjustments	<u>8,683</u>	<u>(43,733)</u>	<u>(1,388)</u>	<u>5,500</u>	<u>(30,938)</u>
Change in Net Assets (GAAP Basis)	876	(50,335)	(3,773)	22,854	(30,378)
Prior Period Adjustment	-	-	-	(13,517)	(13,517)
Total Net Assets (Deficit) - Beginning of Year	<u>272,509</u>	<u>333,665</u>	<u>(108,487)</u>	<u>(302,202)</u>	<u>195,485</u>
Total Net Assets (Deficit) - End of Year	<u>\$ 273,385</u>	<u>\$ 283,330</u>	<u>\$ (112,260)</u>	<u>\$ (292,865)</u>	<u>\$ 151,590</u>

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
SUPPLEMENTAL STATEMENT OF CASH FLOWS - ALL PROJECT FUNDS
For the Year Ended December 31, 2018

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
Cash flows from operating activities:					
Cash receipts from tenants	\$ 281,346	\$ 148,026	\$ 114,549	\$ 60,028	\$ 603,949
Customer deposits received (returned)	762	(364)	724	-	1,122
Cash payments to suppliers for goods and services	(236,918)	(165,089)	(94,455)	(43,933)	(540,395)
Cash payments to employees for services	(24,210)	(33,205)	(5,938)	(34,308)	(97,661)
Net cash provided (used) by operating activities	<u>20,980</u>	<u>(50,632)</u>	<u>14,880</u>	<u>(18,213)</u>	<u>(32,985)</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	-	45,361	-	-	45,361
Acquisition of capital assets	(7,950)	-	(10,000)	-	(17,950)
Due to (from) other agencies	-	-	-	-	-
Principal paid on debt	(21,486)	-	(13,340)	(5,500)	(40,326)
Interest on debt	(1,406)	-	(3,010)	-	(4,416)
Net cash provided (used) by capital and related financing activities	<u>(30,842)</u>	<u>45,361</u>	<u>(26,350)</u>	<u>(5,500)</u>	<u>(17,331)</u>
Cash flows from investing activities:					
Interest received on investments	495	200	99	-	794
Net cash provided (used) by investing activities	<u>495</u>	<u>200</u>	<u>99</u>	<u>-</u>	<u>794</u>
Net increase (decrease) in cash and cash equivalents	(9,367)	(5,071)	(11,371)	(23,713)	(49,522)
Cash and cash equivalents - beginning of year	134,686	77,067	47,576	52,587	311,916
Cash and cash equivalents - end of year	<u>\$ 125,319</u>	<u>\$ 71,996</u>	<u>\$ 36,205</u>	<u>\$ 28,874</u>	<u>\$ 262,394</u>
Operating Income (Loss)	\$ 876	\$ (50,335)	\$ (3,773)	\$ 22,854	\$ (30,378)
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation	12,803	43,733	14,728	-	71,264
Investment Earnings	(497)	(199)	(98)	-	(794)
Interest Expense	1,406	-	3,010	-	4,416
Capital Grant Funds	-	(45,361)	-	-	(45,361)
Old Checks Written Off	-	-	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in rent receivables	65	(113)	1,067	-	1,019
(Increase) decrease in prepaid insurance	(7,111)	430	671	-	(6,010)
(Increase) decrease in due from other agencies	516	-	(2,316)	(8,883)	(10,683)
Increase (decrease) in accounts payable	12,160	1,577	867	1,645	16,249
Increase (decrease) in accrued payroll taxes	-	-	-	-	-
Increase (decrease) in security deposits payable	762	(364)	724	-	1,122
Increase (decrease) in pension liabilities	-	-	-	(33,829)	(33,829)
Total Adjustments	<u>20,104</u>	<u>(297)</u>	<u>18,653</u>	<u>(41,067)</u>	<u>(2,607)</u>
Net cash provided (used) by operating activities	<u>\$ 20,980</u>	<u>\$ (50,632)</u>	<u>\$ 14,880</u>	<u>\$ (18,213)</u>	<u>\$ (32,985)</u>

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

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, 2018. 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, 2018.

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 27, 2019



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, 2018, and have issued our report thereon dated September 27, 2019.

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 27, 2019

HOUSING AUTHORITY OF THE CITY OF BRUSH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

<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	\$ 153,469
United States Department of Agriculture - Rural Housing Service Rental Housing for Lower Income Families	10.427	29,774
United States Department of Agriculture - Rural Housing Service Rural Rental Housing Loans	10.415	513,057
Department of Housing and Urban Development Public and Indian Housing	14.850	37,793
Department of Housing and Urban Development Public Housing Capital Fund Program	14.872	45,361
Total - All Federal Grantors		<u>\$ 779,454</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.