

**Special District Association of Colorado**

**Financial Statements**

**December 31, 2016**



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*By Justin L. Smith at 9:21 am, Mar 07, 2017*

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
December 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Special District Association of Colorado**

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

We have audited the accompanying financial statements of Special District Association of Colorado (the "Association"), a Colorado non-profit corporation, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Directors**  
**Special District Association of Colorado**

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special District Association of Colorado as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Schedule of Employer's Proportionate Share of the Net Pension Liability on page 18 and the Schedule of Contributions on page 19, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary schedule and reconciliation on pages 20 and 21, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with accounting principles generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Report on Summarized Comparative Information***

We have previously audited the Association's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**February 27, 2017**

**Special District Association of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Statement of Financial Position**  
**December 31, 2016**  
**(With Comparative Totals for 2015)**

	<u>2016</u>	<u>2015</u>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	1,754,598	1,665,196
Accounts receivable, net of allowance	8,408	2,746
Prepaid expenses	20,000	-
<b>Total Current Assets</b>	<u>1,783,006</u>	<u>1,667,942</u>
<b>Other Assets:</b>		
Deposits	3,359	4,359
<b>Deferred Outflows of Resources:</b>		
Pension related deferred outflow	357,691	135,881
<b>Property and Equipment:</b>		
Vehicles, furniture, and equipment	234,482	221,439
Accumulated depreciation	(140,025)	(122,427)
<b>Total Property and Equipment</b>	<u>94,457</u>	<u>99,012</u>
<b>Total Assets</b>	<u><u>2,238,513</u></u>	<u><u>1,907,194</u></u>
<b>Liabilities and Net Assets:</b>		
<b>Current Liabilities:</b>		
Accrued compensated absences	35,046	33,951
Deferred income	145,753	115,796
<b>Total Current Liabilities</b>	<u>180,799</u>	<u>149,747</u>
<b>Noncurrent Liabilities:</b>		
Net Pension Liability	2,190,891	1,875,843
<b>Deferred Inflows of Resources:</b>		
Pension related deferred inflow	93,588	145,411
<b>Net Assets:</b>		
Unrestricted (deficit)	(226,765)	(263,807)
<b>Total Net Assets</b>	<u>(226,765)</u>	<u>(263,807)</u>
<b>Total Liabilities and Net Assets</b>	<u><u>2,238,513</u></u>	<u><u>1,907,194</u></u>

The accompanying notes are an integral part of these financial statements.

**Special District Association of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for 2015)**

	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>		
Membership revenue		
Dues - voting members	921,044	866,960
Dues - associate members	55,500	56,250
Conferences and workshops revenue	436,629	368,971
Association program support revenue	559,851	467,266
Newsletter and directory advertisements	71,843	74,635
Interest income	7,265	1,454
Gain (loss) on disposal of equipment	(3,592)	4,198
Other	1,200	1,200
<b>Total Revenues</b>	<b>2,049,740</b>	<b>1,840,934</b>
<b>Expenses:</b>		
Program expenses:		
Workshops and conferences	460,641	379,162
Legislative	93,801	76,008
Newsletter	94,500	86,548
CSD Property and Liability Pool	2,661	2,542
Special projects	48,206	28,625
	699,809	572,885
Administrative expenses:		
Employee salaries and benefits	930,903	884,083
Audit	9,350	8,950
Automobile	4,829	2,370
Contract services	629	779
Depreciation	27,469	23,685
Directors	16,248	16,253
Dues, subscriptions, and library	6,009	2,529
Equipment maintenance	10,002	9,605
General Association business	35,524	30,797
Information technology	29,598	37,163
Insurance	6,136	5,787
Legal and related expenses	40	5,805
Marketing and communications	19,736	20,745
Office supplies	11,026	7,791
Postage	2,703	2,043
Printing	10,865	10,069
Rent and parking	128,620	113,121
Storage	1,680	1,680
Telephone	20,107	19,006
Pension liability adjustment expense	41,415	(27,411)
	1,312,889	1,174,850
<b>Total Expenses</b>	<b>2,012,698</b>	<b>1,747,735</b>
<b>Change in Net Assets</b>	<b>37,042</b>	<b>93,199</b>
<b>Net Assets (Deficit) - Beginning of Year (As previously stated)</b>	<b>(263,807)</b>	<b>1,556,440</b>
Prior period adjustment for pension liability	-	(1,912,784)
<b>Net Assets (Deficit) - Beginning of Year (As restated)</b>	<b>(263,807)</b>	<b>(356,344)</b>
<b>Net Assets (Deficit) - End of Year</b>	<b>(226,765)</b>	<b>(263,145)</b>

The accompanying notes are an integral part of these financial statements.

**Special District Association of Colorado**  
**(A Colorado Non-Profit Corporation)**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**  
**(With Comparative Totals for 2015)**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from members	1,000,839	889,477
Cash received from conferences and workshops	436,629	368,971
Cash received from program activities	559,851	467,266
Cash received from newsletter and directory advertisements	71,843	74,635
Cash received from interest	7,265	1,454
Cash received from other sources	1,200	1,200
Cash paid to employees	(929,808)	(881,548)
Cash paid for goods and services	(1,031,911)	(853,040)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>115,908</b>	<b>68,415</b>
 <b>Cash Flows From Investing Activities:</b>		
Acquisition of property and equipment	(26,506)	(53,971)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(26,506)</b>	<b>(53,971)</b>
 <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>89,402</b>	<b>14,444</b>
 <b>Cash and Cash Equivalents - Beginning</b>	<b>1,665,196</b>	<b>1,650,752</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>1,754,598</b>	<b>1,665,196</b>
 <b>Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:</b>		
Change in net assets	37,042	92,537
<b>Adjustments to reconcile:</b>		
Depreciation	27,469	23,685
Pension liability adjustment expense	41,415	(27,411)
(Gain) loss on disposal of equipment	3,592	(4,198)
(Increase) decrease in accounts receivables	(5,662)	3,982
(Increase) decrease in prepaids and deposits	(19,000)	15,000
Increase (decrease) in compensated absences	1,095	2,535
Increase (decrease) in deferred revenue	29,957	(37,715)
<b>Total Adjustments</b>	<b>78,866</b>	<b>(24,122)</b>
 <b>Net Cash Provided (Used) by Operating Activities</b>	<b>115,908</b>	<b>68,415</b>

The accompanying notes are an integral part of these financial statements.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016**

**1. Organization**

The Special District Association of Colorado (the "Association") was incorporated September 4, 1975 pursuant to the provisions of the Colorado Non-profit Corporation Act. The Association's mission is to preserve and enhance the legal and political environment for the existence and successful operation of the special district form of government, and to assist special districts to operate efficiently and appropriately.

The Association programs include education, conferences and workshops, legislative input, and administrative support to Member Districts. The Association exists to help districts serve the public in the most efficient and economical manner possible. Member Districts are united to coordinate their interests and welfare through a cooperative effort, and to help special district officials fulfill their duties and responsibilities.

**2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The Association utilizes the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for vehicles, furniture and equipment are shown as increases in assets.

**B. Basis of Presentation**

Financial statement presentation follows the recommendations of the FASB Accounting standards Codification Topic ASC 958-205 (previously Statement of Financial Accounting Standards Board No. 117, *Financial Statements of Non-for-Profit Organizations*). Under FASB ASC 958-205, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Association has no temporarily restricted or permanently restricted net assets.

The Association's financial statements also include certain disclosures required by the state of Colorado to be consistent with governmental disclosures required by the various special districts that comprise the Association's membership.

**C. Expense Allocation**

Directly identifiable expenses are charged to specific Association programs. Administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association.

**D. Investments**

Investments are carried at fair value based on current market quotations. Due to the nature of the Association's membership, it is allowed to participate in local government investment pools as more fully discussed in Note 3.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**E. Use of Estimates**

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

**F. Property and Equipment**

Property and equipment is stated at cost. Depreciation expense has been computed using the straight-line method over the estimated economic useful of the assets which range from 3 to 7 years.

**G. Deferred Revenue**

Revenue received for future dues, subscriptions, and conferences is deferred until the applicable year.

**H. Pensions**

The Association participates in the State Division Trust Fund (the "Trust"), 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 Trust 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.

**I. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of financial position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Association has pension related deferred outflows, which are described in Note 5a.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of financial position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Association has pension related deferred inflows, which are described in Note 5a.

**J. Compensated Absences**

Association employees earn a general leave benefit at the rate of 10 to 18 days per year based on length of service which is to be used for vacations, and 12 to 18 days per year based on length of service for sick leave. Employees are allowed to accrue up to 15 to 30 days of unused vacation leave and up to 150 days of unused sick leave. Compensated absences are recognized as current salary cost when earned. Unused leave will be paid out at termination at present salary levels and sick leave will not be paid out at termination.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**2. Summary of Significant Accounting Policies (continued)**

**K. Income Taxes**

The Association has been granted tax exempt status under Section 501(c)(6) of the Internal Revenue Code. Income tax may be payable on unrelated business income, if any, earned during the year. No income tax expense was incurred or paid in 2016.

The Association will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

The Federal information returns of the Association are subject to examination by the Internal Revenue Service. The Association is no longer subject to examination for tax years prior to 2013.

**L. Financial Instruments and Fair Value Measurements**

The fair value of financial instruments is estimated using market trading information. Where published market values are not available, management estimates fair values based upon quotations received from broker/dealers or interest rate information for similar instruments.

The fair values of current assets and current liabilities are assumed equal to their reported carrying amounts. The carrying amounts reported in the balance sheets approximate fair value.

The Association has adopted the provisions of FASB Accounting Standards Codification Topic ASC 820-10 (previously Financial Accounting Standards Board No. 157, *Fair Value Measurements*) that establishes a single definition of fair value and a framework for measuring fair value to result in increased consistency and comparability in fair value measurements and expands disclosures about fair value measurements. ASC 820-10 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value.

The Association does not currently have items which are carried at fair value on a non-recurring basis.

**M. Budgets**

In accordance with the Association's bylaws, the Board of Directors adopts an annual operating budget.

**N. Cash Equivalents**

For purposes of the statement of cash flows, the Association considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

**O. Subsequent Events**

The Association has evaluated subsequent events through February 27, 2017, the date which the financial statements were available to be issued.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**3. Cash Deposits and Investments**

**A. Cash Deposits**

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2016, the Association's bank balances of \$646,353 were collateralized in accordance with PDPA.

**B. Investments**

As of December 31, 2016, the Association had invested \$1,108,446 in the Colorado Local Government Liquid Asset Trust ("Colotrust"), an investment pool established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in United States Treasury securities and repurchase agreements collateralized by United States Treasury Securities.

COLOTRUST PLUS+ may also invest in certain obligations of United States government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of United States government agencies. A designated custodial back serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. As of December 31, 2016, the Association was only invested in COLOTRUST PLUS+.

**4. Long-term Obligations**

The following is a summary of changes in long-term obligations for the year ended December 31, 2016:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>	<b>Due in One Year</b>
Accrued compensated absences	\$ 33,951	38,868	(37,773)	35,046	35,046
Ntet pension liability	1,875,843	315,048	-	2,190,891	-
	<u>\$ 1,909,794</u>	<u>353,916</u>	<u>(37,773)</u>	<u>2,225,937</u>	<u>35,046</u>

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**5. Public Employees' Retirement Association of Colorado**

Employees of the Association are eligible for benefits under PERA consistent with the benefits provided to member special districts.

**A. Defined Benefit Pension Plan**

**Plan Description.** The Association contributes to the Trust, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. The Trust provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Association are members of the Trust. Title 24, Article 51 of the Colorado Revised Statutes ("CRS"), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust. That report may be obtained online at [www.copera.org](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA(7372).

**Benefits.** Plan benefits are specified in Title 24, Article 51 of the CRS, administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado law may be amended from time to time by the Colorado General Assembly.

Retirees receive a predictable monthly benefit for their lifetime, and generally, an increase each year, as eligible, when certain age and service credit requirements are met. The benefits are based upon a defined or fixed multiplier, age, years of credited service, and Highest Average Salary ("HAS"). For most employees, HAS is one-twelfth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals  $2.5\% \times HAS \times \text{Years of Service}$ . If a member reaches early retirement eligibility and wishes to begin benefit payments prior to achieving the full retirement requirements, then the monthly amount is reduced to consider the early receipt of monthly payments. Alternatively, if greater, a lifetime benefit is available that is calculated by annuitizing the member's account. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree's death to a named beneficiary, and for which the benefit amount is appropriately adjusted.

**Contributions.** Plan members and the Association are required to contribute to the Trust at a rate set by statute. The contribution requirements of plan members and the Association are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members, as a percentage of salary, are summarized in the following table:

<b>January 1 through December 31</b>	<b>2015</b>
Employer contribution rate	10.15%
Less: Amount apportioned to the Health Care Trust Fund	-1.02%
Amount apportioned to the Trust	9.13%
Amortization Equalization Disbursement ("AED")	4.20%
Supplemental Amortization Equalization Disbursement ("SAED")	4.00%
Total employer contribution rate to the Trust	17.33%

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**5. Public Employees' Retirement Association of Colorado (continued)**

**A. Defined Benefit Pension Plan (continued)**

**Net Pension Liability.** At December 31, 2016, the Association reported a liability of \$2,190,891 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. The Association proportion of the net pension liability was based on Association contributions to the Plan for the calendar year 2015 relative to the total contributions of participating employers to the Plan.

At December 31, 2015, the Association proportion was 0.0208%, as compared to 0.0199% at December 31, 2014.

For the year ended December 31, 2016, the Association recognized pension expense (revenue) of \$41,415. At December 31, 2016, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows of Resources**

Difference between actual and expected experience	\$	31,903
Net difference between projected and actual earnings on pension plan investments		165,081
Change in proportionate share from 2014 to 2015		51,371
Pension contributions during 2016		109,336

**Deferred Inflows of Resources**

Difference between actual and expected experience	\$	67
Change in actuarial assumptions		25,934
Change in proportionate share from 2013 to 2014		67,467
Difference between actual and reported contributions		120

Contributions subsequent to the measurement date of December 31, 2015, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>For the Plan Year Ending December 31,</b>	<b>Amounts</b>
2017	\$ 7,443
2018	69,771
2019	43,764
2020	33,789
2021	-
Thereafter	-

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**5. Public Employees' Retirement Association of Colorado (continued)**

**A. Defined Benefit Pension Plan (continued)**

**Actuarial assumptions.** The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% to 9.57%
Long-term investment rate of return, net of investment expenses, including price inflation	7.5%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2%
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 actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**5. Public Employees' Retirement Association of Colorado (continued)**

**A. Defined Benefit Pension Plan (continued)**

**Actuarial assumptions (continued).** The Trust'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 15, 2014, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

**Discount rate.** The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- 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.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**5. Public Employees' Retirement Association of Colorado (continued)**

**A. Defined Benefit Pension Plan (continued)**

**Discount rate (continued).**

- 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.
- 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 actuarial cost method and assumptions, the Trust'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.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**5. Public Employees' Retirement Association of Colorado (continued)**

**A. Defined Benefit Pension Plan (continued)**

**Sensitivity of the Association's proportionate share of the net pension liability to changes in the discount rate.** The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Collective net pension liability	\$ 13,304,480,000	10,531,033,000	8,211,137,000
Proportionate share of net pension liability	\$ 2,767,884	2,190,891	1,708,257

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

**B. Post-employment Healthcare Benefits**

**Plan Description.** The Association contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multi-employer healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report (see Note 5a) that includes financial statements and required supplementary information for the HCTF.

**Funding Policy.** The Association is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Association are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Association's contributions to HCTF for the years ending December 31, 2016, 2015 and 2014 were \$6,118, \$5,899, and \$5,477, equal to the required contributions for each year.

**C. Defined Contribution Pension Plan**

**Plan Description.** Employees of the Association who are members of the Trust (see Note 5a) may voluntarily contribute to the Voluntary Investment Program 401(k) Plan, and Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**5. Public Employees' Retirement Association of Colorado (continued)**

**C. Defined Contribution Pension Plan (continued)**

**Funding Policy.** The 401(k) Plan is funded by voluntary member contributions up to a maximum limit set by the Internal Revenue Service. The contribution requirements for the Association are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The 401(k) Plan member contributions for the year ending December 31, 2016 was \$53,095. The employer pension expense of the 401(k) Plan from the Association for the year ending December 31, 2016 was \$26,314.

**6. Commitments**

**Office Lease**

The Association leases office space under an agreement that expires November 30, 2020. During 2015, this agreement was amended to include improvements made by the Association expanding the premises which were completed August 2015. In addition to base rent, the Association is responsible to pay for its proportionate share of certain operating costs. Total office rent expense under the lease was \$104,965 for 2016. The lease requires future cash payments for base rent as follows:

<b>Term</b>	<b>Annual Base Rent</b>
December 1, 2016 to November 30, 2017	102,298
December 1, 2017 to November 30, 2018	104,704
December 1, 2018 to November 30, 2019	107,112
December 1, 2019 to November 30, 2020	109,518

**7. Related Entity**

The Association has entered into an agreement with the Colorado Special Districts Property and Liability Pool ("the Pool"). The Pool provides insurance coverage to participating Special Districts throughout the State of Colorado. The Agreement allows the Association to appoint all of the nine board members of the Pool from among the participating districts, each from a different district, and also requires at least one appointment to the Pool's board to be a member of the Association. As of December 31, 2016, two of the nine Pool board members were also Association board members. The Association provides certain administrative services to the Pool. The fee for these services is computed at 1.5% for 2016, of the gross annual premiums billed by the Pool. The agreements may be terminated at any time by mutual agreement of both parties. Fees earned by the Association for administrative services to the Pool were \$349,557 for the year ended December 31, 2016.

There were no amounts due between the Association and the Pool at December 31, 2016.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2016  
(Continued)**

**7. Related Entity (continued)**

Summarized financial information for the Pool as of and for the year ended December 31, 2015 is as follows:

Total Assets	\$ 44,054,744
Total Liabilities	24,739,781
Total Net Assets	19,314,963
	\$ 44,054,744
Total Revenue	\$ 16,356,266
Total Expenses	14,839,993
Underwriting (Loss)	1,516,273
Other Income	205,186
Net Income (Loss)	\$ 1,721,459

**8. Risk Management**

The Association is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or natural events. The Association maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**Special District Association of Colorado**  
**Schedule of Employer's Proportionate Share of the Net Pension Liability**  
**Colorado Public Employees' Retirement Association State Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the net pension liability	0.0221%	0.0199%	0.0224%
Proportionate share of the net pension liability	\$ 2,190,891	1,875,843	1,998,985
Covered-employee payroll	\$ 578,329	536,944	577,745
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	378.83%	349.36%	346.00%
Plan fiduciary net position as a percentage of the total pension liability	56.11%	59.84%	61.08%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014.

**Notes to the Schedule of Employers Proportionate Share of the Net Pension Liability**  
**For the Year Ended December 31, 2016:**

**Note 1. Changes of assumptions.**

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

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

The following methodology changes were made:

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

**Note 2. Changes of benefit terms.**

No changes during the years presented above.

**Note 3. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented above.

**Special District Association of Colorado**  
**Schedule of Contributions**  
**Colorado Public Employees' Retirement Association State Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 100,224	88,220	89,724
Contributions in relation to the contractually required contribution	<u>(100,224)</u>	<u>(88,220)</u>	<u>(89,724)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 578,329	536,944	577,745
Contributions as a percentage of covered-employee payroll	17.33%	16.43%	15.53%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred one year prior. Information is only available beginning in fiscal year 2014.

**Notes to the Schedule of Contributions For the Year Ended December 31, 2016:**

**Note 1. Changes of assumptions.**

No changes during the years presented above.

**Note 2. Changes of benefit terms.**

No changes during the years presented above.

**Note 3. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented above.

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Budgetary Schedule  
For the Year Ended December 31, 2016**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Membership revenue			
Dues - voting members	845,880	921,044	75,164
Dues - associate members	42,000	55,500	13,500
Conferences and workshops revenue	340,800	436,629	95,829
Association program support revenue	470,000	559,851	89,851
Newsletter and directory advertisements	73,000	71,843	(1,157)
Interest income	1,000	7,265	6,265
Other	1,200	1,200	-
<b>Total Revenues</b>	<b>1,773,880</b>	<b>2,053,332</b>	<b>279,452</b>
<b>Expenditures:</b>			
Program expenses:			
Workshops and conferences	380,000	460,641	(80,641)
Legislative	87,000	93,801	(6,801)
Newsletter	95,000	94,500	500
CSD Property and Liability Pool	5,000	2,661	2,339
Special projects	45,000	48,206	(3,206)
	612,000	699,809	(87,809)
Administrative expenses:			
Employee salaries and benefits	872,600	930,903	(58,303)
Audit	9,350	9,350	-
Automobile	5,000	4,829	171
Contract services	9,000	629	8,371
Capital outlay	10,000	26,506	(16,506)
Directors	19,000	16,248	2,752
Dues, subscriptions, and library	4,000	6,009	(2,009)
Equipment maintenance	10,000	10,002	(2)
General Association business	34,000	35,524	(1,524)
Information technology	34,000	29,598	4,402
Insurance	5,000	6,136	(1,136)
Legal and related expenses	5,000	40	4,960
Marketing and communications	22,000	19,736	2,264
Office supplies	10,000	11,026	(1,026)
Postage	2,000	2,703	(703)
Printing	10,500	10,865	(365)
Rent and parking	130,000	127,620	2,380
Storage	-	1,680	(1,680)
Telephone	19,000	20,107	(1,107)
	1,210,450	1,269,511	(59,061)
<b>Total Expenditures</b>	<b>1,822,450</b>	<b>1,969,320</b>	<b>(146,870)</b>
<b>Excess of Revenue Over Expenditure (Budgetary Basis)</b>	<b>(48,570)</b>	<b>84,012</b>	<b>132,582</b>
<b>Funds Available - Beginning of Year</b>		<b>1,518,195</b>	
<b>Funds Available - End of Year</b>		<b>1,602,207</b>	
Funds available is computed as follows:			
Current assets		1,783,006	
Current liabilities		(180,799)	
		<b>1,602,207</b>	

**Special District Association of Colorado  
(A Colorado Non-Profit Corporation)  
Reconciliation of Budgetary Schedule to  
the Statement of Activities  
For the Year Ended December 31, 2016**

Revenue - budgetary basis	2,053,332
Gain (loss) on disposal of equipment	<u>(3,592)</u>
Total revenue per statement of activities	<u>2,049,740</u>
Expenditures - budgetary basis	1,969,320
Change in deposits	1,000
Capital outlay	(26,506)
Depreciation	27,469
Pension liability adjustment expense	<u>41,415</u>
Total expenses per statement of activities	<u>2,012,698</u>
Change in net assets per statement of activities	<u><u>37,042</u></u>