
Office of the District Attorney

Seventh Judicial District

Basic Financial Statements

December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Office of the District Attorney, Seventh Judicial District, State of Colorado
Montrose, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Office of the District Attorney, Seventh Judicial District, State of Colorado as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 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 opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Office of the District Attorney, Seventh Judicial District, State of Colorado, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Office of the District Attorney, Seventh Judicial District, State of Colorado
Montrose, Colorado
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, Colorado PERA Pension Plan Schedules of the District's Proportionate Share of the Net Pension Liability and Contributions on pages 27 and 28 and budgetary comparison information for the General Fund on page 29 are 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.

Blair and Associates, P.C.

Cedaredge, Colorado
June 20, 2019

Management's Discussion and Analysis

As management of the Office of the District Attorney, Seventh Judicial District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2018. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the District's basic financial statements, which follow this MD&A.

Financial Highlights

- The District's liabilities and deferred outflows exceeded its total assets and deferred inflows on December 31, 2018 by \$ 393,300. This represented a decrease of \$ 230,929 from net position at December 31, 2017. Increase was the net pension liability (PERA).
- As of December 31, 2018, the District's General Fund reported ending fund balance of \$388,589, increase of \$ 61,141 from 2017.
- Within the District's Statement of Revenues, Expenditures and Fund Balance-General Fund, total actual revenues were \$ 25,817 more than budgeted in 2018, while total actual expenditures were \$ 94,541 less than budgeted in 2018.

Overview of the Financial Statements

The District's basic financial statements comprise three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*.

Basis Financial Statements

Government-wide financial statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the past year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the *government-wide financial statements* distinguish functions of the District that will be principally supported by the county contributions and grants. The function of the District is to provide prosecutorial services for a six county region.

The government-wide financial statements are combined with the fund financial statements.

Fund financial statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has one fund, which is the General Fund.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources*, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund, following approval of the six counties within the Seventh Judicial District. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements are combined with the government-wide financial statements.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded its total assets and deferred outflows by \$393,300 at the close of the year.

This net position encompasses net investment in capital assets of, \$152,707 in operating reserve.

A portion of the District's net position \$152,707 reflects its net investments in capital assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

District's Net Position

	2018	2017
Current and other assets	\$ 478,736	\$ 406,107
Capital assets, net of depreciation	152,707	137,741
Total assets	631,443	543,848
Deferred outflows of resources	258,555	273,043
Long-term liabilities outstanding	60,268	47,986
Net pension liability	1,091,605	838,137
Other liabilities	90,147	78,659
Total liabilities	1,242,020	964,782
Deferred inflow of resources	41,278	14,480
Net position		
Net investment in capital assets	152,707	137,741
Restricted for seizure and operations	-	7,816
Unrestricted	(546,007)	(307,928)
Total net position	\$ (393,300)	\$ (162,371)

The balance of unrestricted net position, may be used to meet the District's ongoing obligations to citizens and creditors.

The District's net position decreased by \$ 230,929 in 2018.

Governmental Activities

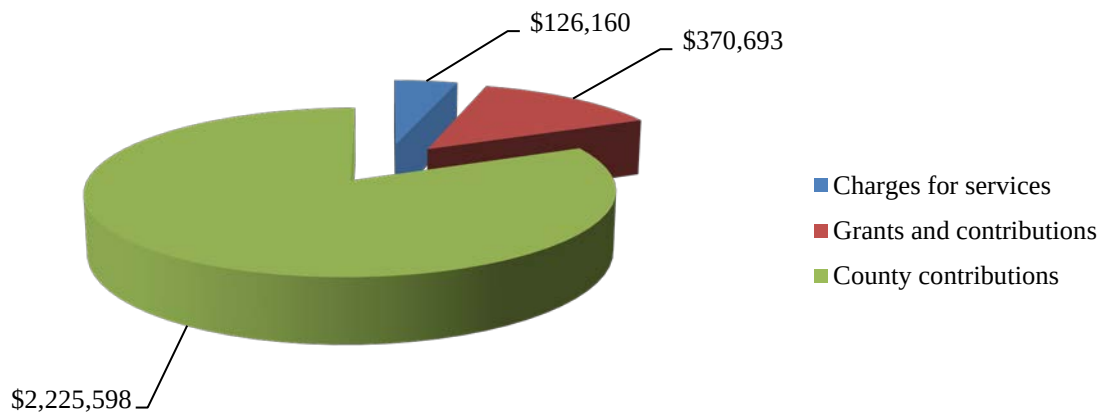
The District receives most of their revenues from the counties within the Seventh Judicial District. These revenues received, reflect about (88%) of the District's total revenues for 2018.

Also during 2018, there were significant grant receipts from VALE, VAWA, and VOCA.

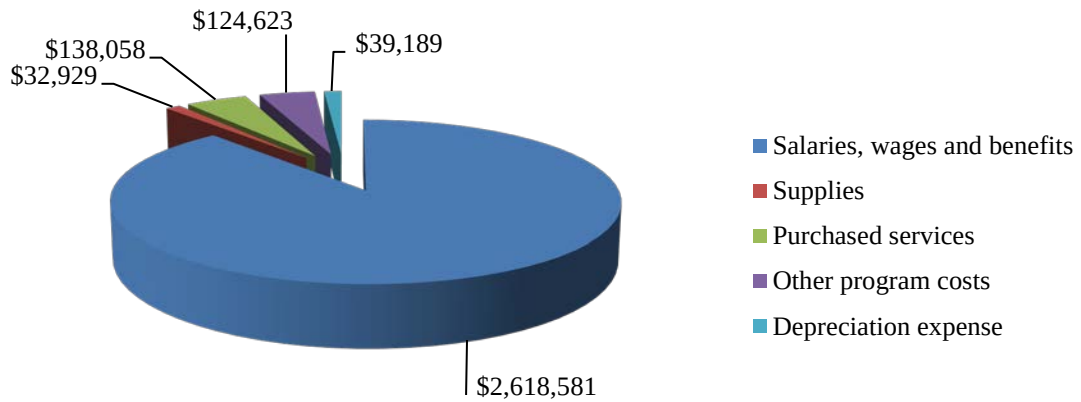
Statement of Activities

Revenues	2018	2017
County contributions	\$ 2,225,598	\$ 2,074,238
Grant and other contributions	370,693	313,385
Charges for services	126,160	134,224
Total revenues	<u>2,722,451</u>	<u>2,521,847</u>
Review of Expenses		
Salaries, wages and benefits	2,618,581	2,387,532
Supplies	32,929	28,323
Purchased services	138,058	134,349
Other program expenses	124,623	92,848
Depreciation expense	39,189	37,448
Total expenditures/expenses	<u>2,953,380</u>	<u>2,680,500</u>
Change in net position - General Fund	<u>\$ (230,929)</u>	<u>\$ (158,653)</u>

Revenues



Expenditures



Capital Assets

The District's net investment in capital assets, at December 31, 2018 amounts to \$152,707, (net of accumulated depreciation). The net investment in capital assets includes vehicles and office furniture.

Capital assets are classified as follows (net of depreciation):

Furniture	\$ 81,074
Vehicles	<u>71,633</u>
Total	<u>\$152,707</u>

Compensated Absences

At December 31, 2018, the District had accrued compensated absences of \$ 60,268.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of the District Attorney
Seventh Judicial District
State of Colorado
1200 Grand Avenue #D
Montrose, Colorado 81401

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Governmental Fund Balance Sheet and Statement of Net Position
For the Year Ended December 31, 2018**

	General Fund	Adjustments (See Below)	Statement of Activities
Assets			
Cash and cash equivalents	\$ 449,404	\$ -	\$ 449,404
Accounts receivable	29,332	-	29,332
Capital Assets, net	-	152,707	152,707
Total Assets	478,736	152,707	631,443
Deferred Outflows			
Pension contributions made after the measurement date	-	30,608	30,608
Changes in assumptions	-	189,544	189,544
Pension difference between expected and actual experience	-	17,021	17,021
Pension net difference between projected and actual investment earnings	-	21,382	21,382
Total Deferred Outflows	-	258,555	258,555
Total assets and deferred outflows	\$ 478,736	411,262	889,998
Liabilities			
Accounts payable	\$ 13,441	-	13,441
Accrued payroll	76,706	-	76,706
Compensated absences	-	60,268	60,268
Net pension liability	-	1,091,605	1,091,605
Total Liabilities	90,147	1,151,873	1,242,020
Deferred Inflow of Resources			
Changes in assumptions	-	-	-
Pension difference between expected and actual experience	-	41,114	-
Pension change in proportionate share of net pension liability	-	164	164
Total Deferred Inflow of Resources	-	41,278	164
Fund Balances			
Unassigned	388,589	(388,589)	-
Total Fund Balances	388,589	(388,589)	-
Total Liabilities, deferred inflow of resources and Fund Balance	\$ 478,736		
Net Position:			
Net Investment in capital assets		152,707	152,707
Unrestricted		(546,007)	(546,007)
Total Net Position		\$ (393,300)	\$ (393,300)

The accompanying notes are an integral part of this statement.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
For the Year Ended December 31, 2018**

Adjustments to reconcile the governmental fund balance sheet to the statement of net position are as follows:

Fund balance - governmental fund	\$ 388,589
Capital asset used in governmental activities are not financial resources and therefore are not reported in the fund balance sheet.	152,707
Some liabilities, including leases payables, accrued interest payable, and compensated absences, are not due and payable in the current period and therefore are not reported in the fund balance sheet.	(60,268)
Net pension liabilities and related deferred inflows and outflows of resources are not recorded in the governmental funds:	
Pension contributions made after the measurement date	30,608
Changes in assumptions	189,544
Pension net difference between projected and actual investment earnings	21,382
Net pension liability	(1,091,605)
Pension difference between expected and actual experience	17,021
Pension change in proportionate share of net pension liability	(164)
Pension difference between expected and actual experience	(41,114)
Total net position-governmental activities	<u><u>\$ (393,300)</u></u>

The accompanying notes are an integral part of this statement.

Office of the District Attorney
Seventh Judicial District
State of Colorado
Statement of Revenues, Expenditures and Changes
in Fund Balance-Governmental Fund and Statement of Activities
For the Year Ended December 31, 2018

	General Fund	Adjustments (See Below)	Statement of Activities
Expenditures / Expenses			
Salaries and Benefits	\$ 2,311,545	\$ 307,036	\$ 2,618,581
Supplies	32,929	-	32,929
Purchased Services	192,213	(54,155)	138,058
Other Program Expenses	124,623	-	124,623
Depreciation	-	39,189	39,189
Total Expenses	<u>2,661,310</u>	<u>292,070</u>	<u>2,953,380</u>
Program Revenues			
Charges for Services	126,160	-	126,160
Operating Grants and Contributions	176,612	-	176,612
County Contributions	2,225,598	-	2,225,598
Total Program Revenues	<u>2,528,370</u>	<u>-</u>	<u>2,528,370</u>
Net Program Expenses			<u>(425,010)</u>
General Revenues			
Grants and Contributions	194,081	-	194,081
Total General Revenues	<u>194,081</u>	<u>-</u>	<u>194,081</u>
Excess of revenues over expenditures/ Change in net position	61,141	(292,070)	(230,929)
Fund Balance / Net Position			
Beginning of this year	327,448	(489,819)	(162,371)
Ending of the year	<u>\$ 388,589</u>	<u>\$ (781,889)</u>	<u>\$ (393,300)</u>

The accompanying notes are an integral part of this statement.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balance-Governmental Fund and Statement of Activities
For the Year Ended December 31, 2018**

A reconciliation reflecting the differences between the general fund excess of revenues over expenditures and the changes in net position reported for governmental activities in the statement of activities is as follows:

Net changes in fund balance-General Fund	\$ 61,141
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated Absences	(173,252)
Pension Expense	(133,784)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Assets	\$ 54,155	
Depreciation Expense	<u>(39,189)</u>	14,966

Changes in Net Position	<u><u>\$ (230,929)</u></u>
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The accompanying notes are an integral part of this statement.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Notes to Financial Statements
December 31, 2018**

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Office of the District Attorney, Seventh Judicial District (District), have been prepared in conformity with the accounting principles generally accepted in the United States, (GAAP) as applied to governments. The Governmental accounting standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting.

Reporting Entity

The Office of the District Attorney is governed by an elected District Attorney. As required by generally accepted accounting principles, these financial statements present the Office of the District Attorney as the primary government. No additional separate governmental units, agencies, or non profit corporations are included in the financial statements of the District since none were discovered to fall within the oversight responsibility based upon the applications of the following criteria: financial accountability, appointment of a voting majority of the organization, governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Government-Wide and Fund Financial Statements

The government-wide financial statement (i.e. the statement of net position and the statement of activities) reports information on all of the nonfiduciary activities of the government. The statement of activities demonstrates the degree of which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1- charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2- grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Notes to Financial Statements
December 31, 2018**

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The major source of revenue susceptible to accrual is grants. All other revenue items are considered to be measurable and available only when cash is received by the district.

The District Reports the Following Governmental Funds

The general fund is the District's operating fund. It accounts for all financial resources of general government.

Assets, Liabilities and Equity

Deposit and Investments

The District considers cash and cash equivalents to include cash on hand and demand deposits.

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, investments, accounts receivable and accrued liabilities. The District estimates that the fair market value of all financial instruments at December 31, 2018 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Use of Estimates

The preparation of financial statements in conformity with US GAAP involves the use of management's estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. These estimates are based upon management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 5,000. Such assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Notes to Financial Statements
December 31, 2018**

Note 1 – Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

All depreciable assets of the District are being depreciated using the straight line method over the following estimated useful lives.

Fund Balances

In the fund financial statements, governmental funds report the following classification of fund balance:

- Non-spendable fund balance amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; positive amounts are reported only in the general fund.

The District establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund.

Note 2 – Budgetary Information

The District Attorney, with formal approval of the Board of Commissioners, adopted its budget on a modified accrual basis, except for, seizure proceeds and expenditures which are not subject to the budget or appropriation process. All appropriations lapse at year end.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Notes to Financial Statements
December 31, 2018**

Note 3 – Cash and Investments

Pooled cash and investments consist of the following at December 31, 2018:

Checking accounts	<u>\$ 449,404</u>
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Deposits

The Colorado Public Deposit Protection Act (PDPA) requires the District Attorney to deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposits in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 the aggregate uninsured deposits.

Custodial Credit Risk

The District's cash deposits had a bank balance of \$464,114, and a corresponding carrying balance of \$449,404. Of the total bank balance \$250,000 is covered by FDIC and the remaining amount is collateralized under PDPA. The District had no investments for 2018.

Note 4 – County Revenues

The following is a summary of county revenues recorded in 2018 by the District Attorney's Office:

Montrose County	\$ 903,593
Delta County	665,454
Gunnison County	358,321
San Miguel County	175,822
Ouray County	104,603
Hinsdale County	<u>17,805</u>
Total revenues	<u>\$ 2,225,598</u>

Note 5 – Defined Benefit Pension Plan

Pensions. Office of District Attorney, Seventh Judicial District (District) 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.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Notes to Financial Statements
December 31, 2018**

Note 5 – Defined Benefit Pension Plan (continued)

General Information about the Pension Plan

Plan description. District Attorney of the District is provided with a pension 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.

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

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance 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.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Notes to Financial Statements
December 31, 2018**

Note 5 – Defined Benefit Pension Plan (continued)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure 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. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. 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. District Attorney and District 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 with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary. Eligible employees who are State Troopers are required to contribute 10 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	For the Year Ended December 31, 2017
Employer Contribution Rate ¹	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the SDTF ¹	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%
Total Employer Contribution Rate to the SDTF ¹	19.13%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from District were \$30,608 for the year ended December 31, 2018.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Notes to Financial Statements
December 31, 2018**

Note 5 – Defined Benefit Pension Plan (continued)

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

At December 31, 2018, the District reported a liability of \$1,091,605 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 District proportion of the net pension liability was based on District 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 District proportion was .005453 percent, which was increase of .0089 from its proportion measured as of December 31, 2016. For the year ended December 31, 2018, the District recognized pension expense of \$250,173. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$17,021	-
Changes of assumptions or other inputs	\$189,544	-
Net difference between projected and actual earnings on pension plan investments	\$21,382	\$41,114
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	\$164
Contributions subsequent to the measurement date	\$30,608	N/A
Total	\$258,555	\$41,278

\$23,699 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2017	
2018	\$164,134
2019	32,209
2020	(9,674)
2021	-
2022	-
Thereafter	

**Office of the District Attorney
Seventh Judicial District
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December 31, 2018**

Note 5 – Defined Benefit Pension Plan (continued)

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 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2015. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2016 to December 31, 2017:

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 – 9.17 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December, 31, 2016 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

**Office of the District Attorney
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Notes to Financial Statements
December 31, 2018**

Note 5 – Defined Benefit Pension Plan (continued)

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2017, adopted by PERA'S Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA'S Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2015, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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:

- 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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

**Office of the District Attorney
Seventh Judicial District
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Notes to Financial Statements
December 31, 2018**

Note 5 – Defined Benefit Pension Plan (continued)

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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 lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant 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 November 18, 2016 adoption of the current 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:

Asset Class	Target Allocation	10 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 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	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:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

**Office of the District Attorney
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December 31, 2018**

Note 5 – Defined Benefit Pension Plan (continued)

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- 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 GASB Statement No. 67 projection test indicates the SDTF's fiduciary net position was projected to be depleted in 2039 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 2039 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, 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 GASB Statement No. 67 projection test indicated the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.25 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 5.26 percent.

**Office of the District Attorney
Seventh Judicial District
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Notes to Financial Statements
December 31, 2018**

Note 5 – Defined Benefit Pension Plan (continued)

Sensitivity of the District 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:

	1% Decrease (4.72%)	Current Discount Rate (5.72%)	1% Increase (6.72%)
Proportionate share of the net pension liability	\$1,358,005	\$1,091,605	\$872,863

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/pera-financial-reports.

Note 6 – Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – District Attorney of the District is also a member of the SDTF and 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. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

Defined Contribution Plan (CCOERA)

The District Attorney's Office has a defined contribution plan for its employees, except for the District Attorney, which is administered by Colorado County Officials and Employees Retirement Association (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate six months from the date of employment. Both the employees and the District Attorney's Office make a basic contribution of 3% of the employee's salary. Employees may make additional voluntary contributions not to exceed 10% of compensations. Participants vest in employer contributions and in earnings, losses and changes in fair market value of Plan assets at a rate of 20% per year. Any nonvested District Attorney contributions forfeited by an employee who leaves the District Attorney's employment are remitted to the District Attorney's Office.

The District Attorney's office payroll in 2018 was \$1,830,400. The total payroll covered by the plan was \$1,537,800. A contribution of \$92,268 was made to the plan in 2018. This contribution consisted of the District Attorney's office contribution of \$46,134 and the employee's contributions of \$46,134, which is 6% of the covered payroll per group of contributor.

**Office of the District Attorney
Seventh Judicial District
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Notes to Financial Statements
December 31, 2018**

Note 7 – Postemployment Healthcare Benefits

Plan description. The District Attorney’s Office 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.

Funding Policy. The District Attorney’s Office is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended. For the years ending December 31, 2018 and 2017, the District contributions to the HCTF were \$1,632 and \$1,632, respectively, equal to their required contributions for each year.

Note 8 – Amendment 1 – Tax Spending Limitations

It is management’s legal opinion that the District Attorney is not subject to Amendment 1, commonly known as the taxpayers’ bill of rights, (TABOR).

Note 9 – Contingent Liabilities

Risk Management

The District Attorney’s Office purchases general liability and property insurance through commercial insurers to provide coverage of all losses, claims and judgments.

The District Attorney’s Office is contingently liable in respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the management, such matters will not have a material adverse effect on the Office of the District Attorney’s financial position as of December 31, 2018.

Note 10 – Compensated Absences

Paid Time Off (PTO) is an all-purpose time off policy for employees to use for vacation, illness, injury, personal business or any other time off not otherwise addressed in this Handbook. PTO combines traditional vacation and sick leave plans into one flexible, inclusive policy. PTO is payable in the same manner as the regular wage or salary and is subject to the same withholding elections.

**Office of the District Attorney
Seventh Judicial District
State of Colorado
Notes to Financial Statements
December 31, 2018**

Note 10 – Compensated Absences (continued)

PTO is earned on the following schedule based on a 40 hour workweek. PTO is prorated based on the number of hours worked on an employee's regular schedule.

- A newly hired employee acquires one week of PTO after that employee has worked with the Office of District Attorney for four (4) calendar months and a second week of PTO after that employee has worked with the Office of District Attorney for eight (8) calendar months.
- On an employee's first and second annual anniversary dates, that employee is granted three (3) weeks of PTO.
- On an employee's third, fourth, fifth, sixth and seventh annual anniversary dates, that employee is granted four (4) weeks of PTO.
- On an employee's eighth, ninth, tenth, eleventh, and twelfth annual anniversary dates, that employee is granted five (5) weeks of PTO.
- On an employee's thirteenth and subsequent annual anniversary dates, that employee is granted six (6) weeks of PTO.

Except as agreed in writing by the employee and the District Attorney, any PTO not used in the year following each anniversary date is lost; provided, however, an employee may carry over up to 40 hours of unused PTO from year to year.

All accrued vested benefits that are due and payable at termination will be paid in accordance with applicable federal, state and local laws.

Note 11 – Capital Assets

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
Capital assets being depreciated				
Furniture	\$ 123,172	\$ 27,146	\$ -	\$ 150,318
Vehicles	145,132	27,009	-	172,141
Total	<u>268,304</u>	<u>54,155</u>	<u>-</u>	<u>322,459</u>
Less accumulated depreciation for:				
Furniture	(46,704)	(22,540)	-	(69,244)
Vehicles	(83,859)	(16,649)	-	(100,508)
Total accumulated depreciation	<u>(130,563)</u>	<u>(39,189)</u>	<u>-</u>	<u>(169,752)</u>
Governmental capital assets, net	<u>\$ 137,741</u>	<u>\$ 14,966</u>	<u>\$ -</u>	<u>\$ 152,707</u>

Office of the District Attorney, Seventh Judicial District
Schedule of District's Proportion Share of the Net Pension Liability
Colorado PERA Pension Plan
For the Years Ended December 31, 2018

	<u>2018</u>	<u>2017</u>
District's proportion of the net pension liability	0.005453	0.004563
Districts proportion share of the net pension liability	\$ 1,091,605	\$ 838,137
District's covered employee payroll	\$ 160,000	\$ 160,000
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	682%	524%
Plan fiduciary net position as a percentage of the total pension liability	43.2%	42.6%
PERA State Division Fiduciary Net Position (thousands)	\$ 15,223,702	\$ 13,626,180
PERA State Division Total Pension Liability (thousands)	\$ 35,241,684	\$ 31,994,311

Notes to the Required Supplementary Information:

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

The accompanying notes are an integral part of this statement.

Office of the District Attorney, Seventh Judicial District
Schedule of Contributions
Colorado PERA Pension Plan
For the Year Ended December 31,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 30,608	\$ 30,608	\$ 22,529	\$ 21,359	\$ 21,359	\$ 20,189				
Contributions in relation to the contractually required contribution	30,608	30,608	22,529	21,359	21,359	20,189				
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>				
District's covered employee payroll	\$160,000	\$160,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000				
Contributions as a percentage of covered employee payroll	19.13%	19.13%	17.33%	16.43%	16.43%	15.53%				

Notes to the Required Supplementary Information:

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

The accompanying notes are an integral part of this statement.

Office of the District Attorney
Seventh Judicial District
State of Colorado
Statement of Revenue, Expenditures and Changes
in Fund Balance-Budget and Actual-General Fund
For the Year Ended December 31, 2018

	Budget Amount	Actual Amount	Variance with Original and Final Budget- Favorable (Unfavorable)
Revenue			
Charges for Services	\$ 126,000	\$ 126,160	\$ 160
Grants and Contributions	345,036	370,693	25,657
County Contributions	2,225,598	2,225,598	-
Total Revenues	<u>2,696,634</u>	<u>2,722,451</u>	<u>25,817</u>
Expenditures			
Salaries, Wages and Benefits	2,402,181	2,311,545	90,636
Supplies	35,000	32,929	2,071
Purchases Services	201,900	192,213	9,687
Other Program Expenses	116,770	124,623	(7,853)
Total Expenditures	<u>2,755,851</u>	<u>2,661,310</u>	<u>94,541</u>
Excess of revenues over expenditures excluding seizure transactions	(59,217)	61,141	120,358
Fund Balance-January 1, 2018	320,000	327,448	7,448
Fund Balance-December 31, 2018	<u>\$ 260,783</u>	<u>\$ 388,589</u>	<u>\$ 127,806</u>

The accompanying notes are an integral part of this statement.