

HOUSING AUTHORITY OF THE
TOWN OF EATON
WELD COUNTY, COLORADO



REPORT OF AUDIT

Years Ended December 31, 2017 and 2016



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Independent Auditors' Report

Board of Commissioners
Housing Authority of the Town of Eaton
Eaton, Colorado

We have audited the accompanying basic financial statements of the Housing Authority of the Town of Eaton as of and for the years ended December 31, 2017 and 2016, as listed in the table of contents and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Eaton as of December 31, 2017 and 2016, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Other Matter

Accounting principles generally accepted in the United States require that management discussion and analysis and supplementary pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial 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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

May 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of the Eaton Housing Authority (EHA) for the year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

- * EHA's assets exceeded liabilities by \$508,192 at December 31, 2017.
- * The December 31, 2017 net position is \$39,097 less than the previous year. The total net position is 96% of 2017 operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Eaton Housing Authority has a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to EHA's financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Authority's financial activities.

The *Statements of Net Position* present information on the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statements of Activities* present information on the Authority's operating revenues and expenses, non-operating revenues and expenses, and whether the Authority's financial position has improved or deteriorated as a result of the year's activities.

The *Statements of Cash Flows* present the change in the Authority's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Authority financed its activities and how it met its cash requirements.

The *Notes to Financial Statements* provide additional information essential to a full understanding of the data provided in the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2017, assets exceeded liabilities by \$508,192.

The following table provides a summary of the Authority's net position for 2017 and 2016.

December 31	2017	2016
Assets:		
Current and other assets	\$ 396,039	\$ 595,246
Capital assets	446,217	392,053
Deferred outflows – pension plan	113,338	78,255
Total Assets and Deferred Outflows	955,594	1,065,554
Liabilities:		
Current and other liabilities	28,796	170,508
Net pension liability	418,606	341,490
Deferred inflows – pension plan	--	6,267
Total Liabilities and Deferred Inflows	447,402	518,265
Net Position:		
Investment in capital assets	446,217	392,053
Unrestricted	61,975	155,236
Total Net Position	\$ 508,192	\$ 547,289

A portion of EHA's net assets represents unrestricted net position of \$61,975 which may be used to meet the Authority's ongoing obligations to residents and citizens.

A significant portion of the Authority's net position reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to residents; consequently, they are not available for future spending.

The following table indicates the changes in net position:

Business-Type Activities	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 213,834	\$ 217,880
Operating grants and contributions	267,919	259,104
Oil and laundry proceeds	6,038	10,421
General revenues:		
Investment earnings	109	118
Total Revenues	487,900	487,523
Expenses:		
Program services	402,150	404,530
General administrative services	60,251	58,910
Depreciation	64,596	66,239
Total Expenses	526,997	529,679
Increase (decrease) in Net Position	\$ (39,097)	(\$ 42,156)

Business-Type Activities. Business-type activities decreased EHA's net position by \$39,097 in 2017. Key elements of this increase are as follows:

- * Operating revenues were \$481,753. This represents a 1% increase from the previous year, due primarily to a few units being vacant during refurbishment.
- * Expenses were \$526,997, which was down 1% from the previous year.

CAPITAL ASSETS

Capital Assets. EHA's investment in capital assets for its business-type activities as of December 31, 2017, totals \$446,217 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total increase in capital assets for the current year was \$54,163 or 13%, due to parking lot improvements.

The Authority implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated.

Additional information on the Authority's capital assets can be found in Note 2 of this report.

OTHER MATTERS

The following factors are expected to have a significant effect on the Authority's financial position and results of operations and were taken into account in developing the 2018 budget:

- * The Authority will continue to be required to record its share of PERA's unfunded liability in 2018.
- * Future fair market rent and rent supplements must be approved by HUD and are expected to be minimal.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of EHA's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided or for additional financial information should be addressed to the Authority, 223 First Street, Eaton, Colorado 80615.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

STATEMENTS OF NET POSITION

December 31	2017	2016
<u>ASSETS</u>		
Current Assets:		
Cash - general accounts	\$ 382,895	\$ 582,109
Total Current Assets	382,895	582,109
Restricted Assets:		
Cash:		
Tenant security deposits	13,144	13,137
Total Restricted Assets	13,144	13,137
Property and Equipment:		
Land	92,179	92,179
Buildings	1,307,838	1,307,838
Improvements	577,205	458,445
Building equipment - portable	8,187	8,187
Furnishings	116,593	132,782
	2,102,002	1,999,431
Less: Accumulated depreciation	1,655,785	1,607,378
Total Property and Equipment	446,217	392,053
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Plan	113,338	78,255
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 955,594	\$ 1,065,554
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 11,990	\$ 13,566
Deferred revenue	-	141,775
Total Current Liabilities	11,990	155,341
Tenant Security Deposits	16,806	15,167
Net Pension Liability	418,606	341,490
Total Liabilities	447,402	511,998
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Plan	-	6,264
<u>NET POSITION</u>		
Investment in Capital Assets	446,217	392,053
Unrestricted	61,975	155,236
Total Net Position	508,192	547,289
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 955,594	\$ 1,065,554

See Accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

STATEMENTS OF ACTIVITIES

Years Ended December 31	2017	2016
Operating Revenue:		
Rental income - apartments	\$213,834	\$ 217,880
Rent supplements	267,919	259,104
Total Operating Revenue	481,753	476,984
Operating Expenses:		
Operating and maintenance:		
Salaries - maintenance	138,213	138,713
Employee benefits	63,116	71,172
Repair and maintenance materials	21,196	22,947
Building repairs and maintenance	57,505	35,970
Snow removal	4,060	5,143
Grounds maintenance	16,814	20,417
Utilities:		
Electricity	34,499	38,309
Water	12,861	17,301
Sewer	19,398	19,398
Heat	13,459	13,639
Trash	2,041	2,016
Telephone	387	387
Administrative:		
Salaries - manager	45,250	43,930
Employee benefits	6,199	6,018
Audit and legal	6,347	7,206
Office supplies	601	273
Other	1,854	1,483
Insurance:		
Property	11,784	12,007
Worker's compensation	6,817	7,111
Depreciation	64,596	66,239
Total Operating Expenses	526,997	529,679
Operating Income (Loss)	(45,244)	(52,695)
Nonoperating Revenue (Expenses):		
Interest income	109	118
Oil and laundry proceeds	6,038	10,421
Net Nonoperating Revenue	6,147	10,539
Net Loss	(39,097)	(42,156)
Net Position, Beginning of Year	547,289	589,445
Net Position, End of Year	\$508,192	\$ 547,289

See Accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

STATEMENTS OF CASH FLOWS

Years Ended December 31	2017	2016
Cash Flows from Operating Activities:		
Cash received:		
From tenants	\$ 213,834	\$ 217,880
Rent supplements	267,919	259,104
Cash payments:		
To suppliers for goods and services	(243,110)	(248,998)
To employees	(183,463)	(182,643)
Net Cash Provided by Operating Activities	55,180	45,343
Cash Flows from Capital and Related Financing Activities:		
Acquisition of equipment and improvements	(118,759)	(55,619)
Oil rights and laundry proceeds	6,038	10,421
Insurance proceeds (spending)	(141,775)	141,775
Net Cash Provided (Used) by Capital and Related Financing Activities	(254,496)	96,577
Cash Flows from Investing Activities:		
Interest on bank deposits	109	118
Net Increase (Decrease) in Cash	(199,207)	142,038
Cash, beginning of year	595,246	453,208
Cash, end of year	\$ 396,039	\$ 595,246

**Reconciliation of Operating Income to Net Cash Provided
by Operating Activities:**

Operating income (loss)	\$ (45,244)	\$ (52,695)
Depreciation	64,596	66,239
Change in assets and liabilities:		
Increase (decrease) in:		
Accounts payable	(1,578)	1,157
Tenant security deposits	1,639	(309)
Net pension liability and deferrals	35,767	30,951
Net Cash Provided by Operating Activities	\$ 55,180	\$ 45,343

See Accompanying Notes to Financial Statements.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of the Housing Authority of the Town of Eaton (the Housing Authority) conform to accounting principles generally accepted in the United States. The following summary of significant accounting policies is presented to assist the reader in evaluating the Authority's financial statements.

Organization:

The Housing Authority of the Town of Eaton is a public corporation organized under the laws of the State of Colorado, and as such is exempt from federal income taxes. The Housing Authority was created in 1970 pursuant to Chapter 69 of Article 3, Colorado Revised Statutes, 1963, as amended, and by resolution of the Town of Eaton. The Housing Authority leases apartments to the elderly and disabled on a month-to-month basis.

The financial report of the Housing Authority includes all of the integral parts of the Authority's operations. The Housing Authority has determined that it has no financial accountability for any other agency which would require it to be in the reporting entity. The Housing Authority's commissioners are appointed by the Town of Eaton, but the Town's accountability does not extend beyond making the appointments.

Basis of Presentation:

Activities of the Housing Authority are accounted for as an individual enterprise fund. Enterprise funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises.

Enterprise funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their statement of net position. Enterprise fund operating statements present increases (revenue) and decreases (expenses) in net total position.

Enterprise funds distinguish *operating* revenues from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Housing Authority are rents and HUD rent supplements. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Basis of Presentation - Continued:

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

Accounting Method:

Enterprise fund revenue and expenses including nonexchange transactions are recognized on the accrual basis of accounting. Revenue is recognized in the year in which it is earned and becomes measurable; expenses are recognized when fund liabilities are incurred.

Property and Equipment:

Property and equipment are recorded at acquisition cost or at market value if contributed. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Category	Years
Buildings and improvements	20-40
Furnishings	5-10
Equipment	5

Expenditures for maintenance and repairs are charged to expense as incurred whereas major property replacements and betterments which extend the useful life of the asset are capitalized and subsequently depreciated. It is the Housing Authority's policy to capitalize all capital expenditures over \$1,000. When assets are sold or abandoned, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The Authority has no infrastructure assets.

Rent Supplements:

The Housing Authority has executed a Housing Assistance Payments Contract with the U.S. Department of Housing and Urban Development (HUD) for a period of five years from 2010. Under the contract, HUD pays the Authority the difference between the established rental value of the apartments and the amount paid by tenants. The tenants' share of the rent is based on their income.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Authority has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the statement of net position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the statement of net position.

Budget:

The Housing Authority is not covered by the Colorado Local Government Budget Law. Budget forms are submitted to HUD, but are not included in financial statements as they are not legally adopted.

Compensated Absences:

All full-time Housing Authority employees accumulate sick leave for subsequent use. These accumulations do not vest and therefore are not recognized as expenditures by the Housing Authority until used.

Employees also receive noncumulative vacation leave. No accrual of liability is made as vacation leave is generally taken and the amount outstanding at year end is immaterial.

Statement of Cash Flows:

For purposes of the statement of cash flows, the Housing Authority considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pensions:

The Housing Authority participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multi-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.

Implementation of GASB Statement No. 68 and GASB Statement No. 71:

As of January 1, 2014, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The additional disclosures required by these standards are included in Note 4.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Changes in Capital Assets:

	Balance, 01/01/17	Additions	Deletions	Balance, 12/31/17
Land	\$ 92,179	\$ --	\$ --	\$ 92,179
Improvements	458,445	118,760	--	577,205
Buildings	1,307,838	--	--	1,307,838
Equipment	8,187	--	--	8,187
Furnishings	132,782	--	16,189	116,593
Total Cost	1,999,431	118,760	16,189	2,102,002
Less Accumulated Depreciation:				
Improvements	263,219	30,942	--	294,161
Buildings	1,212,681	30,943	--	1,243,624
Equipment	8,187	--	--	8,187
Furnishings	123,291	2,711	16,189	109,813
Total Accumulated Depreciation	1,607,378	64,596	16,189	1,655,785
Capital Assets, Net	\$ 392,053	\$ 54,164	\$ --	\$ 446,217

	Balance, 01/01/16	Additions	Deletions	Balance, 12/31/16
Land	\$ 92,179	\$ --	\$ --	\$ 92,179
Improvements	459,666	55,619	56,840	458,445
Buildings	1,307,838	--	--	1,307,838
Equipment	8,187	--	--	8,187
Furnishings	156,366	--	23,584	132,782
Total Cost	2,024,236	55,619	80,424	1,999,431
Less Accumulated Depreciation:				
Improvements	288,634	31,425	56,840	263,219
Buildings	1,181,738	30,943	--	1,212,681
Equipment	8,187	--	--	8,187
Furnishings	143,004	3,871	23,584	123,291
Total Accumulated Depreciation	1,621,563	66,239	80,424	1,607,378
Capital Assets, Net	\$ 402,673	\$ (10,620)	\$ --	\$ 392,053

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - Cash and Investments:

The Housing Authority's bank deposits at year-end were entirely covered by federal depository insurance.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

NOTE 4 - PERA:

The 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.

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

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

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

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

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

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

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

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

**HOUSING AUTHORITY OF THE TOWN OF EATON
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NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Contributions: Eligible employees and the 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 contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized as follows:

Years Ended December 31	2017	2016
Employer contribution rate as a percentage of salary	10.00%	10.00%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	(1.02)
Amount Apportioned to the LGDTF	8.98	8.98
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20	2.20
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	1.50	1.50
Total Employer Contribution Rate to the LGDTF	12.68%	12.68%

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Housing Authority is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Housing Authority were \$25,135 for the year ended December 31, 2017.

At December 31, 2017, the Housing Authority reported a liability of \$418,606 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Housing Authority proportion of the net pension liability was based on the Housing Authority contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the Housing Authority proportion was .031 percent, which was approximately the same as measured as of December 31, 2016.

**HOUSING AUTHORITY OF THE TOWN OF EATON
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NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

For the year ended December 31, 2017, the Housing Authority recognized pension expense of \$60,904. At December 31, 2017, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,449	\$ --
Net difference between projected and actual earnings on pension plan investments	50,272	--
Change in assumptions	28,482	--
Contributions subsequent to the measurement date	25,135	--
Total	\$ 113,338	\$ --

Deferred outflows of resources related to pensions of \$25,135, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2018	\$ 47,285
2019	22,354
2020	14,087
2021	2,477
	\$ 86,203

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Actuarial assumptions: Based on a 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Price inflation	2.8 percent
Real wage growth	1.1 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	3.5 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.5 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 (automatic)	2.0 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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	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%
Total	100.00%	

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

**HOUSING AUTHORITY OF THE TOWN OF EATON
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NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.5 percent every year until they are zero. Based on those assumptions, the LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

December 31, 2017	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 617,215	\$ 418,606	\$ 254,135

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

Employees of The 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 Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

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

The Housing Authority is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for The Housing Authority are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2017, 2016, and 2015, the Housing Authority contributions to the HCTF were \$2,022, \$2,013, and \$1,680, respectively, equal to their required contributions for each year.

NOTE 5 - Colorado Intergovernmental Risk Sharing Agency (CIRSA):

CIRSA is a separate legal entity established by member municipalities pursuant to the provisions of Colorado Revised Statutes and the Colorado Constitution. In February, 1986, the Town Board authorized participation in the agency. The Town has participated each year since then and the Housing Authority began participation in 2012.

The purposes of CIRSA are to provide members defined liability and property coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

The Housing Authority recognizes an expenditure for the amount paid to CIRSA annually for these coverages. The Housing Authority paid \$18,601 to CIRSA in 2017, including \$6,817 for workers compensation coverage. Settled claims have not exceeded this coverage in the past three years.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - Contingencies:

In 1992, the Colorado voters approved the “Taxpayer’s Bill of Rights” (TABOR). TABOR requires voter approval for any new tax, tax rate increase, mill levy increase, or new debt. Voter approval is also required to increase annual property taxes, revenue, or spending by more than inflation plus a local growth factor. Spending not subject to TABOR includes that from enterprise activities, such as the Housing Authority, and federal funds. The Housing Authority believes it is in compliance with the requirements of TABOR.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Statutorily Required Contributions</u>	<u>Contributions Made</u>	<u>Covered Payroll</u>	<u>% of Covered Payroll</u>
2017	\$ 25,135	\$ 25,135	\$ 183,463	13.7%
2016	25,022	25,022	182,643	13.7%
2015	24,293	24,293	177,323	13.7%
2014	23,359	23,359	170,507	13.7%

Until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

**HOUSING AUTHORITY OF THE TOWN OF EATON
WELD COUNTY, COLORADO**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY**

Year Ended December 31	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2017	.031%	\$ 418,606	\$183,463	228%	73.6%
2016	.031%	341,490	182,643	187%	76.9%
2015	.031%	277,856	177,323	157%	80.7%
2014	.031%	255,106	170,507	150%	81.8%

Until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.