
Brush Housing Authority

FINANCIAL STATEMENTS

Year Ended December 31, 2020



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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, 2020, 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. 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, 2020, 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 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.

Anderson & Whitney, P.C.

February 8, 2022

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, 2020. 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 \$181,872 at December 31, 2020.
- The December 31, 2020 net position is \$19,566 greater than the previous year. Total net position is 28% of 2020 operating expense.
- Due to the implementation of GASB Statement 68 on pensions and GASB Statement 75 Other Post-Employment Benefits there is a pension liability of \$88,592 and a health care trust fund liability of \$12,364 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, 2020, assets exceeded liabilities by \$181,872.

The following table provides a summary of the Authority's net position for 2020 and 2019:

Business-Type Activities	2020	2019
Assets:		
Current and other assets	\$ 339,761	\$ 327,741
Capital assets	569,430	624,994
Total Assets and Deferred Outflows	909,191	952,735
Liabilities:		
Current and other liabilities	166,310	157,251
Long-term liabilities	561,009	633,178
Total Liabilities and Deferred Inflows	727,319	790,429
Net Position:		
Net investment in capital assets	201,132	218,071
Restricted	103,838	122,602
Unrestricted	(123,098)	(178,367)
Total Net Position	\$ 181,872	\$ 162,306

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 \$103,838.

Changes in Net Position

The following table indicates the changes in net position:

<u>Business-Type Activities</u>	<u>2020</u>	<u>2019</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 388,113	\$ 417,169
Operating grants	269,217	241,328
General revenues:		
Capital grant	--	71,281
Investment earnings	1,486	985
<u>Total Revenues</u>	<u>658,816</u>	<u>730,763</u>
Expenses:		
Program services	567,001	643,223
Depreciation	69,673	69,081
Interest on long-term debt	2,576	6,098
<u>Total Expenses</u>	<u>639,250</u>	<u>718,402</u>
<u>Increase (Decrease) in Net Position</u>	<u>\$ 19,566</u>	<u>\$ 12,361</u>

Business-Type Activities

Business-type activities increased BHA's net position by \$19,566 in 2020.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

BHA's investment in capital assets for its business-type activities as of December 31, 2020 totals \$569,430 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total decrease in capital assets for the current year was \$55,564, or 9%, 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, 2020, BHA had \$494,353 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 2021 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, 2020

ASSETS	
Current Assets	
Cash in bank and on hand	\$ 113,091
Cash in bank - security deposits	25,845
Restricted cash - reserve funds	164,921
Rent receivables (net of allowance for uncollectibles)	1,434
Notes receivable	1,351,463
Allowance for uncollectible notes	(1,351,463)
Due from other agencies	(1,959)
Prepaid insurance	10,727
Total Current Assets	314,059
Capital assets:	
Land	47,381
Buildings and improvements	3,092,817
Property and equipment	212,142
Less: accumulated depreciation	(2,782,910)
Net Capital Assets	569,430
Total Assets	883,489
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	25,702
LIABILITIES	
Current Liabilities	
Accounts payable	15,096
Accrued payroll and payroll taxes	-
Accrued interest expense	65
Security deposits	21,042
Current portion of note payable	34,300
Total Current Liabilities	70,503
Long-term Liabilities	
Notes payable	460,053
Net HCTF liability	12,364
Net pension liability	88,592
Total Liabilities	631,512
DEFERRED INFLOWS OF RESOURCES	
Pension Plan	95,807
NET POSITION	
Invested in capital assets, net of related debt	201,132
Restricted for debt service	103,838
Unrestricted	(123,098)
Total Net Position	\$ 181,872

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, 2020

OPERATING REVENUES		
Rent	\$	319,046
Management fees		69,067
Rent subsidy		186,440
Operating subsidy		61,483
Other		21,294
Total Operating Revenues		<u>657,330</u>
OPERATING EXPENSES		
Legal		9,761
Payroll		164,009
Advertising		787
Repairs and maintenance		93,429
Elevator		-
Utilities		123,970
Telephone		4,866
Miscellaneous		6,013
Insurance		35,429
Accounting and auditing		30,721
Management fee		35,420
Employee benefits		32,852
Office rent		1,200
Office supplies		25,581
Bad debt expense		195
Payroll tax expense		2,768
Depreciation		69,673
Total Operating Expenses		<u>636,674</u>
Operating Income (Loss)		<u>20,656</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income		1,486
Interest on notes payable		<u>(2,576)</u>
Total Nonoperating Revenues (Expenses)		<u>(1,090)</u>
Capital funds grant - HUD		-
Increase (decrease) in Net Position		<u>19,566</u>
Net Position - Beginning of Year		162,306
Net Position - End of Year		<u>\$ 181,872</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, 2020

Cash flows from operating activities:	
Cash receipts from tenants	\$ 653,964
Customer deposits received (returned)	(2,266)
Cash payments to suppliers for goods and services	(431,114)
Cash payments to employees for services	(164,009)
Net cash provided (used) by operating activities	<u>56,575</u>
Cash flows used in capital and related financing activities:	
Capital funds grant - HUD	-
Principal paid on debt	(43,215)
Interest on debt	(2,576)
Net cash provided (used) by capital and related financing activities	<u>(57,901)</u>
Cash flows from investing activities:	
Interest received on investments	1,486
Net increase (decrease) in cash and cash equivalents	<u>160</u>
Cash and cash equivalents, beginning of year	<u>303,697</u>
Cash and cash equivalents, end of year	<u>\$ 303,857</u>
Operating Income (Loss)	\$ 20,656
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation	69,673
Changes in assets and liabilities:	
(Increase) decrease in rent receivables	(3,366)
(Increase) decrease in due from other agencies	8,787
Increase (decrease) in accounts payable	(16,517)
Increase (decrease) in accrued payroll taxes	-
Increase (decrease) in security deposits payable	(2,266)
Increase (decrease) in pension liabilities	(20,392)
Total Adjustments	<u>35,919</u>
Net cash provided (used) by operating activities	<u>\$ 56,575</u>

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

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 Accounting 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, 2020

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.

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, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

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

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

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

Income Taxes

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020 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, 2020

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

At December 31, 2020, the carrying amount of the Authority's deposits of the business-type activities totaled \$138,911. Federal insurance coverage totaled \$500,000 at December 31, 2020. 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, 2020 is \$164,921. 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, 2020, 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, 2020, the accrued interest due is \$458,531. Accrued interest is added to the principal annually. The principal and accrued interest is due December 2020.

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, 2020

NOTE 5: OTHER RECEIVABLES

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

The following is a summary of the various fees:

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

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/2020	Increases	Decreases	Balance 12/31/2020
Non-depreciable assets				
Land	\$ 47,381	\$ --	\$ --	\$ 47,381
Total non-depreciable assets	<u>47,381</u>	<u>--</u>	<u>--</u>	<u>47,381</u>
Depreciable assets				
Buildings and improvements	3,080,707	12,110	--	3,092,817
Property and equipment	210,142	2,000	--	212,142
Total depreciable assets	<u>3,290,849</u>	<u>14,110</u>	<u>--</u>	<u>3,304,959</u>
Accumulated depreciation				
Buildings and improvements	2,518,784	67,498	--	2,586,282
Property and equipment	194,452	2,176	--	196,628
Total accumulated depreciation	<u>2,713,236</u>	<u>69,974</u>	<u>--</u>	<u>2,782,910</u>
Depreciable assets, net	<u>577,613</u>	<u>(55,564)</u>	<u>--</u>	<u>522,049</u>
Capital assets, net	<u>\$ 624,994</u>	<u>(55,564)</u>	<u>\$ --</u>	<u>\$ 569,430</u>

The Authority has no general infrastructure assets.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

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. \$ 84,188

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. 283,665

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. 126,500
\$ 494,353

A summary of changes in notes payable as of December 31, 2020 is as follows:

Description	Balance 12/31/2019	Retired	Balance 12/31/2020	Due in one year
Rural Development – Centennial Manor East	\$ 107,924	\$ 23,736	\$ 84,188	\$ 20,550
Rural Development – Centennial Manor South	298,554	14,889	283,665	8,250
Northeast Colorado Housing, Inc.	132,000	5,500	126,500	5,500
	<u>\$ 538,478</u>	<u>\$ 44,125</u>	<u>\$ 494,353</u>	

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

Fiscal Year	Principal
2021	\$ 5,500
2022	5,500
2023	5,500
2024	5,500
2025-2029	27,500
2030-2034	27,500
2035-2039	27,500
2040-2043	22,000
	<u>\$ 126,500</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, 2020

NOTE 8: FUND EQUITY

Reserved

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

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

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

TABOR

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

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

NOTE 9: PERA:

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

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

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

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 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 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 the Internal Revenue Code.

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 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, 2020

NOTE 9: PERA - Continued:

Years Ended December 31	2020	2019
Employer contribution rate as a percentage of salary	10.00%	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	(1.02)
Amount Apportioned to the LGDTF	8.98	8.98
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20	2.20
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50	1.50
Total Employer Contribution Rate to the LGDTF	12.68%	12.68%

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Authority were \$21,086 for the year ended December 31, 2020.

At December 31, 2020, the Authority reported a liability of \$88,592 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, 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, 2020. The Authority proportion of the net pension liability was based on Authority contributions to the LGDTF for the calendar year 2020 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2020, the Authority proportion was .02 percent, which was approximately the same as measured as of December 31, 2019.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 9: PERA – Continued:

For the year ended December 31, 2020, the Authority recognized pension expense of \$12,715. At December 31, 2020, Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,293	\$ --
Change in assumptions	21,409	--
Net difference between projected and actual earnings on pension plan investments	--	95,807
Total	\$ 25,702	\$ 95,807

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
2021	\$ 14,023
2022	14,023
2023	14,023
2024	14,023
2025	14,023
	\$ 70,115

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 9: PERA – Continued:

Actuarial assumptions: The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.4 percent
Real wage growth	1.1 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	3.5 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Future post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07 (automatic)	1.25 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2014 Combined White Collar Mortality Table, as appropriate.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2015, adopted by PERA's Board on October 28, 2016, and an economic assumption study, adopted by PERA's Board on November 16, 2016.

The LGDTF's long-term expected rate of return on pension plan investments was determined using 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 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, 2020

NOTE 9: PERA – Continued:

As of the most recent analysis of the long-term expected rate of return, presented to 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	30 Year Expected
	Allocation	Geometric Real Rate of Return
Global Equity	54.0%	5.6%
Fixed Income	23.0%	1.3%
Real Estate	8.5%	4.4%
Private Equity	8.5%	7.1%
Alternative	6.0%	4.7%
Total	100.00%	

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

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return 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. 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, 2020

NOTE 9: PERA – Continued:

Sensitivity of the Brush Housing Authority proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the 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:

December 31, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 204,081	\$ 88,592	\$ (7,840)

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.

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

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

NOTE 9: PERA – Continued:

The Authority is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for Authority are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended December 31, 2020, 2019, and 2018, the Authority contributions to the HCTF were \$1,665, \$1,021 and \$929, respectively, equal to their required contributions for each year.

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, 2020

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, 2020 through December 31, 2020. This schedule reports contributions and allocations for each reporting agency affiliated with PERA in the Trust Fund.

Actuarial Valuation Date: The collective total OPEB liability is based upon the December 31, 2019 actuarial valuation, and generally accepted actuarial techniques were applied to roll forward the collective total OPEB liability to December 31, 2020. 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, 2020

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, 2020, BHA reported a liability of \$12,364 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. BHA proportion of the net OPEB liability was based on BHA contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, BHA proportion was .001 percent, which was approximately the same as its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, BHA recognized OPEB expense of \$1,665. At December 31, 2020, 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, 2019 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	8.10 percent
Medicare Part A premiums	3.50 percent for 2020, gradually rising to 4.5 percent in 2029

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

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, 2019, 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
2020	8.1%	3.5%
2021	6.4%	3.75%
2022	6.0%	3.75%
2023	5.7%	3.75%
2024	5.5%	4.0%
2025+	5.3%	4.0%

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, 2020

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, 2020

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
Global Equity	54.0%	5.6%
Fixed Income	23.0%	1.3%
Real Estate	8.50%	4.4%
Private Equity	8.50%	7.1%
Cash	6.0%	4.7%
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	7.1%	8.1%	9.1%
Initial Medicare Part A trend rate	2.5%	3.5%	4.5%
Ultimate Medicare Part A trend rate	3.5%	4.5%	5.5%
Net OPEB Liability	\$12,070	\$12,364	\$12,704

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2020

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, 2019 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, 2020

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, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 13,980	\$ 12,364	\$ 10,982

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, 2020, 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 2020.

NOTE 14: CONDUIT DEBT OBLIGATION

The Authority issued a promissory note to U.S. Bank to provide financial assistance to private sector entities for the acquisition and construction of a housing project deemed to be in the public interest. The note is secured by the property financed and is payable solely from payments received on the underlying mortgage loan. Upon repayment of the note, ownership of the acquired housing project transfers to the private-sector entity served by the note issuance. Neither the Authority, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements.

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
 SUPPLEMENTAL STATEMENT OF NET POSITION - ALL PROJECT FUNDS
 December 31, 2020

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
ASSETS					
Cash in bank and on hand	\$ 29,783	\$ 5,937	\$ 74,626	\$ 2,745	\$ 113,091
Cash in bank - security deposits	14,533	8,546	2,766	-	25,845
Restricted cash - reserve funds	87,584	51,253	26,084	-	164,921
Rent receivables (net of allowance for uncollectibles)	272	362	800	-	1,434
Notes receivable	-	-	-	1,351,463	1,351,463
Allowance for uncollectible notes	-	-	-	(1,351,463)	(1,351,463)
Due from other agencies	(2,316)	(1,959)	2,316	-	(1,959)
Prepaid insurance	7,814	455	2,458	-	10,727
Capital assets:					
Land	8,072	21,309	18,000	-	47,381
Buildings and improvements	1,232,774	1,291,043	569,000	-	3,092,817
Property and equipment	65,815	98,299	14,213	33,815	212,142
Less: accumulated depreciation	(1,020,198)	(1,269,623)	(459,719)	(33,370)	(2,782,910)
Total Assets	424,133	205,622	250,544	3,190	883,489
DEFERRED OUTFLOWS	-	-	-	25,702	25,702
LIABILITIES					
Accounts payable	6,838	3,829	3,481	948	15,096
Accrued payroll and payroll taxes	-	-	-	-	-
Accrued interest expense	65	-	-	-	65
Security deposits	10,830	6,679	3,533	-	21,042
Noncurrent liabilities:					
Due within one year	20,550	-	8,250	5,500	34,300
Due in more than one year	63,638	-	275,415	121,000	460,053
Net HCTF liability	-	-	-	12,364	12,364
Net pension liability	-	-	-	88,592	88,592
Total Liabilities	101,921	10,508	290,679	228,404	631,512
DEFERRED INFLOWS	-	-	-	95,807	95,807
NET POSITION					
Invested in capital assets, net of related debt	202,275	141,028	(142,171)	-	201,132
Restricted for debt service	87,584	-	16,254	-	103,838
Unrestricted	32,353	54,086	85,782	(295,319)	(123,098)
Total Net Position	\$ 322,212	\$ 195,114	\$ (40,135)	\$ (295,319)	\$ 181,872

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
 SUPPLEMENTAL STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - BUDGET BASIS
 ALL PROJECT FUNDS

For the Year Ended December 31, 2020

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
OPERATING REVENUES					
Rent	\$ 175,039	\$ 94,773	\$ 49,234	\$ -	\$ 319,046
Management fees	-	-	-	69,067	69,067
Rent subsidy	115,814	-	70,626	-	186,440
Operating subsidy	-	61,483	-	-	61,483
Other	12,709	7,649	191	745	21,294
Total Operating Revenues	303,562	163,905	120,051	69,812	657,330
OPERATING EXPENSES					
Legal	9,761	-	-	-	9,761
Payroll	68,880	55,725	16,923	22,481	164,009
Advertising	487	300	-	-	787
Repairs and maintenance	28,507	31,427	12,734	20,761	93,429
Elevator	-	-	-	-	-
Utilities	72,638	38,373	12,959	-	123,970
Telephone	2,641	819	1,406	-	4,866
Miscellaneous	3,178	62	2,302	471	6,013
Insurance	25,157	1,808	4,438	4,026	35,429
Accounting and auditing	11,583	9,260	4,026	5,852	30,721
Management fee	27,500	-	7,920	-	35,420
Employee benefits	14,186	12,361	6,948	(643)	32,852
Office rental fees	-	-	-	1,200	1,200
Office supplies	557	2,854	2,190	19,980	25,581
Tenant Services	195	-	-	-	195
Payroll tax expense	1,217	854	303	394	2,768
Total Operating Expenses	266,487	153,843	72,149	74,522	567,001
Operating Income (Loss)	37,075	10,062	47,902	(4,710)	90,329
NONOPERATING REVENUES (EXPENSES)					
Capital funds grant - HUD	-	-	-	-	-
Interest income	986	89	411	-	1,486
Interest on notes payable	(1,006)	-	(1,570)	-	(2,576)
Principal paid on notes payable	(22,240)	-	(15,475)	(5,500)	(43,215)
Total Nonoperating Revenues (Expenses)	(22,260)	89	(16,634)	(5,500)	(44,305)
Net Income (Loss) - Budget Basis	14,815	10,151	31,268	(10,210)	46,024
ADJUSTMENTS FOR GAAP BASIS					
Depreciation	(13,501)	(41,994)	(14,178)	-	(69,673)
Principal paid on notes payable	22,240	-	15,475	5,500	43,215
Total GAAP Basis Adjustments	8,739	(41,994)	1,297	5,500	(26,458)
Change in Net Assets (GAAP Basis)	23,554	(31,843)	32,565	(4,710)	19,566
Prior Period Adjustment	-	-	-	-	-
Total Net Assets (Deficit) - Beginning of Year	298,658	226,957	(72,700)	(290,609)	162,306
Total Net Assets (Deficit) - End of Year	\$ 322,212	\$ 195,114	\$ (40,135)	\$ (295,319)	\$ 181,872

HOUSING AUTHORITY OF THE CITY OF BRUSH, COLORADO
 SUPPLEMENTAL STATEMENT OF CASH FLOWS - ALL PROJECT FUNDS
 For the Year Ended December 31, 2020

	CENTENNIAL MANOR EAST	CENTENNIAL MANOR WEST	CENTENNIAL MANOR SOUTH	GENERAL FUND	TOTAL
Cash flows from operating activities:					
Cash receipts from tenants	\$ 303,591	\$ 164,355	\$ 116,206	\$ 69,812	\$ 653,964
Customer deposits received (returned)	(884)	(1,919)	537	-	(2,266)
Cash payments to suppliers for goods and services	(211,822)	(107,606)	(53,963)	(57,723)	(431,114)
Cash payments to employees for services	(68,880)	(55,725)	(16,923)	(22,481)	(164,009)
Net cash provided (used) by operating activities	<u>22,005</u>	<u>(895)</u>	<u>45,857</u>	<u>(10,392)</u>	<u>56,575</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	-	-	-	-	-
Acquisition of capital assets	(12,110)	-	-	-	(12,110)
Due to (from) other agencies	-	-	-	-	-
Principal paid on debt	(22,240)	-	(15,475)	(5,500)	(43,215)
Interest on debt	(1,006)	-	(1,570)	-	(2,576)
Net cash provided (used) by capital and related financing activities	<u>(35,356)</u>	<u>-</u>	<u>(17,045)</u>	<u>(5,500)</u>	<u>(57,901)</u>
Cash flows from investing activities:					
Interest received on investments	986	89	411	-	1,486
Net cash provided (used) by investing activities	<u>986</u>	<u>89</u>	<u>411</u>	<u>-</u>	<u>1,486</u>
Net increase (decrease) in cash and cash equivalents	<u>(12,365)</u>	<u>(806)</u>	<u>29,223</u>	<u>(15,892)</u>	<u>160</u>
Cash and cash equivalents - beginning of year	144,265	66,542	74,253	18,637	303,697
Cash and cash equivalents - end of year	<u>\$ 131,900</u>	<u>\$ 65,736</u>	<u>\$ 103,476</u>	<u>\$ 2,745</u>	<u>\$ 303,857</u>
Operating Income (Loss)	\$ 23,554	\$ (31,843)	\$ 32,565	\$ (4,710)	\$ 19,566
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:					
Depreciation	13,501	41,994	14,178	-	69,673
Investment Earnings	(986)	(89)	(411)	-	(1,486)
Interest Expense	1,006	-	1,570	-	2,576
Capital Grant Funds	-	-	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in rent receivables	29	450	(3,845)	-	(3,366)
(Increase) decrease in due from other agencies	-	-	-	8,787	8,787
Increase (decrease) in accounts payable	(14,215)	(9,488)	1,263	5,923	(16,517)
Increase (decrease) in accrued payroll taxes	-	-	-	-	-
Increase (decrease) in security deposits payable	(884)	(1,919)	537	-	(2,266)
Increase (decrease) in pension liabilities	-	-	-	(20,392)	(20,392)
Total Adjustments	<u>(1,549)</u>	<u>30,948</u>	<u>13,292</u>	<u>(5,682)</u>	<u>37,009</u>
Net cash provided (used) by operating activities	<u>\$ 22,005</u>	<u>\$ (895)</u>	<u>\$ 45,857</u>	<u>\$ (10,392)</u>	<u>\$ 56,575</u>

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
2020	\$ 21,086	\$ 21,086	\$ 163,273	12.91%
2019	12,704	12,704	100,190	12.68%
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
2020	\$ 1,665	\$ 1,665	\$ 163,273	1.02%
2019	1,021	1,021	100,190	1.02%
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
2020	0.02%	\$ 88,592	\$ 163,273	54%	90.9%
2019	0.02%	124,336	100,190	124%	86.3%
2018	0.02%	213,726	91,142	234%	76.0%
2017	0.02%	189,283	91,121	197%	79.4%
2016	0.02%	229,558	102,034	242%	73.6%
2015	0.02%	187,268	94,108	199%	76.9%
2014	0.02%	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
2020	0.001%	\$ 12,364	\$ 163,273	6%	32.8%
2019	0.001%	12,364	100,190	12%	24.5%
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.