

Special District Association of Colorado

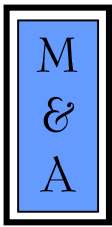
Financial Statements

December 31, 2021

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Special District Association of Colorado
Denver, CO**

Opinion

We have audited the financial statements of Special District Association of Colorado (the "Association"), a Colorado non-profit corporation, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Special District Association of Colorado as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Special District Association of Colorado's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Other Matters

Accounting principles generally accepted in the United States of America require that the Schedule of the Association's Proportionate Share of the Net Pension Liability on page D1, the Schedule of Association Pension Contributions on page D2, the Schedule of Association's Proportionate Share of the Net Other Post-Employment Benefit Liability on page D3, and the Schedule of Association Other Post-Employment Benefits Contributions on page D4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Functional Expenses on page B4 and the budgetary schedule and reconciliation on pages E1 and E2, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with accounting principles generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
February 23, 2022

Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Assets:		
Current Assets:		
Cash and cash equivalents - undesignated	1,966,270	1,729,294
Cash designated for future pension contributions	750,000	750,000
Accounts receivable, net of allowance	20,327	10,373
Prepaid expenses	-	10,471
Total Current Assets	2,736,597	2,500,138
Other Assets:		
Deposits	12,617	25,095
Total Other Assets	12,617	25,095
Deferred Outflows of Resources:		
Pension related deferred outflows	894,239	240,325
OPEB related deferred outflows	28,142	15,704
Total Deferred Outflows	922,381	256,029
Property and Equipment:		
Vehicles, furniture, and equipment	279,551	298,633
Accumulated depreciation	(129,170)	(115,960)
Total Property and Equipment	150,381	182,673
Total Assets	3,821,976	2,963,935
Liabilities and Net Assets:		
Current Liabilities:		
Accrued compensated absences	70,777	59,822
Deferred income	220,232	163,151
Total Current Liabilities	291,009	222,973
Noncurrent Liabilities:		
Net pension liability	2,469,949	1,956,353
Net OPEB liability	87,723	89,825
Total Noncurrent Liabilities	2,557,672	2,046,178
Deferred Inflows of Resources:		
Pension related deferred inflows	518,558	854,516
OPEB related deferred inflows	31,321	20,422
Total Deferred Inflows	549,879	874,938
Net Assets:		
Without donor restrictions (deficit)	423,416	(180,154)
Total Net Assets	423,416	(180,154)
Total Liabilities and Net Assets	3,821,976	2,963,935

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

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	<u>2021</u>	<u>2020</u>
Revenues:		
Membership revenue		
Dues - voting members	1,250,619	1,217,362
Dues - associate members	59,500	60,500
Conferences and workshops revenue	395,878	207,100
Association program support revenue	894,084	851,709
Newsletter and directory advertisements	64,175	66,450
Interest income	764	11,406
Gain (loss) on disposal of equipment	(10,387)	9,239
Other	5,880	1,905
Total Revenues	<u>2,660,513</u>	<u>2,425,671</u>
Expenses:		
Workshops and conferences	568,836	175,163
Legislative	85,631	87,175
Newsletter	64,807	62,217
CSD Property and Liability Pool	2,061	2,877
Special projects	21,796	101,747
Employee salaries and benefits	1,391,431	1,293,856
Audit	12,900	12,500
Automobile	5,857	1,887
Contract services	888	775
Depreciation	32,847	33,084
Directors	6,494	5,461
Dues, subscriptions, and library	4,923	4,241
Equipment maintenance	9,413	8,725
General Association business	28,920	21,979
Information technology	45,252	34,275
Insurance	7,528	6,387
Legal and related expenses	6,035	4,204
Marketing and communications	17,013	12,078
Office supplies	20,680	16,594
Postage	1,949	2,948
Printing	12,345	4,959
Rent and parking	162,523	133,753
Storage	1,430	1,320
Telephone	25,301	21,076
Pension liability adjustment expense	(476,276)	(612,040)
OPEB liability adjustment expense	(3,641)	(2,297)
Total Expenses	<u>2,056,943</u>	<u>1,434,944</u>
Change in Net Assets	603,570	990,727
Net Assets (Deficit) - Beginning of Year	<u>(180,154)</u>	<u>(1,170,881)</u>
Net Assets (Deficit) - End of Year	<u>423,416</u>	<u>(180,154)</u>

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

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Cash Flows From Operating Activities:		
Cash received from members	1,357,246	1,288,889
Cash received from conferences and workshops	395,878	207,100
Cash received from program activities	894,084	851,709
Cash received from newsletter and directory advertisements	64,175	66,450
Cash received from interest	764	11,406
Cash received from other sources	5,880	1,905
Cash paid to employees	(1,380,476)	(1,260,721)
Cash paid for goods and services	(1,089,633)	(753,548)
Net Cash Provided (Used) by Operating Activities	247,918	413,190
Cash Flows From Investing Activities:		
Acquisition of property and equipment	(10,942)	(111,795)
Net Cash Provided (Used) by Investing Activities	(10,942)	(111,795)
Net Increase (Decrease) in Cash and Cash Equivalents	236,976	301,395
Cash and Cash Equivalents - Beginning	2,479,294	2,177,899
Cash and Cash Equivalents - Ending	2,716,270	2,479,294
Financial Statement Captions:		
Cash and cash equivalents - undesignated	1,966,270	1,729,294
Cash designated for future pension contributions	750,000	750,000
Cash and Cash Equivalents - Ending	2,716,270	2,479,294
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in net assets	603,570	990,727
Adjustments to reconcile:		
Depreciation	32,847	33,084
Pension liability adjustment expense	(476,276)	(612,040)
OPEB liability adjustment expense	(3,641)	(2,297)
(Gain) loss on disposal of equipment	10,387	(9,239)
(Increase) decrease in accounts receivables	(9,954)	(6,195)
(Increase) decrease in prepaids and deposits	22,949	(31,207)
Increase (decrease) in compensated absences	10,955	33,135
Increase (decrease) in deferred revenue	57,081	17,222
Total Adjustments	(355,652)	(577,537)
Net Cash Provided (Used) by Operating Activities	247,918	413,190

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

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021			2020
	Program Services	Management and General	Total	Total
Workshops and conferences	511,952	56,884	568,836	175,163
Legislative	77,068	8,563	85,631	87,175
Newsletter	58,326	6,481	64,807	62,217
CSD Property and Liability Pool	1,855	206	2,061	2,877
Special projects	19,616	2,180	21,796	101,747
Employee salaries and benefits	1,252,288	139,143	1,391,431	1,293,856
Audit	11,610	1,290	12,900	12,500
Automobile	5,271	586	5,857	1,887
Contract services	799	89	888	775
Depreciation	29,562	3,285	32,847	33,084
Directors	5,845	649	6,494	5,461
Dues, subscriptions, and library	4,431	492	4,923	4,241
Equipment maintenance	8,472	941	9,413	8,725
General Association business	26,028	2,892	28,920	21,979
Information technology	40,727	4,525	45,252	34,275
Insurance	6,775	753	7,528	6,387
Legal and related expenses	5,432	604	6,035	4,204
Marketing and communications	15,312	1,701	17,013	12,078
Office supplies	18,612	2,068	20,680	16,594
Postage	1,754	195	1,949	2,948
Printing	11,111	1,235	12,345	4,959
Rent and parking	146,271	16,252	162,523	133,753
Storage	1,287	143	1,430	1,320
Telephone	22,771	2,530	25,301	21,076
Pension liability adjustment expense	(428,648)	(47,628)	(476,276)	(612,040)
OPEB liability adjustment expense	(3,277)	(364)	(3,641)	(2,297)
Total Expenses	1,851,249	205,694	2,056,943	1,434,944
Percentages	<u>90%</u>	<u>10%</u>	<u>100%</u>	

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

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021**

1. Organization

The Special District Association of Colorado (the "Association") was incorporated on September 4, 1975 pursuant to the provisions of the Colorado Non-profit Corporation Act. The Association's mission is to preserve and enhance the legal and political environment for the existence and successful operation of the special district form of government, and to assist special districts to operate efficiently and appropriately.

The Association programs include education, conferences and workshops, legislative input, and administrative support to Member Districts. The Association exists to help districts serve the public in the most efficient and economical manner possible. Member Districts are united to coordinate their interests and welfare through a cooperative effort, and to help special district officials fulfill their duties and responsibilities.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The Association utilizes the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for vehicles, furniture and equipment are shown as increases in assets.

B. Basis of Presentation

Financial statement presentation follows the recommendations of the FASB Accounting standards Codification Topic ASC 958-205 (previously Statement of Financial Accounting Standards Board No. 117, *Financial Statements of Non-for-Profit Organizations*). Under FASB ASC 958-205, the Association is required to report information regarding its financial position and activities according to two classifications:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions – Net assets subject to restrictions imposed by donors or grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has lapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

The Association has no net assets with donor restriction.

The Association's financial statements also include certain disclosures required by the state of Colorado to be consistent with governmental disclosures required by the various special districts that comprise the Association's membership.

C. Investments

Investments are carried at fair value based on current market quotations. Due to the nature of the Association's membership, it is allowed to participate in local government investment pools as more fully discussed in Note 3.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

2. Summary of Significant Accounting Policies (continued)

D. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

E. Property and Equipment

Property and equipment are stated at cost. Depreciation expense has been computed using the straight-line method over the estimated economic useful of the assets which range from 3 to 7 years.

F. Deferred Revenue

Revenue received for future dues, subscriptions, and conferences is deferred until the applicable year.

G. Pensions

The Association participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The 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.

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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Most of these changes were in effect as of December 31, 2021.

H. Other Post Employment Benefit (OPEB)

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

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

2. Summary of Significant Accounting Policies (continued)

I. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of financial position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Association has pension and OPEB related deferred outflows, which are described in Note 6.A and 6.B.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of financial position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Association has pension and OPEB related deferred inflows, which are described in Note 6.A and 6.B.

J. Compensated Absences

The Association employees earn a general leave benefit at the rate of 10 to 18 days per year based on length of service which is to be used for vacations, and 12 to 18 days per year based on length of service for sick leave. Employees are allowed to accrue up to 37.5 days of unused vacation leave and up to 70 days of unused sick leave. Compensated absences are recognized as current salary cost when earned. Unused vacation leave up to 30 days will be paid out at termination at present salary levels and sick leave will not be paid out at termination.

K. Income Taxes

The Association has been granted tax exempt status under Section 501(c)(6) of the Internal Revenue Code. Income tax may be payable on unrelated business income, if any, earned during the year. No income tax expense was incurred or paid in 2021.

The Association will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

The Federal information returns of the Association are subject to examination by the Internal Revenue Service. The Association is no longer subject to examination for tax years prior to 2018.

L. Statement of Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Functional Expenses. Management estimates that approximately 90% of expenses are directly related to programs and 10% of expenses are of a management and general nature.

M. Financial Instruments and Fair Value Measurements

The fair value of financial instruments is estimated using market trading information. Where published market values are not available, management estimates fair values based upon quotations received from broker/dealers or interest rate information for similar instruments. The fair values of current assets and current liabilities are assumed equal to their reported carrying amounts. The carrying amounts reported in the balance sheets approximate fair value.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

2. Summary of Significant Accounting Policies (continued)

M. Financial Instruments and Fair Value Measurements (continued)

The Association has adopted the provisions of FASB Accounting Standards Codification Topic ASC 820-10 (previously Financial Accounting Standards Board No. 157, *Fair Value Measurements*) that establishes a single definition of fair value and a framework for measuring fair value to result in increased consistency and comparability in fair value measurements and expands disclosures about fair value measurements. ASC 820-10 applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. The Association does not currently have items which are carried at fair value on a non-recurring basis.

N. Budgets

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

O. Cash Equivalents

For purposes of the statement of cash flows, the Association considers cash deposits and highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

P. Support and Revenue Recognition

Membership revenues are recognized as memberships become due. Membership fees received in advance are deferred until earned.

The Association also derives revenues from conferences, workshops, sponsorship, management fee and marketing fee within the fiscal year in which the related services are provided. The Association may receive program funding from various governmental or corporate sources in exchange for an equivalent benefit in return. Revenues from such exchange transactions are recognized as related costs to the program funding are incurred. Conference, workshop, and sponsorship revenues are recognized at a point in time when services are provided to the members. Management fee and marketing fee are recognized over time when services are provided to customers.

Q. Subsequent Events

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

3. Cash Deposits and Investments

A. Cash Deposits

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

3. Cash Deposits and Investments (continued)

A. Cash Deposits (continued)

The market value of the collateral must be at least equal to the aggregate uninsured deposits. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2021, the Association's bank balances of \$631,822 were collateralized in accordance with PDPA.

B. Investments

As of December 31, 2021, the Association had the following recurring fair value measurements:

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
COLOTRUST PLUS+	\$ 1,074,214
COLOTRUST EDGE	1,000,056
Total	<u>\$ 2,074,270</u>

The Association had invested in the Colorado Local Government Liquid Asset Trust ("Colotrust"), an investment pool established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colotrust. Colotrust offers shares in three portfolios, COLOTRUST PRIME ("PRIME"), COLOTRUST PLUS+ ("PLUS+") and COLOTRUST EDGE ("EDGE") and operates similarly to a money market fund. PRIME and PLUS+ have a stable Net Asset Value (NAV) and each share is equal in value to \$1 whereas EDGE has a variable NAV and each share is equal in value to \$2 or \$10. COLOTRUST portfolios may invest in United States Treasury securities and repurchase agreements collateralized by United States Treasury Securities.

COLOTRUST portfolios may also invest in certain obligations of United States government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of United States government agencies. Designated custodial back serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. As of December 31, 2021, the Association was invested in PLUS+ and EDGE.

4. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended December 31, 2021.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Accrued compensated absences	\$ 59,822	67,393	(56,438)	70,777	70,777
Net pension liability	1,956,353	513,596	-	2,469,949	-
Net OPEB liability	89,825	-	(2,102)	87,723	-
	<u>\$ 2,106,000</u>	<u>\$ 580,989</u>	<u>\$ (58,540)</u>	<u>\$ 2,628,449</u>	<u>\$ 70,777</u>

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

5. Revenue from Contracts with Customers

For the year ended 2021, revenue recognized for services performed or performance obligations met at a point in time were \$460,053. Revenues recognized for services performed or performance obligations met over time during 2021 were \$894,084. Revenues may be affected by general economic conditions and inflationary pressures. Revenues are primarily collected from members, sponsors, and other customers.

6. Public Employees' Retirement Association of Colorado

Employees of the Association are eligible for benefits under PERA consistent with the benefits provided to member special districts.

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

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

Benefits provided as of December 31, 2020: 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.

**Special District Association of Colorado
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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, 2020, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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, 2021: Eligible employees, the Association, and the State are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period of January 1, 2020 through December 31, 2021 are summarized in the table below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31,	January 1, 2021 Through June 30, 2021	July 1, 2021 Through December 31,
Employee contribution (all employees other than State Troopers)	8.75%	10.00%	10.00%	10.50%
State Troopers	10.75%	12.00%	12.00%	12.50%

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

**Special District Association of Colorado
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31,	January 1, 2021 Through June 30, 2021	July 1, 2021 Through December 31,
Employer contribution rate	10.40%	10.90%	10.90%	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)	(1.02%)	(1.02%)
Amount apportioned to the SDTF	9.38%	9.88%	9.88%	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	N/A	0.05%	0.05%
Total employer contribution rate to the SDTF	19.38%	19.88%	19.93%	19.93%

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

**Special District Association of Colorado
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The employer contribution requirements for State Troopers are summarized in the table below:

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021	July 1, 2021 Through December 31, 2021
Employer contribution rate	13.10%	13.60%	13.60%	13.60%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)	(1.02%)	(1.02%)
Amount apportioned to the SDTF	12.08%	12.58%	12.58%	12.58%
Amortization Equalization Disbursement (AED) as specified in	5.00%	5.00%	5.00%	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.00%	5.00%	5.00%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	N/A	N/A	0.05%	0.05%
Total employer contribution rate to the SDTF	22.08%	22.58%	22.63%	22.63%

Contribution rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Association is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Association were \$178,930 for the year ended December 31, 2021.

Pension Liabilities. The net pension liability for the SDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2021
(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The Association proportion of the net pension liability was based on the Association contributions to the SDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SDTF and is considered to meet the definition of a special funding situation.

At December 31, 2021, the Association reported a liability of \$2,469,949 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Association as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Association were as follows:

The Association's proportionate share of the net pension liability	\$ 2,469,949
The State's proportionate share of the pension liability as a nonemployer contributing entity associated with the Association	-
Total	\$ 2,469,949

At December 31, 2020, the Association proportion was 0.0260%, which was an increase of 0.0059% from its proportion measured as of December 31, 2019.

Pension Expense. For the year ended December 31, 2021, the Association recognized pension expense/(credit) of (\$476,276) and revenue of \$0 for support from the State as a nonemployer contributing entity.

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2021, the Association 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 expenses and actual experience	\$ 61,040	\$ 505,532
Change of assumptions or other inputs	167,714	-
Changes in proportionate share of contributions	486,554	13,026
Contributions subsequent to measurement date	178,931	-
	<u>\$ 894,239</u>	<u>\$ 518,558</u>

**Special District Association of Colorado
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

\$178,931 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amortization</u>
2022	\$ 257,564
2023	190,284
2024	(171,875)
2025	(79,223)
	<u>\$ 196,750</u>

Actuarial assumptions. The total pension liability in the December 31, 2019 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	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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.

**Special District Association of Colorado
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Notes to the Financial Statements
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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.

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.30%-10.90%
State Troopers	3.20%-12.40%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	

Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

**Special District Association of Colorado
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Notes to the Financial Statements
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Pre-retirement mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for Members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

**Special District Association of Colorado
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal rate of return assumption of 7.25 percent.

**Special District Association of Colorado
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

- 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 3.00 percent.
- Employee contributions were assumed to be made at the 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 reaches 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 reflect 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 in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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 SDTF's FNP 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, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

**Special District Association of Colorado
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(Continued)**

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

A. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Sensitivity of the Association's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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 7.25%	1% Increase 8.25%
Proportionate share of net pension liability	\$ 3,267,815	\$ 2,469,949	\$ 1,800,029

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Plan description. Eligible employees of the Association 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 (CAFR) 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 relates to the total member contribution account balance from which the retirement benefit is paid.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
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(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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.

DPS Benefit Structure. 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 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.

**Special District Association of Colorado
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(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare 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 Association is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Association were \$9,181 for the year ended December 31, 2021.

Liabilities. At December 31, 2021, the Association reported a liability for Other Post-Employment Benefits ("OPEB") of \$87,723 for its proportionate share of net OPEB. The net OPEB liability was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020. The Association's proportion of the net OPEB liability was based on contributions to the Health Care Trust Fund ("HCTF") for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the Association proportion was 0.00923, which was an increase of 0.00124% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021, the Association recognized OPEB expense/(credit) of \$(3,641).

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2021
(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

At December 31, 2021, the Association reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expenses and actual experience	\$ 234	\$ 19,286
Change of assumptions or other inputs	655	-
Net difference between projected and actual earnings on plan investments	-	3,584
Changes in proportionate share of contributions	18,072	3,072
Change in actuarial assumptions or other inputs	-	5,379
Contributions subsequent to measurement date	9,181	-
	\$ 28,142	\$ 31,321

\$9,181 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB related expense as follows:

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Year Ended December 31,	Amortization
2022	\$ (2,892)
2023	(2,391)
2024	(3,356)
2025	(4,100)
2026	339
2027	40
	\$ (12,360)

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2021
(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Actuarial assumptions. The total OPEB liability in the December 31, 2019, 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	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A Premiums	3.50% in 2020, gradually increasing to 4.50% in 2029
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.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2021
(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, 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.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Post-retirement non-disabled 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.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Post-retirement non-disabled 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.
- **Females:** 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.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%- 12.40% ¹	N/A

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of "State Troopers" to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation for the HCTF:

- 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 2020 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 premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal rate of return assumption of 7.25 percent.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Collective Net OPEB Liability	\$ 925,665,000	\$ 950,225,000	\$ 978,816,000
Proportionate Share OPEB Liability	85,455	87,723	90,362

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, 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 3.00 percent.
- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2021
(Continued)**

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

B. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

	1% Decrease 6.25%	Current Discount 7.25%	1% Increase 8.25%
Collective Net OPEB Liability	\$925,665,000	\$950,225,000	\$978,816,000
Proportionate Share OPEB Liability	\$85,455	\$87,723	\$90,362

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

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

C. Defined Contribution Pension Plan

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

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the Association has agreed to match employee contributions up to 4 percent of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended 2021, program members contributed \$94,820 and the Association recognized pension expense and a liability of \$78,293 and \$0, respectively, for the Voluntary Investment Program.

**Special District Association of Colorado
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Notes to the Financial Statements
December 31, 2021
(Continued)**

7. Commitments

Office Lease

The Association leases office space under an agreement that expired on November 30, 2020. A new 87-month term was agreed commencing on December 1, 2020 and terminating on February 29, 2028. In addition to base rent, the Association is responsible to pay for its proportionate share of certain operating costs. Total office rent expense under the lease was \$138,608 for 2021. The lease requires future cash payments for base rent as follows.

Term	Annual Base Rent
December 1, 2021 to November 30, 2022	\$ 110,136
December 1, 2022 to November 30, 2023	112,960
December 1, 2023 to November 30, 2024	115,784
December 1, 2024 to November 30, 2025	118,608
December 1, 2025 to November 30, 2026	121,432
Thereafter	251,336

8. Related Entity

The Association has entered into an agreement with the Colorado Special Districts Property and Liability Pool ("the Pool"). The Pool provides insurance coverage to participating Special Districts throughout the State of Colorado. The Agreement allows the Association to appoint all of the nine board members of the Pool from among the participating districts, each from a different district, and also requires at least one appointment to the Pool's board to be a member of the Association.

As of December 31, 2021, four of the eight Pool board members were also the Association board members. The Association provides certain administrative services to the Pool. The fee for these services is computed at 1.5% for 2021, of the gross annual premiums billed by the Pool. The agreements may be terminated at any time by mutual agreement of both parties. Fees earned by the Association for administrative services to the Pool were \$503,460 for the year ended December 31, 2021.

There were no amounts due between the Association and the Pool at December 31, 2021.

Special District Association of Colorado
Schedule of Association's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association State Division Trust Fund
Last 10 Fiscal Years *

	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the net pension liability	0.0260%	0.0202%	0.0205%	0.0215%	0.0211%	0.0221%	0.0199%	0.0224%
Association's proportionate share of the net pension liability	\$ 2,469,949	\$ 1,956,353	\$ 2,328,512	\$ 4,294,786	\$ 3,866,778	\$ 2,190,891	\$ 1,875,843	\$ 1,998,985
State's proportionate share of the net pension liability as a non-employer contributing entity associated with the Association	-	9,920	12,747	-	-	-	-	-
Total proportionate share of the net pension liability associated with the Association	<u>\$ 2,469,949</u>	<u>\$ 1,966,273</u>	<u>\$ 2,341,259</u>	<u>\$ 4,294,786</u>	<u>\$ 3,866,778</u>	<u>\$ 2,190,891</u>	<u>\$ 1,875,843</u>	<u>\$ 1,998,985</u>
Covered payroll	\$ 853,700	\$ 718,560	\$ 704,822	\$ 629,501	\$ 599,761	\$ 578,329	\$ 536,944	\$ 577,745
Proportionate share of the net pension liability as a percentage of its covered payroll	289.32%	273.64%	332.18%	682.25%	644.72%	378.83%	349.36%	346.00%
Plan fiduciary net position as a percentage of the total pension liability	65.34%	62.24%	55.11%	43.20%	42.59%	56.11%	59.84%	61.08%

* The amounts presented are for the fiscal year end of the plan measurement date. Information is only available beginning in measurement year 2013.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 178,930	\$ 167,230	\$ 138,358	\$ 134,833	\$ 120,424	\$ 109,336	100,224	88,220	89,724
Contributions in relation to the contractually required contribution	(178,930)	(167,230)	(138,358)	(134,833)	(120,424)	(109,336)	(100,224)	(88,220)	(89,724)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 900,051	\$ 851,911	\$ 718,558	\$ 704,822	\$ 629,501	\$ 599,761	578,329	536,944	577,745
Contributions as a percentage of covered payroll	19.88%	19.63%	19.25%	19.13%	19.13%	18.23%	17.33%	16.43%	15.53%

* Information is only available beginning in fiscal year 2013.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net Other Post-Employment Benefit liability	0.00923%	0.00799%	0.00833%	0.00775%	0.00760%
Proportionate share of the net Other Post-Employment Benefit liability	87,723	89,825	113,382	100,771	98,482
Covered payroll	853,700	718,560	704,822	629,501	599,761
Proportionate share of the net Other Post-Employment Benefit liability as a percentage of its covered payroll	10%	13%	16%	16%	16%
Plan fiduciary net position as a percentage of the total Other Post-Employment Benefit liability	32.78%	24.49%	17.03%	17.53%	16.72%

* The amounts presented are for the fiscal year end of the plan measurement date. Information is only available beginning in measurement year 2016.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 9,181	\$ 8,690	\$ 7,329	\$ 7,189	\$ 6,421	\$ 6,118
Contributions in relation to the contractually required contribution	<u>\$ (9,181)</u>	<u>\$ (8,690)</u>	<u>\$ (7,329)</u>	<u>\$ (7,189)</u>	<u>\$ (6,421)</u>	<u>\$ (6,118)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 900,051	\$ 851,911	\$ 718,558	\$ 704,822	\$ 629,501	\$ 599,761
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

* Information is only available beginning in fiscal year 2016.

**Special District Association of Colorado
Notes to Required Supplementary Information
December 31, 2021**

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

A. Changes to assumptions or other inputs

1. Changes since the December 31, 2019 actuarial valuation:

- The price inflation assumption was lowered from 2.4 percent to 2.30 percent.
- The wage inflation assumption was lowered from 3.5 percent to 3.00 percent.
- The real rate of investment return assumption was increased to 4.95 percent per year, net of investment expenses from 4.85 percent per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the Association and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the Association and DPS Divisions was changed to the PubT-2010 Healthy Retiree Table, adjusted as follow:
- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2019 Contingent Survivor Table, adjusted as follows:
- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (Members other than State Troopers) was changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a head-count weighted basis.

2. Changes since the December 31, 2018 actuarial valuation:

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

3. Changes since the December 31, 2017 actuarial valuation:

- The single equivalent interest rate ("SEIR") was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis, which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

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

- The single equivalent interest rate ("SEIR") was lowered from 5.26 percent to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

Special District Association of Colorado
Notes to Required Supplementary Information
December 31, 2021
(Continued)

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

A. Changes to assumptions or other inputs (continued)

4. Changes since the December 31, 2016 actuarial valuation (continued):

- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

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

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

6. Changes Since the December 31, 2014 actuarial valuation:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

Special District Association of Colorado
Notes to Required Supplementary Information
December 31, 2021
(Continued)

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

B. Changes of benefit terms.

No changes during the years presented.

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

No changes during the years presented.

II. Notes to the Schedule of Association Pension Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

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

No changes during the years presented.

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

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit term

No changes during the years presented.

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

No changes during the years presented.

IV. Notes to the Schedule of Association OPEB Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

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

No changes during the years presented.

Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Budgetary Schedule
For the Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Membership revenue			
Dues - voting members	1,010,000	1,250,619	240,619
Dues - associate members	53,000	59,500	6,500
Conferences and workshops revenue	425,000	395,878	(29,122)
Association program support revenue	815,000	894,084	79,084
Newsletter and directory advertisements	68,000	64,175	(3,825)
Interest income	5,000	764	(4,236)
Other	1,200	5,880	4,680
Total Revenues	<u>2,377,200</u>	<u>2,670,900</u>	<u>293,700</u>
Expenditures:			
Workshops and conferences	550,000	568,836	(18,836)
Legislative	95,000	85,631	9,369
Newsletter	90,000	64,807	25,193
CSD Property and Liability Pool	5,000	2,061	2,939
Special projects	60,000	21,796	38,204
Employee salaries and benefits	1,327,245	1,391,431	(64,186)
Audit	12,500	12,900	(400)
Automobile	5,000	5,857	(857)
Contract services	1,000	888	112
Capital outlay	10,000	10,942	(942)
Directors	24,000	6,494	17,506
Dues, subscriptions, and library	5,000	4,923	77
Equipment maintenance	11,000	9,413	1,587
General Association business	42,000	28,920	13,080
Information technology	40,000	45,252	(5,252)
Insurance	6,000	7,528	(1,528)
Legal and related	5,000	6,035	(1,035)
Marketing and communications	30,000	17,013	12,987
Office supplies	19,000	20,680	(1,680)
Postage	3,000	1,949	1,051
Printing	12,000	12,345	(345)
Rent and parking	160,000	150,045	9,955
Storage	-	1,430	(1,430)
Telephone	24,000	25,301	(1,301)
Total Expenditures	<u>2,536,745</u>	<u>2,502,477</u>	<u>34,268</u>
Excess of Revenue Over Expenditures (Budgetary Basis)	<u>(159,545)</u>	168,423	<u>327,968</u>
Funds Available - Beginning of Year		<u>2,277,165</u>	
Funds Available - End of Year		<u>2,445,588</u>	
Funds available is computed as follows:			
Current assets		2,736,597	
Current liabilities		(291,009)	
		<u>2,445,588</u>	

**Special District Association of Colorado
(A Colorado Non-Profit Corporation)
Reconciliation of Budgetary Schedule to
the Statement of Activities
For the Year Ended December 31, 2021**

Revenue - budgetary basis	2,670,900
Gain (loss) on disposal of equipment	<u>(10,387)</u>
Total revenue per statement of activities	<u>2,660,513</u>
Expenditures - budgetary basis	2,502,477
Change in deposits	12,478
Capital outlay	(10,942)
Depreciation	32,847
Pension liability adjustment expense	(476,276)
OPEB liability adjustment expense	<u>(3,641)</u>
Total expenses per statement of activities	<u>2,056,943</u>
Change in net assets per statement of activities	<u><u>603,570</u></u>