

**Douglas County Housing Partnership**  
*A Multi-Jurisdictional Housing Authority*

**Financial Statements**  
**with Independent Auditors' Report**

**December 31, 2017**

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Office of the State Auditor

March 30, 2018



**Douglas County Housing Partnership**  
**(A Multi-Jurisdictional Housing Authority)**  
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**December 31, 2017**

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Business Advisors

## Independent Auditors' Report

Board of Directors  
Douglas County Housing Partnership  
Lone Tree, Colorado

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, 2017, 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. 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, 2017, 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.

*Hill & Company*

Greenwood Village, Colorado  
March 15, 2018



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, 2017. 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 \$228,420 or 2.8% in 2017.
- Construction of Copper Steppe Apartments was completed in September of 2017. This 264-unit apartment complex provides affordable rental units to 260 households at 60% AMI and 4 at 40% AMI.
- DCHP submitted a request to the Town of Castle Rock to amend the PD zoning for the Oakwood Apartments to allow construction of 45 more units on the site. At the end of 2017 the request was in review by the planning staff.
- The Authority sold one housing unit, a condo, in 2017. DCHP now has 3 units which are rented to families receiving assistance through the DC Cares program. We recognized a gain of \$87,184 from this sale.
- The Authority received \$144,474 in revenue in connection with the home ownership loan programs. This was a significant decrease from 2016 of \$98,782 (40.6%).
- For down payment assistance (DPA), payoffs (20) outpaced new closings (7) in 2017. The size of the portfolio decreased by 11.1%. The portfolio went from \$2,837,977 in 2016 to 2,523,159 in 2017. Due to steep declines in the supply of moderately priced homes for sale in the County, buyers could not find homes to purchase.
- In 2017, six shared equity investments paid off and all recognized a gain. The net gain on the six sales was \$104,898 (\$99,755 after adjustments from the previous year), which goes into the revolving loan fund from its original source of funding.
- The Authority had no loan losses in 2017 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 9.7%, from \$26,450 in 2016 to \$23,888 in 2017.
- 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, 2017, the Authority reported a net pension liability of \$538,907, representing its proportionate share of the net pension liability of the LGDTF. This Pension Liability is being reported for the third year for the Authority in these 2017 financial statements. For more information, please refer to Note 9 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 2017 the Authority funded a total of 7 new loans and investments.

The Amortized Loan Program (ALP) offers a \$15,000 loan amortized over 30 years at a 3% interest rate. In 2017 the Authority made 2 amortizing loans; 1 with CDBG contract funds and 1 with HOME RLF funds.

With the second type of down payment assistance, the Shared Equity Program (SEP), DCHP provides funds for down payment that require no payments to DCHP until sale or refinance of the property; then the investment is repaid at the same percentage as DCHP initially invested. In 2017 the Authority made 5 shared equity investments 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 2017, the Authority received funds from Round 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, 77 in 2016, and 100 in 2017.

As the owner of the 64-unit Oakwood Senior Apartments the Authority provides affordable rental housing to seniors with incomes below 30-60% for the area median income (AMI).

The Authority continued to partner with for-profit development companies utilizing low income housing tax credits (LIHTC) to build affordable housing in Douglas County. With the completion of Copper Steppe in 2017, there are now 920 LIHTC units in Douglas County where DCHP is a Special Limited Partner in the partnership that owns the apartments.

**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, 2017

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.

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; in 2017 expenditures were under that threshold.

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

The Net Position of the Authority increased by \$228,420 or 2.8% in fiscal year 2017. The following table summarizes the changes in assets, liabilities and net position between December 31, 2017 and December 31, 2016:

	<b>2017</b>	<b>2016</b>	<b>Change</b>
<b>Assets</b>			
Current Assets			
Total Current Assets	<u>\$ 3,500,749</u>	<u>\$ 2,721,341</u>	<u>\$ 779,408</u>
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation	2,984,096	3,198,287	(214,191)
Other Noncurrent Assets	4,242,906	4,543,020	(300,114)
Total Noncurrent Assets	<u>7,227,002</u>	<u>7,741,307</u>	<u>(514,305)</u>
Total Assets	<u>10,727,751</u>	<u>10,462,648</u>	<u>265,103</u>
Deferred Outflows of Resources	<u>81,096</u>	<u>100,345</u>	<u>(19,249)</u>
<b>Liabilities and Net Position</b>			
Current Liabilities			
Total Current Liabilities	89,913	81,815	8,098
Long-Term Liabilities			
Total Long-Term Liabilities	<u>2,278,181</u>	<u>2,270,194</u>	<u>7,987</u>
Total Liabilities	<u>2,368,094</u>	<u>2,352,009</u>	<u>16,085</u>
Deferred Inflows of Resources	<u>3,266</u>	<u>1,917</u>	<u>1,349</u>
Net Position			
Net Investment in Capital Assets	1,211,652	1,383,292	(171,640)
Restricted	4,070,065	3,907,547	162,518
Unrestricted	<u>3,155,770</u>	<u>2,918,228</u>	<u>237,542</u>
Total Net Position	<u>8,437,487</u>	<u>8,209,067</u>	<u>228,420</u>

Current Assets increased by \$779,408. Unrestricted Cash increased by \$794,273 (2016: \$2,499,172, 2017: \$3,293,445) primarily due to CIL loan pay-offs and the sale of one condominium as well as higher revenue for the Oakwood Apartments.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended December 31, 2017

Total Noncurrent Assets decreased by \$514,305 due to loan pay-offs. Capital Assets – Net of Accumulated Depreciation decreased \$214,191 due to the sale of one condominium and depreciation on Oakwood Apartments.

Long-term Liabilities increased by \$7,987 due to an increase of \$49,351 in the Authority's proportionate share of PERA's LGDTF Net Pension Liability of \$538,907, a decrease in Notes payable by \$46,064 and a small increase in Accrued Compensated Absences.

**Statement of Revenues, Expenses and Changes in Net Position**

The following tables summarize the changes in revenues and expenses between December 31, 2017 and December 31, 2016:

	2017	2016	Change
Operating Revenues			
Total Operating Revenues	<u>\$ 1,008,386</u>	<u>\$ 1,110,782</u>	<u>\$ (102,396)</u>
Operating Expenses			
Total Operating Expenses	<u>887,044</u>	<u>839,941</u>	<u>47,103</u>
Net Operating Income (Loss)	<u>121,342</u>	<u>270,841</u>	<u>(149,499)</u>
Nonoperating Revenues (Expenses)			
Net Nonoperating Revenues (Expenses)	<u>107,078</u>	<u>257,002</u>	<u>(149,924)</u>
Change in Net Position	228,420	527,843	(299,423)
Net Position, Beginning	<u>8,209,067</u>	<u>7,681,224</u>	
Net Position, Ending	<u>\$ 8,437,487</u>	<u>\$ 8,209,067</u>	

Operating Revenues decreased by \$102,396. Grants were lower. Operating Expenses increased by \$47,103. There were increases in Administrative costs and Oakwood Repairs and Maintenance expenses.

The decrease in Net Nonoperating Revenues (Expenses) of \$149,924 was because grant revenue decreased.

**CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

The Authority's Capital Assets, Net of Accumulated Depreciation were \$3,198,287 and \$2,984,096 at December 31, 2016 and 2017 respectively.

	2017	2016	Change
Land	\$ 480,000	\$ 480,000	\$ -
Buildings, Improvements & Land Improvements	3,363,921	3,497,116	(133,195)
Less Accumulated Depreciation	<u>(859,825)</u>	<u>(778,829)</u>	<u>(80,996)</u>
Total Capital Assets, Net	<u>\$ 2,984,096</u>	<u>\$ 3,198,287</u>	<u>\$ (214,191)</u>

In 2017, one housing unit was sold. The Asset Value of \$133,195 less depreciation of \$9,016, for a net asset value of \$124,179. We received proceeds of \$211,363 resulting in a gain of \$87,184.

**Long-Term Debt**

In 2012 the Authority refinanced the original Colorado Housing and Finance Authority (CHFA) loan used to purchase Oakwood Apartments in 2006. The Authority refinanced with two loans: 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 re-setting of the interest rate occurred March 1, 2017; the interest rate on both loans is now 4.0% until maturity on March 1, 2022. The Authority's long-term debt was \$1,783,223 at year-end, a decrease of \$37,851 from 2016.

**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 2017 due to the economic health of the real estate market in the County. The Authority had a 50% increase in demand for Down Payment Assistance and related counseling services, however, there were steep declines in the supply of moderately priced homes for sale. Supply was further constrained by a sharp increase of cash purchases by investors at these price points. Average days on market (listing to closing) for homes under \$330,000 dropped from 35 days in 2016 to just 18 days in 2017; a clear indication that cash purchasers were the majority of buyers for properties at these attainable price points. As a result, the Authority provided down payment assistance to only 7 buyers in 2017 despite accepting 60 applications. The Authority continues to see demand for assistance for both amortizing loans and shared equity investments at similar levels through the first quarter of 2018, as well as high attendance at the home buyer education classes. Meanwhile supply trends in 2018 are no greater than in 2017.

The number of foreclosure filings in the County continued to decline in 2017. This trend is a result of delinquent borrowers having more ability to sell. In spite of this decline, the Authority served more households facing foreclosure in 2017 than it did in the previous year. The Authority will continue to offer foreclosure counseling into 2018, as grant funding allows.

The demand for reverse mortgage counseling remains strong. This is a reflection of the growing senior population in the County. The high cost of for-sale housing and a lack of more affordable senior rental options is forcing many seniors to seek reverse mortgages as a means of maintaining financial stability and independence while on a fixed income. The Authority predicts an increase in demand for these services in 2018.

In response to these needs the Authority endeavors to develop more affordable independent senior rental units. The Authority is re-zoning the Oakwood Senior Apartments property to allow for the development of 45 more units on the site. The Authority will also 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, 2017

	General	Loan	Oakwood Apartments	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash	\$ 1,340,951	\$ 1,563,824	\$ 388,670	\$ 3,293,445
Restricted Cash	-	-	153,371	153,371
Accounts Receivable	14,986	-	2,216	17,202
Grants Receivable	22,363	-	-	22,363
Prepaid Expenses	4,952	-	9,416	14,368
Total Current Assets	1,383,252	1,563,824	553,673	3,500,749
<b>Noncurrent Assets</b>				
Investments in Partnerships	213	-	-	213
Accrued Interest Receivable	425,780	-	-	425,780
Loans Receivable	1,360,254	2,456,659	-	3,816,913
Capital Assets, <i>not being depreciated</i>	-	-	480,000	480,000
Capital Assets, <i>net of accumulated depreciation</i>	592,834	-	1,911,262	2,504,096
Total Noncurrent Assets	2,379,081	2,456,659	2,391,262	7,227,002
Total Assets	3,762,333	4,020,483	2,944,935	10,727,751
<b>Deferred Outflows of Resources</b>				
Items related to Pensions, <i>net of accumulated amortization</i>	81,096	-	-	81,096
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts Payable	2,037	-	15,905	17,942
Accrued Interest Payable	-	-	6,076	6,076
Unearned Revenues	940	-	1,134	2,074
Tenant Security Deposits	1,300	-	18,572	19,872
Notes Payable, Current Portion	-	-	43,949	43,949
Total Current Liabilities	4,277	-	85,636	89,913
<b>Long-Term Liabilities</b>				
Accrued Compensated Absences	10,779	-	-	10,779
Notes Payable	-	-	1,728,495	1,728,495
Net Pension Liability	538,907	-	-	538,907
Total Long-Term Liabilities	549,686	-	1,728,495	2,278,181
Total Liabilities	553,963	-	1,814,131	2,368,094
<b>Deferred Inflows of Resources</b>				
Items related to Pensions, <i>net of accumulated amortization</i>	3,266	-	-	3,266
<b>Net Position</b>				
Net Investment in Capital Assets	592,834	-	618,818	1,211,652
Restricted for:				
Home Ownership Program	-	3,916,694	-	3,916,694
Replacement Reserves	-	-	153,371	153,371
Unrestricted	2,693,366	103,789	358,615	3,155,770
Total Net Position	\$ 3,286,200	\$ 4,020,483	\$ 1,130,804	\$ 8,437,487

**Douglas County Housing Partnership**  
*(A Multi-Jurisdictional Housing Authority)*  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended December 31, 2017**

	General	Loan	Oakwood Apartments	Total
<b>Operating Revenues</b>				
Member Assessments	\$ 165,000	\$ -	\$ -	\$ 165,000
Grants	108,532	-	-	108,532
Contributions	5,000	-	-	5,000
Rental Income	30,212	-	454,895	485,107
Management Fees	52,152	-	-	52,152
Partnership Distributions	67,992	-	-	67,992
Conduit Loan Fees	13,000	-	-	13,000
Other	5,309	99,931	6,363	111,603
<b>Total Operating Revenues</b>	<u>447,197</u>	<u>99,931</u>	<u>461,258</u>	<u>1,008,386</u>
<b>Operating Expenses</b>				
Administrative	468,117	71	149,337	617,525
Utilities	-	-	41,383	41,383
Repairs and Maintenance	-	-	138,124	138,124
Depreciation	16,409	-	73,603	90,012
<b>Total Operating Expenses</b>	<u>484,526</u>	<u>71</u>	<u>402,447</u>	<u>887,044</u>
<b>Net Operating Income (Loss)</b>	<u>(37,329)</u>	<u>99,860</u>	<u>58,811</u>	<u>121,342</u>
<b>Nonoperating Revenues (Expenses)</b>				
Grants	-	15,000	-	15,000
Interest Income	46,667	29,543	490	76,700
Gain on Sale	87,184	-	-	87,184
Interest Expense	-	-	(71,806)	(71,806)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>133,851</u>	<u>44,543</u>	<u>(71,316)</u>	<u>107,078</u>
<b>Net Income (Loss) Before Transfers</b>	96,522	144,403	(12,505)	228,420
Transfer In	5,070	-	-	5,070
Transfer (Out)	-	(5,070)	-	(5,070)
<b>Change in Net Position</b>	101,592	139,333	(12,505)	228,420
<b>Net Position, <i>Beginning of year</i></b>	<u>3,184,608</u>	<u>3,881,150</u>	<u>1,143,309</u>	<u>8,209,067</u>
<b>Net Position, <i>End of year</i></b>	<u>\$ 3,286,200</u>	<u>\$ 4,020,483</u>	<u>\$ 1,130,804</u>	<u>\$ 8,437,487</u>

**Douglas County Housing Partnership**  
*(A Multi-Jurisdictional Housing Authority)*  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2017**

	General	Loan	Oakwood Apartments	Total
<b>Cash Flows from Operating Activities</b>				
Cash Received from Members and Others	\$ 302,225	\$ 99,931	\$ -	\$ 402,156
Grants Received	147,219	-	-	147,219
Cash Received from Tenants	30,212	-	460,116	490,328
Cash Payments to Employees	(228,823)	-	-	(228,823)
Cash Payments to Vendors and Suppliers	(164,655)	(71)	(322,826)	(487,552)
	86,178	99,860	137,290	323,328
<b>Net Cash Provided by Operating Activities</b>				
<b>Cash Flows from Noncapital Financing Activities</b>				
Grants Received	-	15,000	-	15,000
Loan Payments Received from Individuals	-	469,818	-	469,818
Loan to Individuals	-	(155,000)	-	(155,000)
	-	329,818	-	329,818
<b>Net Cash Provided by Noncapital Financing Activities</b>				
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal Received on Loans Receivable	26,517	-	-	26,517
Interest Received on Loans Receivable	3,890	-	-	3,890
Proceeds from Sale of Properties	211,363	-	-	211,363
Payments to Other Funds	-	(5,070)	-	(5,070)
Payments from Other Funds	5,070	-	-	5,070
Principal Payments on Loans	-	-	(42,551)	(42,551)
Interest Payments on Loans	-	-	(71,566)	(71,566)
	246,840	(5,070)	(114,117)	127,653
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>				
<b>Cash Flows from Investing Activities</b>				
Interest Received	1,556	29,543	490	31,589
<b>Net Change in Cash</b>	334,574	454,151	23,663	812,388
<b>Cash, Beginning of year</b>	1,006,377	1,109,673	518,378	2,634,428
<b>Cash, End of year</b>	\$ 1,340,951	\$ 1,563,824	\$ 542,041	\$ 3,446,816

(Continued)

See Notes to Financial Statements.

# Douglas County Housing Partnership

*(A Multi-Jurisdictional Housing Authority)*

## Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2017

*(Continued)*

	General	Loan	Oakwood Apartments	Total
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Net Operating Income (Loss)	\$ (37,329)	\$ 99,860	\$ 58,811	\$ 121,342
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	16,409	-	73,603	90,012
Changes in Assets and Liabilities:				
Accounts and Grants Receivable	32,459	-	881	33,340
Prepaid Expenses	652	-	(1,012)	(360)
Deferred Outflows of Resources	19,249	-	-	19,249
Accounts Payable	(377)	-	7,030	6,653
Unearned Revenues	(285)	-	(2,811)	(3,096)
Tenant Security Deposits	-	-	788	788
Accrued Compensated Absences	4,700	-	-	4,700
Net Pension Liability	49,351	-	-	49,351
Deferred Inflows of Resources	1,349	-	-	1,349
	<u>\$ 86,178</u>	<u>\$ 99,860</u>	<u>\$ 137,290</u>	<u>\$ 323,328</u>
Net Cash Provided by Operating Activities	<u>\$ 86,178</u>	<u>\$ 99,860</u>	<u>\$ 137,290</u>	<u>\$ 323,328</u>

# Douglas County Housing Partnership

(A Multi-Jurisdictional Housing Authority)

Notes to Financial Statements

December 31, 2017

## 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**  
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**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**

*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**  
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**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, 2017

## Note 3: Cash and Investments

### 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, 2017, the Authority had bank deposits of \$3,068,256 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 and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- 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

*Interest Rate Risk* – State statutes generally limit investments to an original maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* – State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk* – State statutes do not limit the amount of Authority may invest in a single issuer of investment securities, except for corporate securities.

The Authority had no investments at December 31, 2017.

**Douglas County Housing Partnership**  
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Notes to Financial Statements  
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**Note 3: Cash and Investments (Continued)**

**Restricted Cash**

At December 31, 2017, the Oakwood Apartments Fund held replacement reserves, as required by its loan agreement, of \$153,371.

**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.

**Douglas County Housing Partnership**  
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**Note 4: Investments in Partnerships (Continued)**

**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.

**Note 5: Loans Receivable**

Loans receivable at December 31, 2017, consisted of the following.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>General Fund</b>			
LincolnPointe Lofts Two LLLP	\$ 500,000	\$ 291,500	\$ 791,500
LincolnPointe Lofts Two LLLP	100,000	33,500	133,500
LincolnPointe Lofts One Limited Partnership	580,000	100,190	680,190
Auburn Ventures, LP	14,650	-	14,650
Auburn Ventures, LP	165,604	590	166,194
<b>Loan Fund</b>			
Home Buyers Assistance Program, Net of Allowance for Doubtful Accounts	<u>2,456,659</u>	<u>-</u>	<u>2,456,659</u>
Total	<u>\$ 3,816,913</u>	<u>\$ 425,780</u>	<u>\$ 4,242,693</u>

**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.

# Douglas County Housing Partnership

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Notes to Financial Statements

December 31, 2017

## Note 5: Loans Receivable (Continued)

### General Fund (Continued)

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, 2017, the Authority had outstanding loans of \$914,534 to qualifying first-time home buyers for down-payment and closing cost assistance. Under this program, the Authority provides loans for 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.

At December 31, 2017, the Authority had outstanding investments of \$1,608,625 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.

**Douglas County Housing Partnership**  
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**December 31, 2017**

**Note 6: Capital Assets**

Capital asset activity for the year ended December 31, 2017, is summarized below:

	Balances 12/31/16	Additions	Deletions	Balances 12/31/17
Capital Assets, Not Being Depreciated				
Land	\$ 480,000	\$ -	\$ -	\$ 480,000
Total Capital Assets, Not Being Depreciated	<u>480,000</u>	<u>-</u>	<u>-</u>	<u>480,000</u>
Capital Assets, Being Depreciated				
Buildings	3,371,100	-	(133,195)	3,237,905
Building Improvements	108,617	-	-	108,617
Land Improvements	17,399	-	-	17,399
Total Capital Assets, Being Depreciated	<u>3,497,116</u>	<u>-</u>	<u>(133,195)</u>	<u>3,363,921</u>
Less Accumulated Depreciation				
Buildings	(729,564)	(81,582)	9,016	(802,130)
Building Improvements	(42,625)	(7,149)	-	(49,774)
Land Improvements	(6,640)	(1,281)	-	(7,921)
Total Accumulated Depreciation	<u>(778,829)</u>	<u>(90,012)</u>	<u>9,016</u>	<u>(859,825)</u>
Capital Assets, Being Depreciated, Net	<u>2,718,287</u>	<u>(90,012)</u>	<u>(124,179)</u>	<u>2,504,096</u>
Capital Assets, Net	<u>\$ 3,198,287</u>	<u>\$ (90,012)</u>	<u>\$ (124,179)</u>	<u>\$ 2,984,096</u>

**Note 7: Long-Term Liabilities**

A summary of changes in long-term debt for the year ended December 31, 2017, is presented below:

	Balance 12/31/16	Additions	Payments	Balance 12/31/17	Due Within One Year
<b>General Fund</b>					
Compensated Absences	\$ 6,079	\$ 9,563	\$ (4,863)	\$ 10,779	\$ -
<b>Oakwood Apartments Fund</b>					
FirstBank	1,543,139	-	(36,133)	1,507,006	37,329
CHFA	<u>271,856</u>	<u>-</u>	<u>(6,418)</u>	<u>265,438</u>	<u>6,620</u>
Total	<u>\$ 1,821,074</u>	<u>\$ 9,563</u>	<u>\$ (47,414)</u>	<u>\$ 1,783,223</u>	<u>\$ 43,949</u>

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

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**Note 7: Long-Term Liabilities** (Continued)

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 accrued interest at 3.75% per annum for the first five years. After five years, the interest rate resets 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. Effective March 1, 2017, the interest rate increased to 4%.

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 43,949	\$ 70,923	\$ 114,872
2019	45,760	69,112	114,872
2020	47,484	67,388	114,872
2021	49,605	65,267	114,872
2022	<u>1,585,646</u>	<u>15,816</u>	<u>1,601,462</u>
Total	<u>\$ 1,772,444</u>	<u>\$ 288,506</u>	<u>\$ 2,060,950</u>

**Note 8: Interfund Transactions**

During the year ended December 31, 2017, the Loan Fund transferred cash-in-lieu fees collected in prior years of \$5,070 to the General Fund for consultant and engineering costs for development and improvements to Oakwood Apartments.

**Note 9: 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](http://www.copera.org/investments/pera-financial-reports).

**Douglas County Housing Partnership**  
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**Note 9: Defined Benefit Pension Plan (Continued)**

**General Information** (Continued)

*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 2016 and 2017 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 11).

The Authority's contributions to the LGDTF for the year ended December 31, 2017, were \$31,348, equal to the required contributions.

**Douglas County Housing Partnership**  
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 Notes to Financial Statements  
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**NOTE 9: Defined Benefit Pension Plan (Continued)**

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

At December 31, 2017, the Authority reported a net pension liability of \$538,907, representing its proportionate share of the net pension liability of the LGDTF. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Authority's proportion of the net pension liability was based on the Authority's contributions to the LGDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the Authority's proportion was 0.0399089653%, which was a decrease of 0.0045322322% from its proportion measured at December 31, 2015.

For the year ended December 31, 2017, the Authority recognized pension expense of \$99,380. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,099	\$ -
Changes of assumptions and other inputs	4,694	-
Net difference between projected and actual earnings on plan investments	46,289	-
Changes in proportion	-	3,266
Contributions subsequent to the measurement date	29,014	-
Total	\$ 81,096	\$ 3,266

Authority contributions of \$29,014 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:

<u>Year Ended December 31</u>	
2018	\$ 28,076
2019	20,125
2020	615
Total	\$ 48,816

# Douglas County Housing Partnership

A Multi-Jurisdictional Housing Authority

Notes to Financial Statements

December 31, 2017

**Note 9: Defined Benefit Pension Plan (Continued)**

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

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016, as follows:

	Assumptions	Revised Assumptions
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.85%	3.5% - 10.45%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	7.25%
Future post-retirement benefits increases:		
Hired prior to 1/1/2007	2.0%	2.0%
Hired after 12/31/2006	ad hoc	ad hoc

Mortality rates were based upon 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. Active members mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disability Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015 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.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

# Douglas County Housing Partnership

A Multi-Jurisdictional Housing Authority

Notes to Financial Statements

December 31, 2017

## Note 9: Defined Benefit Pension Plan (Continued)

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

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 adopted by the PERA governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u>100.00%</u>	

*Discount Rate* - The discount rate used to measure the total pension liability was 7.25%. 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. The discount rate at the prior measurement date was 7.5%.

## Douglas County Housing Partnership

A Multi-Jurisdictional Housing Authority

Notes to Financial Statements

December 31, 2017

### Note 9: Defined Benefit Pension Plan (Continued)

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

*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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of net pension liability	\$ <u>794,594</u>	\$ <u>538,907</u>	\$ <u>327,171</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](http://www.copera.org/investments/pera-financial-reports).

### Note 10: 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, 2017, the Authority contributed \$9,273 to the plan.

# Douglas County Housing Partnership

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Notes to Financial Statements

December 31, 2017

## Note 11: 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, 2017, 2016 and 2015 was \$2,334, \$2,434, and \$2,574, respectively, equal to the required amounts for each year.

## Note 12: 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.

### 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, 2017, 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.

# Douglas County Housing Partnership

A Multi-Jurisdictional Housing Authority

Notes to Financial Statements

December 31, 2017

## **Note 12: Commitments and Contingencies** (Continued)

### **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, 2017, was approximately \$31,827,500.

## **Required Supplementary Information**

# Douglas County Housing Partnership

*(A Multi-Jurisdictional Housing Authority)*

## Schedule of Proportionate Share of Net Pension Liability and Contributions

Public Employees' Retirement Association of Colorado Local Government Division Trust Fund  
Year Ended December 31, 2017

	12/31/16	12/31/15	12/31/14	12/31/13
<b>Proportionate Share of the Net Pension Liability</b>				
Authority's Proportion of the Net Pension Liability	0.0399089653%	0.0444411975%	0.0446295634%	0.0466782790%
Authority's Proportionate Share of the Net Pension Liability	\$ 538,907	\$ 489,556	\$ 400,019	\$ 384,125
Authority's Covered Payroll	\$ 241,898	\$ 252,391	\$ 244,550	\$ 249,033
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	223%	194%	164%	154%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74%	77%	81%	78%
	12/31/17	12/31/16	12/31/15	12/31/14
<b>Authority Contributions</b>				
Statutorily Required Contribution	\$ 29,014	\$ 30,257	\$ 32,003	\$ 31,009
Contributions in Relation to the Statutorily Required Contribution	<u>(29,014)</u>	<u>(30,257)</u>	<u>(32,003)</u>	<u>(31,009)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 228,814	\$ 238,625	\$ 252,392	\$ 244,550
Contributions as a Percentage of Covered Payroll	12.68%	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.

**Douglas County Housing Partnership**  
*(A Multi-Jurisdictional Housing Authority)*  
Notes to Required Supplementary Information  
December 31, 2017

**Note 1: Schedule of Proportionate Share of 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, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.