

**COLORADO ASSOCIATION OF
SCHOOL BOARDS**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended
June 30, 2017**



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FINANCIAL SECTION

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Directors
Colorado Association of School Boards
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado Association of School Boards, which comprise the statement of financial position as of June 30, 2017, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of Colorado Association of School Boards, as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Colorado Association of School Board's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and expenses by program on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. The 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. Such 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 auditing standards 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.



Englewood, Colorado
August 31, 2017

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FINANCIAL STATEMENTS

The Financial Statements provide a financial overview of the Association's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2017.

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF FINANCIAL POSITION

June 30, 2017

(With Comparative Totals for June 30, 2016)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Council Program
Assets				
Current Assets				
Cash	\$ 15,027	\$ 1,645	\$ 328	\$ 2,313
Investments	154,202	-	1,130,510	-
Accounts Receivable	1,584,989	-	-	-
Prepaid Expenses	15,643	-	-	-
Due from (to) Other Programs	184,405	-	(30,070)	-
Total Current Assets	1,954,266	1,645	1,100,768	2,313
Property & Equipment				
Land	-	-	318,313	-
Building	-	-	1,705,178	-
Office Furniture and Equipment	27,603	-	18,178	-
Total Property & Equipment	27,603	-	2,041,669	-
Accumulated Depreciation	(27,603)	-	(46,598)	-
Property & Equipment - Net	-	-	1,995,071	-
Noncurrent Assets				
Restricted Investments	-	-	-	-
Long Term Investments	-	-	1,330,556	-
Noncurrent Accounts Receivable	-	-	-	-
Loan Issuance Costs	-	-	-	-
Total Other Assets	-	-	1,330,556	-
Total Assets	\$ 1,954,266	\$ 1,645	\$ 4,426,395	\$ 2,313
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable	\$ 20,374	\$ -	\$ -	\$ -
Deferred Revenue	1,595,860	-	-	-
Accrued Interest Payable	-	-	-	-
Current Portion of Notes Payable	-	-	-	-
Total Current Liabilities	1,616,234	-	-	-
Long-Term Liabilities				
Notes Payable	-	-	-	-
Accrued Compensated Absences	100,010	-	-	-
Total Long-Term Liabilities	100,010	-	-	-
Total Liabilities	1,716,244	-	-	-
Net Assets				
Temporarily Restricted	-	-	-	-
Unrestricted	238,022	1,645	4,426,395	2,313
Total Net Assets	238,022	1,645	4,426,395	2,313
Total Liabilities and Net Assets	\$ 1,954,266	\$ 1,645	\$ 4,426,395	\$ 2,313

See Accompanying Notes to Financial Statements

Legal Services Program	TOTALS	
	2017	2016
\$ 2,028	\$ 21,341	\$ 242,031
-	1,284,712	73,514
152,306	1,737,295	1,385,506
-	15,643	27,420
(154,334)	1	-
-	3,058,992	1,728,471
-	318,313	402,307
-	1,705,178	1,483,392
-	45,781	311,085
-	2,069,272	2,196,784
-	(74,201)	(1,673,609)
-	1,995,071	523,175
-	-	80,000
-	1,330,556	1,216,455
-	-	101,772
-	-	2,683
-	1,330,556	1,400,910
\$ -	\$ 6,384,619	\$ 3,652,556
\$ -	\$ 20,374	\$ 10,739
-	1,595,860	1,650,902
-	-	39,469
-	-	1,101,100
-	1,616,234	2,802,210
-	-	985,672
-	100,010	126,264
-	100,010	1,111,936
-	1,716,244	3,914,146
-	-	80,000
-	4,668,375	(341,590)
-	4,668,375	(261,590)
\$ -	\$ 6,384,619	\$ 3,652,556

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Council Program
<u>Unrestricted Net Assets</u>				
Support				
Membership Dues	\$ 1,468,279	\$ -	\$ -	\$ 15,495
Registrations	495,862	-	-	(941)
Product Sales	219,310	-	-	-
Services Provided	68,500	-	-	-
Advertising & Sponsorships	42,286	-	-	-
Parking Lot Income	-	-	39,000	-
Investment Earnings	114,829	1	5,667	2
Other Rental Income	24,370	-	-	-
Royalties	16,214	-	-	-
Administrative Fees	12,000	-	-	-
Other Income	50,217	-	-	-
Gain on Sale of Capital Assets	20,000	-	5,186,868	-
Transfers from Other Programs	871,916	-	-	-
Total Support	3,403,783	1	5,231,535	14,556
Expenses				
Benefits	312,870	-	-	-
Dues	61,104	-	-	13,015
Web Page & Marketing	2,492	-	-	-
Conferences & Meetings	481,627	-	-	1,584
Depreciation	-	-	43,410	-
Insurance	12,961	-	-	-
Policy Expenses	34,393	-	-	-
Office Expenses	52,895	-	53,420	438
Other Expenses	37,010	120	3,500	50
Administrative Fees	-	-	-	-
Publication Expenses	1,349	-	-	-
Contract Services and Maint.	65,988	-	33,390	-
Salaries	1,330,171	-	-	-
Staff Training	1,347	-	-	-
Grant Funded Expenses	-	-	-	-
Travel	91,151	-	-	-
Utilities	23,984	-	-	-
Interest and Loan Costs	84,039	-	-	-
Transfer to Other Programs	-	-	1,203,805	-
Total Expenses	2,593,381	120	1,337,525	15,087
Change in Net Assets	810,402	(119)	3,894,010	(531)
Net Assets (Deficit) - Beginning	(572,380)	1,764	532,385	2,844
Net Assets (Deficit) - Ending	\$ 238,022	\$ 1,645	\$ 4,426,395	\$ 2,313

See Accompanying Notes to Financial Statements

Legal Services		TOTALS	
Program	2017	2016	
\$ -	\$ 1,483,774	\$ 1,417,933	
-	494,921	565,057	
-	219,310	215,166	
212,958	281,458	315,030	
-	42,286	45,291	
-	39,000	67,510	
2	120,501	(32,181)	
-	24,370	26,819	
-	16,214	20,005	
-	12,000	12,000	
-	50,217	13,160	
-	5,206,868	-	
<u>331,889</u>	<u>1,203,805</u>	<u>-</u>	
<u>544,849</u>	<u>9,194,724</u>	<u>2,665,790</u>	
49,390	362,260	358,558	
325	74,444	66,871	
-	2,492	4,044	
-	483,211	456,819	
-	43,410	22,583	
3,440	16,401	16,058	
-	34,393	36,471	
14,780	121,533	87,460	
-	40,680	10,993	
12,000	12,000	12,000	
-	1,349	10,905	
4,348	103,726	144,794	
232,732	1,562,903	1,600,773	
497	1,844	2,639	
-	-	21,313	
133	91,284	82,471	
1,001	24,985	25,200	
-	84,039	55,937	
-	1,203,805	-	
<u>318,646</u>	<u>4,264,759</u>	<u>3,015,889</u>	
226,203	4,929,965	(350,099)	
<u>(226,203)</u>	<u>(261,590)</u>	<u>88,509</u>	
<u>\$ -</u>	<u>\$ 4,668,375</u>	<u>\$ (261,590)</u>	

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2017

(With Comparative Totals for the Year Ended June 30, 2016)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Program
Cash Flows from Operating Activities				
Increase (decrease) in unrestricted net assets	\$ 810,402	\$ (119)	\$ 3,894,010	\$ (531)
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:				
Depreciation expense	-	-	43,410	-
Amortization expense	2,683	-	-	-
(Increase) Decrease in:				
Accounts Receivable	(116,657)	-	-	-
Prepaid Expenses	11,777	-	-	-
Due from (to) Other Programs	93,203	-	27,252	(63)
Increase (Decrease) in:				
Accounts Payable	9,635	-	-	-
Deferred Revenue	(55,042)	-	-	-
Change in Accrued Interest Payable	(39,469)	-	-	-
Other Accrued Liabilities	-	-	-	-
Accrued Compensated Absences	(26,254)	-	-	-
Net Cash provided (used) by Operating Activities	<u>670,278</u>	<u>(119)</u>	<u>(1,222,196)</u>	<u>(594)</u>
Cash Flows from (used by) Financing Activities:				
Repayments of Northern Trust Company Note	(1,101,100)	-	-	-
Repayments of Life Insurance Loans	(985,672)	-	-	-
Net Investment in Life Insurance	1,216,455	-	(1,330,556)	-
Investments in Certificates of Deposit	(44)	-	-	-
Net Investment in Investment Accounts	(644)	-	(1,130,510)	-
Proceeds from Penn Mutual Life Insurance Loans	-	-	-	-
Proceeds from Penn Mutual Loans Applied to Acqd. Int.	-	-	-	-
Net Cash provided (used) by Financing Activities	<u>(871,005)</u>	<u>-</u>	<u>(2,461,066)</u>	<u>-</u>
Cash Flows Used by Investing Activities:				
Proceeds from Sale of Assets	20,000	-	5,695,053	-
Purchase of Assets	-	-	(2,023,491)	-
Net Cash provided (used) by Investing Activities	<u>20,000</u>	<u>-</u>	<u>3,671,562</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(180,727)	(119)	(11,700)	(594)
Cash and Cash Equivalents - Beginning	<u>195,754</u>	<u>1,764</u>	<u>12,028</u>	<u>2,907</u>
Cash and Cash Equivalents - Ending	<u>\$ 15,027</u>	<u>\$ 1,645</u>	<u>\$ 328</u>	<u>\$ 2,313</u>

INTEREST EXPENSE

During the year the Association paid the following interest on the outstanding Northern Trust loan	\$ 29,651
Accrued interest on life insurance loans	51,705
Amortization of Northern Trust issuance costs	2,683
Total interest expense	<u>\$ 84,039</u>

See Accompanying Notes to Financial Statements

Legal Services Program	TOTALS	
	2017	2016
\$ 226,203	\$ 4,929,965	\$ (350,099)
-	43,410	22,583
-	2,683	3,576
(133,360)	(250,017)	104,811
-	11,777	(12,267)
(120,393)	(1)	-
-	9,635	(7,860)
-	(55,042)	84,318
-	(39,469)	2,158
-	-	5
-	(26,254)	(4,456)
<u>(27,550)</u>	<u>(580,181)</u>	<u>(157,231)</u>
-	(1,101,100)	(48,400)
-	(985,672)	-
-	(114,101)	32,545
-	(44)	(81)
-	(1,131,154)	(269)
-	-	199,999
-	-	5,849
-	(3,332,071)	189,643
-	5,715,053	-
-	(2,023,491)	-
-	3,691,562	-
(27,550)	(220,690)	32,412
<u>29,578</u>	<u>242,031</u>	<u>209,619</u>
<u>\$ 2,028</u>	<u>\$ 21,341</u>	<u>\$ 242,031</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: NATURE OF THE ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Colorado Association of School Boards ("CASB") is an instrumentality of local school districts whose primary focus is to provide assistance to its member districts. CASB's revenue is primarily from member dues.

Reporting Entity

While CASB receives dues from Colorado school districts, and in certain aspects resembles a political subdivision as defined by Colorado Revised Statutes, it operates as a non-profit entity created solely for the benefit of local school districts rather than as a governmental entity itself and as such is not required to follow the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the reporting entity.

In 2004, The Colorado Boards of Education Self-Funded Trust, Inc. ("BEST") was created to operate and serve as a tax exempt voluntary employee benefit association ("VEBA") trust under the meaning of Section 501(c)(9) of the Internal Revenue Code and as a Multiple Employer Health Trust pursuant to Colorado Revised Statutes Section 10-3-903.5(7). BEST provides health insurance related services to multiple school districts throughout Colorado. While there is no common control between CASB and BEST, numerous financial transactions occur between the two entities including office space provided by CASB, certain shared payroll activities and other business transactions. In addition, CASB had provided financial resources related to the startup and ongoing operations of BEST and carried a receivable on its books related to that funding. As such, transactions and balances between CASB and BEST are identified as such in the financial statement presentation.

Basis of Presentation - Fund Accounting

The financial statements of the Association utilize fund accounting and are maintained on the accrual basis. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Programs Presented

Operating Program – This program accounts for all operations of the Association, except for those accounted for in another program.

Non-Dues Program – This program accounts for non-dues revenue that can be used without restriction. These programs are generally used for expenses for which school district dues cannot be used, such as for campaign contributions.

Capital Program – These programs are used primarily for property and equipment purchases.

Attorney's Program – This program is used to account for the Colorado Association of School Board Attorneys. This is a program created by the Association, however it does not have separate legal status. The members of this association pay dues outside of the normal dues structure of the Colorado Association of School Boards.

Legal Services Program – This was developed to provide fee based legal services to member Districts above and beyond those provided through membership dues.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: NATURE OF THE ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

Pursuant to a private letter ruling dated November 10, 1990, no provision has been made for income taxes since the association is membership organization formed by political subdivisions of the State of Colorado and as such is exempt from income taxes under Section 115 of the Internal Revenue Code.

Assets, Liabilities and Net Assets

Cash and Cash Equivalents –The Association considers all of its cash and investments with maturities of three months or less as cash and cash equivalents based on their liquidity.

Accounts Receivable – Accounts receivable consist primarily of member dues for the 2017-18 fiscal year that had not been collected as of June 30, 2017.

Property and Equipment – Property and equipment is recorded at cost upon acquisition. Donated capital assets are capitalized at their fair market value as of the date of donation. Depreciation is calculated utilizing the straight-line method over the estimated useful lives of the respective depreciable assets as follows:

	<u>Years</u>
Building	20
Office furniture and equipment	5 – 7

Expenditures for maintenance and repairs are charged to operations as incurred. Property replacements and betterments that extend the life of the assets and have a value of \$5,000 or more are capitalized and subsequently depreciated. When assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations. To date the Association has not received any donated assets.

Deferred Revenue – Deferred Revenue consists primarily of member dues for the 2017-18 fiscal year that had been billed prior to June 30, 2017.

Net Assets – Net Assets are classified into three components dependent upon the level of restriction as to use. Permanently restricted net assets represent assets that cannot be utilized for any purpose and must be maintained in perpetuity. Temporarily restricted net assets represent those funds that may be utilized provided the underlying requirements are met. Unrestricted net assets represent those resources that may be used for any purpose.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: NATURE OF THE ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires the use of estimates. Future actual results may vary from the estimates presented.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization’s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 2: CASH AND INVESTMENTS

Deposits

The Association’s deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. The Association, while not a governmental entity, is allowed to participate in PDPA by statute. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. 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. At June 30, 2017, all of the Association’s deposits as shown below were either insured by federal depository insurance or collateralized under PDPA.

	<u>Bank Balance</u>	<u>Carrying Balance</u>
FDIC Insured	\$ 152,899	\$ 102,159
Petty Cash	-	42
Total Deposits	<u>\$ 152,899</u>	<u>\$ 102,201</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments – The Association had invested \$73,300 in the Colorado Government Liquid Asset Trust (Colotrust) investment vehicle established for local government entities in Colorado to pool surplus Funds. The Trust operates similarly to a money market Fund and each share is equal in value to \$1.00. Investments of the Trust consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to the Trust in connection with the direct investment and withdrawal functions of the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the Trust.

Other Investments - During the 2012 fiscal year, the Association borrowed against its real property and utilized the proceeds to purchase fully funded life insurance policies on certain employees (Note 5 – The Northern Trust). This policies have been purchased through The Penn Mutual Life Insurance Company with payment on the policies subject to risk related to the financial health of Penn Mutual. The Association is the primary beneficiary of those policies. The policies have a cash surrender value of \$- at June 30, 2017. As of June 30, 2017, the Association had repaid all loans against the cash value of the policies. As the cash surrender value life insurance is not a liquid investment in and of itself, the value has not been shown as a current asset in the financial statements. This does not preclude the Association from additional borrowing against the cash surrender value in the future. For the year ended June 30, 2017, the Association recognized \$114,101 of investment earnings on the value of the outstanding policies. A summary of this investments activity is as follows:

	Cash <u>Value</u>	Life Ins. <u>Loans</u>	Loan Accrd <u>Interest</u>	Cash Surr. <u>Value</u>
Beginning, July 1	\$ 1,216,455	\$ (985,672)	\$ (35,800)	\$ 194,983
Advances	-	-	(51,705)	(51,705)
Repayments	-	985,672	87,505	1,073,177
Investment Earnings	<u>114,101</u>	-	-	<u>114,101</u>
Ending, June 30	<u>\$ 1,330,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,330,556</u>

In addition, as part of The Northern Trust loan agreement, the Association was required to establish a certificate of deposit as additional security for the loan. The certificate must maintain a balance of at least \$80,000 and cannot be pledged as collateral to any lender. Additionally, monthly statements demonstrating the account balance must be provided to The Northern Trust Company. The balance of the certificate of deposit was \$80,903 at June 30, 2017 with \$80,000 shown as a restricted investment in the noncurrent asset section of the financial statements.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

The cash and investment balances by type and financial statement presentation are as follows:

	<u>Cash</u>	<u>Investments</u>	Long-Term <u>Investments</u>	<u>Total</u>
Bank Deposits	\$ 21,298	\$ -	\$ -	\$ 21,298
Certificates of Deposit	-	1,211,413	-	1,211,413
Petty Cash	42	-	-	42
Local Government Pool:	-	73,300	-	73,300
Cash Value Life Insurar	-	-	1,330,556	1,330,556
Total	<u>\$ 21,340</u>	<u>\$ 1,284,713</u>	<u>\$ 1,330,556</u>	<u>\$ 2,636,609</u>

The Associations other investment returns consist of interest on bank deposits and Colotrust accounts. There were no realized or unrealized gains or losses during the year for those accounts.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at year end consist of the following:

Operating Fund

Member and Other Routine Receivables	\$1,489,986
COBRA and Health Insurance Receivables (Prepay)	(7,070)
BEST Health Plan Set-up Charges (Non-current)	101,772
Total Operating Fund	<u>1,584,688</u>

Legal Services Program

Client Receivables	<u>152,307</u>
Total Accounts Receivable	<u>\$1,736,995</u>

Based on prior collection experience, the Association has elected to not record an allowance against the receivable balances at year end.

NOTE 4: DEPRECIATION

Depreciation expense for the year ended June 30, 2017 was \$43,410.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: NOTES PAYABLE

The Northern Trust Term Note Payable

On March 9, 2012, the Association entered into a \$1,210,000 loan agreement secured by the Association's real property and facility located at 1200 Grant Street, Denver, CO. The real property and facility has a net carrying value of \$1,995,071 and is shown as both land and building assets on the statement of financial position. The loan matures on March 9, 2017 and bears interest at a variable rate based on the Northern Trust Prime Rate plus .5%. The effective rate was 4.00% as of June 30, 2017. The loan required 24 monthly payments of accrued interest beginning April, 2012. Beginning in April 2014, the loan requires 35 monthly principal and interest payments of \$4,033 and a final balloon payment of \$1,071,951 on March 9, 2017. Interest is computed on a 365/360 basis. The Association has incurred \$29,651 of interest charges for the fiscal year ended June 30, 2017. The District sold the property and facility in March 2017. The District used the funds of the sale to purchase another property and facility at 2253 South Oneida, Denver, CO. There is no new loan for the new property. The District recognized a gain of \$5,206,960 due to the sale and purchase of the properties.

The Association incurred loan fees of \$17,881 related to the issuance of the above note which are amortized over the term of the note. For the current fiscal year, the Association has amortized \$2,683 of this cost leaving a remaining balance of \$0.

Life Insurance Loans

The Association has borrowed against the cash value life insurance policies as discussed in Note 2. As of July 1, 2015, the Association had borrowed \$985,672 against the policies and owed \$35,800 of accrued interest. During the year, the life insurance loan was repaid in entirety and there was \$51,705 interest paid.

The Association has utilized \$80,000 of these funds to purchase the restricted certificate of deposit required by The Northern Trust Company loan agreement described above and in Note 2 with remaining amount utilized for cash flow purposes.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description. The Association contributes to the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The SDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the Association are members of the SDTF, 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 SDTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Basis of Accounting for the SDTF. The financial statements of the SDTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The SDTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

Funding Policy. Plan members and the Association are required to contribute to the SDTF 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 is 8% and for the Association is 19.25% of covered salary through December 31, 2016 and 20.15% from January 1, 2017 through June 30, 2017. The employer contribution rate includes the Amortized Equalization Disbursement (AED) and Supplemental AED rates as required by statute. A portion of the Association's contribution (1.02% of covered salary July 1, 2016 through June 30, 2017) is allocated for the Health Care Trust Fund (See Note 7). The Association's contribution to the SDTF for the years ending June 30, 2017, 2016 and 2015 were \$289,981, \$291,548, and \$276,526, respectively, equal to their required contributions for those years.

Net Pension Liability. The State Division Trust Fund provides benefits for government employers and is required to report their financial results in accordance with standards established by the Government Accounting Standards Board. Effective for the year ended December 31, 2015, PERA was required to report any net pension liability on the face of its financial statements. Government employers are similarly required to report their proportionate share of a multi-employer defined benefit pension plan's net pension liability and related long-term items. The Association's proportionate share of the net pension liability as of December 31, 2016 was \$9,905,779. PERA anticipates that this obligation will be fully funded through existing contributions including scheduled employer contribution increases of .9% annually through January 2017. As the Association's financial statements are presented in accordance with standards established by the Financial Accounting Standards Board instead of the Governmental Accounting Standards Board, the reporting of the proportionate share if the pension obligations is not required.

A schedule of current and past employer rates is as follows:

<u>Fiscal</u> <u>Year</u>	<u>July 1 -</u> <u>December 31</u>	<u>January 1 -</u> <u>June 30</u>
2017	19.25%	20.15%
2016	18.35%	19.25%
2015	17.45%	18.35%

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Association contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the 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 that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Basis of Accounting for the HCTF. The financial statements of the HCTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The HCTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

Funding Policy. The Association is required to contribute at a rate of 1.02% of covered salary from July 1, 2016 through June 30, 2017 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 Colorado Revised Statutes, as amended. The Association's contributions to HCTF for the years ending June 30, 2017, 2016 and 2015 were \$15,021, \$15,231, and \$14,173, respectively, equal to their required contributions for those years. The employer contribution rate did not change during any of the years presented.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: NET ASSETS AND RESTRICTIONS

Net Asset Deficits

The Association has deficit net assets in its Legal Services activity. The Association is closing the Legal Services operation.

NOTE 9: TAX, SPENDING, AND DEBT LIMITATIONS

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayers' Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all governments.

The Association's management does not believe it is required to comply with the provisions of TABOR as a non-profit entity.

NOTE 10: FUNCTIONAL EXPENSES

The costs associated with the Association's program and supporting services are summarized as follows:

Program Services	\$ 2,169,280
General and Administrative	<u>2,095,480</u>
Total Expenses	<u>\$ 4,264,760</u>

NOTE 11: COMMITMENTS

The Association entered into a contract to remodel the second floor of the building the Association acquired during fiscal year 2016. As of issue of this report, the Association completed the remodel process and has moved the main operations of the Association to the remodeled floor.

NOTE 12: SUBSEQUENT EVENTS

The effect of events that occurred subsequent to the year ended June 30, 2017 and through September 15, 2017, the date that the financial statements were available to be issued, have been evaluated. During this period, there have been no material events that would require recognition in the June 30, 2017 financial statements or disclosure in the notes to the financial statements.

COLORADO ASSOCIATION OF SCHOOL BOARDS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 13: CASH RESERVE POLICY

The Colorado Association of School Boards Board of Directors has adopted a budget cash reserve policy requiring the Executive Director to establish cash reserves at all times equal to or exceeding three months operating expenses. Operating expenses are defined as the ordinary expenses incurred to operate and do the business of CASB during the previous fiscal year. Operating expenses shall not include expenses incurred to put on conferences or events for members, compensation or fees paid to independent consultants for services provided to CASB members, or other similar costs or expenses not ordinarily incurred in the day-to-day operations of CASB.

In June of each fiscal year, the Executive Director shall present to the Board a detailed calculation of the reserves to be maintained under this policy for the next fiscal year. Any budget presented to the board for approval that projects cash reserves at any time during the fiscal year in amounts less than the requirements of the policy shall include a resolution for the Board to approve the deficiency in the cash reserves projected by the budget.

If the year-end audit shows cash reserves at any time during the fiscal year being audited to be less than the amount required by the policy or authorized by the Board at the time it adopted the budget for that fiscal year, the Board may approve the deficiency at the time it accepts the audit. The following is the reserve calculation as of June 30, 2017 as interpreted by management:

	<u>Operating</u> <u>Fund</u>	<u>Non-Dues</u> <u>Fund</u>	<u>Total</u>
<u>Current Assets</u>			
Cash	\$ 15,027	\$ 1,645	\$ 16,672
Investments	154,202	-	154,202
Accounts Receivable	1,584,989	-	1,584,989
Prepaid Expenses	15,643	-	15,643
Due from LSP	<u>183,369</u>	<u>-</u>	<u>183,369</u>
Total Current Assets	<u>1,953,230</u>	<u>1,645</u>	<u>1,954,875</u>
<u>Current Liabilities</u>			
Accounts Payable	(19,338)	-	(19,338)
Deferred Revenue	(1,595,860)	-	(1,595,860)
Accrued Interest on Northern Trust	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>(1,615,198)</u>	<u>-</u>	<u>(1,615,198)</u>
Current Cash Reserves	<u>\$ 338,032</u>	<u>\$ 1,645</u>	339,677
3 Month Operating Reserve Requirement			<u>498,676</u>
Cash Reserve Excess (Shortfall)			<u>\$ (158,999)</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM
Year Ended June 30, 2017

	Program Expenses				
	Conferences	Convention	Member Services	Policy Services	Communications
Unrestricted Net Assets					
Support					
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Registrations	106,467	385,652	3,743	-	-
Product Sales	-	-	-	219,310	-
Services Provided	-	-	68,500	-	-
Advertising & Sponsorships	-	40,315	-	-	-
Parking Lot Income	-	-	-	-	-
Investment Earnings	-	-	-	-	-
Other Rental Income	-	-	-	-	-
Royalties	-	-	-	-	-
Administrative Fees	-	-	-	-	-
Other Income	-	-	-	-	-
Transfers from Other Programs	-	-	-	-	-
Total Support	106,467	425,967	72,243	219,310	-
Expenses					
Benefits	11,627	9,157	115,755	73,060	20,865
Dues	-	-	1,434	1,050	70
Web Page & Marketing	-	-	-	-	2,492
Conferences & Meetings	111,204	351,996	8,563	-	-
Depreciation	-	-	-	-	-
Insurance	-	-	2,293	-	-
Policy Expenses	-	-	-	34,393	-
Office Expenses	291	10	7,723	1,757	261
Other Expenses	-	-	24,701	32	9,278
Administrative Fees	-	-	-	-	-
Publication Expenses	-	-	-	-	1,349
Contract Services and Maint.	150	-	13,799	-	2,447
Salaries	49,664	47,916	485,591	332,750	91,012
Staff Training	-	-	958	49	340
Travel	106	53	18,550	1,655	1,026
Utilities	-	-	-	-	-
Interest and Loan Costs	-	-	-	-	-
Transfer to Other Programs	-	-	-	-	-
Total Expenses	173,042	409,132	679,367	444,746	129,140
Change in Net Assets	\$ (66,575)	\$ 16,835	\$ (607,124)	\$ (225,436)	\$ (129,140)

See Independent Auditors' Report

Non-Dues	Program Expenses			General & Administrative			Total
	Attorney's Council	Legal Services	Total	Operating Fund	Capital Fund	Total	
\$ -	\$ 15,495	\$ -	\$ 15,495	\$ 1,468,279	\$ -	\$ 1,468,279	\$ 1,483,774
-	(941)	-	494,921	-	-	-	494,921
-	-	-	219,310	-	-	-	219,310
-	-	212,958	281,458	-	-	-	281,458
-	-	-	40,315	1,971	-	1,971	42,286
-	-	-	-	-	39,000	39,000	39,000
1	2	2	5	114,829	5,667	120,496	120,501
-	-	-	-	24,370	-	24,370	24,370
-	-	-	-	16,214	-	16,214	16,214
-	-	-	-	12,000	-	12,000	12,000
-	-	-	-	70,217	5,186,868	5,257,085	5,257,085
-	-	331,889	331,889	871,916	-	871,916	1,203,805
<u>1</u>	<u>14,556</u>	<u>544,849</u>	<u>1,383,393</u>	<u>2,579,796</u>	<u>5,231,535</u>	<u>7,811,331</u>	<u>9,194,724</u>
-	-	49,390	279,854	82,406	-	82,406	362,260
-	13,015	325	15,894	58,550	-	58,550	74,444
-	-	-	2,492	-	-	-	2,492
-	1,584	-	473,347	9,864	-	9,864	483,211
-	-	-	-	-	43,410	43,410	43,410
-	-	3,440	5,733	10,668	-	10,668	16,401
-	-	-	34,393	-	-	-	34,393
-	438	14,780	25,260	42,853	53,421	96,274	121,534
120	50	-	34,181	3,000	3,500	6,500	40,681
-	-	12,000	12,000	-	-	-	12,000
-	-	-	1,349	-	-	-	1,349
-	-	4,348	20,744	49,592	33,390	82,982	103,726
-	-	232,732	1,239,665	323,239	-	323,239	1,562,904
-	-	497	1,844	-	-	-	1,844
-	-	133	21,523	69,759	-	69,759	91,282
-	-	1,001	1,001	23,984	-	23,984	24,985
-	-	-	-	84,039	-	84,039	84,039
-	-	-	-	-	1,203,805	1,203,805	1,203,805
<u>120</u>	<u>15,087</u>	<u>318,646</u>	<u>2,169,280</u>	<u>757,954</u>	<u>1,337,526</u>	<u>2,095,480</u>	<u>4,264,760</u>
<u>\$ (119)</u>	<u>\$ (531)</u>	<u>\$ 226,203</u>	<u>\$ (785,887)</u>	<u>\$ 1,821,842</u>	<u>\$ 3,894,009</u>	<u>\$ 5,715,851</u>	<u>\$ 4,929,964</u>