

Douglas County Housing Partnership
A Multi-Jurisdictional Housing Authority

Financial Statements
with Independent Auditors' Report

December 31, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Douglas County Housing Partnership

(A Multi-Jurisdictional Housing Authority)

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December 31, 2018

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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, 2018, 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, 2018, 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.

Hick & Company, PC

Greenwood Village, Colorado
March 20, 2019



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, 2018. 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 \$287,747 or 3.4% in 2018.
- On December 12, 2018, DCHP issued \$30 million in private activity bonds for the construction of Apex Meridian II, 156-units (60% AMI) for families. DCHP is also a Special Limited Partner in the ownership.
- DCHP submitted a request to the Town of Castle Rock to amend the PD zoning for the Oakwood Apartments to allow construction of a new 53-unit building and demolition of one of the 8-unit buildings (45 more units on the site). The PD Amendment was approved in June 2018.
- The Authority continues to manage 3 units which are rented to families receiving assistance through the DC Cares program.
- The Authority received \$126,609 in revenue in connection with the home ownership loan programs. This was a decrease from 2017 when the revenue was \$144,474 (12.4%).
- For down payment assistance (DPA), payoffs (16) outpaced new closings (8) in 2018. The size of the portfolio decreased by 3%. The portfolio went from \$2,523,159 in 2017 to \$2,446,294. Due to steep declines in the supply of moderately priced homes for sale in the County, buyers could not find homes to purchase.
- In 2018, four shared equity investments paid-in-full and all recognized a gain. The net gain on the four sales was \$95,677, which goes into the revolving loan fund from its original source of funding.
- The Authority had no loan losses in 2018 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) was eliminated. DCHP is still providing foreclosure counseling and funding it through the HUD grant.
- 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, 2018, the Authority reported a net pension liability of \$403,853, representing its proportionate share of the net pension liability of the LGDTF. This Pension Liability is being reported for the fourth year for the Authority in these 2018 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. The two types of down payment assistance are amortizing second position loans and shared equity investments. In 2018 the Authority funded 8 new shared equity investments.

The Amortized Loan Program (ALP) offers a \$15,000 loan amortized over 30 years at a 3% interest rate. In 2018 the Authority did not close any amortizing loans. 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 2018 the Authority made 8 shared equity investments with RLF funds – 4 with CDBG and 4 with HOME funds. All loan payments and payoffs are deposited into the appropriate revolving loan fund to be used for future down payment assistance.

With continued, although diminished, demand for foreclosure counseling in 2018, the Authority assisted 63 households. The program no longer receives funds from the National Foreclosure Mitigation Counseling grant (NFMC) funded by NeighborWorks America; it is funded through a HUD grant.

The Authority also worked with 42 clients seeking budget and credit improvement through a new counseling program specific to their needs.

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, 100 in 2017, and 102 in 2018.

As the owner of the 64-unit Oakwood Senior Apartments the Authority provides affordable rental housing to seniors with incomes below 30-60% of the area median income (AMI). DCHP is rezoning and applying for low income housing tax credits (LIHTC) to add a 53-unit building on the site to house more low-income seniors.

The Authority continued to partner with for-profit development companies utilizing LIHTC to build affordable housing in Douglas County. There are now 921 LIHTC units in six properties in Douglas County where DCHP is a Special Limited Partner in the partnerships that own the LIHTC developments.

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.

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. If the Authority expends over \$750,000 in Federal grant awards, a Single Audit is required; in 2018 expenditures were under the threshold.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Position

The Net Position of the Authority increased by \$287,747 or 3.4% in fiscal year 2018. The following table summarizes the changes in assets, liabilities and net position between December 31, 2018 and December 31, 2017:

	2018	2017	Change
Assets			
Current Assets			
Total Current Assets	\$ 3,882,821	\$ 3,500,749	\$ 382,072
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation	2,894,777	2,984,096	(89,319)
Other Noncurrent Assets	4,210,954	4,242,906	(31,952)
Total Noncurrent Assets	7,105,731	7,227,002	(121,271)
Total Assets	10,988,552	10,727,751	260,801
Deferred Outflows of Resources	81,096	81,096	-
Liabilities and Net Position			
Current Liabilities			
Total Current Liabilities	85,324	89,913	(4,589)
Long-Term Liabilities			
Total Long-Term Liabilities	2,137,584	2,278,181	(140,597)
Total Liabilities	2,222,908	2,368,094	(145,186)
Deferred Inflows of Resources	3,266	3,266	-
Net Position			
Net Investment in Capital Assets	1,166,281	1,211,652	(45,371)
Restricted	3,809,011	4,070,065	(261,054)
Unrestricted	3,749,942	3,155,770	594,172
Total Net Position	8,725,234	8,437,487	287,747

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2018

Current Assets increased by \$382,072. Unrestricted Cash increased by \$332,495 (2017: \$3,293,455, 2018: \$3,625,950) primarily due to net cash provided by operating activities.

Total Noncurrent Assets decreased by \$121,271 due to loan pay-offs. Capital Assets – Net of Accumulated Depreciation decreased \$89,319 due to depreciation on Oakwood Apartments.

Long-term Liabilities decreased by \$140,597 due to a decrease of \$98,426 in the Authority's proportionate share of PERA's LGDTF Net Pension Liability of \$403,853, a decrease in Notes payable by \$45,742 and a small increase in Accrued Compensated Absences.

In addition, during 2018 the Authority adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect to this adoption was to restate unrestricted fund balance at December 31, 2017 by a reduction of \$37,386. For 2018, the Authority's proportionate share of PERA's OPEB liability was \$36,628.

Statement of Revenues, Expenses and Changes in Net Position

The following tables summarize the changes in revenues and expenses between December 31, 2018 and December 31, 2017:

	2018	2017	Change
Operating Revenues			
Total Operating Revenues	<u>\$ 1,169,514</u>	<u>\$ 1,008,386</u>	<u>\$ 161,128</u>
Operating Expenses			
Total Operating Expenses	<u>863,795</u>	<u>887,044</u>	<u>(23,249)</u>
Net Operating Income (Loss)	<u>305,719</u>	<u>121,342</u>	<u>184,377</u>
Nonoperating Revenues (Expenses)			
Net Nonoperating Revenues (Expenses)	<u>19,414</u>	<u>107,078</u>	<u>(87,664)</u>
Change in Net Position	325,133	228,420	96,713
Net Position, Beginning *	<u>8,400,101</u>	<u>8,209,067</u>	
Net Position, Ending	<u>\$ 8,725,234</u>	<u>\$ 8,437,487</u>	

*As restated for GASB no.75.

Operating Revenues increased by \$161,128. Management Fees and Conduit Loan Fees were higher. Operating Expenses decreased by \$23,249. The Oakwood Repairs and Maintenance expenses were lower.

The decrease in Net Nonoperating Revenues (Expenses) of \$87,664 was because there was no gain on sale this year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority's Capital Assets, Net of Accumulated Depreciation were \$2,984,096 and \$2,894,777 at December 31, 2017 and 2018 respectively.

MANAGEMENT’S DISCUSSION AND ANALYSIS

Year Ended December 31, 2018

	2018	2017	Change
Land	\$ 480,000	\$ 480,000	\$ -
Buildings, Improvements & Land Improvements	3,363,921	3,363,921	-
Less Accumulated Depreciation	(949,144)	(859,825)	(89,319)
Total Capital Assets, Net	<u>\$ 2,894,777</u>	<u>\$ 2,984,096</u>	<u>\$ (89,319)</u>

In 2018, the only change was the amount of depreciation.

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: (1) with FirstBank in first position with \$1,700,000 and (2) 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 was re-set at 4.0% until maturity on March 1, 2022. The Authority’s long-term debt was \$1,742,863 at year-end, a decrease of \$40,360 from 2017.

ECONOMIC FACTORS

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

Demand for the Home Ownership Program, including Down Payment Assistance and related counseling services, remained high with numbers of clients similar to the previous year. The supply of moderately priced homes for sale remained low. Through the first 3 quarters of the year investor buyer competition further constrained an already difficult market for first-time homebuyers. As a result, the Authority provided down payment assistance to only 8 buyers in 2018 despite accepting 40 applications for assistance.

The number of foreclosure filings in the County remained very low in 2018. This trend continues as a result of delinquent borrowers having more ability to sell. The Authority served almost identical numbers of households facing foreclosure in 2018 as it did in the previous year. The Authority will continue to offer foreclosure counseling into 2019, 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.

In response to these needs the Authority endeavors to develop more affordable independent senior rental units. The Authority re-zoned the Oakwood Senior Apartments property to allow for the development of 53 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 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, 2018

	General	Loan	Oakwood Apartments	Total
Assets				
Current Assets				
Cash	\$ 1,310,519	\$ 1,881,365	\$ 434,066	\$ 3,625,950
Restricted Cash	-	-	172,075	172,075
Accounts Receivable	8,847	-	2,858	11,705
Grants Receivable	55,027	-	-	55,027
Prepaid Expenses	4,040	-	14,024	18,064
Total Current Assets	<u>1,378,433</u>	<u>1,881,365</u>	<u>623,023</u>	<u>3,882,821</u>
Noncurrent Assets				
Investments in Partnerships	213	-	-	213
Accrued Interest Receivable	470,692	-	-	470,692
Loans Receivable	1,360,254	2,379,795	-	3,740,049
Capital Assets, <i>not being depreciated</i>	-	-	480,000	480,000
Capital Assets, <i>net of accumulated depreciation</i>	577,118	-	1,837,659	2,414,777
Total Noncurrent Assets	<u>2,408,277</u>	<u>2,379,795</u>	<u>2,317,659</u>	<u>7,105,731</u>
Total Assets	<u>3,786,710</u>	<u>4,261,160</u>	<u>2,940,682</u>	<u>10,988,552</u>
Deferred Outflows of Resources				
Items related to Pensions, <i>net of accumulated amortization</i>	32,504	-	-	32,504
Items related to OPEB, <i>net of accumulated amortization</i>	2,514	-	-	2,514
	<u>35,018</u>	<u>-</u>	<u>-</u>	<u>35,018</u>
Liabilities				
Current Liabilities				
Accounts Payable	1,555	4,792	7,472	13,819
Accrued Interest Payable	-	-	5,925	5,925
Unearned Revenues	-	-	33	33
Tenant Security Deposits	1,000	-	18,787	19,787
Notes Payable, Current Portion	-	-	45,760	45,760
Total Current Liabilities	<u>2,555</u>	<u>4,792</u>	<u>77,977</u>	<u>85,324</u>
Long-Term Liabilities				
Accrued Compensated Absences	14,350	-	-	14,350
Notes Payable	-	-	1,682,753	1,682,753
Net Pension Liability	403,853	-	-	403,853
Net OPEB Liability	36,628	-	-	36,628
Total Long-Term Liabilities	<u>454,831</u>	<u>-</u>	<u>1,682,753</u>	<u>2,137,584</u>
Total Liabilities	<u>457,386</u>	<u>4,792</u>	<u>1,760,730</u>	<u>2,222,908</u>
Deferred Inflows of Resources				
Items related to Pensions, <i>net of accumulated amortization</i>	72,834	-	-	72,834
Items related to OEPB <i>net of accumulated amortization</i>	2,594	-	-	2,594
	<u>75,428</u>	<u>-</u>	<u>-</u>	<u>75,428</u>
Net Position				
Net Investment in Capital Assets	577,118	-	589,163	1,166,281
Restricted for:				
Home Ownership Program	-	3,636,936	-	3,636,936
Replacement Reserves	-	-	172,075	172,075
Unrestricted	<u>2,711,796</u>	<u>619,432</u>	<u>418,714</u>	<u>3,749,942</u>
Total Net Position	<u>\$ 3,288,914</u>	<u>\$ 4,256,368</u>	<u>\$ 1,179,952</u>	<u>\$ 8,725,234</u>

See Notes to Financial Statements.

Douglas County Housing Partnership
(A Multi-Jurisdictional Housing Authority)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	General	Loan	Oakwood Apartments	Total
Operating Revenues				
Member Assessments	\$ 165,000	\$ -	\$ -	\$ 165,000
Grants	140,418	-	-	140,418
Contributions	-	-	-	-
Rental Income	29,610	-	481,004	510,614
Management Fees	116,137	-	-	116,137
Partnership Distributions	66,012	-	-	66,012
Conduit Loan Fees	64,000	-	-	64,000
Other	1,881	95,783	9,669	107,333
	<u>583,058</u>	<u>95,783</u>	<u>490,673</u>	<u>1,169,514</u>
Total Operating Revenues				
Operating Expenses				
Administrative	449,444	24,738	153,159	627,341
Utilities	-	-	36,768	36,768
Repairs and Maintenance	-	-	110,367	110,367
Depreciation	15,716	-	73,603	89,319
	<u>465,160</u>	<u>24,738</u>	<u>373,897</u>	<u>863,795</u>
Total Operating Expenses				
Net Operating Income (Loss)	<u>117,898</u>	<u>71,045</u>	<u>116,776</u>	<u>305,719</u>
Nonoperating Revenues (Expenses)				
Grants	-	-	-	-
Interest Income	56,374	30,668	3,162	90,204
Gain on Sale	-	-	-	-
Interest Expense	-	-	(70,790)	(70,790)
	<u>56,374</u>	<u>30,668</u>	<u>(67,628)</u>	<u>19,414</u>
Total Nonoperating Revenues (Expenses)				
Net Income (Loss) Before Transfers	174,272	101,713	49,148	325,133
Transfer In	77,280	211,452	-	288,732
Transfer (Out)	(211,452)	(77,280)	-	(288,732)
Change in Net Position	40,100	235,885	49,148	325,133
Net Position, Beginning of year	<u>3,248,814</u>	<u>4,020,483</u>	<u>1,130,804</u>	<u>8,400,101</u>
Net Position, End of year	<u>\$ 3,288,914</u>	<u>\$ 4,256,368</u>	<u>\$ 1,179,952</u>	<u>\$ 8,725,234</u>

Douglas County Housing Partnership
(A Multi-Jurisdictional Housing Authority)
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	General	Loan	Oakwood Apartments	Total
Cash Flows from Operating Activities				
Cash Received from Members and Others	\$ 419,169	\$ 95,783	\$ 9,669	\$ 524,621
Grants Received	107,754	-	-	107,754
Cash Received from Tenants	29,310	-	479,476	508,786
Cash Payments to Employees	(233,788)	-	(42,637)	(276,425)
Cash Payments to Vendors and Suppliers	(230,167)	(19,946)	(270,698)	(520,811)
Net Cash Provided by Operating Activities	<u>92,278</u>	<u>75,837</u>	<u>175,810</u>	<u>343,925</u>
Cash Flows from Noncapital Financing Activities				
Grants Received	-	-	-	-
Loan Payments Received from Individuals	-	347,165	-	347,165
Loan to Individuals	-	(270,301)	-	(270,301)
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>76,864</u>	<u>-</u>	<u>76,864</u>
Cash Flows from Capital and Related Financing Activities				
Principal Received on Loans Receivable	-	-	-	-
Interest Received on Loans Receivable	-	-	-	-
Proceeds from Sale of Properties	-	-	-	-
Payments to Other Funds	-	211,452	-	211,452
Payments from Other Funds	(211,452)	-	-	(211,452)
Principal Payments on Loans	-	-	(43,931)	(43,931)
Interest Payments on Loans	-	-	(70,941)	(70,941)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(211,452)</u>	<u>211,452</u>	<u>(114,872)</u>	<u>(114,872)</u>
Cash Flows from Investing Activities				
Interest Received	<u>11,462</u>	<u>30,668</u>	<u>3,162</u>	<u>45,292</u>
Net Change in Cash	<u>(107,712)</u>	<u>394,821</u>	<u>64,100</u>	<u>351,209</u>
Cash, Beginning of year	<u>1,340,951</u>	<u>1,563,824</u>	<u>542,041</u>	<u>3,446,816</u>
Cash, End of year	<u>\$ 1,233,239</u>	<u>\$ 1,958,645</u>	<u>\$ 606,141</u>	<u>\$ 3,798,025</u>

(Continued)

Douglas County Housing Partnership
(A Multi-Jurisdictional Housing Authority)
Statement of Cash Flows
Proprietary Funds
December 31, 2018
(Continued)

	General	Loan	Oakwood Apartments	Total
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities				
Net Operating Income (Loss)	\$ 117,898	\$ 71,045	\$ 116,776	\$ 305,719
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	15,716	-	73,603	89,319
Changes in Assets and Liabilities:				
Accounts and Grants Receivable	(26,525)	-	(642)	(27,167)
Prepaid Expenses	912	-	(4,608)	(3,696)
Deferred Outflows of Resources, Pension	48,592	-	-	48,592
Deferred Outflows of Resources, OPEB	(180)	-	-	(180)
Accounts Payable	(482)	4,792	(8,433)	(4,123)
Unearned Revenues	(940)	-	(1,101)	(2,041)
Tenant Security Deposits	(300)	-	215	(85)
Accrued Compensated Absences	3,571	-	-	3,571
Net Pension Liability	(135,054)	-	-	(135,054)
Net OPEB Liability	(3,092)	-	-	(3,092)
Deferred Inflows of Resources, Pension	69,568	-	-	69,568
Deferred Inflows of Resources, OPEB	2,594	-	-	2,594
 Net Cash Provided by Operating Activities	 <u>\$ 92,278</u>	 <u>\$ 75,837</u>	 <u>\$ 175,810</u>	 <u>\$ 343,925</u>

Douglas County Housing Partnership
(A Multi-Jurisdictional Housing Authority)
Notes to Financial Statements
December 31, 2018

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, 2018

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 and Informational Technology (IT) services 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, 2018

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, 2018, the Authority had bank deposits of \$3,422,590 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, 2018.

Douglas County Housing Partnership
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Notes to Financial Statements
December 31, 2018

Note 3: Cash and Investments (Continued)

Restricted Cash

At December 31, 2018, the Oakwood Apartments Fund held replacement reserves, as required by its loan agreement, of \$172,075.

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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 Notes to Financial Statements
 December 31, 2018

Note 4: Investments in Partnerships (Continued)

Auburn Ventures, LP

The Authority, through its wholly-owned subsidiary DCHP Participations LLC, in December 2014 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 a .01% partnership interest and has no liability for acts or omissions in connection with the development.

Apex Meridian II, LLC

In December 2018, the Authority, through its wholly-owned subsidiary DCHP Participations LLC, entered into an agreement with Apex Meridian II, LLC to acquire land and construct and maintain a 156-unit multifamily rental housing development in unincorporated Douglas County. As a Class B Special Member of Apex Meridian II, LLC, the Authority has a .01% partnership interest and has no liability for acts or omissions in connection with the development.

Note 5: Loans Receivable

Loans receivable at December 31, 2018, consisted of the following.

	Principal	Interest	Total
General Fund			
LincolnPointe Lofts Two LLLP	\$ 500,000	\$ 318,500	\$ 818,500
LincolnPointe Lofts Two LLLP	100,000	36,500	136,500
LincolnPointe Lofts One Limited Partnership	580,000	111,790	691,790
Auburn Ventures, LP	14,650	-	14,650
Auburn Ventures, LP	165,604	3,902	169,506
Loan Fund			
Home Buyers Assistance Program, Net of allowance for Doubtful Accounts	2,379,795	-	2,379,795
Total	\$ 3,740,049	\$ 470,692	\$ 4,210,741

Douglas County Housing Partnership
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Notes to Financial Statements
December 31, 2018

Note 5: Loans Receivable (Continued)

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, 2018, the Authority had outstanding loans of \$724,769 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, 2018 the Authority had outstanding investments of \$1,721,526 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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 Notes to Financial Statements
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Note 6: Capital Assets

Capital asset activity for the year ended December 31, 2018, is summarized below:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 480,000	\$ -	\$ -	\$ 480,000
<i>Capital Assets, Being Depreciated</i>				
Buildings	3,237,905	-	-	3,237,905
Building Improvements	108,617	-	-	108,617
Land Improvements	17,399	-	-	17,399
Total Capital Assets, <i>Being Depreciated</i>	<u>3,363,921</u>	<u>-</u>	<u>-</u>	<u>3,363,921</u>
Less Accumulated Depreciation				
Buildings	(802,130)	(80,888)	-	(883,018)
Building Improvements	(49,774)	(7,149)	-	(56,923)
Land Improvements	(7,921)	(1,282)	-	(9,203)
Total Accumulated Depreciation	<u>(859,825)</u>	<u>(89,319)</u>	<u>-</u>	<u>(949,144)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>2,504,096</u>	<u>(89,319)</u>	<u>-</u>	<u>2,414,777</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 2,984,096</u>	<u>\$ (89,319)</u>	<u>\$ -</u>	<u>\$ 2,894,777</u>

Note 7: Long-Term Liabilities

A summary of changes in long-term debt for the year ended December 31, 2018, is presented below:

	<u>Balance 12/31/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/18</u>	<u>Due Within One Year</u>
General Fund					
Compensated Absences	\$ 10,779	\$ 15,628	\$ (12,057)	\$ 14,350	\$ -
Oakwood Apartments Fund					
FirstBank	1,507,006	-	(37,311)	1,469,695	38,871
CHFA	265,438	-	(6,620)	258,818	6,889
Total	<u>\$ 1,783,223</u>	<u>\$ 15,628</u>	<u>\$ (55,988)</u>	<u>\$ 1,742,863</u>	<u>\$ 45,760</u>

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

Douglas County Housing Partnership
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 Notes to Financial Statements
 December 31, 2018

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 was 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>
2019	\$ 45,759	\$ 69,112	\$ 114,871
2020	47,484	67,388	114,872
2021	49,606	65,267	114,873
2022	<u>1,585,664</u>	<u>15,816</u>	<u>1,601,480</u>
Total	<u>\$ 1,728,513</u>	<u>\$ 217,583</u>	<u>\$ 1,946,096</u>

Note 8: Interfund Transactions

During the year ended December 31, 2018, the General Fund transferred the proceeds from the sale of Nature Walk Trail property collected in the prior year of \$211,363 to the Loan Fund. The property was purchased with cash-in-lieu funds originally. In addition, the Loan Fund transferred cash-in-lieu fees collected in prior years of \$77,280 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 District participate in the SDTF. 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

Douglas County Housing Partnership
(A Multi-Jurisdictional Housing Authority)
Notes to Financial Statements
December 31, 2018

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 2017 and 2018 was 13.7% of covered salaries, respectively. 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, 2018, were \$31,900, equal to the required contributions.

Douglas County Housing Partnership
(A Multi-Jurisdictional Housing Authority)
Notes to Financial Statements
December 31, 2018

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, 2018, the Authority reported a net pension liability of \$489,783, representing its proportionate share of the net pension liability of the LGDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

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, 2017, relative to the contributions of all participating employers. At December 31, 2016, the Authority's proportion was 0.0362710507%, which was a decrease of 0.003639146% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the DPSD within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The Authority's estimated net pension liability at December 31, 2018, had the provisions of SB 18-200 been effective was \$285,652.

For the year ended December 31, 2018, the Authority recognized pension expense of \$29,014. At December 31, 2018, 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	\$ 2,979	\$ -
Changes of assumptions and other inputs	-	-
Net difference between projected and actual		
Earnings on plan investments	-	70,282
Changes in proportion	-	2,552
Contributions subsequent to the measurement date	29,525	-
 Total	 \$ 32,504	 \$ 72,834

Authority contributions of \$29,525 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
(A Multi-Jurisdictional Housing Authority)
Notes to Financial Statements
December 31, 2018

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)

Year Ended June 30,

2019	\$	(12,198)
2020		(28,549)
2021		<u>(29,108)</u>
	\$	<u><u>(69,855)</u></u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs:

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

¹The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Healthy mortality assumptions for active members were based on 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. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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.

Douglas County Housing Partnership
(A Multi-Jurisdictional Housing Authority)
Notes to Financial Statements
December 31, 2018

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)

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2017. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

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	1.00%	0.20%
	<u>100.00%</u>	

Douglas County Housing Partnership
 (A Multi-Jurisdictional Housing Authority)
 Notes to Financial Statements
 December 31, 2018

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)

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. 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 require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the LGDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

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 4.78%, 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 (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	1% Decrease (3.78%)	Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 643,207	\$ 403,853	\$ 204,317

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.

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.

Douglas County Housing Partnership
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Notes to Financial Statements
December 31, 2018

Note 10: Defined Contribution Pension Plan (Continued)

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, 2018, the Authority contributed \$8,845 to the plan.

Note 11: Post-Employment Healthcare Benefits

Plan Description - All employees of the District are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 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 HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

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, 2018, 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.

Douglas County Housing Partnership
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Notes to Financial Statements
December 31, 2018

Note 12: Commitments and Contingencies (Continued)

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, 2018, was approximately \$26,530,245.

In December 2018, the Authority entered into a funding loan agreement with Citibank in the amount of \$27,979,000 and a Subordinate Financing Agreement with Meridian-MB Investments, LLC and Apex Meridian II, LLC in the amount of \$2,021,000. Simultaneously, the Authority entered into a borrower loan agreement with Apex Meridian II, LLC whereby Apex Meridian II, LLC will construct a 156-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. Apex Meridian II, LLC, will make all principal and interest payments required by the loan agreements, which mature on January 1, 2052, and January 1, 2052, for the Subordinate Financing Agreement. Since the Authority is not obligated in any manner for repayment of the Citibank loan or the Subordinate Financing Agreement, these liabilities are not reported in the accompanying financial statements. The outstanding balance of the loans at December 31, 2018, totaled approximately \$30,000,000.

Note 13: Change in Accounting Principle

For the year ended December 31, 2018, The Authority adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at December 31, 2017, was restated to reflect the cumulative effect of adopting the standards.

Douglas County Housing Partnership
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 Notes to Financial Statements
 December 31, 2018

Note 13: Change in Accounting Principle (Continued)

Certain balances of deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2017, were not available and have not been reported in the financial statements.

	Business-Type Activities
Net Position, June 30, 2017, <i>as Originally Stated</i>	\$ 3,286,200
Deferred Outflows of Resources	2,334
Net OPEB Liability	(39,720)
Net Position, June 30, 2017, <i>as Restated</i>	\$ 3,248,814

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 For the Year Ended December 31, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
Authority's Proportion of the Net Pension Liability	0.0362710507%	0.0399089653%	0.0444411975%	0.0446295634%	0.0466782790%
Authority's Proportionate Share of the Net Pension Liability	\$ 403,853	\$ 538,907	\$ 489,556	\$ 400,019	\$ 384,125
Authority's Covered Payroll	\$ 228,814	\$ 241,898	\$ 252,391	\$ 244,550	\$ 249,033
Authority's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	176%	223%	194%	164%	154%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%	74%	77%	81%	78%
	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Authority Contributions					
Statutorily Required Contribution	\$ 29,525	\$ 29,014	\$ 30,257	\$ 32,003	\$ 31,009
Contributions in Relation to the Statutorily Required Contribution	<u>(29,525)</u>	<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>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Authority's Covered Payroll	232,848	\$ 228,814	\$ 241,898	\$ 252,392	\$ 244,550
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	12.51%	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)
Required Supplementary Information
Schedule of Proportionate Share of the OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
Year Ended December 31, 2018

	12/31/17
Proportionate Share of the Net Pension Liability	
Authority's Proportion of the Net OPEB Liability	0.0028184352%
Authority's Proportionate Share of the Net OPEB Liability	\$ 36,628
Authority's Covered Payroll	\$ 228,814
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	12/31/2018
District Contributions	
Statutorily Required Contribution	\$ 2,375
Contributions in Relation to the Statutorily Required Contribution	(2,375)
Contribution Deficiency (Excess)	\$ -
Authority's Covered Payroll	\$ 232,848
Contributions as a Percentage of Covered Payroll	1.02%

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)
 Schedule of Expenditures Federal Awards
 For the Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Expenditures
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	\$ 116,344
Passed through Douglas County Community Development Block Grant	14.218	189,469
Passed through the Colorado Housing and Finance Authority Housing Counseling Assistance Program	14.169	<u>68,724</u>
Total U.S. Department of Housing and Urban Development		<u>374,537</u>
U.S. Department of the Treasury		
Passed through the Colorado Housing and Finance Authority National Foreclosure Mitigation Counseling	21.000	<u>-</u>
Total U.S. Department of the Treasury		<u>-</u>
Total Federal Financial Assistance		<u>\$ 374,537</u>

Douglas County Housing Partnership
(A Multi-Jurisdictional Housing Authority)
Notes to Required Supplementary Information
December 31, 2018

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, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2018, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2018.

- 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.