

Special District Association of Colorado

Financial Statements

December 31, 2018

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
December 31, 2018**

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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, 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.

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, 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.

Emphasis of Matter

As discussed in Note 5.A to the financial statements, in the year ended December 31, 2018, the Association adopted Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

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 32, the Schedule of Contributions on page 33, the schedule of Employer's Proportionate Share of the Net Other Post-Employment Benefit Liability on page 34 and the Schedule of Employer Other Post-Employment Benefits Contributions on page 35, 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 Statement of Functional Expenses on page 7 and the budgetary schedule and reconciliation on pages 39 and 40, 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.

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

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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.
April 30, 2019

Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Assets:		
Current Assets:		
Cash and cash equivalents - undesignated	1,215,320	1,174,971
Cash designated for future pension contributions	750,000	750,000
Accounts receivable, net of allowance	3,629	14,196
Total Current Assets	<u>1,968,949</u>	<u>1,939,167</u>
Other Assets:		
Deposits	5,359	6,359
Deferred Outflows of Resources:		
Pension related deferred outflow	986,720	1,309,033
OPEB related deferred outflow	9,380	-
Total Deferred Outflows	<u>996,100</u>	<u>1,309,033</u>
Property and Equipment:		
Vehicles, furniture, and equipment	242,135	247,831
Accumulated depreciation	(159,666)	(144,272)
Total Property and Equipment	<u>82,469</u>	<u>103,559</u>
Total Assets	<u>3,052,877</u>	<u>3,358,118</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accrued compensated absences	31,559	34,602
Deferred income	143,357	175,060
Total Current Liabilities	<u>174,916</u>	<u>209,662</u>
Noncurrent Liabilities:		
Net pension liability	4,294,786	3,866,778
Net OPEB liability	100,771	-
Total Noncurrent Liabilities	<u>4,395,557</u>	<u>3,866,778</u>
Deferred Inflows of Resources:		
Pension related deferred inflow	162,262	12,229
OPEB related deferred inflow	1,686	-
Total Deferred Inflows	<u>163,948</u>	<u>12,229</u>
Net Assets:		
Unrestricted (deficit)	(1,681,544)	(730,551)
Total Net Assets	<u>(1,681,544)</u>	<u>(730,551)</u>
Total Liabilities and Net Assets	<u>3,052,877</u>	<u>3,358,118</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, 2018
(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
Revenues:		
Membership revenue		
Dues - voting members	1,024,979	956,223
Dues - associate members	64,563	59,500
Conferences and workshops revenue	463,101	448,447
Association program support revenue	671,199	617,559
Newsletter and directory advertisements	71,520	71,955
Interest income	30,167	12,573
Gain (loss) on disposal of equipment	(5,437)	6,527
Other	1,200	1,200
Total Revenues	<u>2,321,292</u>	<u>2,173,984</u>
Expenses:		
Program expenses:		
Workshops and conferences	520,631	475,898
Legislative	92,689	88,384
Newsletter	96,590	94,082
CSD Property and Liability Pool	2,175	3,089
Special projects	65,507	36,763
	<u>777,592</u>	<u>698,216</u>
Administrative expenses:		
Employee salaries and benefits	1,090,460	979,878
Audit	10,950	10,150
Automobile	3,586	3,045
Contract services	1,235	668
Depreciation	27,692	29,174
Directors	17,994	17,210
Dues, subscriptions, and library	4,029	3,082
Equipment maintenance	9,542	10,776
General Association business	54,368	40,891
Information technology	39,375	29,904
Legal and related expenses	8,955	1,919
Marketing and communications	34,372	23,526
Office supplies	19,195	12,780
Postage	2,829	2,381
Printing	10,190	11,912
Rent and parking	145,163	132,414
Storage	-	1,680
Telephone	21,326	24,979
Pension liability adjustment expense	900,355	643,185
OPEB liability adjustment expense	1,016	-
	<u>2,402,632</u>	<u>1,979,554</u>
Total Expenses	<u>3,180,224</u>	<u>2,677,770</u>
Change in Net Assets	(858,932)	(503,786)
Net Assets - Beginning of Year (As previously stated)	(730,551)	(226,765)
Prior period adjustment for OPEB liability	(92,061)	-
Net Assets (Deficit) - Beginning of Year (Restated)	<u>(822,612)</u>	<u>(226,765)</u>
Net Assets (Deficit) - End of Year	<u>(1,681,544)</u>	<u>(730,551)</u>

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, 2018
(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Cash received from members	1,068,406	1,039,244
Cash received from conferences and workshops	463,101	448,447
Cash received from program activities	671,199	617,559
Cash received from newsletter and directory advertisements	71,520	71,955
Cash received from interest	30,167	12,573
Cash received from other sources	1,200	1,200
Cash paid to employees	(1,093,503)	(980,322)
Cash paid for goods and services	(1,159,701)	(1,008,533)
Net Cash Provided (Used) by Operating Activities	<u>52,389</u>	<u>202,123</u>
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(12,040)	(31,750)
Net Cash Provided (Used) by Investing Activities	<u>(12,040)</u>	<u>(31,750)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	40,349	170,373
Cash and Cash Equivalents - Beginning	<u>1,924,971</u>	<u>1,754,598</u>
Cash and Cash Equivalents - Ending	<u><u>1,965,320</u></u>	<u><u>1,924,971</u></u>
Financial Statement Captions:		
Cash and cash equivalents - undesignated	1,215,320	1,174,971
Cash designated for future pension contributions	750,000	750,000
Cash and Cash Equivalents - Ending	<u><u>1,965,320</u></u>	<u><u>1,924,971</u></u>
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in net assets	<u>(858,932)</u>	<u>(503,786)</u>
Adjustments to reconcile:		
Depreciation	27,692	29,174
Pension liability adjustment expense	900,355	643,185
OPEB liability adjustment expense	1,016	-
(Gain) loss on disposal of equipment	5,437	(6,527)
(Increase) decrease in accounts receivables	10,567	(5,788)
(Increase) decrease in prepaids and deposits	1,000	17,000
Increase (decrease) in compensated absences	(3,043)	(444)
Increase (decrease) in deferred revenue	(31,703)	29,309
Total Adjustments	<u>911,321</u>	<u>705,909</u>
Net Cash Provided (Used) by Operating Activities	<u><u>52,389</u></u>	<u><u>202,123</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 Functional Expenses
For the Year Ended December 31, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	619,238	147,660	766,898
Payroll taxes and benefits	252,202	67,234	319,436
Pension	720,284	180,071	900,355
Other post employment benefits	813	203	1,016
Accounting fees	9,656	2,529	12,185
Professional Services	209,548	180	209,728
Office expenses	82,862	44,154	127,016
Information technology	31,500	7,875	39,375
Occupancy	116,130	29,033	145,163
Travel	18,299	-	18,299
Conference, convention and meetings	477,340	12,160	489,500
Insurance	8,182	2,046	10,228
Training and development	67,503	11,125	78,628
Grants and scholarship	31,738	250	31,988
Depreciation	22,154	5,538	27,692
Other	26	2,691	2,717
Total Expenses	<u>2,667,475</u>	<u>512,749</u>	<u>3,180,224</u>
Percentages	<u>80%</u>	<u>20%</u>	<u>100%</u>

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, 2018**

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, 2018
(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 are 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 (SDTF), 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 SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the SDTF for financial reporting purposes be measured using the plan provisions in effect as of the SDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and December 31, 2018.

I. Other Post Employment Benefit (OPEB)

The Association participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

2. Summary of Significant Accounting Policies (continued)

J. 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 and OPEB related deferred outflows, which are described in Note 5.A and 5.B.

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 and OPEB related deferred inflows, which are described in Note 5.A and 5.B.

K. 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.

L. 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 2018.

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 2015.

M. Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The supplemental Schedule of Functional Expenses on page 6 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

N. 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.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

2. Summary of Significant Accounting Policies (continued)

N. Financial Instruments and Fair Value Measurements (continued)

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.

O. Budgets

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

P. 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.

Q. Comparative Information

Certain balances in the Association's comparative expenses for fiscal year 2017 have been reclassified to conform to the basis of presentation used in fiscal year 2018. Total expenses for fiscal year 2017 remain unchanged as a result of this reclassification.

R. Subsequent Events

The Association has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

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.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

3. Cash Deposits and Investments (continued)

A. Cash Deposits (continued)

As of December 31, 2018, the Association's bank balances of \$1,948,644 were collateralized in accordance with PDPA.

B. Investments

As of December 31, 2018, the Association had invested \$1,526,062 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. 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, 2018, 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, 2018.

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Accrued compensated absences	\$ 34,602	43,929	(46,987)	31,544	31,544
Net pension liability	3,866,778	428,008	-	4,294,786	-
Net OPEB liability	-	100,771	-	100,771	-
	<u>\$ 3,901,380</u>	<u>\$ 572,708</u>	<u>\$ (46,987)</u>	<u>\$ 4,427,101</u>	<u>\$ 31,544</u>

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

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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

A. Defined Benefit Pension Plan (continued)

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

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive postretirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of December 31, 2018. Eligible employees and the Association are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in the table below.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(Continued)**

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

A. Defined Benefit Pension Plan (continued)

Contributions (continued)

January 1 through December 31	As of December 31, 2018
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")	5.00%
Supplemental Amortization Equalization Disbursement ("SAED")	5.00%
Total employer contribution rate to the Trust	19.13%

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Association is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Association were \$134,833 for the year ended December 31, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2018, the Association reported a liability of \$4,294,786 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The Association proportion of the net pension liability was based on Association contributions to the SDTF for the calendar year 2017 relative to the total contributions of participating employers to the SDTF.

At December 31, 2017, the Association proportion was 0.0215%, which was an increase of 0.0004% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Association recognized pension expense of \$900,355. At December 31, 2018, 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	\$ 66,966
Changes of assumptions or other inputs	745,739
Changes in proportion and differences between contributions recognized and proportionate share of contributions	39,182
Contributions subsequent to the measurement date	134,833
Total	986,720

Deferred Inflows of Resources

Change in actuarial assumptions	\$ 161,757
Difference between actual and reported contributions	505
Total	162,262

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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

A. Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$134,833 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year Ending December 31,	Amounts
2019	\$ 671,040
2020	140,142
2021	(60,088)
2022	(61,470)
2023	-
Thereafter	-

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% to 9.17%
Long-term investment rate of return, net of investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.72 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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

A. Defined Benefit Pension Plan (continued)

Actuarial assumptions (continued)

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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

A. Defined Benefit Pension Plan (continued)

Actuarial assumptions (continued)

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non-U.S. Equity – Developed	18.55%	5.20%
Non-U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non-U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 4.72 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 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, 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.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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

A. Defined Benefit Pension Plan (continued)

Discount rate (continued)

- 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 assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2038 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.72 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.54 percent higher compared to the current measurement date.

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 4.72 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 (3.72 percent) or 1-percentage-point higher (5.72 percent) than the current rate.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(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 (continued).

	1% Decrease 3.72%	Current Discount 4.72%	1% Increase 5.72%
Collective net pension liability	\$ 24,903,807,000	20,017,982,000	16,007,019,000
Proportionate share of net pension liability	\$ 5,343,023	4,294,787	3,434,249

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

Changes between the measurement date of the net pension liability and December 31, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(Continued)**

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

Changes between the measurement date of the net pension liability and December 31, 2018 (continued)

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, the Association reported a liability of \$4,294,786 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.72%. For comparative purposes, the following schedule presents an estimate of what the Association's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$2,036,558

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$1,916,521 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(Continued)**

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

B. Defined Benefit Other Post-Employment Benefits (OPEB) Plan

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

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(Continued)**

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

B. Defined Benefit Other Post-Employment Benefits (OPEB) Plan

PERA Benefit Structure (continued)

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Association is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Association were \$7,189 for the year ended December 31, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Association reported a liability for Other Post-Employment Benefits ("OPEB") of \$100,771 for its proportionate share of net OPEB. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The Association's proportion of the net OPEB liability was based on contributions to the Health Care Trust Fund ("HCTF") for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Association proportion was 0.00775%, which was an increase of 0.00016% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Association recognized OPEB expense of \$1,016. At December 31, 2018, the Association reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(Continued)**

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

C. Defined Benefit Other Post-Employment Benefits (OPEB) Plan (continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to OPEB (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expenses and actual experience	477	-
Net difference between projected and actual earnings on plan investments	-	1,686
Changes in proportionate share of contributions	1,714	-
Contributions subsequent to measurement date	7,189	-
	\$ 9,380	\$ 1,686

\$7,189 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 30,	Amortization
2019	\$ 9
2020	9
2021	9
2022	9
2023	430
2024	39
	\$ 505

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

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(Continued)**

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

C. Defined Benefit Other Post-Employment Benefits (OPEB) Plan (continued)

Actuarial assumptions (continued)

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A Premiums	3.00 percent for 2017 gradually rising to 4.25 percent in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(Continued)**

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

C. Defined Benefit Other Post-Employment Benefits (OPEB) Plan (continued)

Actuarial assumptions (continued)

Year	PERACare	Medicare Part A
	Medicare Plans	Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024 and after	5.00%	4.25%

Mortality assumptions for the determination of the total OPEB liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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

C. Defined Benefit Other Post-Employment Benefits (OPEB) Plan (continued)

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2018
(Continued)**

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

C. Defined Benefit Other Post-Employment Benefits (OPEB) Plan (continued)

Actuarial assumptions (continued)

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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

Sensitivity of the Association's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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

C. Defined Benefit Other Post-Employment Benefits (OPEB) Plan (continued)

Actuarial assumptions (continued)

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERA Care Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend	3.25%	4.25%	5.25%
Collective Net OPEB Liability	\$ 1,263,843,000	\$ 1,299,600,000	\$ 1,342,667,000
Proportionate Share OPEB Liability	97,998	100,771	104,110

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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

C. Defined Benefit Other Post-Employment Benefits (OPEB) Plan (continued)

Discount rate (continued)

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

	1% Decrease 6.25%	Current Discount 7.25%	1% Increase 8.25%
Collective Net OPEB Liability	\$1,461,159,000	\$1,299,600,000	\$1,161,705,000
Proportionate Share OPEB Liability	\$113,297	\$100,771	\$90,078

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained www.copera.org/investments/pera-financial-reports.

D. Defined Contribution Pension Plan

Plan Description. Employees of the Association that are also members of the SDTF (see Note 5a) may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the Association has agreed to match employee contributions up to 4 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended 2018, program members contributed \$66,689 and the Association recognized pension expense and a liability of \$29,885 and \$0, respectively, for the Voluntary Investment Program.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

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 \$121,923 for 2018. The lease requires future cash payments for base rent as follows.

<u>Term</u>	<u>Annual Base Rent</u>
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, 2018, three 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 2018, 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 \$388,769 for the year ended December 31, 2018.

There were no amounts due between the Association and the Pool at December 31, 2018.

Summarized financial information for the Pool as of and for the year ended December 31, 2017 is as follows.

Total Assets	<u>\$ 56,602,888</u>
Total Liabilities	30,815,521
Total Net Assets	<u>25,787,367</u>
	<u>\$ 56,602,888</u>
Total Revenue	\$ 20,082,198
Total Expenses	<u>18,721,378</u>
Underwriting (Loss)	1,360,820
Other Income	<u>631,496</u>
Net Income (Loss)	<u>\$ 1,992,316</u>

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

8. Other Information

A. Restatement of Net Position

In 2018, the Association implemented Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions, requires employers to recognize their long-term obligation for OPEB as a liability and OPEB related deferred inflows and outflows on the Statement of Net Position. As such, the Association's 2018 financial statements report a restatement of net position on the Statement of Activities for governmental activities for \$92,061, which was the amount of the Association's long-term obligation and deferred inflows and outflows related to OPEB benefits at December 31, 2017.

B. 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the net pension liability	0.0215%	0.0211%	0.0221%	0.0199%	0.0224%
Proportionate share of the net pension liability	\$ 4,294,786	3,866,778	2,190,891	1,875,843	1,998,985
Covered-employee payroll	\$ 629,501	\$ 599,761	578,329	536,944	577,745
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	682.25%	644.72%	378.83%	349.36%	346.00%
Plan fiduciary net position as a percentage of the total pension liability	43.20%	42.59%	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 2013.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 120,424	\$ 109,336	100,224	88,220	89,724
Contributions in relation to the contractually required contribution	<u>(120,424)</u>	<u>(109,336)</u>	<u>(100,224)</u>	<u>(88,220)</u>	<u>(89,724)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 629,501	\$ 599,761	578,329	536,944	577,745
Contributions as a percentage of covered-employee payroll	19.13%	18.23%	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 2013.

Special District Association of Colorado
Schedule of Employer's Proportionate Share of the Net Other Post-Employment Benefit Liability
Colorado Public Employees' Retirement Association State Division Trust Fund
Last 10 Fiscal Years *

	<u>2017</u>	<u>2016</u>
Proportion of the net Other Post-Employment Benefit liability	0.00775%	0.00760%
Proportionate share of the net Other Post-Employment Benefit liability	100,771	98,482
Covered-employee payroll	629,501	599,761
Proportionate share of the net Other Post-Employment Benefit liability as a percentage of its covered-employee payroll	16%	16%
Plan fiduciary net position as a percentage of the total Other Post-Employment Benefit liability	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2016.

**Special District Association of Colorado
Schedule of Employer Other Post-Employment Benefits Contributions
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years ***

	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 6,421	\$ 6,118
Contributions in relation to the contractually required contribution	<u>\$ (6,421)</u>	<u>\$ (6,118)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 629,501	\$ 599,761
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2016.

**Special District Association of Colorado
Notes to Required Supplementary Information
December 31, 2018**

I. Schedule of Employer's Proportionate Share of the Net Pension Liability

A. Changes to assumptions or other inputs

1. Changes since the December 31, 2016 actuarial valuation:

- The single equivalent interest rate ("SEIR") was lowered from 5.26 percent to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

2. Changes since the December 31, 2015 actuarial valuation:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the SDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate
- The SEIR was lowered from 7.50 percent to 7.25 percent, reflecting the change in the long-term expected rate of return.

**Special District Association of Colorado
Notes to Required Supplementary Information
December 31, 2018**

I. Schedule of Employer's Proportionate Share of the Net Pension Liability (continued)

A. Changes to assumptions or other inputs (continued)

3. Changes since the December 31, 2014 actuarial valuation

- 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.
- 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.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

II. Notes to the Schedule of Employer Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

**Special District Association of Colorado
Notes to Required Supplementary Information
December 31, 2018**

III. Schedule of Employer's Proportionate Share of the OPEB Liability

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit term

No changes during the years presented.

C. Changes of size or composition of population covered by terms

No changes during the years presented.

IV. Notes to the Schedule of Employer OPEB Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Budgetary Schedule
For the Year Ended December 31, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Membership revenue			
Dues - voting members	917,922	1,024,979	107,057
Dues - associate members	52,225	64,563	12,338
Conferences and workshops revenue	424,500	463,101	38,601
Association program support revenue	630,000	671,199	41,199
Newsletter and directory advertisements	72,100	71,520	(580)
Interest income	12,500	30,167	17,667
Other	1,200	1,200	-
Total Revenues	2,110,447	2,326,729	216,282
Expenditures:			
Program expenses:			
Workshops and conferences	500,000	520,631	(20,631)
Legislative	110,000	92,689	17,311
Newsletter	100,000	96,590	3,410
CSD Property and Liability Pool	5,000	2,175	2,825
Special projects	50,000	65,507	(15,507)
	765,000	777,592	(12,592)
Administrative expenses:			
Employee salaries and benefits	1,007,718	1,090,460	(82,742)
Audit	10,500	10,950	(450)
Automobile	5,000	3,586	1,414
Contract services	800	1,235	(435)
Capital outlay	10,000	12,040	(2,040)
Directors	19,000	17,994	1,006
Dues, subscriptions, and library	5,000	4,029	971
Equipment maintenance	12,000	9,542	2,458
General Association business	50,000	54,368	(4,368)
Information technology	34,000	39,375	(5,375)
Legal and related expenses	10,000	8,955	1,045
Marketing and communications	22,000	34,372	(12,372)
Office supplies	12,000	19,195	(7,195)
Postage	2,800	2,829	(29)
Printing	13,000	10,190	2,810
Rent and parking	141,000	144,163	(3,163)
Telephone	24,000	21,326	2,674
	1,378,818	1,484,609	(105,791)
Total Expenditures	2,143,818	2,262,201	(118,383)
Excess of Revenue Over Expenditure (Budgetary Basis)	(33,371)	64,528	97,899
Funds Available - Beginning of Year		1,729,505	
Funds Available - End of Year		1,794,033	
Funds available is computed as follows:			
Current assets		1,968,949	
Current liabilities		(174,916)	
		1,794,033	

**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, 2018**

Revenue - budgetary basis	2,326,729
Gain (loss) on disposal of equipment	<u>(5,437)</u>
Total revenue per statement of activities	<u>2,321,292</u>
Expenditures - budgetary basis	2,262,201
Change in deposits	1,000
Capital outlay	(12,040)
Depreciation	27,692
Pension liability adjustment expense	900,355
OPEB liability adjustment expense	<u>1,016</u>
Total expenses per statement of activities	<u>3,180,224</u>
Change in net assets per statement of activities	<u><u>(858,932)</u></u>