

HOUSING AUTHORITY OF THE
TOWN OF EATON
WELD COUNTY, COLORADO



REPORT OF AUDIT

Years Ended December 31, 2018 and 2017



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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, 2018 and 2017, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Notes 1 and 8 to the basic financial statements, the Authority adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* which has resulted in a restatement of the net position as of January 1, 2018. Our opinions are not modified with respect to this matter.

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 6, 2019

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, 2018. 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 \$481,575 at December 31, 2018.
- * The December 31, 2018 net position is \$13,576 more than the previous year. The total net position is 97% of 2018 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, 2018, assets exceeded liabilities by \$481,575.

The following table provides a summary of the Authority's net position for 2018 and 2017.

December 31	2018	2017
Assets:		
Current and other assets	\$ 542,728	\$ 396,039
Capital assets	374,626	446,217
Deferred outflows – pension plan	42,321	113,338
Total Assets and Deferred Outflows	959,675	955,594
Liabilities:		
Current and other liabilities	25,558	28,796
Net pension and OPEB liability	385,451	458,799
Deferred inflows – pension plan	67,091	--
Total Liabilities and Deferred Inflows	478,100	487,595
Net Position:		
Investment in capital assets	374,626	446,217
Unrestricted	106,949	21,782
Total Net Position	\$ 481,575	\$ 467,999

A portion of EHA's net assets represents unrestricted net position of \$106,949 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	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 217,825	\$ 213,834
Operating grants and contributions	285,055	267,919
Oil and laundry proceeds	5,529	6,038
General revenues:		
Investment earnings	272	109
Total Revenues	508,681	487,900
Expenses:		
Program services	332,707	402,150
General administrative services	90,806	60,251
Depreciation	71,592	64,596
Total Expenses	495,105	526,997
Increase (decrease) in Net Position	\$ 13,576	(\$ 39,097)

Business-Type Activities. Business-type activities increased EHA's net position by \$13,576 in 2018. Key elements of this increase are as follows:

- * Operating revenues were \$502,880. This represents a 4% increase from the previous year, due primarily to scheduled rent increase.
- * Expenses were \$495,105, which was down 6% from the previous year due to fewer maintenance employees.

CAPITAL ASSETS

Capital Assets. EHA's investment in capital assets for its business-type activities as of December 31, 2018, totals \$374,626 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total decrease in capital assets for the current year was \$71,592 or 16%, due to depreciation.

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 2019 budget:

- * The Authority will continue to be required to record its share of PERA's unfunded liability in 2019, which will be impacted by recent reforms.
- * 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	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash - general accounts	\$ 529,588	\$ 382,895
Total Current Assets	529,588	382,895
Restricted Assets:		
Cash:		
Tenant security deposits	13,140	13,144
Total Restricted Assets	13,140	13,144
Property and Equipment:		
Land	92,179	92,179
Buildings	1,307,838	1,307,838
Improvements	577,205	577,205
Building equipment - portable	8,187	8,187
Furnishings	98,002	116,593
	2,083,411	2,102,002
Less: Accumulated depreciation	1,708,785	1,655,785
Total Property and Equipment	374,626	446,217
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Plan	42,321	113,338
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 959,675	\$ 955,594
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 8,617	\$ 11,990
Total Current Liabilities	8,617	11,990
Tenant Security Deposits	16,941	16,806
Net Pension Liability	345,163	418,606
Net OPEB Liability	40,288	40,193
Total Liabilities	411,009	487,595
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Plan	67,091	-
<u>NET POSITION</u>		
Investment in Capital Assets	374,626	446,217
Unrestricted	106,949	21,782
Total Net Position	481,575	467,999
TOTAL LIABILITIES , DEFERRED INFLOWS AND NET POSITION	\$ 959,675	\$ 955,594

See Accompanying Notes to Financial Statements.

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

STATEMENTS OF ACTIVITIES

Years Ended December 31	2018	2017
Operating Revenue:		
Rental income - apartments	\$217,825	\$ 213,834
Rent supplements	285,055	267,919
Total Operating Revenue	502,880	481,753
Operating Expenses:		
Operating and maintenance:		
Salaries - maintenance	77,834	138,213
Employee benefits	55,841	63,116
Repair and maintenance materials	15,255	21,196
Building repairs and maintenance	53,130	57,505
Snow removal	2,445	4,060
Grounds maintenance	18,564	16,814
Utilities:		
Electricity	35,829	34,499
Water	19,414	12,861
Sewer	19,398	19,398
Heat	15,246	13,459
Trash	1,811	2,041
Telephone	402	387
Administrative:		
Salaries - manager	46,850	45,250
Employee benefits	33,610	6,199
Audit and legal	8,663	6,347
Office supplies	34	601
Other	1,649	1,854
Insurance:		
Property	11,386	11,784
Worker's compensation	6,152	6,817
Depreciation	71,592	64,596
Total Operating Expenses	495,105	526,997
Operating Income (Loss)	7,775	(45,244)
Nonoperating Revenue (Expenses):		
Interest income	272	109
Oil and laundry proceeds	5,529	6,038
Net Nonoperating Revenue	5,801	6,147
Net Profit (Loss)	13,576	(39,097)
Net Position, Beginning of Year	467,999	507,096
Net Position, End of Year	\$481,575	\$ 467,999

See Accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

Years Ended December 31	2018	2017
Cash Flows from Operating Activities:		
Cash received:		
From tenants	\$ 217,825	\$ 213,834
Rent supplements	285,055	267,919
Cash payments:		
To suppliers for goods and services	(237,308)	(243,110)
To employees	(124,684)	(183,463)
Net Cash Provided by Operating Activities	140,888	55,180
Cash Flows from Capital and Related Financing Activities:		
Acquisition of equipment and improvements	-	(118,759)
Oil rights and laundry proceeds	5,529	6,038
Insurance proceeds (spending)	-	(141,775)
Net Cash Provided (Used) by Capital and Related Financing Activities	5,529	(254,496)
Cash Flows from Investing Activities:		
Interest on bank deposits	272	109
Net Increase (Decrease) in Cash	146,689	(199,207)
Cash, beginning of year	396,039	595,246
Cash, end of year	\$ 542,728	\$ 396,039

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

Operating income (loss)	\$ 7,775	\$ (45,244)
Depreciation	71,592	64,596
Change in assets and liabilities:		
Increase (decrease) in:		
Accounts payable	(3,374)	(1,578)
Tenant security deposits	135	1,639
Net pension liability and deferrals	64,760	35,767
Net Cash Provided by Operating Activities	\$ 140,888	\$ 55,180

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.

During the 2018 legislative sessions, 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 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 disclosures in Note 4 do not include the changes to plan provisions required by Senate Bill 18-200 with the exception of the section titled *Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018*.

Other Postemployment Benefits (OPEB):

The Housing Authority participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Implementation of GASB Statement No. 75:

As of January 1, 2018, Eaton Housing Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than pensions*. The implementation of this standard requires governments calculate and report the costs and obligations associated with postemployment benefits in their base financial statements. Employers are required to recognize other postemployment benefit amounts for all benefits provided through the plan which include the net postemployment liability, and postemployment expense.

NOTE 2 – Changes in Capital Assets:

	Balance, 01/01/18	Additions	Deletions	Balance, 12/31/18
Land	\$ 92,179	\$ --	\$ --	\$ 92,179
Improvements	577,205	--	--	577,205
Buildings	1,307,838	--	--	1,307,838
Equipment	8,187	--	--	8,187
Furnishings	116,593	--	18,591	98,002
Total Cost	2,102,002	--	18,591	2,083,411
Less Accumulated Depreciation:				
Improvements	294,161	38,187	--	332,348
Buildings	1,243,624	30,943	--	1,274,567
Equipment	8,187	--	--	8,187
Furnishings	109,813	2,461	18,591	93,683
Total Accumulated Depreciation	1,655,785	71,591	18,591	1,708,785
Capital Assets, Net	\$ 446,217	\$ (71,591)	\$ --	\$ 374,626

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Changes in Capital Assets – Continued:

	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	116,893
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

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.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

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.

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.

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

NOTE 4 – PERA – Continued:

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.

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	2018	2017
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%

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

NOTE 4 – PERA – Continued:

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 \$17,082 for the year ended December 31, 2018.

At December 31, 2018, the Housing Authority reported a liability of \$345,163 for its proportionate share of the net pension liability. The net pension liability 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 Housing Authority proportion of the net pension liability was based on the Housing Authority contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2018, the Housing Authority proportion was .03 percent, which was approximately the same as measured as of December 31, 2017.

For the year ended December 31, 2018, the Housing Authority recognized pension expense of \$81,748. At December 31, 2018, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 21,593	\$ --
Net difference between projected and actual earnings on pension plan investments	--	67,091
Change in assumptions	3,646	--
Contributions subsequent to the measurement date	17,082	--
Total	\$ 42,321	\$ 67,091

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

Deferred outflows of resources related to pensions of \$17,082, 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
2019	\$ 13,950
2020	13,951
2021	13,951
	\$ 41,852

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

Price inflation	2.4 percent
Real wage growth	1.1 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	3.5 – 9.7 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 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

A discount rate of 7.25 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2015, adopted by PERA's Board on October 28, 2016, and an economic assumption study, adopted by PERA's Board on November 18, 2016.

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 analysis were outlined in presentations to PERA's Board on October 28, 2016.

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 WELD COUNTY, COLORADO

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 applied to actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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, 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 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.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

- 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

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, 2018	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 549,733	\$ 345,163	\$ 174,625

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.

Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018: During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – PERA – Continued:

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 as www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019;
- 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);
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution;
- 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, the direct distribution from the state, 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.

At December 31, 2018, EHA reported a net pension liability of approximately \$345,163 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 EHA’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:

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%	\$ 236,264

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits:

EHA participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit Other Postemployment Benefit Plan (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 EHA 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 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.

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.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and EHA is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from EHA were \$1,246 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, EHA reported a liability of \$40,288 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. EHA proportion of the net OPEB liability was based on EHA contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, EHA proportion was .002 percent, which was approximately the same as its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, EHA recognized OPEB expense of \$1,151. At December 31, 2018, EHA did not have deferred outflows of resources and deferred inflows of resources related to OPEB that were material to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

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

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

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.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

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.

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.

HOUSING AUTHORITY OF THE TOWN OF EATON WELD COUNTY, COLORADO

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

- 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.

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.

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WELD COUNTY, COLORADO**

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

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%
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
WELD COUNTY, COLORADO**

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

Sensitivity of EHA 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	\$39,179	\$40,288	\$41,622

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Postemployment Benefits – Continued:

- 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 EHA 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 one percentage-point lower (6.25 percent) or one percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
December 31, 2018			
Proportionate share of the net OPEB liability	\$ 36,013	\$ 40,288	\$ 45,296

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.

NOTE 6 - 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 \$17,538 to CIRSA in 2018, including \$6,152 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 7 - 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.

NOTE 8 – Restatement of Beginning Net Position:

As of January 1, 2018, the Housing Authority has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of this standard requires governments to calculate and report the cost and obligations associated with postemployment benefits in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net postemployment benefits liability.

The adjustment to the beginning balance of net position is as follows:

Net position – December 31, 2017, as previously reported	\$ 508,192
Restatement due to implementation of GASB 75	(40,193)
Net position – December 31, 2017, as restated	\$ 467,999

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 17,082	\$ 17,082	\$ 124,683	13.7%
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.

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 1,246	\$ 1,246	\$ 124,683	1.0%
2017	2,022	2,022	183,463	1.0%

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
2018	.03%	\$ 345,163	\$124,683	277%	79.4%
2017	.03%	418,606	183,463	228%	73.6%
2016	.03%	341,490	182,643	187%	76.9%
2015	.03%	277,856	177,323	157%	80.7%
2014	.03%	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.

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

Year Ended December 31	Cumulative Proportion of Net OPEB Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net OPEB Liability
2018	.002%	\$ 40,193	\$124,683	32%	17.5%
2017	.002%	40,288	183,463	22%	16.7%

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