# Office of the District Attorney

Sixteenth Judicial District

Financial Statements

December 31, 2019

**Office of the District Attorney – Sixteenth Judicial District**
**Table of Contents**
**December 31, 2019**

*Independent Auditor's Report*

County Commissioners-Bent, Crowley, and Otero
16th Judicial District

We have audited the accompanying financial statements of the governmental activities and each major fund of 16th Judicial District (the "District") as of and for the year ended December 31, 2019, 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***

The District's 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The District as of December 31, 2019, 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.



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*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 34 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the omission of this information.

*rfarmer, llc*

July 1, 2020

**16th Judicial District**
**Statement of Net Position**
**December 31, 2019**

| | Governmental Activities | Total |
|---|---|---|
| **ASSETS** | | |
| Cash and Equivalents | $ 24,823 | $ 24,823 |
| Receivables | 67,480 | 67,480 |
| Capital Assets, net of depreciation | 21,215 | 21,215 |
| Total Current and Capital Assets | 113,518 | 113,518 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension Plan | 56,933 | 56,933 |
| Total Assets | 170,451 | 170,451 |
| **LIABILITIES** | | |
| Accounts payable and accrued expenses | 8,872 | 8,872 |
| Deferred Revenues | 34,343 | 34,343 |
| Long-term liabilities | | |
| Due within one year | | |
| Compensated Absences | 9,157 | 9,157 |
| Due in more than one year | | |
| Net Pension Liability | 450,392 | 450,392 |
| Compensated absences | 36,038 | 36,038 |
| Total liabilities | 538,802 | 538,802 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension Differences | 221,800 | 221,800 |
| **NET POSITION** | | |
| Net investment in capital assets | 21,215 | 21,215 |
| Restricted for: | | |
| Unrestricted | (611,365) | (611,365) |
| Total net position | $ (590,150) | $ (590,150) |

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

**16th Judicial District**
**Statement of Activities**
**For the Year Ended December 31, 2019**

| | | Program Revenue | | Net (Expense) Revenue and Changes in Net Position | |
|---|---|---|---|---|---|
| | | | | Primary Government | |
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Governmental Activities** | **Total** |
| **Primary government** | | | | | |
| Governmental Activities | | | | | |
| Public Safety | $ 1,348,440 | $ - | $ 1,124,442 | $ (223,998) | $ (223,998) |
| Total governmental activities | 1,348,440 | - | 1,124,442 | (223,998) | (223,998) |
| Total primary government | $ 1,348,440 | $ - | $ 1,124,442 | (223,998) | (223,998) |
| Change in net position | | | | (223,998) | (223,998) |
| Net position - beginning | | | | (366,152) | (366,152) |
| Net position - ending | | | | $ (590,150) | $ (590,150) |

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

**16th Judicial District**
**Balance Sheet**
**Governmental Funds**
**December 31, 2019**

| | General | Governmental |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 24,825 | $ 24,825 |
| Other receivables | 67,480 | 67,480 |
| Total assets | 92,305 | 92,305 |
| | | |
| **LIABILITIES AND FUND BALANCES** | | |
| Liabilities: | | |
| Accounts payable | 8,872 | 8,872 |
| Deferred revenues | 34,343 | 34,343 |
| Total liabilities | 43,215 | 43,215 |
| | | |
| Fund balances: | | |
| Unassigned | 49,090 | 49,090 |
| Total fund balances | 49,090 | 49,090 |
| Total liabilities and fund balances | $ 92,305 | $ 92,305 |

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

**16th Judicial District**
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**
**December 31, 2019**

| | | |
|---|---|---|
| Total fund balance, governmental funds | $ | 49,090 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets and deferred outflows used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | 78,148 |
| Some liabilities, (such as Notes Payable, Long-term Compensated Absences, Bonds Payable, and Deferred Inflows ), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. | | (266,995) |
| Net Pension Liability, including the Health Care Trust Fund | | (450,392) |
| Rounding | | (1) |
| Net Position of Governmental Activities in the Statement of Net Position | $ | (590,150) |

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

**16th Judicial District**
**Statement of Revenues, Expenditures and Changes in Fund Balances**
**Governmental Funds**
**For the Year Ended December 31, 2019**

| | General | Total Governmental Funds |
|---|---|---|
| **REVENUES** | | |
| State reimbursement for wages/benefits | $ 125,091 | $ 125,091 |
| Restitution | 2 | 2 |
| County Funding | 371,484 | 371,484 |
| Intergovernmental/Grants: | | |
| VAWA Grant | 18,851 | 18,851 |
| VALE Grant | 49,839 | 49,839 |
| VOCA Grants | 45,818 | 45,818 |
| Adult Diversion Grants | 99,607 | 99,607 |
| Charges for services/DOC Billings | 277,735 | 277,735 |
| Miscellaneous | 64,225 | 64,225 |
| Mental Health Diversion | 71,790 | 71,790 |
| Total revenues | 1,124,442 | 1,124,442 |
| **EXPENDITURES** | | |
| Current: | | |
| Personnel Costs | 944,310 | 944,310 |
| Fringe Benefits | 254,441 | 254,441 |
| Travel, Meetings, and Dues | 40,416 | 40,416 |
| Occupancy Costs and Office Supplies | 53,392 | 53,392 |
| Miscellaneous | 187,773 | 187,773 |
| Telephone | 7,958 | 7,958 |
| Capital Outlay | 10,576 | 10,576 |
| Total Expenditures | 1,498,866 | 1,498,866 |
| Excess (deficiency) of revenues over expenditures | (374,424) | (374,424) |
| Net change in fund balances | (374,424) | (374,424) |
| Fund balances - beginning | 423,514 | 423,514 |
| Fund balances - ending | $ 49,090 | $ 49,090 |

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

**16th Judicial District**
**Governmental Funds to the Statement of Activities**
**For the Year Ended December 31, 2019**

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds: | $ | (374,424) |
| different because: | | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. | | |
| This is the amount by which capital outlays of $10,576 was less than depreciation of $11,395 in the current period. | | (819) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | | |
| Change in compensated Absences | | (3,805) |
| Net difference between pension and HCTF and actual expense contributions | | 155,050 |
| Change in net position of governmental activities: | $ | (223,998) |

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

## Office of the District Attorney - Sixteenth Judicial District
## Notes to Financial Statements
## December 31, 2019

**Note 1 Summary of Significant Accounting Policies:**

This summary of the significant accounting policies of the Office of the District Attorney – Sixteenth Judicial District (the District) is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The accounting systems and classifications of accounts included in this report conform to standards of the Governmental Accounting Standards Board, published in *Governmental Accounting and Financial Reporting Standards*.

The following is a summary of the significant policies:

Financial Reporting Entity:

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the fund types and account groups of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, joint venture, jointly governed organization or any other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

The District has examined other entities and there are no other entities that should be included as defined in numbers 2 and 3 above.

Nature of Operations:

The District provides legal services for the 16th Judicial District comprised of the Colorado counties of Bent, Crowley and Otero.

Fund Accounting:

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

General Fund:

This fund accounts for the financial resources of the District, which are not accounted for in any other fund. Principal sources of revenue are from counties located within boundaries of the District and state support. Primary expenditures are for personnel and general administration expenses.

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income and gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Budgets and Budgetary Accounting:

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to October 15, the District submits to each of the participating Counties a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the Counties to obtain taxpayer comments.

Prior to December 22, the budget is legally enacted through passage of a resolution by the participating Counties.

Revisions that alter the total expenditures of any fund generally must be approved by the participating Counties.

Appropriations lapse at year-end. Any open purchase items must be re-appropriated in the following year and expenditures may not legally exceed appropriations at the fund level.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrance accounting is not used.

Fixed Assets and Long-Term Liabilities:

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All fixed assets are valued at historical cost or estimated historical costs if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Accrued Compensated Absences:

In accordance with the provisions of the Governmental Accounting Standards Board Statements, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the fund that will pay it.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures or expenses are recognized in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

*Long-term Economic Focus and Accrual Basis.* The governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

*Current Financial Focus and Modified Accrual Basis.* The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

*Financial Statement Presentation.* Amounts reported as program revenues include (1) charges to customers and applicants for goods, services or privileges, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*Receivables.* Receivables are reported net of an allowance for uncollectible accounts. Due to the type of receivables, the allowance account is zero.

*Capital Assets.* Capital assets and equipment are reported in the applicable governmental activity columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of $500 or more and an estimated useful life in excess of one year for all assets other than equipment. Equipment costing $500 or more with an estimated useful life of greater than one year is capitalized by the District. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The District does not have any infrastructure.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed in the business-type activities. There was not any interest capitalized or expensed during the year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
| --- | --- |
| Equipment | 3 to 10 |

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Equity:

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." In the fund financial statements, the following classifications describe the relative strength of spending constraints.

- *Non-spendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory and prepaid amounts) or is legally or contractually required to be maintained intact.

- *Restricted fund balance* – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

- *Committed fund balance* – The portion of fund balance constrained for specific purposes according to the limitations imposed by the District's highest level of decision-making authority, the District Attorney, or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

- *Assigned fund balance* – The portion of fund balance set aside for planned or intended purposes but is neither restricted nor committed. The intended use may be expressed by the District Attorney or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

When both restricted and unrestricted fund balance are available for use, it is the District's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned and unassigned.

**Note 2 Insurance and Risk Management:**

The District is exposed to various risks of loss related to property and casualty losses as well as those related to injuries of employees while on the job. The District Attorney's Office participates with Otero County for liability and health insurance.

Otero County joined together with the other Counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP), and the County Worker's Compensation Pool (CWCP), public entity risk pools currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP and CWCP for its property and casualty insurance coverage and workers' compensation insurance coverage. The intergovernmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

Otero County also handles health and life insurance claims for its employees. Premiums are charged to cover medical claims with reinsurance provided by commercial carriers for individual claims in excess of $40,000 annually. Currently the County is only making the District Attorney's Office responsible for the premiums charged.

**Note 3 Cash and Investments:**

Cash includes amounts in checking and money market accounts. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, with eligibility determined by the state regulators. Amounts on deposit 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 102 percent of the aggregate uninsured deposits.

At year end, the carrying value of the deposits was $13,023 with the total amount covered by FDIC.

**Note 4 Changes in Capital Assets:**

A summary of changes in Capital Assets is as follows:

| | Balance 1-Jan-19 | Additions | Deletions | Balance 31-Dec-19 |
|---|---|---|---|---|
| Equipment | $ 88,935 | $ 10,576 | $ - | $ 99,511 |
| Less Accumulated Depreciation | (66,901) | (11,395) | - | (78,296) |
| Total Capital Assets net | $ 22,034 | $ (819) | $ - | $ 21,215 |

**Note 5 Changes in Long-Term Debt:**

The summary of activity in long-term debt for the current year is shown below:

| | Balance 1-Jan-19 | Additions | Deletions | Balance 31-Dec-19 | Due in one year |
|---|---|---|---|---|---|
| Compensated Absences | $ 41,984 | $ 3,211 | $ - | $ 45,195 | $ 9,157 |

Vacation is earned depending upon the number of years employed. No more than 60 days of vacation can be carried into the next benefit year.

**Note 6 Pension Plans and Post-Employment Health Care Benefits:**

Summary of Significant Accounting Policies:

*Pensions.* The District participated 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.

General Information About the Pension Plan:

*Plan Description.* Eligible employees of the District are provided with pensions through the SDTF. 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 provision 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 as of December 31, 2018.* 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 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 provisions as of December 31, 2018.* Eligible employees and the 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 who are State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

| | **December 31 2018** |
|---|---|
| Employer contribution rate | 10.15% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02)% |
| Amount apportioned to the SDTF | 9.13% |
| Amortization equalization disbursement (AED) as specified in C.R.S. § 24-51-411 | 5.00% |
| Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.00% |
| Total Employer contribution rate to the SDTF | 19.13% |

Rates 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 the district were $24,869 for the year ended December 31, 2018.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:</u>

At December 31, 2018, the District reported a liability of $429,480 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2018, 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, 2018. The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year 2018 relative to the total contributions of participating employers to the SDTF.

At December 31, 2018, the District's proportion was 0.00377%, which was an increase of 0.001% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2018, the District recognized pension expense of $21,407. At December 31, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 13,829 | $ - |
| Changes of assumptions or other inputs | 154,004 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 33,404 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | - | - |
| Total | $ 167,833 | $ 33,404 |

*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 – 9.17% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 4.72% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) | 0% Through 2019 and 1.5% Compounded Annually Thereafter |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve (AIR) |

A discount rate of 7.25 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2018.

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.

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 November 18, 2016, 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:

| 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 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 percent.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2017. and the financial statues of the Trust Fund as of the prior measurement date (December 31, 2017). 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 percent.

- Employee contributions were assumed to be made at the current member contribution rates in effect for each year; including the scheduled increases in SB-18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reached 103 percent, at which point, the AED and SAED will each drop 0.50 percent 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.

- As specified by law, the State of Colorado, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018 and is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- 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 FNP, 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. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent.

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% increase (8.25%) |
|---|---|---|---|
| Proportionate share of the net pension liability | $533,918 | $429,480 | $341,116 |

*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.

Reconciliation of Collective Deferred Outflows of Resources

The following presents the SDTF's collective deferral reconciliation showing the beginning deferrals, adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending collective deferral amounts:

| | Deferred Outflows of Resources | | |
|---|---|---|---|
| **Reconciliation Of Deferrals** | **Differences Between Expected and Actual Experience** | **Changes of Assumptions or Other Inputs** | **Net Difference Between Projected and Actual Investment Earnings** |
| Beginning deferral amounts as of prior measurement date, December 31, 2017 | $ 11,781 | $ 14,188 | $ 14,800 |
| Deferral amounts added as of measurement date, December 31, 2018 | 12,456 | - | 59,400 |
| Total of amortization amounts recognized in pension expense during measurement pension expense during period, 2018[1] | (11,955) | (108,581) | (20,063) |
| Outstanding deferral amounts as of measurement date, December 31, 2018 | $ 12,282 | $ (94,393) | $ 54,137 |

Negative amounts increase the collective pension expense.

Amortization of Collective Deferred Outflows of Resources

The following presents the SDTF's collective deferral amortization showing the deferrals added each plan year, the amortization period and the amount of the amortization for each plan year:

**Deferred Outflows of Resources**

**Difference Between Expected and Actual Experience**

| For the Plan Year | Deferral Amounts Added | Amortization Period |
|---|---|---|
| 2014 | $ - | - |
| 2015 | 8,951 | 2.83 years |
| 2016 | 6,677 | 2.77 years |
| 2017 | 15,729 | 2.71 years |
| 2018 | 12,456 | 2.90 years |

| For the Plan Year | Amortization of the 2014 Deferral | Amortization of the 2015 Deferral | Amortization of the 2016 Deferral | Amortization of the 2017 Deferral | Amortization of the 2018 Deferral | Total Amortization for the Plan Year |
|---|---|---|---|---|---|---|
| 2014 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2015 | - | 3,163 | - | - | - | 3,163 |
| 2016 | - | 3,163 | 2,410 | - | - | 5,573 |
| 2017 | - | 2,625 | 2,410 | 5,804 | - | 10,839 |
| 2018 | - | - | 1,856 | 5,804 | 4,295 | 11,955 |
| 2019 | - | - | - | 4,121 | 4,295 | 8,416 |
| 2020 | - | - | - | - | 3,866 | 3,866 |
| Total | $ - | $ 8,951 | $ 6,676 | $ 15,729 | $ 12,456 | $ 43,812 |

Positive amounts increase the collective pension expense.

**Deferred Outflows of Resources**

**Changes in Assumptions or Other Inputs**

| For the Plan Year | Deferral Amounts Added | Amortization Period |
|---|---|---|
| 2014 | $ - | - |
| 2015 | - | - |
| 2016 | 276,027 | 2.77 years |
| 2017 | 86,317 | 2.71 years |
| 2018 | - | - |

| For the Plan Year | Amortization of the 2014 Deferral | Amortization of the 2015 Deferral | Amortization of the 2016 Deferral | Amortization of the 2017 Deferral | Amortization of the 2018 Deferral | Total Amortization for the Plan Year |
|---|---|---|---|---|---|---|
| 2014 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2015 | - | - | - | - | - | - |
| 2016 | - | - | 99,469 | - | - | 99,469 |
| 2017 | - | - | 99,469 | 31,851 | - | 131,320 |
| 2018 | - | - | 76,730 | 31,851 | - | 108,581 |
| 2019 | - | - | - | 22,614 | - | 22,614 |
| Total | $ - | $ - | $ 275,668 | $ 86,316 | $ - | $ 361,984 |

Positive amounts increase the collective pension expense.

| Deferred Outflows of Resources | | |
|---|---|---|
| Net Difference Between Projected and Actual Investment Earnings | | |
| For the Plan Year | Deferral Amounts Added | Amortization Period |
| 2014 | $ 10,622 | 5.00 years |
| 2015 | 35,980 | 5.00 years |
| 2016 | 1,427 | 5.00 years |
| 2017 | - | - |

| For the Plan Year | Amortization of the 2014 Deferral | Amortization of the 2015 Deferral | Amortization of the 2016 Deferral | Amortization of the 2017 Deferral | Amortization of the 2018 Deferral | Total Amortization for the Plan Year |
|---|---|---|---|---|---|---|
| 2014 | $ 1,810 | $ - | $ - | $ - | $ - | $ 1,810 |
| 2015 | 1,810 | 6,130 | - | - | - | 7,940 |
| 2016 | 1,810 | 6,130 | 243 | - | - | 8,183 |
| 2017 | 1,810 | 6,130 | 243 | - | - | 8,183 |
| 2018 | 1,809 | 6,130 | 243 | - | 11,880 | 20,062 |
| 2019 | - | 6,131 | 243 | - | 11,880 | 18,254 |
| 2020 | - | - | 244 | - | 11,880 | 12,124 |
| 2021 | - | - | - | - | 11,880 | 11,880 |
| 2022 | - | - | - | - | 11,880 | 11,880 |
| Total | $ 9,049 | $ 30,651 | $ 1,216 | $ - | 59,400 | $ 100,316 |

Positive amounts increase the collective pension expense.

Reconciliation of Collective Deferred Inflows of Resources

The following presents the SDTF's collective deferral reconciliation showing the beginning deferrals, adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending collective deferral amounts:

| | Deferred Inflows of Resources | | |
|---|---|---|---|
| Reconciliation Of Deferrals | Differences Between Expected and Actual Experience | Changes of Assumptions or Other Inputs | Differences Between Projected and Actual Investment Earnings |
| Beginning deferral amounts as of prior measurement date, December 31, 2017 | $ - | $ - | $ 43,257 |
| Deferral amounts added as of measurement date, December 31, 2017 | - | 338,502 | - |
| Total of amortization amounts recognized in pension expense during measurement period, 2018 | - | (116,725) | (10,814) |
| Outstanding deferral amounts as of measurement date, December 31, 2018 | $ - | $ 221,777 | $ 32,443 |

Negative amounts decrease the collective pension expense.

Amortization Schedules of Collective Deferred Inflows of Resources

The following presents the SDTF's collective deferral amortization showing the deferrals added each plan year, the amortization period and the amount of the amortization for each plan year.

**Deferred Inflows of Resources**

**Difference Between Expected and Actual Experience**

| For the Plan Year | Deferral Amounts Added | Amortization Period |
|---|---|---|
| 2014 | $ 40 | 2.87 years |
| 2015 | - | - |
| 2016 | - | - |
| 2017 | - | - |
| 2018 | - | - |

| For the Plan Year | Amortization of the 2014 Deferral | Amortization of the 2015 Deferral | Amortization of the 2016 Deferral | Amortization of the 2017 Deferral | Amortization of the 2018 Deferral | Total Amortization for the Plan Year |
|---|---|---|---|---|---|---|
| 2014 | $ 13 | $ - | $ - | $ - | $ - | $ 13 |
| 2015 | 13 | - | - | - | - | 13 |
| 2016 | 14 | - | - | - | - | 14 |
| 2017 | - | - | - | - | - | - |
| 2018 | - | - | - | - | - | - |
| Total | $ 40 | $ - | $ - | $ - | $ - | $ 40 |

Positive amounts decrease the collective pension expense.

**Deferred Inflows of Resources**

**Changes in Assumptions or Other Inputs**

| For the Plan Year | Deferral Amounts Added | Amortization Period |
|---|---|---|
| 2014 | $ - | - |
| 2015 | - | - |
| 2016 | 8,541 | 2.83 years |
| 2017 | - | - |

| For the Plan Year | Amortization of the 2014 Deferral | Amortization of the 2015 Deferral | Amortization of the 2016 Deferral | Amortization of the 2017 Deferral | Amortization of the 2018 Deferral | Total Amortization for the Plan Year |
|---|---|---|---|---|---|---|
| 2014 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2015 | - | 2,571 | - | - | - | 2,571 |
| 2016 | - | 2,571 | - | - | - | 2,571 |
| 2017 | - | 2,134 | - | - | - | 2,134 |
| 2018 | - | - | - | - | 116,725 | 116,725 |
| 2019 | - | - | - | - | 116,725 | 116,725 |
| 2020 | - | - | - | - | 105,052 | 105,052 |
| Total | $ - | $ 7,276 | $ - | $ - | $ 338,502 | $ 345,778 |

Positive amounts decrease the collective pension expense.

## Deferred Inflows of Resources

**Net Difference Between Projected and Actual Investment Earnings**

| For the Plan Year | Deferral Amounts Added | Amortization Period |
|---|---|---|
| 2014 | $ - | - |
| 2015 | - | - |
| 2016 | - | - |
| 2017 | 54,071 | 5.00 years |
| 2018 | - | - |

| For the Plan Year | Amortization of the 2014 Deferral | Amortization of the 2015 Deferral | Amortization of the 2016 Deferral | Amortization of the 2017 Deferral | Amortization of the 2018 Deferral | Total Amortization for the Plan Year |
|---|---|---|---|---|---|---|
| 2014 | $ - | $ - | $ - | $ - | $ - | $ - |
| 2015 | - | - | - | - | - | - |
| 2016 | - | - | - | - | - | - |
| 2017 | - | - | - | 10,814 | - | 10,814 |
| 2018 | - | - | - | 10,814 | - | 10,814 |
| 2019 | - | - | - | 10,814 | - | 10,814 |
| 2020 | - | - | - | 10,814 | - | 10,814 |
| 2021 | - | - | - | 10,815 | - | 10,815 |
| Total | $ - | $ - | $ - | $ 54,071 | $ - | $ 54,071 |

Positive amounts increase the collective pension expense.

GASB Statement No. 68, paragraph 71b states collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions.

| Difference Between Projected and Actual Investment Earnings | |
|---|---|
| Outstanding Deferred Outflows of Resources<br>As of measurement date, December 31, 2018 | $ 54,136 |
| Outstanding Deferred Inflows of Resources<br>As of measurement date, December 31, 2018 | 32,443 |
| Outstanding Net Deferred Inflows of Resources<br>As of measurement date, December 31, 2018 | $ 86,579 |

Net Amount of Collective Deferred Inflows of Resources and Collective Deferred Outflows of Resources Recognized in the Collective Net Pension Expense in Subsequent Years

The following presents the SDTF's net amount of the collective deferred outflows of resources and collective deferred inflows of resources that will be recognized in the collective pension expense for each of the subsequent five years and in the aggregate thereafter:

| For the Plan Year Ended December 31, | Amounts Reported as Collective Deferred Outflows and Collective Deferred Inflows of Resources Recognized in Collective Pension Expense as Follows: |
|---|---|
| 2019 | $ (10,316) |
| 2020 | (99,878) |
| 2021 | 1,066 |
| 2022 | 11,880 |
| 2023 | - |
| Thereafter | - |

Average Expected Remaining Service Life

The following presents the SDTF's average of the expected remaining service lives of all members that are provided with pensions through the pension plan (active and inactive members) determined as of the beginning of the measurement period:

| Determined at Beginning of Measurement Period | Average Expected Remaining Service Life |
|---|---|
| 2018 | 2.90 |

Collective Pension Expense

Collective pension expense for the year ended December 31, 2017 is as follows:

| | |
|---|---|
| Service cost at end of year | $ 27,452 |
| Interest on the total pension liability | 62,587 |
| Current-period benefit changes | (74,279) |
| Expensed portion of current-period differences between expected and actual experience in the total pension liability | 4,295 |
| Expensed portion of current-period changes of assumptions or other inputs | (116,725) |
| Active member contributions | (9,872) |
| Projected earnings on plan investments | (40,620) |
| Expensed portion of current-period differences between projected and actual earnings on plan investments | 11,880 |
| Administrative expense | 449 |
| Other | (184) |
| Recognition of beginning collective deferred outflows of resources as pension expense | 124,424 |
| Recognition of beginning collective deferred inflows of resources as pension expense | (10,814) |
| Collective pension expense | $ (21,407) |

Defined Benefit Other Post Employment Benefit (OPEB) Plan:

Summary of Significant Accounting Policies:

*OPEB.* The district 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.

General Information About the OPEB Plan:

*Plan Description.* Eligible employees of the District are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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.* 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. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). 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 related 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 and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS 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.

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 or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees 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 subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicate Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.
*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 District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were $1,326 for the year ended December 31, 2018.

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:</u>

At December 31, 2018, the District reported a liability of $20,912 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District's proportion was 0.001537%, which is approximately the same as the 2017 proportion.

For the year ended December 31, 2018, the District recognized OPEB expense of $1,326.

*Actuarial Assumptions.* The total OPEB liability in the December 31, 2017 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% in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates: | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | 5.00% |
| Medicare Part A premiums | 3.00% for 2018, gradually rising to 5.00% in 2025 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

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:

| Year | PERACare Medicare Plans | Medicare Part A 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% | 4.25% |
| 2023 | 5.00% | 4.50% |
| 2024 | 5.00% | 4.75% |
| 2025+ | 5.00% | 5.00% |

Mortality assumptions for the determination of the total pension 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 make 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.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Female: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 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 RE-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the Trust Fund:

- 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 2018 plan year.

- 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.

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 Trust Fund, 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 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 November 18, 2016, 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:

| 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%.

*Sensitivity of the District'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 that the current rates:

| | 1% Decrease In Trend Rates | Current Trend Rates | 1% Increase In Trend Rates |
|---|---|---|---|
| PERACare Medicare trend rate | 4.00% | 5.00% | 6.00% |
| Initial Medicare Part A trend rate | 2.25% | 3.25% | 4.25% |
| Ultimate Medicare Part A trend rate | 4.00% | 5.00% | 6.00% |
| Net OPEB liability | $20,335 | $20,912 | $21,577 |

*Discount Rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2017 and the financial status of the Trust Fund as of the prior measurement date (December 31, 2017). 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, 2018, 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 middle of the year.

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.

*Sensitivity of the District'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 lover (6.25 percent) of 1-percentage-point higher (8.25 percent) than the current rate:

| | 6.25% | 7.25% | 8.25% |
|---|---|---|---|
| Proportionate share of the net OPEB liability | \$23,399 | \$20,912 | \$18,786 |

*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 at www.copera.org/investments/pera-financial-reports.

Due to the reporting complicity of GASB 68 and related amendments and the timing of when information regarding pensions is available, the District will report prior year information.

**Note 7 Colorado County Officials and Employees Retirement Association:**

The District's full-time employees (other than the District Attorney) participate in the state-wide Colorado County Officials and Employees Retirement Association (Association), a multiple-employer public employee defined contribution retirement system.

Employer contributions to the Plan are 4% of compensation. Employee contributions must match employer contributions and are funded on a current basis. Employees may make additional voluntary contributions not to exceed 10% of compensation.

During 2019 the employees and employer each contributed \$29,448. The employer had \$2,679 of forfeitures that were used to pay the employers portion.

Participants vest in employer contributions and in the earnings, losses and changes in fair market value of plan assets at a rate of 10% per year. Beginning July 1, 1987, member entities participating in the plan have the option to adopt a 20% per year vesting schedule. Participants are immediately vested 100% in their own contributions and earnings. In the event that an Association member withdraws from the Plan, all participant balances for that member shall become immediately vested 100%.

Net earnings or losses are allocated quarterly to Plan participants. The allocation is based on each participant's balance as of the beginning of that quarter. Participants receiving benefit payments upon retirement or termination are allocated earnings through the date of the distribution.

The County Commissioners of the County's in the 16$^{th}$ Judicial District can authorize changes to the plan.

**Note 8 Tax, Spending and Debt Limitations:**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District does not believe it is subject to the provisions of the

TABOR Amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

**Note 9 Contingent Liabilities:**

The District participates in various grant programs which are subject to final acceptance by those entities. Disallowance of costs on these programs could result in the return of program funds to the granting agency.

The District can be party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District Attorney. In addition, the various Counties maintain insurance coverage for such occurrences.

**Note 10 Leases:**

The District has two operating leases for office equipment. The base monthly lease expense is $214.

Annual rental is:

| Year | Amount |
|---|---|
| 2020 | $ 2,568 |
| 2021 | 1,070 |

The District also leases office space at a cost of $400 and $3,794 per month.

During 2019, due to cash flow difficulties, the District paid $27,077 of rent.

**Note 11 Subsequent Events:**

Due to continuing cash flow issues, the respective boards of County Commissioners of which the District is comprised, borrowed $300,000, in 2020 to fund operations. The loan bears interest at the rate of 3.5%; is payable in monthly installments of $5,457, which includes principal and interest; and is secured by real estate owned by Otero County.

| | Payment | Interest | Principal |
|---|---|---|---|
| 2020 | $ 49,497 | $ 7,770 | $ 41,727 |
| 2021 | 65,490 | 8,125 | 57,365 |
| 2022 | 65,490 | 6,085 | 59,405 |
| 2023 | 65,490 | 3,972 | 61,518 |
| 2024 | 65,490 | 1,784 | 63,706 |
| 2025 | 16,373 | 95 | 16,278 |

**Note 12 Related Parties:**

During 2019, the District entered into a consulting agreement with a related party. The amount paid during 2019 on the contract was $6,000.

**16th Judicial District**
**Budget and Actual**
**General**
**For the year ended December 31, 2019**

| | Budgeted Amounts | | Actual Amounts, Budgetary Basis |
|---|---|---|---|
| | Original | Final | |
| **REVENUES** | | | |
| State reimbursement for wages/benefits | $ 124,961 | $ 124,961 | $ 125,091 |
| Restitution | - | - | 2 |
| County Funding | 667,447 | 667,447 | 371,484 |
| Intergovernmental/Grants | 219,214 | 219,214 | 214,115 |
| Charges for services/DOC Billings | 476,000 | 476,000 | 277,735 |
| Mental Health Diversion | - | - | 71,790 |
| Miscellaneous | 50,363 | 50,363 | 64,225 |
| Total revenues | 1,537,985 | 1,537,985 | 1,124,442 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Personnel Costs | 1,026,280 | 1,026,280 | 944,310 |
| Fringe Benefits | 343,957 | 343,957 | 254,441 |
| Travel, Meetings, and Dues | 43,000 | 43,000 | 40,416 |
| Occupancy Costs and Office Supplies | 124,632 | 124,632 | 53,392 |
| Miscellaneous | 37,988 | 37,988 | 187,773 |
| Telephone | 15,000 | 15,000 | 7,958 |
| Capital Outlay | 200,000 | 200,000 | 10,576 |
| Total Expenditures | 1,790,857 | 1,790,857 | 1,498,866 |
| Excess (deficiency) of revenues over expenditures | (252,872) | (252,872) | (374,424) |
| Net change in fund balances | (252,872) | (252,872) | (374,424) |
| Fund balances - beginning | - | - | 423,514 |
| Fund balances - ending | $ (252,872) | $ (252,872) | $ 49,090 |

**Office of the District Attorney - Sixteenth Judicial District**
**Schedule of the District's Proportionate Share of the Net Pension Liability**
**Year Ended December 31 ,2019**

| | for the years ended December 31, | | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| District's proportion (percentage) of the collective net pension liability | 0.0000377 | 0.0000445 | 0.0000456 |
| District's proportionate share of the collective pension liability | $ 429,480 | $ 886,929 | $ 813,829 |
| Covered payroll | $ 129,999 | $ 129,999 | $ 129,999 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 330% | 682% | 626% |
| Plan fiduciary net pension liability as a percentage of the total pension liability | 0.0000377 | 0.0043407 | 0.0045630 |

The amounts reported are measured as of December 31.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Office of the District Attorney - Sixteenth Judicial District**
**Schedule of Contributions and Related Ratios**
**Year Ended December 31, 2019**

| | for the years ended December 31, | | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| Statutory required contributions | $ 24,869 | $ 24,869 | $ 23,698 |
| Contributions in relation to the statutorily required contribution | $ 24,869 | $ 24,869 | $ 23,698 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered payroll | $ 129,999 | $ 129,999 | $ 129,999 |
| Contribution as a percentage of covered payroll | 19.13% | 19.13% | 18.23% |

The amounts reported are measured as of December 31.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Office of the District Attorney - Sixteenth Judicial District**
**Schedule of the District's Proportionate Share of the Net Pension Liability-OPEB**
**Year Ended December 31, 2019**

| | | 2018 |
|---|---|---|
| District's proportion (percentage) of the collective net pension liability | | 0.0000153 |
| District's proportionate share of the collective pension liability | $ | 18,786 |
| Covered payroll | $ | 129,999 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | | 14% |
| Plan fiduciary net pension liability as a percentage of the total pension liability | | 0.0043407 |

The amounts reported are measured as of December 31.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Office of the District Attorney - Sixteenth Judicial District**
**Schedule of Contributions and Related Ratios-OPEB**
**Year Ended December 31, 2019**

| | 2018 |
|---|---|
| Statutory required contributions | $ 1,326 |
| Contributions in relation to the statutorily required contribution | $ 1,326 |
| Contribution deficiency (excess) | $ - |
| | |
| Covered employee payroll | $ 129,999 |
| Contribution as a percentage of covered payroll | 1.02% |

The amounts reported are measured as of December 31.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.