

**COLORADO ASSOCIATION OF  
SCHOOL BOARDS**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended  
June 30, 2018**

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**RECEIVED**

**Office of the State Auditor**

**October 2, 2018**

## TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Title Page	
Table of Contents	
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 13
Other Supplementary Information	
Schedule of Revenues and Expenses by Program	14

## 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

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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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 14 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.

*Holscher, Mayberry + Company, LLC*

Englewood, Colorado  
August 31, 2018

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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, 2018.

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals for June 30, 2017)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Council Program
<b>Assets</b>				
Current Assets				
Cash	\$ 200,745	\$ 1,525	\$ 208	\$ 18,319
Investments	74,441	-	781,034	-
Accounts Receivable	1,552,812	-	-	-
Prepaid Expenses	25,840	-	-	-
Due from (to) Other Programs	122,231	-	(122,199)	(32)
Total Current Assets	<u>1,976,069</u>	<u>1,525</u>	<u>659,043</u>	<u>18,287</u>
Property & Equipment				
Land	-	-	318,313	-
Building	-	-	2,044,331	-
Office Furniture and Equipment	27,603	-	21,300	-
Total Property & Equipment	27,603	-	2,383,944	-
Accumulated Depreciation	(27,603)	-	(131,857)	-
Property & Equipment - Net	<u>-</u>	<u>-</u>	<u>2,252,087</u>	<u>-</u>
Noncurrent Assets				
Long Term Investments	-	-	1,457,845	-
Total Assets	<u>\$ 1,976,069</u>	<u>\$ 1,525</u>	<u>\$ 4,368,975</u>	<u>\$ 18,287</u>
<b>Liabilities and Net Assets</b>				
Current Liabilities				
Accounts Payable	\$ 30,926	\$ -	\$ -	\$ -
Deferred Revenue	1,668,834	-	-	14,709
Total Current Liabilities	<u>1,699,760</u>	<u>-</u>	<u>-</u>	<u>14,709</u>
Long-Term Liabilities				
Accrued Compensated Absences	138,590	-	-	-
Total Liabilities	<u>1,838,350</u>	<u>-</u>	<u>-</u>	<u>14,709</u>
Net Assets				
Unrestricted	137,719	1,525	4,368,975	3,578
Total Net Assets	<u>137,719</u>	<u>1,525</u>	<u>4,368,975</u>	<u>3,578</u>
Total Liabilities and Net Assets	<u>\$ 1,976,069</u>	<u>\$ 1,525</u>	<u>\$ 4,368,975</u>	<u>\$ 18,287</u>

See Accompanying Notes to Financial Statements

**TOTALS**

<u>2018</u>	<u>2017</u>
\$ 220,797	\$ 21,341
855,475	1,284,712
1,552,812	1,737,296
25,840	15,643
-	-
<u>2,654,924</u>	<u>3,058,992</u>
318,313	318,313
2,044,331	1,705,178
48,903	45,781
<u>2,411,547</u>	<u>2,069,272</u>
(159,460)	(74,201)
<u>2,252,087</u>	<u>1,995,071</u>
<u>1,457,845</u>	<u>1,330,556</u>
<u>\$ 6,364,856</u>	<u>\$ 6,384,619</u>
\$ 30,926	\$ 20,374
1,683,543	1,595,860
<u>1,714,469</u>	<u>1,616,234</u>
138,590	100,010
<u>1,853,059</u>	<u>1,716,244</u>
4,511,797	4,668,375
<u>4,511,797</u>	<u>4,668,375</u>
<u>\$ 6,364,856</u>	<u>\$ 6,384,619</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	Operating Program	Non-Dues Program	Capital Program	Attorney's Council Program
<b><u>Unrestricted Net Assets</u></b>				
Support				
Membership Dues	\$ 1,463,305	\$ -	\$ -	\$ 16,530
Registrations	550,906	-	-	947
Product Sales	217,160	-	-	-
Services Provided	61,437	-	-	-
Advertising & Sponsorships	41,472	-	-	-
Parking Lot Income	-	-	-	-
Investment Earnings	121,153	-	16,862	2
Other Rental Income	69,308	-	-	-
Royalties	24,604	-	-	-
Administrative Fees	-	-	-	-
Other Income	5,604	-	-	-
Transfers from Other Programs	-	-	80,913	-
Total Support	<u>2,554,949</u>	<u>-</u>	<u>97,775</u>	<u>17,479</u>
Expenses				
Benefits	292,896	-	-	-
Dues	62,264	-	-	14,740
Web Page & Marketing	1,397	-	-	-
Conferences & Meetings	483,091	-	-	1,084
Depreciation	-	-	85,259	-
Insurance	9,133	-	-	-
Policy Expenses	34,203	-	-	-
Office Expenses	82,903	-	26,463	390
Other Expenses	54,188	120	-	-
Administrative Fees	-	-	-	-
Publication Expenses	15,399	-	-	-
Contract Services and Maint.	129,289	-	43,473	-
Salaries	1,274,454	-	-	-
Staff Training	3,897	-	-	-
Travel	108,514	-	-	-
Utilities	22,711	-	-	-
Interest and Loan Costs	-	-	-	-
Transfer to Other Programs	80,913	-	-	-
Total Expenses	<u>2,655,252</u>	<u>120</u>	<u>155,195</u>	<u>16,214</u>
Change in Net Assets	(100,303)	(120)	(57,420)	1,265
Net Assets (Deficit) - Beginning	<u>238,022</u>	<u>1,645</u>	<u>4,426,395</u>	<u>2,313</u>
Net Assets (Deficit) - Ending	<u>\$ 137,719</u>	<u>\$ 1,525</u>	<u>\$ 4,368,975</u>	<u>\$ 3,578</u>

See Accompanying Notes to Financial Statements

**TOTALS**

<u>2018</u>	<u>2017</u>
\$ 1,479,835	\$ 1,483,774
551,853	494,921
217,160	219,310
61,437	281,458
41,472	42,286
-	39,000
138,017	120,501
69,308	24,370
24,604	16,214
-	12,000
5,604	5,257,085
80,913	1,203,805
<u>2,670,203</u>	<u>9,194,724</u>
292,896	362,260
77,004	74,444
1,397	2,492
484,175	483,211
85,259	43,410
9,133	16,401
34,203	34,393
109,756	121,533
54,308	40,680
-	12,000
15,399	1,349
172,762	103,726
1,274,454	1,562,903
3,897	1,844
108,514	91,284
22,711	24,985
-	84,039
80,913	1,203,805
<u>2,826,781</u>	<u>4,264,759</u>
(156,578)	4,929,965
<u>4,668,375</u>	<u>(261,590)</u>
<u>\$ 4,511,797</u>	<u>\$ 4,668,375</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2018

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

	Operating Program	Non-Dues Program	Capital Program	Attorney's Program
Cash Flows from Operating Activities				
Increase (decrease) in unrestricted net assets	\$ (100,303)	\$ (120)	\$ (57,420)	\$ 1,265
Adjustments to reconcile change in unrestricted net assets to net cash provided (used) by operating activities:				
Depreciation expense	-	-	85,259	-
Amortization expense	-	-	-	-
(Increase) Decrease in:				
Accounts Receivable	32,178	-	-	-
Prepaid Expenses	(10,197)	-	-	-
Due from (to) Other Programs	62,173	-	92,129	32
Increase (Decrease) in:				
Accounts Payable	10,552	-	-	-
Deferred Revenue	72,974	-	-	14,709
Change in Accrued Interest Payable	-	-	-	-
Accrued Compensated Absences	38,580	-	-	-
Net Cash provided (used) by Operating Activities	<u>105,957</u>	<u>(120)</u>	<u>119,968</u>	<u>16,006</u>
Cash Flows from (used by) Financing Activities:				
Repayments of Northern Trust Company Note	-	-	-	-
Repayments of Life Insurance Loans	-	-	-	-
Net Investment in Life Insurance	-	-	(127,289)	-
Investments in Certificates of Deposit	80,902	-	-	-
Net Investment in Investment Accounts	(1,141)	-	349,476	-
Net Cash provided (used) by Financing Activities	<u>79,761</u>	<u>-</u>	<u>222,187</u>	<u>-</u>
Cash Flows Used by Investing Activities:				
Proceeds from Sale of Assets	-	-	-	-
Purchase of Assets	-	-	(342,274)	-
Net Cash provided (used) by Investing Activities	<u>-</u>	<u>-</u>	<u>(342,274)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	185,718	(120)	(119)	16,006
Cash and Cash Equivalents - Beginning	<u>15,027</u>	<u>1,645</u>	<u>328</u>	<u>2,313</u>
Cash and Cash Equivalents - Ending	<u>\$ 200,745</u>	<u>\$ 1,525</u>	<u>\$ 209</u>	<u>\$ 18,319</u>

See Accompanying Notes to Financial Statements

Legal Services Program	TOTALS	
	2018	2017
\$ -	\$ (156,578)	\$ 4,929,965
-	85,259	43,410
-	-	2,683
152,306	184,484	(250,017)
-	(10,197)	11,777
(154,334)	-	(1)
-	10,552	9,635
-	87,683	(55,042)
-	-	(39,469)
-	38,580	(26,254)
(2,028)	239,783	(580,181)
-	-	(1,101,100)
-	-	(985,672)
-	(127,289)	(114,101)
-	80,902	(44)
-	348,335	(1,131,154)
-	301,948	(3,332,071)
-	-	5,715,053
-	(342,274)	(2,023,491)
-	(342,274)	3,691,562
(2,028)	199,457	(220,690)
2,028	21,341	242,031
\$ -	\$ 220,798	\$ 21,341

# COLORADO ASSOCIATION OF SCHOOL BOARDS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### **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.

**COLORADO ASSOCIATION OF SCHOOL BOARDS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**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 2018-18 fiscal year that had not been collected as of June 30, 2018.

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 2018-18 fiscal year that had been billed prior to June 30, 2018.

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, 2018**

**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, 2018, 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, 2018, 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	\$ 250,000	\$ 220,136
Petty Cash	-	42
Total Deposits	<u>\$ 272,540</u>	<u>\$ 220,178</u>

**COLORADO ASSOCIATION OF SCHOOL BOARDS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

Investments – The Association had invested \$74,441 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 current and former employees. These 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 \$1,457,845 at June 30, 2018. As of June 30, 2018, 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, 2018, the Association recognized \$127,289 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 Surre. <u>Value</u>
Beginning, July 1	\$ 1,330,556	\$ -		\$ 1,330,556
Advances	-	-	-	-
Repayments	-	-	-	-
Investment Earnings	<u>127,289</u>	-	-	<u>127,289</u>
Ending, June 30	<u>\$ 1,457,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,457,845</u>

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	\$ 220,136	\$ -	\$ -	\$ 220,136
Certificates of Deposit	-	781,033	-	781,033
Petty Cash	42	-	-	42
Local Government Pool:	-	74,441	-	74,441
Cash Value Life Insurar	-	-	<u>1,457,845</u>	<u>1,457,845</u>
Total	<u>\$ 220,178</u>	<u>\$ 855,474</u>	<u>\$ 1,457,845</u>	<u>\$ 2,533,497</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.

# COLORADO ASSOCIATION OF SCHOOL BOARDS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at year end consist of the following:

<u>Operating Fund</u>	
Member and Other Routine Receivables	\$ 1,446,756
COBRA and Health Insurance Receivables (Prepay)	(6,366)
BEST Health Plan Set-up Charges (Non-current)	101,772
<b>Total Operating Fund</b>	<b><u>\$ 1,542,162</u></b>

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, 2018 was \$85,259.

### NOTE 5: 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, 2017 and 20.15% from January 1, 2018 through June 30, 2018. 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, 2017 through June 30, 2018) is allocated for the Health Care Trust Fund (See Note 7). The Association's contribution to the SDTF for the years ending June 30, 2018, 2017 and 2016 were \$236,835, \$289,981, and \$291,548, respectively, equal to their required contributions for those years.

# COLORADO ASSOCIATION OF SCHOOL BOARDS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 5: DEFINED BENEFIT PENSION PLAN(Continued)

**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, 2016, 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, 2017 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>
2018	20.15%	21.05%
2017	19.25%	20.15%
2016	18.35%	19.25%

### NOTE 6: 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, 2017 through June 30, 2018 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, 2018, 2017 and 2016 were \$11,989, \$15,021, and \$15,231, 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, 2018

### **NOTE 7: 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 8: FUNCTIONAL EXPENSES**

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

Program Services	\$ 1,776,206
General and Administrative	<u>1,053,696</u>
Total Expenses	<u>\$ 2,829,902</u>

### **NOTE 9: SUBSEQUENT EVENTS**

The effect of events that occurred subsequent to the year ended June 30, 2018 and through September 15, 2018, 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, 2018 financial statements or disclosure in the notes to the financial statements.

### **NOTE 10: COMMERCIAL LEASE AGREEMENTS**

The Association has entered into commercial lease agreements for office space in its existing facility. One agreement required rent through June 30, 2018 in the amount of \$1,148 per month increasing to \$1,435 per month beginning July 1, 2018. This rate will continue through June 30, 2021. The lease also includes additional monthly charges for telephone and internet connections.

The second commercial lease runs from August 31, 2017 through December 31, 2018 and requires monthly rents of \$5,489. The lease also includes additional monthly charges for telephone and internet connections.

**COLORADO ASSOCIATION OF SCHOOL BOARDS**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 11: 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, 2018 as interpreted by management:

	<u>Operating</u> <u>Fund</u>	<u>Non-Dues</u> <u>Fund</u>	<u>Capital</u> <u>Fund</u>	<u>Total</u>
<u>Current Assets</u>				
Cash	\$ 200,745	\$ 1,525	\$ 208	\$ 202,478
Investments	74,441	-	781,034	855,475
Accounts Receivable	1,552,812	-	-	1,552,812
Prepaid Expenses	25,840	-	-	25,840
Due from LSP	<u>122,231</u>	<u>-</u>	<u>(122,199)</u>	<u>32</u>
Total Current Assets	<u>1,976,069</u>	<u>1,525</u>	<u>659,043</u>	<u>2,636,637</u>
<u>Current Liabilities</u>				
Accounts Payable	(30,926)	-	-	(30,926)
Deferred Revenue	<u>(1,668,834)</u>	<u>-</u>	<u>-</u>	<u>(1,668,834)</u>
Total Current Liabilities	<u>(1,699,760)</u>	<u>-</u>	<u>-</u>	<u>(1,699,760)</u>
Current Cash Reserves	<u>\$ 276,309</u>	<u>\$ 1,525</u>	<u>\$ 659,043</u>	936,877
3 Month Operating Reserve Requirement				<u>457,633</u>
Cash Reserve Excess (Shortfall)				<u>\$ 479,244</u>

COLORADO ASSOCIATION OF SCHOOL BOARDS

SCHEDULE OF REVENUES AND EXPENSES BY PROGRAM  
Year Ended June 30, 2018

	Program Expenses				
	Conferences	Convention	Member Services	Policy Services	Communications
Unrestricted Net Assets					
Support					
Membership Dues	\$ -	\$ -	\$ -	\$ -	\$ -
Registrations	98,384	449,503	3,019	-	-
Product Sales	-	-	-	212,160	5,000
Services Provided	-	-	61,437	-	-
Advertising & Sponsorships	-	39,401	-	-	-
Investment Earnings	-	-	-	-	-
Other Rental Income	-	-	-	-	-
Royalties	-	-	-	-	-
Other Income	-	-	-	-	-
Transfers from Other Programs	-	-	-	-	-
<b>Total Support</b>	<b>98,384</b>	<b>488,904</b>	<b>64,456</b>	<b>212,160</b>	<b>5,000</b>
Expenses					
Benefits	12,685	12,685	81,711	79,985	15,581
Dues	-	-	1,555	740	175
Web Page & Marketing	-	-	-	-	1,397
Conferences & Meetings	89,380	370,345	7,674	-	-
Depreciation	-	-	-	-	-
Insurance	-	-	2,234	-	-
Policy Expenses	-	-	-	34,203	-
Office Expenses	363	31	9,685	3,041	382
Other Expenses	-	-	36,959	-	16,355
Publication Expenses	-	-	-	-	15,399
Contract Services and Maint.	3,335	3,333	69,897	-	5,983
Salaries	60,576	60,574	308,756	356,976	63,007
Staff Training	100	-	3,178	-	269
Travel	526	244	23,992	5,972	589
Utilities	-	-	-	-	-
Transfer to Other Programs	-	-	-	-	-
<b>Total Expenses</b>	<b>166,965</b>	<b>447,212</b>	<b>545,641</b>	<b>480,917</b>	<b>119,137</b>
<b>Change in Net Assets</b>	<b>\$ (68,581)</b>	<b>\$ 41,692</b>	<b>\$ (481,185)</b>	<b>\$ (268,757)</b>	<b>\$ (114,137)</b>

See Independent Auditors' Report

Non-Dues	Program Expenses			General & Administrative			Total
	Attorney's Council	Legal Services	Total	Operating Fund	Capital Fund	Total	
\$ -	\$ 16,530	\$ -	\$ 16,530	\$ 1,463,305	\$ -	\$ 1,463,305	\$ 1,479,835
-	947	-	551,853	-	-	-	551,853
-	-	-	217,160	-	-	-	217,160
-	-	-	61,437	-	-	-	61,437
-	-	-	39,401	2,071	-	2,071	41,472
-	2	-	2	121,153	16,862	138,015	138,017
-	-	-	-	69,308	-	69,308	69,308
-	-	-	-	24,604	-	24,604	24,604
-	-	-	-	5,604	-	5,604	5,604
-	-	-	-	-	80,913	80,913	80,913
-	17,479	-	886,383	1,686,045	97,775	1,783,820	2,670,203
-	-	-	202,647	90,249	-	90,249	292,896
-	14,740	-	17,210	59,794	-	59,794	77,004
-	-	-	1,397	-	-	-	1,397
-	1,084	-	468,483	15,692	-	15,692	484,175
-	-	-	-	-	85,259	85,259	85,259
-	-	-	2,234	6,899	-	6,899	9,133
-	-	-	34,203	-	-	-	34,203
-	390	-	13,892	69,401	26,463	95,864	109,756
120	-	-	53,434	874	-	874	54,308
-	-	-	15,399	-	-	-	15,399
-	-	-	82,548	46,741	43,473	90,214	172,762
-	-	-	849,889	424,565	-	424,565	1,274,454
-	-	-	3,547	350	-	350	3,897
-	-	-	31,323	77,191	-	77,191	108,514
-	-	-	-	22,711	-	22,711	22,711
-	-	-	-	80,913	-	80,913	80,913
120	16,214	-	1,776,206	895,380	155,195	1,050,575	2,826,781
\$ (120)	\$ 1,265	\$ -	\$ (889,823)	\$ 790,665	\$ (57,420)	\$ 733,245	\$ (156,578)