

Housing Authority of the City of Brighton

**Financial Statements and Supplementary Information
with
Independent Auditor's Reports**

Year Ended December 31, 2018

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HOUSING AUTHORITY OF THE CITY OF BRIGHTON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
DECEMBER 31, 2018

As management of the Housing Authority of the City of Brighton, Colorado (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements.

Financial Highlights

- The term "Net Position" refers to the difference between assets and liabilities. The Authority's total net position as of December 31, 2018 was \$3,546,261. The net position increased by \$1,016,982, an increase of 40% over the prior year. Of this amount, \$3,546,261 was reported as "unrestricted". Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to creditors and operations of facilities.
- Operating income for the Authority was \$2,861,487 for the year ended December 31, 2018. This was an increase of \$1,176,052 or 70% over the prior year.
- Operating expenses for the Authority were \$2,162,433 for the year ended December 31, 2018. This was an increase of \$556,046 or 35% from the prior year.

Using the Financial Statements

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

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

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

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

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

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements and can be found immediately after the financial statements in the audit report.

CONDENSED STATEMENTS OF NET POSITION

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 2,109,892	\$ 2,487,630	\$ (377,738)	-15%
Notes Receivable	1,937,500	1,028,482	909,018	88%
Capital assets	11,897,128	11,357,913	539,215	5%
Total Assets	<u>15,944,520</u>	<u>14,874,025</u>	<u>1,070,495</u>	7%
Current liabilities	652,158	754,384	(102,226)	-14%
Non-current liabilities	11,746,101	11,590,362	155,739	1%
Total Liabilities	<u>12,398,259</u>	<u>12,344,746</u>	<u>53,513</u>	0%
Net Position				
Net Investments in Capital				
Assets	(1,164,308)	(1,368,605)	204,297	-15%
Restricted	1,605,473	148,414	1,457,059	982%
Unrestricted	3,105,096	3,749,470	(644,374)	-17%
Total Net Position	<u>\$ 3,546,261</u>	<u>\$ 2,529,279</u>	<u>\$ 1,016,982</u>	40%

- Total assets decreased by \$79,505, including an increase in capital assets of \$539,215, while current and other assets decreased (\$377,738) and notes receivable decreased (\$240,982).
- Current and other assets decreased by (\$377,738), the majority of the decrease was in unrestricted Cash and Investments of (\$713,422). Restricted cash increased by \$655,783, the off-set between unrestricted and restricted cash was (\$57,639). Taxes and Insurance Escrow increased by \$25,731 and prior year balance was zero. Tenant accounts receivable increased by \$27,076, pre-paid expenses increased by \$181 and other income decreased by (\$372,310), which \$298,482 was a RAD Home Grant received and a decrease in tenant notes receivable of (\$777).

There was an increase in Notes Receivable of \$909,018. The Authority received an additional Home Funds Grant of \$101,518 that was loaned to the RAD fund and received a Housing Development Grant of \$807,500 that was loaned to the Windmill Ranch tax credit project.

- The increase in net capital assets reflects the Authority's investment in capital assets (e.g. land, buildings and equipment) less depreciation. Capital Assets had an increase of \$539,215.
- Current liability decreased by (\$102,226) from the prior year includes an increase of \$9,107 in the amount payable to vendors and contractors which is merely the result of the timing of payments made, an decrease of (\$100,688) in current mortgage payable from the prior year and \$3,545 increase in security deposit liability. The accrued current compensated absences decreased by (\$14,190).
- The long-term liabilities decreased by (\$994,261) a decrease in mortgage payable of (\$1,014,000) and an increase in compensated absences of \$19,738.
- Total Net Position increased by \$1,016,982.

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

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues				
Rental	\$ 1,693,245	\$ 444,582	\$ 1,248,663	281%
Other	1,168,242	1,203,361	(35,119)	-3%
Total Operating Revenue	<u>2,861,487</u>	<u>1,647,943</u>	<u>1,213,544</u>	74%
Total Operating Expenses	<u>2,162,433</u>	<u>1,606,387</u>	<u>556,046</u>	35%
Net Operating Income Loss)	<u>699,054</u>	<u>41,556</u>	<u>657,498</u>	1582%
Net Non-Operating Rev/Exp	<u>317,928</u>	<u>1,042,578</u>	<u>(724,650)</u>	-70%
Change in Net Position	<u>1,016,982</u>	<u>1,084,134</u>	<u>(67,152)</u>	-6%
Net Position - Beginning	<u>2,529,279</u>	<u>1,445,145</u>	<u>1,084,134</u>	75%
Net Position - Ending	<u>\$ 3,546,261</u>	<u>\$ 2,529,279</u>	<u>\$ 1,016,982</u>	40%

- Rental income increased \$1,248,663 due to yearly rent increases on the existing units and a full year of Hughes Station rental revenue for 2018, Hughes Station was purchased in December 2017.
- Other income decreased by (\$35,119), other income includes RAD project design fees, donations, portability administrative fee revenue, fraud recovery fees and tenant charges.

- Operating expenses were \$2,162,433 for 2018 fiscal year and \$1,606,387 for 2017 fiscal year, an increase of \$556,046. This was mainly due to the purchase of Hughes Station Apartment and including a full year of expenses. The Authority continues to implement control to ensure that budget versus actual revenue and expenses are in line and analyzing how to lower costs in all departments on a weekly basis.
- The (\$67,152) change in net position before transfers at the end of 2018 was due to an increase in net operating revenue of \$657,498 and a decrease in net non-operating revenue of (\$724,650).

Capital Assets

CAPITAL ASSETS				
	<u>FY 2018</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Non-Depreciable Assets				
Land	\$ 1,556,341	\$ 1,556,341	\$ -	0%
Construction in Progress	8,467	491,957	(483,490)	-98%
Total Assets, not being Depreciated	<u>1,564,808</u>	<u>2,048,298</u>	<u>(483,490)</u>	-24%
Depreciable Assets				
Land Improvements	20,726	20,726	-	0%
Buildings	11,687,396	10,284,058	1,403,338	14%
Equipment	<u>37,877</u>	<u>37,877</u>	-	0%
Total Capital Assets	<u>11,745,999</u>	<u>10,342,661</u>	<u>1,403,338</u>	14%
Less Depreciation	<u>(1,413,679)</u>	<u>(1,118,398)</u>	<u>(295,281)</u>	26%
Net Capital Assets	<u>\$ 11,897,128</u>	<u>\$ 11,272,561</u>	<u>\$ 624,567</u>	6%

As of December 31, 2018, the Authority had \$11,897,128 invested in capital assets, including buildings and improvements and equipment. As of December 31, 2017, this amount was \$11,272,561. The increase in Capital Assets from 2017 to 2018 was \$624,567, land remained the same and buildings increased by \$1,403,338. The depreciation expense increase this year was \$295,281 and decrease of (\$483,490) in construction in progress.

Debt Administration

As of December 31, 2018 and 2017, the Authority had mortgage debt of \$11,911,436 and \$11,719,961 respectively. Details of the mortgages can be found in Note #7 of the financial statements.

Fund Analysis

- Rental Assistance Demonstration (RAD) – Currently owns and operates 12 RAD units. Last year the RAD units were under construction building out the basements to increase the units from 6 to 12 has been completed. The fund has a net position of \$656,096 which \$443,687 are net investments in capital assets, and \$158,366 in unrestricted net position. The main sources of revenues are rental charges to tenants, project based voucher revenue and other income such as interest and repairs.
- Development – Owns/operates 37 units of housing for low-income individuals and families utilizing various revenue sources. The fund has a net position of \$2,658,039 which (\$936,175) are net investments in capital assets, and \$2,873,330 in unrestricted net position. The main sources of revenues are rental charges to tenants and other income such as cash flow from tax credit project and interest.
- Section 8 Housing Choice Vouchers – Provided on average 215 rental vouchers for low-income clients. The fund has restricted net position of \$1,039 and unrestricted net position of \$64,211. The Authority also receives administrative fees as part of this program.
- Hughes Station Apartments – Owns/operates 120 unit affordable housing tax credit property. The fund has a net position of \$166,876 which (\$671,820) are net investments in capital assets, and \$9,189 in unrestricted net position. The main sources of revenues are rental charges to tenants and other income such as interest and repairs.

Requests for Information

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

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



Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of Housing Authority of the City of Brighton (the Authority) as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Housing Authority of the City of Brighton, as of December 31, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Other Information

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

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



Littleton, Colorado
September 25, 2019

Housing Authority of the City of Brighton
Statement of Net Position
December 31, 2018

	Business-Type Activities
Assets	
Current Assets:	
Cash and cash equivalents	\$ 1,094,371
Restricted cash	879,742
Accounts receivable, net:	
Tenants	52,803
Other	51,365
Taxes and insurance escrow	25,731
Prepaid expenses	1,243
Notes receivable - tenants	4,637
Total Current Assets	2,109,892
Noncurrent Assets:	
Note receivable	1,937,500
Capital assets, net	11,897,128
Total noncurrent assets	13,834,628
Total Assets	\$15,944,520
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 345,502
Accrued wages and compensated absences	30,041
Security deposits	80,483
Current portion of long-term debt	196,132
Total current liabilities	652,158
Long-Term Liabilities:	
Mortgages payable	11,715,304
Compensated absences	30,797
Total long-term liabilities	11,746,101
Total Liabilities	12,398,259
Net Position	
Net investment in capital assets	(1,164,308)
Restricted	905,473
Unrestricted	3,805,096
Total Net Position	\$ 3,546,261

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

Housing Authority of the City of Brighton
Statement of Activities
For the Year Ended December 31, 2018

	Business-Type Activities
Operating Revenues:	
Rental income	\$ 1,693,245
Other revenues	1,168,242
Total Operating Revenues	2,861,487
Operating Expenses:	
Administrative	965,128
Utilities	199,413
Repairs and maintenance	265,520
General expenses	437,090
Depreciation	295,282
Total Operating Expenses	2,162,433
Operating Income	699,054
Non-Operating Revenues (Expenses):	
HUD contribution	2,176,761
Housing assistance payments	(2,019,198)
HAP portability	(611,829)
Capital grants	909,018
Debt forgiveness	300,000
Interest revenues	66,062
Non-operating fees	(37,441)
Interest expense	(465,445)
Net non-operating revenues (expenses)	317,928
Change in net position	1,016,982
Net position, beginning of year (restated)	2,529,279
Net position, end of year	\$ 3,546,261

The accompanying notes are an integral part of these statements.

Housing Authority of the City of Brighton
Statement of Cash Flows
For the Year Ended December 31, 2018

	2018
Cash Flows from Operating Activities:	
Cash received from customers	\$ 3,182,908
Cash paid to suppliers for goods and services	(855,885)
Cash paid to employees	(995,164)
Net Cash From Operating Activities	1,331,859
Cash Flows from Capital and Related Financing Activities:	
Capital grants	462,906
Capital asset additions	(998,814)
Debt proceeds	969,196
Debt principal paid	(477,721)
Interest paid	(465,445)
Debt-related expenses	(37,441)
Net Cash From Capital and Related Financing Activities	(547,319)
Cash Flows from Investing Activities:	
Interest received	66,062
Notes receivable issued	(1,209,777)
Principal received	301,536
Net Cash From Investing Activities	(842,179)
Net Change in Cash and Cash Equivalents	(57,639)
Cash and Cash Equivalents—beginning of year	2,031,752
Cash and Cash Equivalents—end of year	\$ 1,974,113
Reconciliation of Net Operating Income to Net Cash From Operating Activities:	
Operating income (loss)	\$ 699,054
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	295,282
Changes in assets and liabilities:	
Accounts receivable	345,234
Prepaid expenses	(181)
Accounts payable	9,107
Deposits held	(22,186)
Other liabilities	5,549
Total Adjustments	632,805
Net Cash From Operating Activities	\$ 1,331,859
Non-cash transactions	
None	

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

Housing Authority of the City of Brighton

Notes to Financial Statements

December 31, 2018

1. Organization

Reporting Entity

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

The Authority has two component units (RAD and Hughes Station) that qualify as blended component units in accordance with GASBS No. 14, as modified by GASBS No. 61 and GASBS No. 80: the component units are blended into the primary government's financial statements in a manner similar to a department or activity of the primary government.

2. Summary of Significant Accounting Policies

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

Basis of Presentation

Government-wide Financial Statements

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

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

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

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

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

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

The Authority reports one major proprietary fund consisting of the following programs:

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

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

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

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

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

2. Summary of Significant Accounting Policies (continued)

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

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

Net position/Fund equity - Net position in the government-wide financial statements are classified as invested in capital assets, net of related debt, and unrestricted.

Revenues and Expenditures/Expenses

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

3. Cash and Investments

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

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

The Authority is governed by the deposit and investment limitations of state law. The deposits and investments held at December 31, 2018, and reported at fair value, are as follows:

	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 1,974,113
Cash held by fiscal agent	<u>25,731</u>
Total deposits	<u>\$ 1,999,844</u>

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

3. Cash and Investments (continued)

Reconciliation to Statement of Net Position

Current:

Cash and cash equivalents	\$ 394,371
Restricted cash	1,579,742
Taxes and insurance escrows	<u>25,731</u>

Total cash and equivalents \$ 1,999,844

Custodial Credit Risk

In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Deposits in three financial institutions, reported as cash and cash equivalents had bank balances of \$2,124,751 and carrying balances of \$1,974,113 at December 31, 2018. At December 31, 2018, the Authority had \$576,271 exceeding FDIC coverage at a single institution. That amount was protected under the PDPA as described above.

4. Restricted Cash

The tenant lease agreement requires a security deposit equal to \$50 or the total tenant payment, whichever is greater; HUD regulations require that these funds be held in trust in a separate bank account. Cash is also restricted for replacement reserves and other debt requirements. Cash is restricted as follows:

Development program	\$ 720,884
RAD program	54,043
Section 8	1,039
Hughes Station	<u>803,776</u>
	<u><u>\$1,579,742</u></u>

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

5. Capital Assets

The following table presents the capital asset activity of the Authority for the year ended December 31, 2018:

	Balance January 1, 2018	Additions	Deletions/ Transfers	Balance December 31, 2018
Capital assets, not being depreciated:				
Land	\$ 1,556,341	\$ -	\$ -	\$ 1,556,341
Construction in progress	<u>491,957</u>	<u>-</u>	<u>(483,490)</u>	<u>8,467</u>
Total capital assets, not being depreciated	<u>2,048,298</u>	<u>-</u>	<u>(483,490)</u>	<u>1,564,808</u>
Capital assets, being depreciated:				
Land improvements	20,726	-	-	20,726
Buildings and improvements	10,284,058	1,403,338	-	11,687,396
Equipment	<u>37,877</u>	<u>-</u>	<u>-</u>	<u>37,877</u>
Total capital assets, being depreciated	<u>10,342,661</u>	<u>1,403,338</u>	<u>-</u>	<u>11,745,999</u>
Less accumulated depreciation for:				
Land improvements	(15,721)	(1,940)	-	(17,661)
Buildings and improvements	(1,064,800)	(293,341)	-	(1,358,141)
Equipment	<u>(37,877)</u>	<u>-</u>	<u>-</u>	<u>(37,877)</u>
Total accumulated depreciation	<u>(1,118,398)</u>	<u>(295,281)</u>	<u>-</u>	<u>(1,413,679)</u>
Net capital assets, being depreciated	<u>9,224,263</u>	<u>1,108,057</u>	<u>-</u>	<u>10,332,320</u>
Total capital assets, net	<u>\$ 11,272,561</u>	<u>\$ 1,108,057</u>	<u>\$ (483,490)</u>	<u>\$ 11,897,128</u>

Depreciation was charged to functions/programs as follows:

 Business-type activities:

 Affordable housing \$ 295,281

6. Defined Contribution Pension Plan

The Authority contributes to a single-employer defined contribution money purchase plan established by the City of Brighton. The contribution requirements of the Plan are established by and may be amended by the Brighton City Council. The Authority is required to contribute nine percent of each participant's covered salary to the Plan, and employees must contribute nine percent of covered salaries. During the year ended December 31, 2018, the Authority and employees contributed \$103,716, equal to the required contributions.

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

7. Long-Term Obligations

The following is a summary of long-term obligation transactions of the Authority for the year ended December 31, 2018:

	Balance January 1, 2018	Additions/	Retirements	Balance December 31, 2018	Current Portion
Business-type activities:					
HOME program	\$ 216,799	\$ -	\$ (1,270)	\$ 215,529	\$ 1,260
TBK Development Mortgage	2,340,500	-	(40,866)	2,299,634	42,554
MJT Properties - Water Work	75,000	-	-	75,000	-
HOME Loan RAD	298,482	101,518	-	400,000	-
TBK Promissory Note	-	569,196	(4,148)	565,048	10,372
Mile High - Hughes Station	2,150,000	-	(22,327)	2,127,673	27,777
Assumed loans - Hughes Station	<u>6,639,180</u>	<u>-</u>	<u>(410,628)</u>	<u>6,228,552</u>	<u>114,169</u>
Mortgages payable	11,719,961	670,714	(479,239)	11,911,436	196,132
Compensated absences	<u>55,288</u>	<u>49,781</u>	<u>(44,231)</u>	<u>60,838</u>	<u>30,041</u>
	<u>\$11,775,249</u>	<u>\$ 720,495</u>	<u>\$ (523,470)</u>	<u>\$ 11,972,274</u>	<u>\$ 226,173</u>

Mortgages Payable

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

The Authority has a loan under the Home Investment Partnerships Program (HOME) through Adams County. The loan is non-interest bearing and is deferred until either there is a change in occupancy resulting in a ten percent of greater increase in cash flow over 2012. A reevaluation will occur every five years until the note is paid in full or a loan repayment has begun. The last reevaluation was in 2017. If the loan becomes due, it is the intent of Adams County to commit HOME funds for repayment of the loan in the form of a low-interest loan, with an interest rate not to exceed 3.00% per annum. The loan is secured by real property at 227 North 7th Street.

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

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

7. Long-Term Obligations (continued)

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

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

In December of 2017, the Authority assumed five loans totaling \$7,789,180 as part of the Hughes Station purchase agreement. One \$526,339 loan was assumed with monthly payments at \$18,029 including interest at 5.6% per annum, through June 2021, and balloon payment of \$501,267 due in November 2021. One loan was assumed at \$5,212,841 with monthly payments of \$27,447 including interest at 3% per annum, through November 2048. One interfund loan was assumed at \$1,150,000 (see Note 8). The remaining loans were two no-interest loans totaling \$900,000, including a \$300,000 note that was paid in full in 2018.

In 2018, the Authority secured a 20-year note payable to TBK Bank for \$569,196 due in monthly installments of \$2,687, including interest at 3.85% per annum, through July 2038. A balloon payment of \$269,227 is due in July 2018. The mortgage is secured with the property located on East Jessup Street.

Future debt service requirements

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

For the year ended December 31,	Business-type activities	
	Mortgages payable	
	Principal	Interest
2019	\$ 196,132	\$ 422,058
2020	202,996	415,295
2021	3,348,250	399,363
2022	178,143	249,286
2023	184,155	243,292
2024-2028	1,220,865	1,119,305
2029-2033	1,596,874	934,866
2034-2038	2,690,531	666,884
2039-2043	1,036,293	258,287
2044-2048	1,182,197	90,805
	\$11,911,436	\$ 4,799,441

Total interest expense paid in 2018 was \$465,445, none of which was capitalized.

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

8. Interfund Loan

DOH/ Adams Home Loan – Related Party Note

The DOH/ Adams Home Loan was originally payable by Hughes Station to the non-profit organization Almost Home, Inc. in the original amount of \$1,150,000 dated September 1, 2002. The position of borrower was assumed by the Hughes Station and the position of lender was assumed by the Authority on December 28, 2017. No principal payments have been made on this note. Annual interest payments at 1% per annum are due 30 days after the end of each year to the extent of Excess Cash Flow, as defined in the loan agreement. The note matures on December 31, 2032 and is secured by a deed of trust.

9. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; job related illnesses and injuries of employees for which the Authority carries commercial insurance. There have been no significant reductions in insurance coverage from those carried in the prior year, and the amount of settlements has not exceeded insurance coverage for any of the past three fiscal years.

10. Prior Period Adjustments

The Authority identified several prior-period errors that have been corrected:

- It was determined that in December 2017, in connection with the acquisition of Hughes Station, the Authority assumed the position as lender of a loan payable by Hughes Station in the amount of \$1,150,000 (see also Note 8). The liability was properly recorded by Hughes Station; however, the corresponding interfund loan receivable had not been recorded by the Authority.
- Hughes Station was not reported in accordance with GASB reporting standards, thus requiring adjustment to comply with these reporting standards.
- The Authority identified an overstatement of the construction in progress balance of \$298,482, as of December 31, 2017, due to an error in recording construction activity.

The beginning net position balance has been restated as follows:

Net Position as previously reported at December 31, 2017:	\$ 1,535,442
Interfund loan	1,150,000
Reporting standards conversion	142,319
Construction in progress correction	<u>(298,482)</u>
Net position as restated, January 1, 2018	<u>\$ 2,529,279</u>

Housing Authority of the City of Brighton
Notes to Financial Statements (continued)
December 31, 2018

11. Significant Commitments and Contingencies

Claims and Judgments

The Authority participates in a number of federal programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the granter government. As of December 31, 2018, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Authority.

TABOR Amendment

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

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

Housing Authority of the City of Brighton

Supplementary Information

Housing Authority of the City of Brighton
Combining Schedule of Program Net Position
December 31, 2018

	Section 8 Vouchers	Development Program	Component Units		Totals
			RAD	Hughes Station	
Assets					
Current Assets:					
Cash and cash equivalents	\$ 71,410	\$ 729,203	\$ 170,813	\$ 122,945	\$ 1,094,371
Restricted cash	1,039	20,884	54,043	803,776	879,742
Accounts receivable, net:					
Tenants	33,994	10,658	7,909	242	52,803
Other	-	51,177	-	188	51,365
Taxes and insurance escrow	-	-	-	25,731	25,731
Prepaid expenses	199	969	75	-	1,243
Notes receivable - tenants	4,637	-	-	-	4,637
Total Current Assets	<u>111,279</u>	<u>812,891</u>	<u>232,840</u>	<u>952,882</u>	<u>2,109,892</u>
Noncurrent Assets:					
Notes receivable	-	1,937,500	-	-	1,937,500
Capital assets, net	-	1,653,988	1,408,735	8,834,405	11,897,128
Total noncurrent assets	<u>-</u>	<u>3,591,488</u>	<u>1,408,735</u>	<u>8,834,405</u>	<u>13,834,628</u>
Total Assets	<u>\$ 111,279</u>	<u>\$ 4,404,379</u>	<u>\$1,641,575</u>	<u>\$9,787,287</u>	<u>\$15,944,520</u>
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 46,029	\$ 224,455	\$ 14,388	\$ 60,630	\$ 345,502
Accrued wages and compensated absences	-	30,041	-	-	30,041
Security deposits	-	20,884	6,043	53,556	80,483
Current portion of long-term debt	-	43,814	10,372	141,946	196,132
Total current liabilities	<u>46,029</u>	<u>319,194</u>	<u>30,803</u>	<u>256,132</u>	<u>652,158</u>
Long-Term Liabilities:					
Mortgages payable	-	2,546,349	954,676	8,214,279	11,715,304
Interfund due to (from)	-	(1,150,000)	-	1,150,000	-
Compensated absences	-	30,797	-	-	30,797
Total long-term liabilities	<u>-</u>	<u>1,427,146</u>	<u>954,676</u>	<u>9,364,279</u>	<u>11,746,101</u>
Total Liabilities	<u>46,029</u>	<u>1,746,340</u>	<u>985,479</u>	<u>9,620,411</u>	<u>12,398,259</u>
Net Position					
Net investment in capital assets	-	(936,175)	443,687	(671,820)	(1,164,308)
Restricted	1,039	20,884	54,043	829,507	905,473
Unrestricted	64,211	3,573,330	158,366	9,189	3,805,096
Total Net Position	<u>\$ 65,250</u>	<u>\$ 2,658,039</u>	<u>\$ 656,096</u>	<u>\$ 166,876</u>	<u>\$ 3,546,261</u>

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

Housing Authority of the City of Brighton
Combining Schedule of Statements of Activities
For the Year Ended December 31, 2018

	Section 8 Vouchers	Development Program	Component Units		Totals
			RAD	Hughes Station	
Operating Revenues:					
Rental income	\$ -	\$ 446,162	\$ 70,026	\$ 1,177,057	\$ 1,693,245
Other revenues	646,188	365,890	96,662	59,502	1,168,242
Total Operating Revenues	<u>646,188</u>	<u>812,052</u>	<u>166,688</u>	<u>1,236,559</u>	<u>2,861,487</u>
Operating Expenses:					
Administrative	160,014	540,242	37,619	227,253	965,128
Utilities	-	41,545	12,512	145,356	199,413
Repairs and maintenance	-	99,489	19,940	146,091	265,520
General expenses	13,844	241,741	16,592	164,913	437,090
Depreciation	-	63,096	32,175	200,011	295,282
Total Operating Expenses	<u>173,858</u>	<u>986,113</u>	<u>118,838</u>	<u>883,624</u>	<u>2,162,433</u>
Operating Income	<u>472,330</u>	<u>(174,061)</u>	<u>47,850</u>	<u>352,935</u>	<u>699,054</u>
Non-Operating Revenues (Expenses):					
HUD contribution	2,176,761	-	-	-	2,176,761
Housing assistance payments	(2,019,198)	-	-	-	(2,019,198)
HAP portability	(611,829)	-	-	-	(611,829)
Capital grants	-	909,018	-	-	909,018
Debt forgiveness	-	-	-	300,000	300,000
Interest revenues	173	65,882	7	-	66,062
Non-operating fees	-	(4,329)	(33,112)	-	(37,441)
Interest expense	-	(96,207)	(10,760)	(358,478)	(465,445)
Net non-operating revenues (expenses)	<u>(454,093)</u>	<u>874,364</u>	<u>(43,865)</u>	<u>(58,478)</u>	<u>317,928</u>
Change in net position	18,237	700,303	3,985	294,457	1,016,982
Net position, beginning of year (restated)	<u>47,013</u>	<u>1,957,736</u>	<u>652,111</u>	<u>(127,581)</u>	<u>2,529,279</u>
Net position, end of year	<u>\$ 65,250</u>	<u>\$2,658,039</u>	<u>\$ 656,096</u>	<u>\$ 166,876</u>	<u>\$ 3,546,261</u>

The accompanying notes are an integral part of these statements.

Housing Authority of the City of Brighton
Combining Statement of Cash Flows
For the Year Ended December 31, 2018

	Section 8 Vouchers	Development Program	Component Units		Totals
			RAD	Hughes Station	
Cash Flows from Operating Activities:					
Cash received from customers	\$625,985	\$ 813,174	\$ 464,416	\$ 1,279,333	\$ 3,182,908
Cash paid to suppliers for goods and services	(24,860)	(313,837)	(31,939)	(485,249)	(855,885)
Cash paid to employees	(128,515)	(642,775)	(41,271)	(182,603)	(995,164)
Net Cash From Operating Activities	<u>472,610</u>	<u>(143,438)</u>	<u>391,206</u>	<u>611,481</u>	<u>1,331,859</u>
Cash Flows from Capital and Related Financing Activities:					
Capital grants, net	(454,266)	917,172	-	-	462,906
Capital asset additions	-	-	(928,603)	(70,211)	(998,814)
Debt proceeds	-	-	969,196	-	969,196
Debt principal paid	-	(42,136)	(302,630)	(132,955)	(477,721)
Interest paid	-	(96,207)	(10,760)	(358,478)	(465,445)
Debt-related expenses	-	(4,329)	(33,112)	-	(37,441)
Net Cash From Capital and Related Financing Activities	<u>(454,266)</u>	<u>774,500</u>	<u>(305,909)</u>	<u>(561,644)</u>	<u>(547,319)</u>
Cash Flows from Investing Activities:					
Interest received	173	65,882	7	-	66,062
Notes receivable issued	(2,277)	(1,207,500)	-	-	(1,209,777)
Principal received	-	300,625	911	-	301,536
Net Cash From Investing Activities	<u>(2,104)</u>	<u>(840,993)</u>	<u>918</u>	<u>-</u>	<u>(842,179)</u>
Net Change in Cash and Cash Equivalents	16,240	(209,931)	86,215	49,837	(57,639)
Cash and Cash Equivalents—beginning of year	56,209	960,018	138,641	876,884	2,031,752
Cash and Cash Equivalents—end of year	<u>\$ 72,449</u>	<u>\$ 750,087</u>	<u>\$ 224,856</u>	<u>\$ 926,721</u>	<u>\$ 1,974,113</u>
Reconciliation of Net Operating Income to Net Cash From Operating Activities:					
Operating income (loss)	<u>\$472,330</u>	<u>\$ (174,061)</u>	<u>\$ 47,850</u>	<u>\$ 352,935</u>	<u>\$ 699,054</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation	-	63,096	32,175	200,011	295,282
Changes in assets and liabilities:					
Accounts receivable	(20,203)	1,622	293,078	70,737	345,234
Prepaid expenses	(29)	(141)	(11)	-	(181)
Accounts payable	20,512	(39,003)	13,464	14,134	9,107
Deposits held	-	(500)	4,650	(26,336)	(22,186)
Other liabilities	-	5,549	-	-	5,549
Total Adjustments	<u>280</u>	<u>30,623</u>	<u>343,356</u>	<u>258,546</u>	<u>632,805</u>
Net Cash From Operating Activities	<u>\$472,610</u>	<u>\$ (143,438)</u>	<u>\$ 391,206</u>	<u>\$ 611,481</u>	<u>\$ 1,331,859</u>
Non-cash transactions					
None					

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

Housing Authority of the City of Brighton
Financial Data Schedule
For the Year Ended December 31, 2018

	Housing Choice Vouchers 14.871	Business Activities	Blended Component Unit - RAD	Blended Component Unit - Hughes Station	Totals
Assets:					
Current assets:					
Cash:					
111	\$ 71,410	\$ 729,203	\$ 170,813	\$ 122,945	\$ 1,094,371
113	1,039	-	48,000	758,157	807,196
114	-	20,884	6,043	71,350	98,277
100	<u>72,449</u>	<u>750,087</u>	<u>224,856</u>	<u>952,452</u>	<u>1,999,844</u>
Accounts and notes receivable:					
122	33,994	-	-	-	33,994
125	-	51,177	-	188	51,365
126	-	10,658	7,909	242	18,809
127	4,637	-	-	-	4,637
120	<u>38,631</u>	<u>61,835</u>	<u>7,909</u>	<u>430</u>	<u>108,805</u>
Other current assets:					
142	199	969	75	-	1,243
150	<u>111,279</u>	<u>812,891</u>	<u>232,840</u>	<u>952,882</u>	<u>2,109,892</u>
Noncurrent assets:					
Capital assets:					
161	-	513,806	29,276	1,033,985	1,577,067
162	-	2,063,816	1,623,149	8,000,431	11,687,396
163	-	24,717	2,240	-	26,957
164	10,920	-	-	-	10,920
166	(10,920)	(948,351)	(254,397)	(200,011)	(1,413,679)
167	-	-	8,467	-	8,467
160	<u>-</u>	<u>1,653,988</u>	<u>1,408,735</u>	<u>8,834,405</u>	<u>11,897,128</u>
171-040	-	3,087,500	-	-	3,087,500
170	<u>-</u>	<u>3,087,500</u>	<u>-</u>	<u>-</u>	<u>3,087,500</u>
190	<u>\$ 111,279</u>	<u>\$ 5,554,379</u>	<u>\$1,641,575</u>	<u>\$ 9,787,287</u>	<u>\$17,094,520</u>
Liabilities and net position:					
Current liabilities:					
312	\$ 46,029	\$ 224,455	\$ 14,111	\$ 25,515	\$ 310,110
321	-	-	277	-	277
322	-	30,041	-	-	30,041
325	-	-	-	35,115	35,115
341	-	20,884	6,043	53,556	80,483
343-020	-	43,814	10,372	141,946	196,132
310	<u>46,029</u>	<u>319,194</u>	<u>30,803</u>	<u>256,132</u>	<u>652,158</u>
Noncurrent liabilities:					
351	-	2,546,349	954,676	9,364,279	12,865,304
354	-	30,797	-	-	30,797
350	<u>-</u>	<u>2,577,146</u>	<u>954,676</u>	<u>9,364,279</u>	<u>12,896,101</u>
300	<u>46,029</u>	<u>2,896,340</u>	<u>985,479</u>	<u>9,620,411</u>	<u>13,548,259</u>
Net Position:					
508.1	-	(936,175)	443,687	(671,820)	(1,164,308)
511.1	1,039	20,884	54,043	829,507	905,473
512.1	64,211	3,573,330	158,366	9,189	3,805,096
513	<u>65,250</u>	<u>2,658,039</u>	<u>656,096</u>	<u>166,876</u>	<u>3,546,261</u>
600	<u>\$ 111,279</u>	<u>\$ 5,554,379</u>	<u>\$1,641,575</u>	<u>\$ 9,787,287</u>	<u>\$17,094,520</u>

The accompanying notes are an integral part of these statements.

Housing Authority of the City of Brighton
Financial Data Schedule (continued)
For the Year Ended December 31, 2018

	Housing Choice Vouchers 14,871	HOME 14,239	Business Activities	Blended Component Unit - RAD	Blended Component Unit - Hughes Station	Totals	
Revenues:							
70300	Net tenant rental revenues	\$ -	\$ -	\$ 446,162	\$ 70,026	\$1,177,057	\$1,693,245
70400	Tenant revenues - other	-	-	-	275	59,502	59,777
70500	Total tenant revenues	-	-	446,162	70,301	1,236,559	1,753,022
70600	HUD PHA operating grants	2,176,761	-	-	-	-	2,176,761
70610	HUD capital grants	-	101,518	807,500	-	-	909,018
72000	Investment income - restricted	172	-	-	-	-	172
71100	Investment income - unrestricted	1	-	65,882	7	-	65,890
	Total investment income	2,176,934	101,518	873,382	7	-	3,151,841
71500	Other revenues	646,188	-	365,890	96,387	300,000	1,408,465
70000	Total revenues	2,823,122	101,518	1,685,434	166,695	1,536,559	6,313,328
Expenses:							
91110	Administrative salaries	71,810	-	482,354	23,889	116,806	694,859
91200	Auditing fees	1,333	-	1,333	1,333	-	3,999
91400	Advertising and marketing	271	-	411	172	8,350	9,204
91500	Employee benefits - administrative	29,071	-	104,496	5,759	11,528	150,854
91600	Office expenses	13,169	-	29,716	3,962	25,951	72,798
91700	Legal expenses	9,955	-	15,068	3,000	9,881	37,904
91800	Travel	960	-	1,652	660	-	3,272
91900	Other	29,575	-	4,991	4,559	66,266	105,391
91000	Total operating and administrative	156,144	-	640,021	43,334	238,782	1,078,281
93100	Water	-	-	39,006	8,230	69,088	116,324
93200	Electricity	-	-	726	3,301	18,862	22,889
93300	Gas	-	-	1,813	981	3,350	6,144
93,800	Other utilities expense	-	-	-	-	54,056	54,056
92500	Total utilities	-	-	41,545	12,512	145,356	199,413
94100	Ordinary maintenance and operations - labor	-	-	37,018	9,107	89,901	136,026
94200	Ordinary maintenance and operations - materials	-	-	14,655	4,558	44,616	63,829
94300-010	Garbage and trash removal contracts	-	-	5,938	1,346	10,238	17,522
94300-050	Landscape & grounds contracts	-	-	4,366	630	22,545	27,541
94300-060	Unit turnaround contracts	-	-	20,088	196	-	20,284
94300-070	Electrical contracts	-	-	-	1,150	-	1,150
94300-080	Plumbing contracts	-	-	4,411	339	-	4,750
94300-090	Extermination contracts	-	-	2,500	-	1,670	4,170
94300-100	Janitorial contracts	-	-	525	-	6,825	7,350
94300-110	Routine maintenance contracts	-	-	-	-	1,158	1,158
94300-120	Misc. contracts	-	-	9,988	2,614	30,387	52,656
94300	Ordinary maintenance and operations contracts	-	-	99,489	19,940	207,340	326,769
94500	Employee benefits - ordinary maintenance	-	-	7,315	2,239	18,313	27,867
94000	Total maintenance	-	-	106,804	22,179	225,653	354,636

The accompanying notes are an integral part of these statements.

Housing Authority of the City of Brighton
Financial Data Schedule (continued)
For the Year Ended December 31, 2018

	Housing Choice Vouchers 14,871	HOME 14,239	Business Activities	Blended Component Unit - RAD	Blended Component Unit - Hughes Station	Totals
Expenses:						
96110	-	-	5,827	2,048	19,877	27,752
96120	1,063	-	1,959	1,142	-	4,164
96130	1,736	-	8,464	651	4,445	15,296
96140	1,071	-	1,154	992	913	4,130
96100	<u>3,870</u>	<u>-</u>	<u>17,404</u>	<u>4,833</u>	<u>25,235</u>	<u>51,342</u>
96200	13,289	-	116,855	36,640	48,587	215,371
96210	555	-	4,717	277	-	5,549
96000	<u>13,844</u>	<u>-</u>	<u>121,572</u>	<u>36,917</u>	<u>48,587</u>	<u>220,920</u>
96710	-	-	96,207	10,760	358,478	465,445
96700	-	-	96,207	10,760	358,478	465,445
96900	<u>173,858</u>	<u>-</u>	<u>1,023,553</u>	<u>130,535</u>	<u>1,042,091</u>	<u>2,370,037</u>
Excess operating revenues over operating expenses	<u>2,649,264</u>	<u>101,518</u>	<u>661,881</u>	<u>36,160</u>	<u>494,468</u>	<u>3,943,291</u>
97300	2,019,198	-	-	-	-	2,019,198
97350	611,829	-	-	-	-	611,829
97400	-	-	63,096	32,175	200,011	295,282
90000	<u>2,631,027</u>	<u>-</u>	<u>63,096</u>	<u>32,175</u>	<u>200,011</u>	<u>2,926,309</u>
10093	-	-	101,518			101,518
10094	-	(101,518)	-			(101,518)
10100	<u>-</u>	<u>(101,518)</u>	<u>101,518</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	<u>\$ 18,237</u>	<u>\$ -</u>	<u>\$ 700,303</u>	<u>\$ 3,985</u>	<u>\$ 294,457</u>	<u>\$1,016,982</u>

The accompanying notes are an integral part of these statements.

Housing Authority of the City of Brighton
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Agency/Pass-through Entity/Cluster/Program	CFDA Number	Amount
<i>U.S. Department of Housing and Urban Development</i>		
Section 8 Housing Choice Voucher Program	14.871	\$ 2,804,884
Home Investment Partnerships Program	14.239	<u>101,518</u>
<i>Total U.S. Department of Housing and Urban Development</i>		<u>2,906,402</u>
Total Expenditures of Federal Awards		<u>\$ 2,906,402</u>

Notes to the Schedule

1. This schedule includes the federal awards activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of *the Uniform Guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. The Authority has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.



Certified Public Accountants (a professional corporation)

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

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

We have audited the financial statements of Housing Authority of the City of Brighton (the Authority) as of and for the year ended December 31, 2018, and have issued our report thereon September 25, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness and which is described in the accompanying schedule of findings and questioned costs as items 2018-1.

Compliance and Other Matters

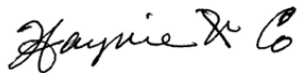
As part of obtaining reasonable assurance about whether Housing Authority of the City of Brighton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Littleton, Colorado
September 25, 2019



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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

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

Report on Compliance for Each Major Program

We have audited Housing Authority of the City of Brighton's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Brighton's major federal programs for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Brighton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal programs occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of Brighton'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 program. However, our audit does not provide a legal determination of Housing Authority of the City of Brighton's compliance.

Opinion on Each Major Program

In our opinion, Housing Authority of the City of Brighton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Housing Authority of the City of Brighton 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 Housing Authority of the City of Brighton's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Brighton'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 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 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 combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Littleton, Colorado
September 25, 2019

Housing Authority of the City of Brighton

Schedule of Findings and Questioned Costs

For the year ended December 31, 2018

Schedule of Findings and Questioned Costs

1. The opinion expressed in the independent certified public accountant's report was:
 Unmodified **Modified** **Adverse** **Disclaimed**

2. The independent certified public accountants' report on internal control over financial reporting described:
 Significant deficiency(ies)? Yes No
 Material Weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?
 Yes No

4. The independent certified public accountant's report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency(ies)? Yes No
 Material Weakness(es)? Yes No

5. The opinion expressed in the independent certified public accountant's report on compliance with requirements applicable to major federal awards was:
 Unmodified **Modified** **Adverse** **Disclaimed**

6. The audit disclosed findings required to be reported by the Uniform Guidance?
 Yes No

7. The Authority's major programs were:

Cluster/Program	CFDA Number
Section 8 Housing Choice Vouchers	14.871

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in Uniform Guidance was \$750,000.

9. The Authority qualified as low-risk auditee as that term is defined in the Uniform Guidance?
 Yes No

Housing Authority of the City of Brighton

Schedule of Findings and Questioned Costs

For the year ended December 31, 2018

Findings Required to be Reported by Government Auditing Standards

Statement of condition 2018-1

Material prior period adjustments were required to properly present several beginning balances of the Authority's financial statements.

Criteria

All account balances should be reconciled to supporting detail and reviewed during the financial statement close process, in order to ensure accurate reporting.

Effect

The financial statements contained undetected errors in the notes receivable, notes payable and revenue balances as of December 31, 2017, which affected the beginning assets, liabilities and net position balances for 2018.

Cause

During the Authority's reconciliation and review process it was not detected that a note receivable balance had not been recorded to reflect a 2017 transaction. In connection with this transaction, it was also not detected that an adjustment to convert a component unit's notes payable balance to meet GASB reporting had not been recorded.

Recommendation

When significant events or transactions occur, there should be a thorough review of the transaction during the reconciliation and review process to ensure that all aspects of the event or transaction are properly recorded and reported.

Management's response

A 2017 Year-End Journal Entry was entered to record the Home Funds loaned to the project in the "BHA Development Fund" (RAD-PBVDEV). When reviewing the "Construction in Progress" account 1406.00, the \$298,481.65 did not appear to be recorded. Therefore, a journal entry was made to the "Construction in Progress" account and "Other Income" account 3690.10. In fact, the "Construction in Progress" draws were actually recorded when the project construction draw checks were processed during project construction. Construction in Progress correction, this proactive measure and adjustment were self-determined.

In 2018 the Auditors identified an adjustment to the 2017 audit to include an Interfund Loan of \$1,150,000 on Hughes Station a newly acquired property. This point was not made during the 2017 Audit review. When acquiring properties in the future, BHA will take proactive measure to review all assumed soft loans and record loans that are in Brighton Housing Authority's name.

Housing Authority of the City of Brighton
Schedule of Findings and Questioned Costs
For the year ended December 31, 2018

Management's response (continued)

These two items restated the 2017 Audit, since then additional proactive measures have been initiated by BHA leadership toward the distribution of work by the Chief Financial Manager. These improved measures will proactively allow for additional time with the year-end procedures and project draw schedules. There were no adjustments to the 2018 Audit, only to the 2017 prior period.