

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

FINANCIAL STATEMENTS

December 31, 2016



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FINANCIAL SECTION



Board of Directors
Douglas County Housing Partnership
Lone Tree, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Douglas County Housing Partnership as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Douglas County Housing Partnership, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Douglas County Housing Partnership as of December 31, 2016, and the respective changes in financial position and cash flows 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 and the required supplementary information listed in the table of contents 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, on our consideration of the Douglas County Housing Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Douglas County Housing Partnership's internal control over financial reporting and compliance.



March 20, 2017

The following discussion and analysis presents management's view of the financial position and results of operations for the Douglas County Housing Partnership, a multi-jurisdictional housing authority (the Authority), for the fiscal year ended December 31, 2016. We encourage readers to consider this analysis in conjunction with additional information furnished in the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net position increased \$527,843 or 6.9% in 2016.
- The Authority acquired one additional housing unit in 2016, for a total of 4 units which are rented to families receiving assistance through Douglas County programs. The condominium was purchased with a 2015 CDBG award through Douglas County.
- Copper Steppe Apartments is under construction to be completed by the summer of 2017. It will provide affordable rental units to 260 households at 60% AMI and 4 at 40% AMI. The first two buildings were leased and occupied in November and December 2016.
- The Authority received \$243,256 in revenue in connection with the home ownership loan programs. This was a slight increase from 2015 of \$4,170 (1.7%).
- For down payment assistance (DPA), payoffs (35) outpaced new closings (18) in 2016. The size of the portfolio decreased by 8%. The portfolio went from \$3,084,886 in 2015 to \$2,837,977 in 2016.
- In 2016, nine shared equity investments paid off and all recognized a gain. One SEP was NSP funded where the full payoff is returned to DOLA when received. The net gain on the eight others was \$161,338, which goes into the revolving loan fund from the original source of funding.
- The Authority had no loan losses in 2016 in the Amortized Loan Program (ALP) or the Shared Equity Program (SEP).
- Funding by NeighborWorks, administered through the Colorado Housing and Finance Authority (CHFA), for the National Foreclosure Mitigation Counseling Program (NFMC) decreased due to a decrease in the number of foreclosure filings in Douglas County. Funding decreased by 9.1%, from \$29,100 in 2015 to \$26,450 in 2016. Also, in 2016 there was no funding for foreclosure counseling from the Attorney General's fund, as in the past, because that contract ended in 2015.
- The Authority contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the Authority participate in the LGDTF. At December 31, 2016, the Authority reported a net pension liability of \$489,556, representing its proportionate share of the net pension liability of the LGDTF. This Pension Liability is being reported for the second year for the Authority in these 2016 financial statements. For more information, please refer to Note 8 of the financial statements.

OVERVIEW OF THE AUTHORITY'S OPERATIONS

Douglas County Housing Partnership offers two types of down payment assistance funded through the HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG) and Cash-in-Lieu (CIL) funds. In 2016 the Authority funded a total of 18 new loans and investments.

The Amortized Loan Program (ALP) offers a \$15,000 loan amortized over 30 years at a 3% interest rate. In 2016 the Authority made 8 amortizing loans; 3 with CDBG contract funds, 2 with CDBG revolving loan funds (RLF) funds and 3 with HOME RLF funds.

With the second type, the Shared Equity Program (SEP), DCHP provides funds for down payment that require no payments until sale or refinance of the property; then the investment is repaid at the same percentage as DCHP initially invested. In 2016 the Authority made 10 shared equity investments, 5 with CDBG RLF funds, and 5 with HOME RLF funds.

All loan payments and payoffs are deposited into revolving loan funds to be used for future loans.

With continued, although diminished, demand for foreclosure counseling in 2016, the Authority received funds from Round 9 & 10 of the National Foreclosure Mitigation Counseling grant (NFMC) funded by NeighborWorks America.

Reverse Mortgage Counseling was resumed by the Authority in late 2013 and demand has been strong from citizens 62 and older considering this option; 50 clients received counseling in 2014, 94 in 2015, and 77 in 2016.

As the owner of Oakwood Apartments the Authority provides affordable rental housing to seniors with incomes of 30-60% AMI in the 64-unit property.

The Authority continued to partner with for-profit development companies utilizing low income housing tax credits to build affordable housing in Douglas County.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority uses fund accounting to report its financial position and activities. A fund is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority has 3 funds: General Fund, Loan Fund, and Oakwood Apartments Fund. The General Fund includes general administration and operations, and housing services and counseling. The Loan Fund includes down payment assistance programs financed by grants, and Authority designated CIL funds received from developers. The Oakwood Apartments Fund accounts for the activities of the senior apartment complex owned by the Authority.

All funds of the Authority are classified as enterprise funds. Enterprise funds distinguish between operating and nonoperating revenues and expenses. Operating expenses include administrative expenses, repair and maintenance expenses, and depreciation. All revenues and expenses not meeting the operational criteria are reported as nonoperating revenues and expenses. Nonoperating revenues and expenses include grant and interest activity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2016

The Financial Section consists of three sections: Management's Discussion and Analysis, Financial Statements with Notes, and Required Supplementary Information related to the pension plan. The Statement of Net Position reports the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The revenues and expenses of the Authority are recorded in the Statement of Revenues, Expenses and Changes in Net Position.

The Compliance Section consists of the Auditors' Reports on Internal Controls, and Compliance, and the Schedules of Findings, and Expenditures. Grant expenditures for Federal programs are required to be audited for compliance and internal controls in accordance with government auditing standards and OMB Uniform Guidance. In 2016 the Authority expended over \$750,000 in Federal grant awards and a Single Audit was required.

FINANCIAL ANALYSIS OF THE AUTHORITY**Statement of Net Position**

The Net Position of the Authority increased by \$527,843 or 6.9% in fiscal year 2016. The following table summarizes the changes in assets, liabilities and net position between December 31, 2016 and December 31, 2015:

	2016	2015	Change
Assets			
Current Assets			
Total Current Assets	\$ 2,721,341	\$ 2,137,989	\$ 583,352
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation	3,198,287	3,029,733	168,554
Other Noncurrent Assets	4,543,020	4,770,460	(227,440)
Total Noncurrent Assets	7,741,307	7,800,193	(58,886)
Total Assets	10,462,648	9,938,182	524,466
Deferred Outflows of Resources	100,345	48,273	52,072
Liabilities and Net Position			
Current Liabilities			
Total Current Liabilities	81,815	88,195	(6,380)
Long-Term Liabilities			
Total Long-Term Liabilities	2,270,194	2,215,014	55,180
Total Liabilities	2,352,009	2,303,209	48,800
Deferred Inflows of Resources	1,917	2,022	(105)
Net Position			
Net Investment in Capital Assets	1,383,292	1,172,778	210,514
Restricted	3,907,547	3,713,313	194,234
Unrestricted	2,918,228	2,795,133	123,095
Total Net Position	8,209,067	7,681,224	527,843

Current Assets increased by \$583,352. Unrestricted Cash increased by \$560,572 due to loan pay-offs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2016

Total Noncurrent Assets decreased by \$58,886 due to loan pay-offs. Capital Assets – Net of Accumulated Depreciation increased \$167,554 due to the acquisition of one more housing unit less depreciation on Oakwood Apartments.

Long-term Liabilities increased by \$55,180 due to an increase in the Authority's proportionate share of PERA's LGDTF Net Pension Liability of \$489,556, and Notes payable decreased by \$41,960.

Statement of Revenues, Expenses and Changes in Net Position

The following tables summarize the changes in revenues and expenses between December 31, 2016 and December 31, 2015:

	2016	2015	Change
Operating Revenues			
Total Operating Revenues	\$ 1,110,782	\$ 1,015,706	\$ 95,076
Operating Expenses			
Total Operating Expenses	839,941	814,090	25,851
Net Operating Income (Loss)	270,841	201,616	69,225
Nonoperating Revenues (Expenses)			
Net Nonoperating Revenues (Expenses)	257,002	283,693	(26,691)
Change in Net Position	527,843	485,309	42,534
Net Position, Beginning	7,681,224	7,195,915	
Net Position, Ending	\$ 8,209,067	\$ 7,681,224	

Operating Revenues increased by \$95,076. Partnerships Income and Rental Income were higher. Operating Expenses increased by \$25,851. There were increases in Oakwood and Scattered Site operating expenses.

The decrease in Net Nonoperating Revenues (Expenses) of \$26,691 was because less Program Income had to be returned (NSP loan repayments).

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

The Authority's Capital Assets, Net of Accumulated Depreciation were \$3,198,287 and \$3,029,733 at December 31, 2016 and 2015 respectively.

	2016	2015	Change
Land	\$ 480,000	\$ 480,000	\$ -
Buildings, Improvements & Land Improvements	3,497,116	3,237,201	259,915
Less Accumulated Depreciation	(778,829)	(687,468)	(91,361)
Total Capital Assets, Net	\$ 3,198,287	\$ 3,029,733	\$ 168,554

In 2016 one additional housing unit was acquired to provide affordable housing to families receiving assistance through Douglas County programs; a cost of \$259,915 was recorded in 2016.

Long-Term Debt

In 2012 the Authority refinanced the original Colorado Housing and Finance Authority (CHFA) loan obtained to purchase Oakwood Apartments in 2006. The Authority refinanced with two loans in 2012; with FirstBank in first position with \$1,700,000 and a new second position loan with CHFA for \$300,000. Both loans have the same terms; 3.75% interest rate for the first 5 years (then a re-set of interest rate with a floor of 4%), amortized over 30 years. The Authority's long-term debt was \$1,821,074 at year-end, a decrease of \$40,004 from 2015.

ECONOMIC FACTORS

The mission of the Authority is to achieve economically thriving communities by preserving, providing and developing housing choices in Douglas County.

The Authority anticipated higher demand and participation in the Home Ownership Program in 2016 due to the economic health of the real estate market in the County. However, there is a limited supply of moderately priced homes for sale in the County and the Authority provided down payment assistance to two less families in 2016. The Authority continues to see demand for assistance through both amortizing loans and shared equity investments at similar levels in 2017 as well as high attendance at the home buyer education classes.

The number of foreclosure filings in the County continued to decrease in 2016. With more ability for delinquent borrowers to sell, the Authority served a lower percentage of the households facing foreclosure. The Authority will continue to offer foreclosure counseling into 2017, as grant funding allows.

The demand for reverse mortgage counseling reflects the growing senior population in the County, and the demand for counseling services in the local area. Changes in reverse mortgage regulations have provided an incentive for seniors to seek counseling sooner.

The Authority will continue to evaluate land and existing properties for purchase, and to consider partnerships with development companies building affordable housing in the County. Douglas County continues to be of interest to out-of-state developers as land for development becomes less available in the Denver metro area and demand increases in Douglas County due to population growth.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and to show accountability for the money the Authority receives. If you have any questions or need additional financial information, contact Douglas County Housing Partnership, 9350 Heritage Hills Circle, Lone Tree, CO 80124.

BASIC FINANCIAL STATEMENTS

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

	GENERAL	LOAN	OAKWOOD APARTMENTS	TOTAL
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,006,377	\$ 1,109,673	\$ 383,122	\$ 2,499,172
Restricted Cash	-	-	135,256	135,256
Accounts Receivable	8,758	-	3,097	11,855
Grants Receivable	61,050	-	-	61,050
Prepaid Expenses	5,604	-	8,404	14,008
	1,081,789	1,109,673	529,879	2,721,341
TOTAL CURRENT ASSETS				
NONCURRENT ASSETS				
Investments in Partnerships	213	-	-	213
Accrued Interest Receivable	384,559	-	-	384,559
Loans Receivable	1,386,771	2,771,477	-	4,158,248
Capital Assets, Not Being Depreciated	-	-	480,000	480,000
Capital Assets, Net of Accumulated Depreciation	733,422	-	1,984,865	2,718,287
	2,504,965	2,771,477	2,464,865	7,741,307
TOTAL NONCURRENT ASSETS				
TOTAL ASSETS				
	3,586,754	3,881,150	2,994,744	10,462,648
DEFERRED OUTFLOWS OF RESOURCES				
Pensions, Net of Accumulated Amortization	100,345	-	-	100,345
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	2,414	-	8,875	11,289
Accrued Interest Payable	-	-	5,836	5,836
Unearned Revenues	1,225	-	3,945	5,170
Tenant Security Deposits	1,300	-	17,784	19,084
Notes Payable, Current Portion	-	-	40,436	40,436
	4,939	-	76,876	81,815
TOTAL CURRENT LIABILITIES				
LONG-TERM LIABILITIES				
Accrued Compensated Absences	6,079	-	-	6,079
Notes Payable	-	-	1,774,559	1,774,559
Net Pension Liability	489,556	-	-	489,556
	495,635	-	1,774,559	2,270,194
TOTAL LONG-TERM LIABILITIES				
TOTAL LIABILITIES				
	500,574	-	1,851,435	2,352,009
DEFERRED INFLOWS OF RESOURCES				
Pensions, Net of Accumulated Amortization	1,917	-	-	1,917
NET POSITION				
Net Investment in Capital Assets	733,422	-	649,870	1,383,292
Restricted for Home Ownership Program	-	3,772,291	-	3,772,291
Restricted for Replacement Reserves	-	-	135,256	135,256
Unrestricted	2,451,186	108,859	358,183	2,918,228
	3,184,608	3,881,150	1,143,309	8,209,067
TOTAL NET POSITION				

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

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2016

	GENERAL	LOAN	OAKWOOD APARTMENTS	TOTAL
OPERATING REVENUES				
Member Assessments	\$ 165,000	\$ -	\$ -	\$ 165,000
Grants	142,404	-	-	142,404
Contributions	7,000	-	-	7,000
Rental Income	48,876	-	442,965	491,841
Management Fees	51,836	-	-	51,836
Partnership Distributions	62,963	-	-	62,963
Conduit Loan Fees	13,000	-	-	13,000
Other	6,012	161,672	9,054	176,738
	497,091	161,672	452,019	1,110,782
TOTAL OPERATING REVENUES				
OPERATING EXPENSES				
Administrative	435,249	25,249	140,190	600,688
Utilities	-	-	37,922	37,922
Repairs and Maintenance	-	-	109,970	109,970
Depreciation	17,757	-	73,604	91,361
	453,006	25,249	361,686	839,941
TOTAL OPERATING EXPENSES				
NET OPERATING INCOME	44,085	136,423	90,333	270,841
NONOPERATING REVENUES (EXPENSES)				
Grants	240,386	45,000	-	285,386
Interest Income	46,320	36,584	378	83,282
Program Income Returned	-	(41,900)	-	(41,900)
Interest Expense	-	-	(69,766)	(69,766)
	286,706	39,684	(69,388)	257,002
NET NONOPERATING REVENUES (EXPENSES)				
CHANGE IN NET POSITION	330,791	176,107	20,945	527,843
NET POSITION, Beginning	2,853,817	3,705,043	1,122,364	7,681,224
NET POSITION, Ending	\$ 3,184,608	\$ 3,881,150	\$ 1,143,309	\$ 8,209,067

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

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Increase (Decrease) in Cash
Year Ended December 31, 2016

	GENERAL	LOAN	OAKWOOD APARTMENTS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Members and Others	\$ 305,712	\$ 161,672	\$ -	\$ 467,384
Grants Received	127,314	-	-	127,314
Cash Received from Tenants	49,576	-	455,322	504,898
Cash Payments to Employees	(242,488)	-	-	(242,488)
Cash Payments to Vendors and Suppliers	(155,780)	(25,249)	(296,816)	(477,845)
Net Cash Provided (Used) by Operating Activities	84,334	136,423	158,506	379,263
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Grants Received	-	60,000	-	60,000
Program Income Returned	-	(41,900)	-	(41,900)
Loans to Individuals	-	(433,500)	-	(433,500)
Loan Payments Received from Individuals	-	665,409	-	665,409
Net Cash Provided (Used) by Noncapital Financing Activities	-	250,009	-	250,009
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grants Received	240,386	-	-	240,386
Principal Received on Loans Receivable	18,229	-	-	18,229
Interest Received on Loans Receivable	7,831	-	-	7,831
Acquisition and Construction of Capital Assets	(257,915)	-	-	(257,915)
Principal Payments on Loans	-	-	(41,960)	(41,960)
Interest Payments on Loans	-	-	(69,897)	(69,897)
Net Cash Provided (Used) by Capital and Related Financing Activities	8,531	-	(111,857)	(103,326)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	791	36,584	378	37,753
NET CHANGE IN CASH	93,656	423,016	47,027	563,699
CASH, Beginning	912,721	686,657	471,351	2,070,729
CASH, Ending	\$ 1,006,377	\$ 1,109,673	\$ 518,378	\$ 2,634,428

(Continued)

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

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Increase (Decrease) in Cash
Year Ended December 31, 2016

	GENERAL	LOAN	OAKWOOD APARTMENTS	TOTAL
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Net Operating Income	\$ 44,085	\$ 136,423	\$ 90,333	\$ 270,841
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation	17,757	-	73,604	91,361
Changes in Assets and Liabilities				
Accounts and Grants Receivable	(14,917)	-	(6)	(14,923)
Prepaid Expenses	(1,640)	-	(5,090)	(6,730)
Deferred Outflows of Resources	(52,072)	-	-	(52,072)
Accounts Payable	(695)	-	(3,644)	(4,339)
Unearned Revenues	(272)	-	2,525	2,253
Tenant Security Deposits	700	-	784	1,484
Accrued Compensated Absences	1,956	-	-	1,956
Net Pension Liability	89,537	-	-	89,537
Deferred Inflows of Resources	(105)	-	-	(105)
Net Cash Provided (Used) by Operating Activities	\$ 84,334	\$ 136,423	\$ 158,506	\$ 379,263

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

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Douglas County Housing Partnership (the “Authority”), a multi-jurisdictional housing authority, was formed by an intergovernmental agreement between Douglas County, the Towns of Castle Rock and Parker, and the City of Lone Tree in the State of Colorado to provide affordable housing within these communities.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the Authority, organizations for which the Authority is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Authority. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. Legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Authority.

Based on the application of this criteria, the Authority does not include additional organizations within its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses funds to report its financial position and activities. Fund accounting is designed to segregate transactions related to certain functions or activities. All of the Authority’s funds are classified as enterprise funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods and services.

The 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 when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a fund’s principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for a specific use, it is the Authority's practice to use restricted resources first, and the unrestricted resources as they are needed.

Major individual funds are reported as separate columns in the financial statements. The Authority reports the following major proprietary funds:

The *General Fund* accounts for the development of affordable housing and the general administration and operations of the Authority, including home buyer classes and foreclosure counseling, financed primarily by member contributions, grants, and various fees.

The *Loan Fund* is used to account for the provision of shared equity investments and down-payment assistance loans financed by grants and developer cash-in-lieu funds.

The *Oakwood Apartments Fund* is used to account for the activities of the Oakwood Apartments, a 64-unit senior housing apartment complex located in the Town of Castle Rock.

Assets, Liabilities and Net Position

Cash and Investments - Investments are reported at fair value.

Receivables - Receivables are expensed as bad debts at the time they are determined to be uncollectible. Management has established an allowance for doubtful accounts for amounts that may not be collectible in the future.

Prepaid Expenses - Payments to vendors for goods and services which will benefit subsequent years are reported as prepaid expenses.

Capital Assets - Capital assets, which include land, buildings, building improvements and sidewalks, are recorded at cost. The Authority capitalizes all assets with an original cost of \$5,000 or more, and a useful life of more than one year. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives of the assets.

Buildings	40 years
Building Improvements	10 - 20 years
Land Improvements	10 - 20 years

Unearned Revenues - Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, as when grants are received prior to the incurrence of qualifying expenditures, or when rent is received in advance.

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Compensated Absences - Authority employees are allowed to accumulate unused vacation time to a maximum of 200 hours, depending on years of service. Upon termination of employment from the Authority, an employee will be compensated for all accrued vacation time. These compensated absences are recognized as a liability in the financial statements when earned.

Pensions - The Authority participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the LGDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the LGDTF. 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.

Net Position - Net position is restricted when constraints placed on the use of resources are externally imposed.

In-Kind Contributions

Douglas County provides office space to the Authority at no cost. The estimated fair value of the office space is \$30,000 annually. This in-kind contribution is not reported in the financial statements.

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 for these risks of loss.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets are adopted for all funds as a management control device, but are not required by State statutes. Therefore, budgetary information is not presented in the financial statements.

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3: CASH AND INVESTMENTS

Cash at December 31, 2016, consisted of the following:

Petty Cash	\$ 400
Cash Deposits	<u>2,634,028</u>
Total	<u>\$ 2,634,428</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the Authority had bank deposits of \$2,282,908 collateralized with securities held by the financial institutions' agents but not in the Authority's name.

Investments

The Authority is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, concentration and custodial risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Authority had no investments at December 31, 2016.

Restricted Cash

At December 31, 2016, the Oakwood Apartments Fund held replacement reserves, as required by its loan agreement, of \$135,256.

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4: INVESTMENTS IN PARTNERSHIPS

Castle Highlands Limited Partnership

The Authority was admitted to the Castle Highlands Limited Partnership in November, 2004. The Authority received a .005% interest as a special limited partner in the partnership. The Reserve at Castle Highlands provides 200 affordable rental housing units for families in Castle Rock.

LincolnPointe Lofts One

The Authority is a member in LincolnPointe Lofts Development Company, LLC (Developer) and LincolnPointe Lofts, LLC (General Partner). The Authority was granted a 10% and 9.999% membership in these entities, respectively. Admitted in September, 2004, the Authority also participates as a special limited partner in LincolnPointe Lofts One Limited Partnership (Owner) with a .001% interest. LincolnPointe Lofts One provides 133 affordable rental housing units for families in unincorporated Douglas County.

LincolnPointe Lofts Two

The Authority is a member in LincolnPointe Lofts Two Development Company, LLC (Developer) and LincolnPointe Lofts Two, LLC (General Partner). The Authority was granted a 10% and a 9.999% membership in these entities, respectively. The Authority also participates as a special limited partner with a .01% interest in LincolnPointe Lofts Two LLLP (Owner), admitted in October, 2006. LincolnPointe Lofts Two provides 88 units of affordable rental housing in unincorporated Douglas County.

Apex Meridian, LLC

In August, 2013, the Authority, through its wholly-owned subsidiary DCHP Participations LLC, entered into an agreement with Apex Meridian, LLC, to acquire, construct and maintain a multifamily rental housing development with 156 dwelling units in eight three-story buildings located in unincorporated Douglas County. As a Class B Special Member of Apex Meridian, LLC, the Authority has a .01% partnership interest.

Auburn Ventures, LP

The Authority, through its wholly-owned subsidiary DCHP Participations LLC, entered into an agreement with Auburn Ventures, LP, to acquire, develop, maintain, and operate a 90-unit multifamily apartment complex known as Auburn Ridge Senior Apartments located in the Town of Castle Rock. The Authority received a .005% partnership interest in Auburn Ventures, LP.

Copper Steppe Apartments, LLC

In September, 2015, the Authority, through its wholly-owned subsidiary DCHP Participations LLC, entered into an agreement with Copper Steppe Apartments, LLC, to develop and operate a 264-unit multifamily rental housing development known as Copper Steppe Apartments, located in unincorporated Douglas County. As a Class B Special Member of Copper Steppe Apartments, LLC, the Authority has no liability for acts or omissions in connection with the development.

DOUGLAS COUNTY HOUSING PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5: LOANS RECEIVABLE

Loans receivable at December 31, 2016, consisted of the following.

	Principal	Interest	Total
General Fund			
LincolnPointe Lofts Two LLLP	\$ 500,000	\$ 264,500	\$ 764,500
LincolnPointe Lofts Two LLLP	100,000	30,500	130,500
LincolnPointe Lofts One Limited Partnership	580,000	88,590	668,590
Auburn Ventures, LP	14,650	-	14,650
Auburn Ventures, LP	192,121	969	193,090
Loan Fund			
Home Buyers Assistance Program, Net of Allowance for Doubtful Accounts	2,771,477	-	2,771,477
Total	\$ 4,158,248	\$ 384,559	\$ 4,542,807

General Fund

During 2006, the Authority loaned \$600,000 in the form of two notes to LincolnPointe Lofts Two LLLP to purchase land for a housing complex. The first loan, for \$500,000, accrues interest at 5.4% per annum. The second loan, for \$100,000, accrues interest at 3% per annum. If not paid sooner, all principal and accrued interest is due in full on January 31, 2040.

During 2008, the Authority loaned \$580,000 to LincolnPointe Lofts One Limited Partnership to pay off a bridge loan utilized to construct the housing complex. The loan accrues interest at 2% per annum. If not paid sooner, all principal and accrued interest is due in full on April 1, 2042.

During 2014, the Authority loaned \$200,000 to Auburn Ventures, LP, for construction of a multifamily apartment complex. The loan is non-interest bearing and is due in full on December 31, 2045. On October 1, 2014, the Authority agreed to allow Auburn Developers, LLC, to purchase the loan for \$25,000 after the expiration of the Auburn Ventures, LP, low-income housing tax credit compliance period.

During 2014, the Authority agreed to loan \$200,000 to Auburn Ventures, LP, for construction of a multifamily apartment complex. The loan accrues interest at 2% per annum. If not paid sooner, all principal and accrued interest is due in full on December 31, 2045.

Loan Fund

At December 31, 2016, the Authority had outstanding loans of \$9,321 to qualifying first-time home buyers for down-payment and closing cost assistance. Under this program, the Authority provides loans for up to 5% of the purchase price of the home, to a maximum of \$15,000. Monthly principal and interest payments are required for a term of 15 or 30 years. The loans are secured by deeds of trust and are interest-bearing at varying rates.

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5: LOANS RECEIVABLE (Continued)

Loan Fund (Continued)

At December 31, 2016, the Authority had outstanding loans of \$1,081,429 to qualifying first-time home buyers for down-payment and closing cost assistance. Under this program, the Authority provides \$15,000 loans. The loans are secured by deeds of trust and bear interest at 3% per annum. Monthly principal and interest payments are required for a term of 30 years.

At December 31, 2016, the Authority had outstanding investments of \$1,747,227 under the shared equity program. Under this program, the Authority provides funding of up to 20% of the purchase price of the home, to a maximum of \$50,000, to first-time home buyers working in Douglas County. The investment is required to be repaid upon the sale or refinance of the home. At that time, the borrower must return the same percentage of sale proceeds to the Authority.

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, is summarized below:

	<u>Balances</u> 12/31/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/16
Capital Assets, Not Being Depreciated				
Land	\$ 480,000	\$ -	\$ -	\$ 480,000
Capital Assets, Being Depreciated				
Buildings	3,111,185	259,915	-	3,371,100
Building Improvements	108,617	-	-	108,617
Land Improvements	17,399	-	-	17,399
Total Capital Assets, Being Depreciated	<u>3,237,201</u>	<u>259,915</u>	<u>-</u>	<u>3,497,116</u>
Less Accumulated Depreciation				
Buildings	(646,634)	(82,930)	-	(729,564)
Building Improvements	(35,476)	(7,149)	-	(42,625)
Land Improvements	(5,358)	(1,282)	-	(6,640)
Total Accumulated Depreciation	<u>(687,468)</u>	<u>(91,361)</u>	<u>-</u>	<u>(778,829)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,549,733</u>	<u>168,554</u>	<u>-</u>	<u>2,718,287</u>
Total Capital Assets, Net	<u>\$ 3,029,733</u>	<u>\$ 168,554</u>	<u>\$ -</u>	<u>\$ 3,198,287</u>

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7: LONG-TERM LIABILITIES

A summary of changes in long-term debt for the year ended December 31, 2016, is presented below:

	<u>Balance</u> 12/31/15	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 12/31/16	<u>Due Within</u> <u>One Year</u>
General Fund					
Compensated Absences	\$ 4,123	\$ 2,433	\$ 477	\$ 6,079	\$ -
Oakwood Apartments Fund					
FirstBank	1,578,751	-	35,612	1,543,139	34,413
CHFA	<u>278,204</u>	<u>-</u>	<u>6,348</u>	<u>271,856</u>	<u>6,023</u>
Total	<u>\$ 1,861,078</u>	<u>\$ 2,433</u>	<u>\$ 42,437</u>	<u>\$ 1,821,074</u>	<u>\$ 40,436</u>

Compensated absences are expected to be liquidated primarily with resources of the General Fund.

On February 23, 2012, the Authority obtained two loans to refinance an existing loan from the Colorado Housing and Finance Authority (CHFA), originally used to purchase the Oakwood Apartments. FirstBank loaned \$1,700,000 and CHFA loaned \$300,000 to the Authority. Both loans accrue interest at 3.75% per annum for the first five years. After five years, the interest rate will reset to 300 basis points above the five-year Constant Maturity Treasury rate through maturity, provided that the rate will not be lower than 4%. Monthly payments of principal and interest, amortized over a thirty-year period, are required beginning April 1, 2012, with a balloon payment due at maturity on March 1, 2022.

Following is a summary of debt service requirements to maturity assuming an interest rate of 4%.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 40,436	\$ 71,420	\$ 111,856
2018	41,632	70,224	111,856
2019	46,328	65,528	111,856
2020	45,093	66,763	111,856
2021	46,931	64,925	111,856
2022	<u>1,594,575</u>	<u>10,628</u>	<u>1,605,203</u>
Total	<u>\$ 1,814,995</u>	<u>\$ 349,488</u>	<u>\$ 2,164,483</u>

DOUGLAS COUNTY HOUSING PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The Authority contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the Authority participate in the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the LGDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The LGDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The Authority and eligible employees are required to contribute to the LGDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The Authority's contribution rate for calendar years 2015 and 2016 was 13.7% of covered salaries. However, a portion of the Authority's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 10).

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

The Authority's contributions to the LGDFT for the year ended December 31, 2016, were \$32,691, equal to the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Authority reported a net pension liability of \$489,556, representing its proportionate share of the net pension liability of the LGDFT. The net pension liability was measured at December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Authority's proportion of the net pension liability was based on the Authority's contributions to the LGDFT for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the Authority's proportion was 0.0444411975%, which was a decrease of 0.0001883659% from its proportion measured at December 31, 2014.

For the year ended December 31, 2016, the Authority recognized pension expense of \$67,616. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 711	\$ -
Changes of assumptions and other inputs	-	1,736
Net difference between projected and actual earnings on plan investments	69,377	-
Changes in proportion	-	181
Contributions subsequent to the measurement date	<u>30,257</u>	<u>-</u>
Total	<u>\$ 100,345</u>	<u>\$ 1,917</u>

Authority contributions of \$30,257 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

DOUGLAS COUNTY HOUSING PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Year Ended December 31,

2017	\$	23,728
2018		24,934
2019		<u>19,509</u>
Total		<u>\$ 68,171</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation		2.8%
Real wage growth		1.1%
Wage inflation		3.9%
Salary increases, including wage inflation		3.9% - 10.85%
Long-term investment rate of return, net of plan investment expenses, including price inflation		7.5%
Future post-retirement benefit increases:		
Hired prior to 1/1/07		2%
Hired after 12/31/06		ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

The long-term expected rate of return on 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.

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

DOUGLAS COUNTY HOUSING PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	<u><u>100.00%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently establish static contribution rates through 2017. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease .5% each year, to a minimum of 10%. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the Authority's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate share of the net pension liability	<u>\$ 750,539</u>	<u>\$ 489,556</u>	<u>\$ 273,096</u>

Pension Plan Fiduciary Net Position - Detailed information about the LGDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

DOUGLAS COUNTY HOUSING PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9: DEFINED CONTRIBUTION PENSION PLAN

Plan Description - 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 CRS, as amended, assigns the authority to establish the plan provisions to PERA's governing board. PERA issues a publicly available annual financial report for the plan. That report may be obtained as described previously.

Funding Policy - 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 CRS, as amended. In addition, the Authority has agreed to contribute an amount on behalf of each employee equal to the employee's medical insurance premium if the employee chooses not to participate fully in the health benefit programs provided by the Authority. Employees are immediately vested in all contributions. For the year ended December 31, 2016, the Authority and plan members contributed \$2,830 and \$0, respectively, to the plan.

NOTE 10: POST-EMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The Authority contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy and health care programs to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The Authority is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Authority's apportionment to the HCTF for the years ended December 31, 2016, 2015 and 2014 was \$2,434, \$2,574, and \$2,494, respectively, equal to the required amounts for each year.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Promissory Note

In April, 2006, the Authority entered into a loan agreement with Douglas County. The terms of the agreement require the Authority to repay \$646,000 to the County in the event the Oakwood Apartments cease to be affordable housing. Since the possibility is remote that the Authority would fail to meet this requirement, no liability has been reported in the financial statements for this contingency.

DOUGLAS COUNTY HOUSING PARTNERSHIP
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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

Claims and Judgements

The Authority participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the Authority may be required to reimburse the grantor government. At December 31, 2016, some grant expenses have not been audited, but the Authority believes that subsequent audits will not have a material effect on the overall financial position of the Authority.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. However, management believes the Authority is exempt from the provisions of the Amendment.

Conduit Debt Obligation

In September, 2015, the Authority entered into a funding loan agreement with Citibank in the amount of \$32,500,000. Simultaneously, the Authority entered into a borrower loan agreement with Copper Steppe Apartments, LLC, whereby Copper Steppe Apartments, LLC, will construct a 264-unit multifamily rental housing development in unincorporated Douglas County using the loan proceeds. The loans are payable solely from pledged revenues and other funds of the development and are secured by a deed of trust on the related property. Copper Steppe Apartments, LLC, will make all principal and interest payments required by the loan agreements, which mature on October 1, 2048. Since the Authority is not obligated in any manner for repayment of the Citibank loan, it is not reported in the accompanying financial statements. The outstanding balance of the loan at December 31, 2016, was \$23,670,228.

REQUIRED SUPPLEMENTARY INFORMATION

DOUGLAS COUNTY HOUSING PARTNERSHIP
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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO LOCAL GOVERNMENT DIVISION TRUST FUND
December 31, 2016

	12/31/15	12/31/14	12/31/13
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
Authority's Proportion of the Net Pension Liability	0.0444411975%	0.0446295634%	0.0466782790%
Authority's Proportionate Share of the Net Pension Liability	\$ 489,556	\$ 400,019	\$ 384,125
Authority's Covered-Employee Payroll	\$ 252,391	\$ 244,550	\$ 249,033
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	194%	164%	154%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77%	81%	78%
	12/31/16	12/31/15	12/31/14
AUTHORITY CONTRIBUTIONS			
Statutorily Required Contribution	\$ 30,257	\$ 32,003	\$ 31,009
Contributions in Relation to the Statutorily Required Contribution	(30,257)	(32,003)	(31,009)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Authority's Covered-Employee Payroll	\$ 238,625	\$ 252,392	\$ 244,550
Contributions as a Percentage of Covered-Employee Payroll	12.68%	12.68%	12.68%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

DOUGLAS COUNTY HOUSING PARTNERSHIP
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado Local Government Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The Authority's contributions and related ratios represent cash contributions and any related accruals that coincide with the Authority's fiscal year ending on the subsequent December 31.

Changes in Assumptions and Other Inputs

For the year ended December 31, 2015, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

COMPLIANCE SECTION



Board of Directors
Douglas County Housing Partnership
Lone Tree, Colorado

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

We have audited, 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, the financial statements of the business-type activities and each major fund of the Douglas County Housing Partnership as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Douglas County Housing Partnership, and have issued our report thereon dated March 20, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Douglas County Housing Partnership's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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 the Douglas County Housing Partnership's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Douglas County Housing Partnership'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*.

Purpose of this Report

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



March 20, 2017



Board of Directors
Douglas County Housing Partnership
Lone Tree, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE,
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

We have audited the Douglas County Housing Partnership's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Douglas County Housing Partnership's major federal programs for the year ended December 31, 2016. The Douglas County Housing Partnership's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Douglas County Housing Partnership's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Douglas County Housing Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Douglas County Housing Partnership's compliance.

Opinion on Each Major Federal Program

In our opinion, the Douglas County Housing Partnership complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Douglas County Housing Partnership is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Douglas County Housing Partnership's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Douglas County Housing Partnership's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and each major fund of the Douglas County Housing Partnership as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Douglas County Housing Partnership. We issued our report thereon dated March 20, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Douglas County Housing Partnership's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



March 20, 2017

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditors' report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of OMB's Uniform Guidance?

_____ yes x no

Identification of major federal program:

14.218 Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes _____ no

Financial Statement Findings

The audit of the financial statements did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose fraud, noncompliance, or abuse that were material to those financial statements.

Federal Awards Findings and Questioned Costs

The audit of federal awards did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose instances of noncompliance or abuse that were material to those federal awards.

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development		
Passed through the Colorado Department of Local Affairs, Division of Housing Home Investment Partnerships Program	14.239	\$ 168,600
Passed through Douglas County Community Development Block Grant	14.218	559,823
Passed through the Colorado Housing and Finance Authority Housing Counseling Assistance Program	14.169	<u>28,350</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>756,773</u>
U.S. Department of the Treasury		
Passed through the Colorado Housing and Finance Authority National Foreclosure Mitigation Counseling	21.000	<u>27,700</u>
TOTAL U.S. DEPARTMENT OF THE TREASURY		<u>27,700</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 784,473</u>

See the accompanying Independent Auditors' Report.

DOUGLAS COUNTY HOUSING PARTNERSHIP
A Multi-Jurisdictional Housing Authority

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The Authority does not charge a de minimus indirect cost rate.

NOTE 2: REVOLVING LOAN PROGRAM

The Authority administers a revolving loan fund program to provide loans to first-time home buyers in Douglas County. The program is funded with grants provided by the Department of Housing and Urban Development (HUD) passed through the State of Colorado and Douglas County. The loan amounts disbursed during the year and the related administrative costs are reported as expenditures in the schedule of expenditures of federal awards. Subsequent loans are subject to the same compliance requirements imposed by HUD's federal regulations as the initial loans.