

**HOUSING AUTHORITY OF THE TOWN OF  
LIMON, COLORADO**

**BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTAL INFORMATION  
AND  
SUPPLEMENTAL INFORMATION**

**Year Ended December 31, 2018**

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**REQUIRED SUPPLEMENTAL INFORMATION-  
MANAGEMENT'S DISCUSSION AND ANALYSIS**



EOH

## LIMON HOUSING AUTHORITY

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### MANAGEMENT'S DISCUSSION AND ANALYSIS Year Ended December 31, 2018

This section of the Housing Authority of the Town of Limon, Colorado's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended on December 31, 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the basic financial statements as a whole.

#### **FINANCIAL HIGHLIGHTS**

The term "Net Position" refers to the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The Authority's total net position as of December 31, 2018 was \$100,110. Of this amount, (\$64,988) was reported as deficit "unrestricted net position". The net position decreased by (\$34,752), a decrease of 26% from the prior year.

For the year ended December 31, 2018 the Authority was required to implement GASB 75 related to Accounting and Reporting for Postemployment Benefits Other Than Pensions (OPEB). The Authority participates in the Colorado Public Employees' Retirement Association (Colorado PERA) which is a multiple-employer, cost-sharing plan. As a result of the new standard, the Authority recorded a Collective Net OPEB Liability of \$17,040 which represents the Authority's proportionate share of Colorado PERA unfunded liability. In addition, pension related deferred outflows and inflows of resources of \$1,175 and \$285 respectively have been recorded as of December 31, 2018.

Operating income for the Authority was \$182,710 for the year ended December 31, 2018. This was an increase of \$12,562 or 7% over the prior year.

Operating expenses for the Authority were \$296,699 for the year ended December 31, 2018. This was a decrease of (\$18,429) or 6% from the prior year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report includes this *management's discussion and analysis* report, the *basic financial statements* and the *notes to the basic financial statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of supplemental information. In addition, the Schedule of Employer's Proportionate Share of Net Pension Liability, Schedule of Employer's Contributions, Notes to Required Supplementary Information is included as RSI. Since the Authority is comprised of all enterprise funds, no entity-wide basic financial statements are shown.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended December 31, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)**

*Required Financial Statements*

*Proprietary Fund Financial Statements* - The basic financial statements of the Housing Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and obligations of the Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The Authority's Public Housing Program is the only major proprietary fund for presentation purposes.

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

*Supplemental Information*

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *supplemental information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Authorities to submit financial information electronically to HUD using the FDS format. The submitted financial information transmitted to the Real Estate Assessment Center (REAC) for the year ended December 31, 2018 is required to be included in the audit reporting package.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2018**

**FINANCIAL ANALYSIS**

**CONDENSED STATEMENT OF NET POSITION**

	FY 2018	FY 2017	Dollar Change	Percent Change
Current and other assets	\$ 205,601	\$ 175,585	\$ 30,016	17%
Capital assets	165,098	189,063	(23,965)	-13%
Total Assets	<u>370,699</u>	<u>364,648</u>	<u>6,051</u>	<u>2%</u>
Deferred Outflows of Resources	<u>29,700</u>	<u>46,299</u>	<u>(16,599)</u>	<u>-36%</u>
Current liabilities	32,810	26,037	6,773	26%
Other liabilities	213,028	249,354	(36,326)	-15%
Total Liabilities	<u>245,838</u>	<u>275,391</u>	<u>(29,553)</u>	<u>-11%</u>
Deferred Inflows of Resources	<u>54,451</u>	<u>694</u>	<u>53,757</u>	<u>7746%</u>
Net Position				
Net investment in capital assets	165,098	189,063	(23,965)	-13%
Unrestricted	(64,988)	(54,201)	(10,787)	20%
Total Net Position	<u>\$ 100,110</u>	<u>\$ 134,862</u>	<u>\$ (34,752)</u>	<u>-26%</u>

Net Position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$100,110 at the close of the year ended December 31, 2018. This represents a decrease of (\$34,752) which is a decrease of 26% from the prior year. The decrease was attributable to depreciation of (\$27,593) and the result of operations for the year end December 31, 2018. In addition, the Authority implemented GASB 75 related to OPEB reporting which required a prior period adjustment of (\$17,690) to restate the beginning net position balance.

Current and other assets increased by \$30,016. This was attributed to operations before depreciation and capital improvements which resulted in a net decrease in cash and investments of (\$2,623). This was offset by an increase of \$30,897 in the amount receivable from HUD which is merely the result of when funds are requisitioned.

Current liabilities increased by \$6,773. There was no unusual reason for the change only the typical variability from year to year based on the timing of payments.

Other liabilities decreased by (\$36,326) which the majority was a decrease of (\$52,136) in the Net Pension Liability which represents the Authority's proportionate share of Colorado PERA unfunded pension liability. This was offset by the recording of \$17,040 in the Collective Net OPEB Liability which represents the Authority's proportionate share of Colorado PERA unfunded liability of the OPEB plan.

The largest portion of the Authority's net position reflects its net investment in capital assets (e.g. land, buildings and equipment less accumulated depreciation). The Authority uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2018**

**FINANCIAL ANALYSIS (CONT'D)**

Unrestricted net position as of December 31, 2018 was (\$64,988), a decrease of (\$10,787) from the prior year. Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations to creditors and operations of facilities. The Authority has sufficient funds to meet requirements for cash outlays in the next fiscal year as well as the financial capacity to sustain operations when not considering the net GASB 68 pension related accounts of \$213,521 and the net GASB 75 OPEB related accounts of \$16,150. The Authority had no restricted net position that is subject to external restrictions on how they may be used.

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

	<u>FY 2017</u>	<u>FY 2017</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenues</b>				
Program revenues				
Rental	\$ 168,245	\$ 154,562	\$ 13,683	9%
HUD program contributions	91,940	71,329	20,611	29%
Other	14,465	15,586	(1,121)	-7%
General revenues				
Interest	1,360	864	496	57%
Total Revenues	<u>276,010</u>	<u>242,341</u>	<u>33,669</u>	<u>14%</u>
<b>Expenses</b>				
Depreciation	27,593	33,175	(5,582)	-17%
Operating	269,106	281,953	(12,847)	-5%
Nonoperating	-	5,260	(5,260)	-100%
Total Expenses	<u>296,699</u>	<u>320,388</u>	<u>(23,689)</u>	<u>-7%</u>
Excess (deficiency) before contributions	(20,689)	(78,047)	57,358	-73%
Capital Contributions	<u>3,627</u>	<u>11,687</u>	<u>(8,060)</u>	
Changes in Net Position	(17,062)	(66,360)	49,298	
Beginning Net Position, as restated	<u>117,172</u>	<u>201,222</u>	<u>(84,050)</u>	
Ending Net Position	<u>\$ 100,110</u>	<u>\$ 134,862</u>	<u>\$ (34,752)</u>	

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2018**

**FINANCIAL ANALYSIS (CONT'D)**

As can be seen on the next page, total revenues increased by \$33,669, primarily due to the increase in Federal operating funds of \$20,611. In addition, rental income increased by \$13,683 which is the result of the normal fluctuation from year-to-year based on occupancy and rent composition.

HUD operating subsidy for the Authority was \$22,500 for the year ended December 31, 2018. This was a decrease of (\$10,998) from the prior year. The operating subsidy funding is determined by HUD on an annual basis and is primarily based on income and utility expenses. The Authority also expended \$69,440 of HUD capital grants for operations for the fiscal year ended December 31, 2018 compared to \$37,831 in the previous year. This amount will vary on the approved budget by HUD. The Authority has flexibility in the use of these funds.

HUD capital contributions were \$3,627 for the year ended December 31, 2018. This was a decrease of (\$8,060) from the prior year. The Authority is allocated capital grant money each year as determined by HUD and remains relatively consistent from year to year based on the Authority's number of units. The amount presented will vary from year to year depending on the timing of projects as outlined in the HUD approved capital grant budget.

Operating expenses for the Authority were \$269,106 for the year ended December 31, 2018. This was a decrease of (\$12,847) or 5% from the prior year. The most significant decrease of (\$14,335) was in administrative expenses which was the result of staff reduction.

Nonoperating expenses decreased by (\$5,260) which was the removal of capital assets disposed of in the prior year.

**OCCUPANCY**

There were 10 moveouts in 2018. One tenant moved out of town, one tenant transferred to another unit (family composition change), one tenant moved to an assisted living facility, two tenants moved in with family (medical reasons), 3 tenants got married and moved to larger unites in town, one tenant was non-compliant and notice was given to vacate and one unit was abandoned.

**CAPITAL ASSETS**

The Authority's net investment in capital assets as of December 31, 2018 amounts to \$165,098. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress, less accumulated depreciation.

The total decrease in the Authority's net investment in capital assets for the current fiscal year was 13% in terms of net book value. The actual amount to purchase or construct capital assets was \$3,627 for the year end. Depreciation charges for the year totaled \$27,593. Additional information on the Authority's capital assets can be found in Note F of the notes to the basic financial statements of this report.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended December 31, 2018**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Commissioners and Management of the Housing Authority considered many factors when approving the fiscal year 2019 budget. The user charges are based on a tenant's income as established by HUD guidelines and are not adjustable. Operating subsidy is based on rental income, other income and utility consumption and costs. The amount of funding is also established and approved by HUD. In projecting the amount of rental income, the Authority considered prior year rental income and occupancy rates. The operating expenses are expected to increase by the economy's inflation rate.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Limon, and 1880 Circle Lane, Limon, CO 80828.

Randal D. Niewedde, CPA  
Jeffrey J. Wiens, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Housing Authority of the Town of Limon, Colorado

### **Report on the Basic Financial Statements**

We have audited the accompanying basic financial statements of the Housing Authority of the Town of Limon, Colorado as of and for the year ended December 31, 2018, and the related notes to the basic financial statements, which collectively comprise the Housing Authority of the Town of Limon, Colorado's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Basic Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Limon, Colorado as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

Change in Accounting Principle – As discussed in Note J in the Notes to the Basic Financial Statements, the Authority adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions an Amendment of GASB Statement No. 45. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's proportionate share of net pension liability, schedule of employer's proportionate share of the collective net OPEB liability, schedule of employer's contributions-pension plan, schedule of employer contributions-OPEB plan and the notes to required supplementary information for the pension plan and OPEB plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the Housing Authority of the Town of Limon, Colorado's basic financial statements. The Financial Data Schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2019 on our consideration of the Housing Authority of the Town of Limon, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Town of Limon, Colorado's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the Town of Limon, Colorado's internal control over financial reporting and compliance.

*Niewedde & Wiens, CPA's*

York, Nebraska  
May 3, 2019

## **BASIC FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**STATEMENT OF NET POSITION**  
December 31, 2018

<b>ASSETS</b>	<u>Public Housing</u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 33,031
Investments	106,257
Accounts receivable, net	714
Due from other governments	39,562
Accrued interest receivable	18
Prepaid insurance	11,301
<i>Restricted:</i>	
Cash and cash equivalents	<u>14,718</u>
<b>TOTAL CURRENT ASSETS</b>	<b>205,601</b>
<b>NONCURRENT ASSETS:</b>	
Capital Assets, non-depreciable	7,054
Capital Assets, depreciable, net	<u>158,044</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b>165,098</b>
<b>TOTAL ASSETS</b>	<b>370,699</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
OPEB related deferred outflows of resources	1,175
Pension related deferred outflows of resources	<u>28,525</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,700</b>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	6,440
Accrued payroll and benefits payable	5,628
Compensated absences payable	6,024
Tenant security deposits payable	<u>14,718</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>32,810</b>
<b>NONCURRENT LIABILITIES:</b>	
Compensated absences payable	8,108
Collective net OPEB liability	17,040
Net pension liability	<u>187,880</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>213,028</b>
<b>TOTAL LIABILITIES</b>	<b>245,838</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
OPEB related deferred inflows of resources	285
Pension related deferred inflows of resources	<u>54,166</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>54,451</b>
<b>NET POSITION</b>	
Net investment in capital assets	165,098
Unrestricted	<u>(64,988)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>100,110</u></b>

See accompanying notes.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - PROPRIETARY FUND**  
**Year Ended December 31, 2018**

		<b>Public Housing</b>
<b>OPERATING REVENUES</b>		
Rental income	\$	168,245
Other income		14,465
		<b>TOTAL OPERATING REVENUES</b>
		182,710
<b>OPERATING EXPENSES</b>		
Administrative		114,673
Tenant services		437
Utilities		33,793
Ordinary maintenance and operations		97,863
General expense		22,340
Depreciation		27,593
		<b>TOTAL OPERATING EXPENSES</b>
		296,699
		<b>OPERATING INCOME (LOSS)</b>
		(113,989)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
HUD operating subsidy		22,500
HUD capital grants - operations		69,440
Interest income		1,360
		<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>
		93,300
		<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>
		(20,689)
<b>CAPITAL CONTRIBUTIONS</b>		
HUD capital fund grants		3,627
		<b>INCREASE (DECREASE) IN NET POSITION</b>
		(17,062)
<b>NET POSITION:</b>		
Net position, beginning balance		134,862
Prior period adjustments - OPEB 75 implementation		(17,690)
Net position, beginning balance restated		117,172
		<b>TOTAL NET POSITION - ENDING BALANCE</b>
	\$	100,110

See accompanying notes.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**Year Ended December 31, 2018**

		<u>Public Housing</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Rental receipts	\$	167,948
Other receipts		14,465
Tenant security deposits		1,250
Cash payments for goods and services		(77,613)
Cash payments to employees for services		<u>(169,756)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(63,706)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
HUD operating subsidy		22,500
HUD capital grants - operations		<u>38,543</u>
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES		61,043
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Purchases and construction of capital assets		(3,627)
HUD capital fund grants		<u>3,627</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (deposits) withdrawals to investments		(1,320)
Interest received		<u>1,360</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		40
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,623)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>50,372</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u><u>47,749</u></u>

See accompanying notes.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**STATEMENT OF CASH FLOWS-PROPRIETARY FUND (CONT'D)**  
**Year Ended December 31, 2018**

		<u>Public Housing</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET</b>		
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (Loss)	\$	(113,989)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		27,593
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
(Increase) decrease in accounts receivable		(297)
(Increase) decrease in prepaid insurance		(125)
(Increase) decrease in deferred outflows of resources, pension		17,774
(Increase) decrease in deferred outflows of resources, OPEB		(1,175)
Increase (decrease) in accounts payable		1,027
Increase (decrease) in tenant security deposits payable		1,250
Increase (decrease) in salaries and benefits payable		630
Increase (decrease) in accrued absences payable		1,985
Increase (decrease) in net pension liability		(52,136)
Increase (decrease) in deferred inflows of resources, pension		53,472
Increase (decrease) in deferred inflows of resources, OPEB		285
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$</b>	<b><u>(63,706)</u></b>

See accompanying notes.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Authority was created under the laws of the State of Colorado. The purpose of the Authority is to administer the Housing programs authorized by the United States Housing Act of 1937 and amendments contained in the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

Financial Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Government Accounting Standards Board Codification. These criteria state that the financial reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit. Based on these criteria, there are no additional agencies or entities which should be included in the financial statements of the Authority.

Basis of accounting, measurement focus, and financial statement presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures or expenses, as appropriate.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses and Changes in Fund Net Position. For this purpose, the Authority's operating revenues result from providing low-income housing services such as tenant rent and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. Proprietary Fund Financial Statements include a Statement of Net Position,

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

The model as defined in Statement No. 34 establishes criteria (percentage of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major Funds. If non-major funds exist, these funds are combined in a single column in the fund financial statements.

The Authority has a sole enterprise fund which includes the activities of the following program:

***Public Housing Program*** - This program accounts for the operation, maintenance, and development of housing units which are owned by the Authority. The development of the projects were funded primarily by the U.S. Department of Housing and Urban Development through loans and bonds. The loans have been forgiven by HUD and the bond debt service and repayment requirements are the responsibility of HUD and therefore no outstanding liabilities are recorded. The program is subsidized annually by operating subsidy from HUD and through Capital Grants for capital improvements.

Budgetary Process

The Authority establishes a budget for the fiscal year and is adopted by the Board of Commissioners.

Cash and Investments

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

The Authority's deposits can only be invested in the following HUD approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings deposits, money-market deposit accounts, municipal depository fund, super now accounts, certificate of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities (STRIPS), and mutual funds that consist of securities purchased from the HUD approved list.

Accounts Receivable

All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Prepaid Items

Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. Contributions of assets are recorded at acquisition value at the date received. The Authority generally capitalized assets with cost of \$500 or more as purchases and construction outlays occur.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-40 years
Building improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Authority's policy is to apply restricted net position first.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, deferred outflows, liabilities, deferred inflows, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Grant Revenue

The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as unearned revenue.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that is applicable to future reporting periods. Deferred outflows of resources in the Statement of Net Position consist of the unamortized portions of the net difference between projected and actual earnings on pension plan investments, the net difference between actual expected and actual experience with regard to economic and demographic factors in the measurement of the total pension liability, changes of

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

assumptions about future economic or demographic factors or other inputs and the net effect of the change in the employer's proportion share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources related to pensions. Deferred outflows also contain employer pension contributions made after the measurement date.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Colorado Public Employees Retirement Association (Colorado PERA) and additions to/deductions from Colorado PERA'S fiduciary net position have been determined on the same basis as they are reported by Colorado PERA. 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.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that is applicable to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portions of the net difference between projected and actual earnings on pension plan investments, the net difference between actual expected and actual experience with regard to economic and demographic factors in the measurement of the total pension liability, changes of assumptions about future economic or demographic factors or other inputs and the net effect of the change in the employer's proportion share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources related to pensions.

Compensated Absences

The Authority's policy allows employees to accumulate unused vacation leave. Sick leave may be accumulated but not paid upon termination.

Postemployment Benefits Other Than Pensions (OPEB)

OPEB benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has adopted a plan and has obligated resources to other postemployment benefits as defined in GASB Statement No. 75.

Income Taxes

The Authority is a governmental subdivision of the State of Colorado and is exempt from Federal and State income taxes.

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**December 31, 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Taxpayer's Bill of Rights

In November, 1992, the voters of the State of Colorado approved an amendment to the State's Constitution limiting the amount of revenue which may be spent or retained by Colorado governmental entities. The amendment is in effect for most governmental entities for the years beginning after 1992, but exempts "enterprise" funds from the limitations. The Board of Commissioners of the Authority believes it is exempt from the provisions of the TABOR amendment because it is an "enterprise" (a business operation able to issue its own revenue bonds and receiving less than 10% of its revenue from state and local grants) as defined in the constitutional amendment. The Board also believes it is not subject to the provisions of TABOR because the governing board is not an elected board, does not have an electoral constituency, and does not have the power to impose taxes, all basic operational requirements of TABOR.

**NOTE B - DEPOSITS AND INVESTMENTS**

At December 31, 2018, the Authority's carrying amount of deposits was \$153,931 and the bank balances were \$155,502. As required by the Colorado Public Deposit Protection Act (PDPA), any amount in excess of the FDIC insurance threshold shall be collateralized as required by the Public Deposit Protection Acts, article 10.5 of title 11, C.R.S., as amended or article 47 of title 11, C.R.S, as amended. All of the bank balances were covered by FDIC insurance. The Authority had cash on hand of \$75 as of December 31, 2018.

**NOTE C – ACCOUNTS RECEIVABLE**

A summary of accounts receivable as presented in the Statement of Net Position at December 31, 2018 are as follows:

Tenants	\$	714
Allowance for doubtful accounts		—
	\$	<u>714</u>

**NOTE D – DUE FROM OTHER GOVERNMENTS**

A summary of due from other governments as presented in the Statement of Net Position at December 31, 2018 is as follows:

HUD – capital fund grants	\$	<u>39,562</u>
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**NOTE E – RESTRICTED ASSETS**

Cash and cash equivalents of \$14,718 as presented in the Statement of Net Position at December 31, 2018 is restricted for Tenant Security Deposits.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
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**NOTE F – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 1/1/2018	Increases	Decreases	Balance 12/31/2018
<b>Non-depreciable assets:</b>				
Land	\$ 6,059	\$ -	\$ -	\$ 6,059
Construction in progress	796	3,627	(3,428)	995
<b>Total non-depreciable assets</b>	<b>6,855</b>	<b>3,627</b>	<b>(3,428)</b>	<b>7,054</b>
<b>Depreciable assets</b>				
Buildings	2,739,608	3,429	-	2,743,036
Equipment - Dwelling	45,019	-	-	45,019
Equipment - Administration	119,563	-	-	119,563
<b>Total depreciable assets</b>	<b>2,904,190</b>	<b>3,429</b>	<b>-</b>	<b>2,907,618</b>
<b>Total Capital Assets</b>	<b>2,911,045</b>	<b>7,056</b>	<b>(3,428)</b>	<b>2,914,672</b>
<b>Accumulated depreciation</b>				
Buildings	2,574,051	23,608	-	2,597,659
Equipment - Dwelling	33,347	2,753	-	36,100
Equipment - Administration	114,584	1,232	-	115,816
<b>Total accumulated depreciation</b>	<b>2,721,982</b>	<b>27,593</b>	<b>-</b>	<b>2,749,575</b>
<b>Depreciable assets, net</b>	<b>182,208</b>	<b>(24,164)</b>	<b>-</b>	<b>158,044</b>
<b>Capital assets, net</b>	<b>\$ 189,063</b>	<b>\$ (20,537)</b>	<b>\$ (3,428)</b>	<b>\$ 165,098</b>

**NOTE G – ACCOUNTS PAYABLE**

A summary of accounts payable as presented in the Statement of Net Position at December 31, 2018 is as follows:

Vendors and contractors	\$ <u>6,440</u>
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**NOTE H—ACCRUED COMPENSATED ABSENCES**

A summary of accrued compensated absences as presented in the Statement of Net Position as of December 31, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Compensated absences	\$ 12,147	\$ 4,726	\$ (2,741)	\$ 14,132	\$ 6,024

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**NOTE I—NET POSITION**

The fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets and unrestricted.

- **Net Investment in Capital Assets** – This component groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance in this category.
- **Unrestricted** – This category represents net position of the Authority, not restricted for any project or other purposes.

**NOTE J – ACCOUNTING CHANGE/PRIOR PERIOD ADJUSTMENTS**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB) - an Amendment of GASB No. 45 was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 75 requires a state or local government employer to recognize a collective net OPEB liability and changes in the collective net OPEB liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB. Beginning net position was restated to retroactively report the beginning collective net OPEB liability of \$17,690 as of December 31, 2016.

**NOTE K – DEFICIT UNRESTRICTED NET POSITION**

As of December 31, 2018, the Authority had a deficit unrestricted net position of (\$64,988) which is due to GASB 68 and GASB 75, Accounting and Financial Reporting for Pensions and OPEB. The Authority plans to fund the deficit with future operations of the Housing Authority.

**NOTE L – CONTINGENCIES**

The Authority recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any to be immaterial.

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**December 31, 2018**

**NOTE M - 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 for which the Authority purchases commercial insurance.

During the year ended December 31, 2018, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

**NOTE N – DEFINED BENEFIT PENSION PLAN**

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *changes between the measurement date of the net pension liability and the fiscal year end of the Limon Housing Authority which is December 31, 2018*.

**General Information about the Pension Plan**

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

*Benefits provided as of December 31, 2017.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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**NOTE N – DEFINED BENEFIT PENSION PLAN (CONT'D)**

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions provisions as of December 31, 2017:* Eligible employees and the Limon Housing Authority are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to

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**NOTE N – DEFINED BENEFIT PENSION PLAN (CONT'D)**

contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rates
Employer contribution rate <sup>1</sup>	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%
Amount apportioned to the LGDTF <sup>1</sup>	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	1.50%
<b>Total employer contribution rate to the LGDTF<sup>1</sup></b>	<b>12.68%</b>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Limon Housing Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Limon Housing Authority were \$13,600 for the year ended December 31, 2018.

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

At December 31, 2018 the Limon Housing Authority reported a liability of \$187,880 for its proportionate share of the net pension liability. The net pension liability for the LGDTF was measured as of 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 Limon Housing Authority proportion of the net pension liability was based on Limon Housing Authority's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Limon Housing Authority's proportion was .0168740118 percent, which was a decrease of .00090048 percent change from its proportion measured as of December 31, 2016.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
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**NOTE N – DEFINED BENEFIT PENSION PLAN (CONT'D)**

For the year ended December 31, 2018, the Authority recognized pension expense of \$43,118. At December 31, 2018 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		<b>Deferred Outflows of Resources</b>		<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$	1,985	\$	--
Difference between expected and actual experience	\$	11,754	\$	--
Difference between projected and actual earnings on pension plan investments	\$	17,645	\$	54,166
Changes in proportion differences between employer contributions and proportionate share of contributions	\$	(17,552)	\$	--
Contributions paid to PERA subsequent to the measurement date – 1/1/18 thru 12/31/18	\$	14,693	\$	--
<b>Total</b>	<b>\$</b>	<b>28,525</b>	<b>\$</b>	<b>54,166</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended December 31:**

2019	\$	7,363
2020		(9,402)
2021		(19,013)
2022		(19,282)
2023		--
Thereafter		--
	<b>\$</b>	<b>(40,334)</b>

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent

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**NOTE N – DEFINED BENEFIT PENSION PLAN (CONT'D)**

Post-retirement benefit increases:

PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE N – DEFINED BENEFIT PENSION PLAN (CONT'D)**

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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%
<b>Total</b>	<b>100.00%</b>	

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer

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**NOTE N – DEFINED BENEFIT PENSION PLAN (CONT'D)**

contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the Limon Housing Authority's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	299,232	187,880	95,052

*Pension plan fiduciary net position.* Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Payables to the Pension Plan

At December 31, 2018, the Authority had payables of \$509 to the defined benefit pension plan for legally required employer and employee contributions which had been withheld from employee wages but not yet remitted to PERA.

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**NOTE N – DEFINED BENEFIT PENSION PLAN (CONT'D)**

**Changes between the measurement date of the net pension liability and December 31, 2018.**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, the Limon Housing Authority reported a liability of \$187,880 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the Limon Housing Authority's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

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**NOTE N – DEFINED BENEFIT PENSION PLAN (CONT'D)**

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$132,891

**NOTE O – DEFINED CONTRIBUTION PENSION PLAN**

**Voluntary Investment Program**

*Plan Description* - Employees of the Limon Housing Authority that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*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 C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2018, program members contributed \$2,848.

**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**Summary of Significant Accounting Policies**

*OPEB.* Limon Housing Authority participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the OPEB Plan**

*Plan description.* Eligible employees of the Limon Housing Authority are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium

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**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

*DPS Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month

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**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Limon Housing Authority is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Limon Housing Authority were \$1,094 for the year ended December 31, 2018.

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

At December 31, 2018, the Limon Housing Authority reported a liability of \$17,040 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Limon Housing Authority's proportion of the net OPEB liability was based on the Limon Housing Authority contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Limon Housing Authority's proportion was .0013111840 percent, which was a decrease of .00005325 from its proportion measured as of December 31, 2016.

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**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

For the year ended December 31, 2018, the Limon Housing Authority recognized OPEB expense of \$1,335. At December 31, 2018, the Limon Housing Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Changes in assumptions or other inputs	\$	--	\$	--
Difference between expected and actual experience	\$	81	\$	285
Difference between projected and actual earnings on OPEB plan investments	\$	--	\$	--
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$	-	\$	--
Contributions subsequent to the measurement date -- Jan. 1, 2018 thru December 31, 2018	\$	1,094	\$	--
<b>Total</b>	<b>\$</b>	<u><u>1,175</u></u>	<b>\$</b>	<u><u>285</u></u>

\$1,094 is reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year Ended December 31:**

2019	\$	(55)
2020		(55)
2021		(55)
2022		(56)
2023		15
Thereafter		2
	\$	<u><u>(204)</u></u>

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**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

*Actuarial assumptions.* The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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**December 31, 2018**

**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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%
<b>Total</b>	<b>100.00%</b>	

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

*Sensitivity of the Limon Housing Authority's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$19,158	\$17,040	\$15,232

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**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the Limon Housing Authority's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$15,232	\$17,040	\$19,158

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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**NOTE P – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONT'D)**

Payables to the OPEB Plan

At December 31, 2018, the Authority had payables of \$41 to the defined benefit pension plan for legally required employer and employee contributions which had been withheld from employee wages but not yet remitted to PERA.

**REQUIRED SUPPLEMENTAL INFORMATION-  
GASB 68 - PENSION SCHEDULES AND NOTES**

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**For the Last Ten Fiscal Years\***

PERA Pension Plan Year Ended	Authority's Proportion of the Net Pension Liability	Authority's Proportionate Share of the Net Pension Liability	Authority's Covered- Payroll	Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2014	0.0196441183%	\$ 176,072	\$ 107,254	164%	81%
12/31/2015	0.0198196955%	\$ 218,330	\$ 112,561	194%	77%
12/31/2016	0.0177744733%	\$ 240,016	\$ 107,254	224%	74%
12/31/2017	0.0168739840%	\$ 187,880	\$ 106,903	176%	79%

\* - The amounts presented for each fiscal year were determined as of the Pension fiscal year that occurred within the fiscal year. Additional years will be displayed as they become available.

See accompanying notes to required supplemental information.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS - PENSION PLAN**  
**For the Last Ten Fiscal Years\***

Authority's Fiscal Year Ended	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered- Payroll	Contributions as a percentage of Covered- Payroll
12/31/2015	\$ 15,421	\$ 15,421	\$ -	\$ 112,561	13.70%
12/31/2016	\$ 14,760	\$ 14,760	\$ -	\$ 107,736	13.70%
12/31/2017	\$ 14,646	\$ 14,646	\$ -	\$ 106,903	13.70%
12/31/2018	\$ 13,600	\$ 13,600	\$ -	\$ 107,252	12.68%

\* - The amounts presented for each fiscal year were determined as of the Authority's fiscal year.  
 Additional years will be displayed as they become available.

See accompanying notes to required supplemental information.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2018**

**NOTE A – SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION**

*2017 Changes in Plan Provisions Since 2016*

Following the 2018 legislative session, Governor Hickenlooper signed into law SB 18-200, which includes the following reforms:

- Incrementally increases the member contribution percentage a total of 2.00 percent as follows:
  - .75 percent on July 1, 2019
  - .75 percent on July 1, 2020
  - .50 percent on July 1, 2021
- Increase employer contributions 0.25 percent on July 1, 2019, for all divisions except for the Local Government Division.
- PERA will receive an annual direct distribution from the State in the amount of \$225 million (in actual dollars). The distribution will occur on July 1, 2018 and on July 1 each year thereafter until there are no unfunded actuarial accrued liabilities in the trust fund of any division that receives such distribution. PERA shall allocate the distribution to the trust funds as it would an employer contribution in a manner that is proportionate to the annual payroll of each division except there shall be no allocation to the Local Government Division.
- Beginning January 1, 2021, and every year thereafter, employer contribution rates for the State and Local Government Divisions will be adjusted to include a defined contribution supplement. The defined contribution supplement for these two divisions will be the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon, expressed as a percentage of salary on which employer contributions have been made.

*2016 Changes in Plan Provisions Since 2015*

- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter.

*2015 Changes in Plan Provisions Since 2014*

- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter.
- As required under Section 24-51-401(1.7)e of Colorado Revised Statutes, PERA calculated and provided to the Colorado General Assembly an adjustment to the DPS Division's employer contribution rate to assure the equalization of the School Division's and DPS Division's ratios of unfunded actuarial accrued liability (UAAL) to payroll, as of December 31, 2039. Subsequently, the Colorado General Assembly passed HB 15-1391, reducing the

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2018**

**NOTE A – SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION (CONT'D)**

employer contribution rate of the DPS Division from 13.75% to 10.15%, effective January 1, 2015.

*2014 Changes in Plan Provisions Since 2013*

- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter.

**NOTE B – SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL VALUATION:**

*2017 Changes in Assumptions or Other Inputs Since 2016*

There are no changes in economic and demographic actuarial assumptions incorporated into the actuarial valuation as of December 31, 2017, since the last actuarial valuation as of December 31, 2016.

*2016 Changes in Assumptions or Other Inputs Since 2015*

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The price inflation assumption was lowered from 2.80 percent to 2.40 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State and Local Government Divisions was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of 73 percent factor applied to ages below 80 and 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from .35 percent to .40 percent.
- The SEIR for the Local Government Division was lowered from 7.50 percent to 7.25 percent reflecting the change in the long-term rate of return.

**HOUSING AUTHORITY OF THE CITY OF TOWN, COLORADO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2018**

**NOTE B – SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL VALUATION (CONT'D):**

*2015 Changes in Assumptions or Other Inputs Since 2014*

The following programming changes were made:

- Valuation of full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month AI timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35 percent of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and UAAL payment calculations to reflect contributions throughout the year.

**REQUIRED SUPPLEMENTAL INFORMATION-  
GASB 75 - OPEB SCHEDULES AND NOTES**

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY**  
**For the Last Ten Fiscal Years\***

PERA OPEB Plan Year Ended	Authority's Proportion of the Collective Net OPEB Liability	Authority's Proportionate Share of the Collective Net OPEB Liability	Authority's Covered- Payroll	Authority's Proportionate Share of the Collective Net OPEB Liability as a Percentage of its Covered-Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
12/31/2016	0.0013644069%	\$ 17,690	\$ 107,254	16%	16.72%
12/31/2017	0.0013111727%	\$ 17,040	\$ 106,903	16%	17.53%

\* - The amounts presented for each fiscal year were determined as of the OPEB Plan fiscal year that occurred within the fiscal year. Additional years will be displayed as they become available.

See accompanying notes to required supplemental information.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 For the Last Ten Fiscal Years\***

Authority's Fiscal Year Ended	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered- Payroll	Contributions as a percentage of Covered- Payroll
12/31/2017	\$ 1,099	\$ 1,099	\$ -	\$ 106,903	1.03%
12/31/2018	\$ 1,094	\$ 1,094	\$ -	\$ 107,252	1.02%

\* - The amounts presented for each fiscal year were determined as of the Authority's fiscal year.  
 Additional years will be displayed as they become available.

See accompanying notes to required supplemental information.

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2018**

**NOTE A – SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION**

*2017 Changes in Plan Provisions Since 2016*

- The Cunningham Fire Protection District (CFPD) disaffiliated from the Local Government Division, thereby ending participation in the Health Care Trust Fund (HCTF) on December 2, 2017. For the purpose of disclosure as of the December 31, 2017, measurement date, liabilities were determined assuming no additional service accruals impacting possible future premium subsidies for the disaffiliated membership of the CFPD that had not refunded their PERA member contribution accounts. The total disaffiliation payment of \$1,159 was allocated to the Local Government Division Trust Fund and the HCTF in the amount of \$1,063 and \$96, respectively.
- The new Defined Benefit OPEB Funding Policy was adopted by the Board of Trustees on January 19, 2018.

**NOTE B – SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION**

*2017 Changes in Plan Provisions Since 2016*

- There were no changes made to the actuarial methods or assumptions.

**NOTE C – CHANGES OF BENEFIT TERMS**

*2017 Changes in Plan Provisions Since 2016*

- Expands PERAChoice to new hires as of January 1, 2019, applicable to:
  - Certain members of the State Division
  - All members of the Local Government Division

**SUPPLEMENTAL INFORMATION**

Housing Authority of the Town of Limon (CO012)  
LIMON, CO  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	Project Total	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$33,031	\$33,031		\$33,031
114 Cash - Tenant Security Deposits	\$14,718	\$14,718		\$14,718
100 Total Cash	\$47,749	\$47,749		\$47,749
122 Accounts Receivable - HUD Other Projects	\$39,562	\$39,562		\$39,562
126 Accounts Receivable - Tenants	\$714	\$714		\$714
126.1 Allowance for Doubtful Accounts -Tenants	\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0
129 Accrued Interest Receivable	\$18	\$18		\$18
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$40,294	\$40,294		\$40,294
131 Investments - Unrestricted	\$106,257	\$106,257		\$106,257
142 Prepaid Expenses and Other Assets	\$11,301	\$11,301		\$11,301
150 Total Current Assets	\$205,601	\$205,601		\$205,601
161 Land	\$6,059	\$6,059		\$6,059
162 Buildings	\$2,743,037	\$2,743,037		\$2,743,037
163 Furniture, Equipment & Machinery - Dwellings	\$45,019	\$45,019		\$45,019
164 Furniture, Equipment & Machinery - Administration	\$119,563	\$119,563		\$119,563
166 Accumulated Depreciation	-\$2,749,575	-\$2,749,575		-\$2,749,575
167 Construction in Progress	\$995	\$995		\$995
160 Total Capital Assets, Net of Accumulated Depreciation	\$165,098	\$165,098		\$165,098
180 Total Non-Current Assets	\$165,098	\$165,098		\$165,098
200 Deferred Outflow of Resources	\$29,700	\$29,700		\$29,700
290 Total Assets and Deferred Outflow of Resources	\$400,399	\$400,399		\$400,399
312 Accounts Payable <= 90 Days	\$1,892	\$1,892		\$1,892
321 Accrued Wage/Payroll Taxes Payable	\$5,628	\$5,628		\$5,628
322 Accrued Compensated Absences - Current Portion	\$6,024	\$6,024		\$6,024
341 Tenant Security Deposits	\$14,718	\$14,718		\$14,718
346 Accrued Liabilities - Other	\$4,548	\$4,548		\$4,548
310 Total Current Liabilities	\$32,810	\$32,810		\$32,810
354 Accrued Compensated Absences - Non Current	\$8,108	\$8,108		\$8,108
357 Accrued Pension and OPEB Liabilities	\$204,920	\$204,920		\$204,920
350 Total Non-Current Liabilities	\$213,028	\$213,028		\$213,028
300 Total Liabilities	\$245,838	\$245,838		\$245,838
400 Deferred Inflow of Resources	\$54,451	\$54,451		\$54,451
508.4 Net Investment in Capital Assets	\$165,098	\$165,098		\$165,098
512.4 Unrestricted Net Position	-\$64,988	-\$64,988		-\$64,988
513 Total Equity - Net Assets / Position	\$100,110	\$100,110		\$100,110
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$400,399	\$400,399		\$400,399

Housing Authority of the Town of Limon (CO012)  
LIMON, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2018

	Project Total	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$160,394	\$160,394		\$160,394
70400 Tenant Revenue - Other	\$7,851	\$7,851		\$7,851
70500 Total Tenant Revenue	\$168,245	\$168,245	\$0	\$168,245
70600 HUD PHA Operating Grants	\$91,940	\$91,940		\$91,940
70610 Capital Grants	\$3,627	\$3,627		\$3,627
71100 Investment Income - Unrestricted	\$1,360	\$1,360		\$1,360
71500 Other Revenue	\$14,465	\$14,465		\$14,465
70000 Total Revenue	\$279,637	\$279,637	\$0	\$279,637
91100 Administrative Salaries	\$60,289	\$60,289		\$60,289
91200 Auditing Fees	\$3,810	\$3,810		\$3,810
91400 Advertising and Marketing	\$12	\$12		\$12
91500 Employee Benefit contributions - Administrative	\$42,131	\$42,131		\$42,131
91800 Office Expenses	\$3,797	\$3,797		\$3,797
91900 Other	\$4,634	\$4,634		\$4,634
91000 Total Operating - Administrative	\$114,673	\$114,673	\$0	\$114,673
92400 Tenant Services - Other	\$437	\$437		\$437
92500 Total Tenant Services	\$437	\$437	\$0	\$437
93100 Water	\$4,610	\$4,610		\$4,610
93200 Electricity	\$17,216	\$17,216		\$17,216
93300 Gas	\$11,055	\$11,055		\$11,055
93600 Sewer	\$912	\$912		\$912
93000 Total Utilities	\$33,793	\$33,793	\$0	\$33,793
94100 Ordinary Maintenance and Operations - Labor	\$49,166	\$49,166		\$49,166
94200 Ordinary Maintenance and Operations - Materials and Other	\$6,378	\$6,378		\$6,378
94300 Ordinary Maintenance and Operations Contracts	\$8,040	\$8,040		\$8,040
94500 Employee Benefit Contributions - Ordinary Maintenance	\$34,279	\$34,279		\$34,279
94000 Total Maintenance	\$97,863	\$97,863	\$0	\$97,863
96110 Property Insurance	\$9,718	\$9,718		\$9,718
96120 Liability Insurance	\$2,694	\$2,694		\$2,694
96130 Workmen's Compensation	\$3,151	\$3,151		\$3,151
96140 All Other Insurance	\$2,051	\$2,051		\$2,051
96100 Total Insurance Premiums	\$17,614	\$17,614	\$0	\$17,614
96210 Compensated Absences	\$4,726	\$4,726		\$4,726
96000 Total Other General Expenses	\$4,726	\$4,726	\$0	\$4,726
96900 Total Operating Expenses	\$269,106	\$269,106	\$0	\$269,106
97000 Excess of Operating Revenue over Operating Expenses	\$10,531	\$10,531	\$0	\$10,531
97400 Depreciation Expense	\$27,593	\$27,593		\$27,593
90000 Total Expenses	\$296,699	\$296,699	\$0	\$296,699
10010 Operating Transfer In	\$65,630	\$65,630	-\$65,630	\$0
10020 Operating transfer Out	-\$65,630	-\$65,630	\$65,630	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$17,062	-\$17,062	\$0	-\$17,062
11020 Required Annual Debt Principal Payments	\$0	\$0		\$0
11030 Beginning Equity	\$134,862	\$134,862		\$134,862
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$17,690	-\$17,690		-\$17,690
11190 Unit Months Available	468	468		468
11210 Number of Unit Months Leased	456	456		456
11270 Excess Cash	\$139,382	\$139,382		\$139,382
11620 Building Purchases	\$3,627	\$3,627		\$3,627

Housing Authority of the Town of Limon (CO012)  
LIMON, CO  
Single Project Revenue and Expense

Submission Type: Audited/Non Single  
Audit

Fiscal Year End: 12/31/2018

Project: CO01200001 LIMON HOUSING AUTHORITY

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$160,394		\$160,394
70400 Tenant Revenue - Other	\$7,851		\$7,851
70500 Total Tenant Revenue	\$168,245	\$0	\$168,245
70600 HUD PHA Operating Grants	\$22,500	\$69,440	\$91,940
70610 Capital Grants		\$3,627	\$3,627
71100 Investment Income - Unrestricted	\$1,360		\$1,360
71500 Other Revenue	\$14,465		\$14,465
70000 Total Revenue	\$206,570	\$73,067	\$279,637
91100 Administrative Salaries	\$60,289		\$60,289
91200 Auditing Fees		\$3,810	\$3,810
91400 Advertising and Marketing	\$12		\$12
91500 Employee Benefit contributions - Administrative	\$42,131		\$42,131
91600 Office Expenses	\$3,797		\$3,797
91900 Other	\$4,634		\$4,634
91000 Total Operating - Administrative	\$110,863	\$3,810	\$114,673
92400 Tenant Services - Other	\$437		\$437
92500 Total Tenant Services	\$437	\$0	\$437
93100 Water	\$4,610		\$4,610
93200 Electricity	\$17,216		\$17,216
93300 Gas	\$11,055		\$11,055
93600 Sewer	\$912		\$912
93000 Total Utilities	\$33,793	\$0	\$33,793
94100 Ordinary Maintenance and Operations - Labor	\$49,166		\$49,166
94200 Ordinary Maintenance and Operations - Materials and Other	\$6,378		\$6,378
94300 Ordinary Maintenance and Operations Contracts	\$8,040		\$8,040
94500 Employee Benefit Contributions - Ordinary Maintenance	\$34,279		\$34,279
94000 Total Maintenance	\$97,863	\$0	\$97,863
96110 Property Insurance	\$9,718		\$9,718
96120 Liability Insurance	\$2,694		\$2,694
96130 Workmen's Compensation	\$3,151		\$3,151
96140 All Other Insurance	\$2,051		\$2,051
96100 Total Insurance Premiums	\$17,614	\$0	\$17,614
96210 Compensated Absences	\$4,726		\$4,726
96000 Total Other General Expenses	\$4,726	\$0	\$4,726
96900 Total Operating Expenses	\$265,296	\$3,810	\$269,106
97000 Excess of Operating Revenue over Operating Expenses	-\$58,726	\$69,257	\$10,531
97400 Depreciation Expense	\$27,593		\$27,593
90000 Total Expenses	\$292,889	\$3,810	\$296,699
10010 Operating Transfer In	\$65,630		\$65,630
10020 Operating transfer Out		-\$65,630	-\$65,630
10100 Total Other financing Sources (Uses)	\$65,630	-\$65,630	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$20,889	\$3,627	-\$17,062
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$134,862	\$0	\$134,862
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$14,063	-\$3,627	-\$17,690
11180 Unit Months Available	468		468
11210 Number of Unit Months Leased	456		456
11270 Excess Cash	\$139,382		\$139,382
11620 Building Purchases	\$0	\$3,627	\$3,627

**GOVERNMENT AUDITING STANDARDS SECTION**

Randal D. Niewedde, CPA  
Jeffrey J. Wiens, CPA

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

**Independent Auditors Report**

To the Board of Commissioners  
Housing Authority of the Town of Limon, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Housing Authority of the Town of Limon, Colorado, as of and for the year ended December 31, 2018, and the related notes to the basic financial statements, which collectively comprise the Housing Authority of the Town of Limon, Colorado's basic financial statements, and have issued our report thereon dated May 3, 2019.

**Internal Control over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonably possibility that a material misstatement of the entity's basic financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2018-1 to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Limon, Colorado's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Housing Authority of the Town of Limon, Colorado in the accompanying schedule of findings and responses as Finding 2018-1.

## **Response to Finding**

The Housing Authority of the Town of Limon, Colorado's response to the finding identified in our audit is described in the accompanying corrective action plan. The Housing Authority of the Town of Limon, Colorado's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

*Niewedde & Wiens, CPA's*

York, Nebraska  
May 3, 2019

**HOUSING AUTHORITY OF THE TOWN OF LIMON, COLORADO**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**December 31, 2018**

**Finding 2018-1: Flat Rent Requirements**  
**Material Weakness/Non-material Noncompliance**

**Criteria:** As required by the 2014 Appropriations Act, paragraph (2)(b)(i) Section 3(a) of the United States Housing Act of 1937, as amended by Section 201, establishes new parameters that PHAs must use when determining the flat rent amounts. Specifically, flat rents must now be set at no less than 80 percent of the applicable Fair Market Rent (FMR) and adjusted annually.

**Condition:** During our audit we noted the Authority did not adjust the 2-bedroom flat rent to meet the 80% requirement as detailed above. The flat rent was set at \$22 below the required amount for 2018.

**Cause:** The Authority did not correctly adjust the flat rents.

**Effect or Potential Effect:** Because the flat rents were not adjusted correctly, this resulted in an estimated loss of rental income of \$660 and affected four tenants for the fiscal year ended December 31, 2018.

**Recommendation:** We recommend the Authority review the flat rents and adopt according to the flat rent regulations on an annual basis.



EOH

**LIMON HOUSING AUTHORITY**

1880 Circle Lane

Limon, CO 80828

Ph# 719-775-9309 Fax# 719-775-9309

**CORRECTIVE ACTION PLAN  
Year Ended December 31, 2018**

The following are responses to and the corrective action to be taken in regard to the finding as reported in the accompanying Schedule of Findings and Responses for the fiscal year ended December 31, 2018:

ITEM

- 2018-1** Limon Housing Authority will review and adjust flat rents accordingly, on an annual basis.

Contact Person: Erica Deegan, Executive Director  
1880 Circle Lane  
Limon, CO 80828  
719-775-9309