

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
Denver, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2012

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## Independent Auditors' Report

Board of Directors  
Scientific and Cultural Facilities District  
Denver, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Scientific and Cultural Facilities District, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Scientific and Cultural Facilities District as of December 31, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VII 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.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
June 27, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Scientific and Cultural Facilities District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2012. This report should be read in conjunction with the financial statements.

### Financial Highlights

In comparison to 2011 financial statements:

- Sales and use tax revenues for 2012 increased by \$3,690,628.
- Interest earnings for 2012 increased by \$5,023.
- Administrative expenses for 2012 were \$465,276, which is a \$21,905 increase over 2011, exclusive of the Rex Morgan Tribute program.
- Transfers from the Special Revenue Fund to the General Fund increased by \$5,023.
- Total fund distributions for 2012 were \$45,250,477, up by \$3,662,948.
- Change in net position of governmental activities increased by \$11,832.

### Overview of the Financial Statements

The District's financial statements report on government-wide activities which break down to 1) government-wide financial statements on page 1 - 2; 2) fund financial statements on pages 3 - 7; and 3) notes to the financial statements, pages 8 - 18.

**Government-wide Financial Statements.** The government-wide financial statements present an overview of the District's finances in a manner similar to a private-sector business. These statements include the *statement of net position* and the *statement of activities*:

The *statement of net position* presents information on the District's assets, liabilities and net position. Net position equals the total assets less total liabilities. Changes to net position over time may indicate improvements or deterioration in the District's financial position. The District uses the accrual basis of accounting to record all assets and liabilities.

The *statement of activities* describes how the District's net position changed. When revenue and expense activities occur, a change is recorded to net position. Changes to cash flow do not necessarily occur at the same time as the change to net position. Some items affecting reported revenue and expenses may impact cash flows in future periods.

The District administers the distribution of a special sales and use tax to qualifying scientific and cultural entities.

**Fund Financial Statements.** A fund is an account grouping to control, record and track resources for segregated, specific activities. The District uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The District has two *Governmental* funds, the general fund and a special revenue fund.

**Governmental funds.** These funds are used to account for the same functions reported in the government-wide financial statements. Unlike the government-wide financial statements, the governmental fund financial statements focus on *spendable resource inflows and outflows* during the fiscal year as well as fiscal year end *balances for spendable resources*. Governmental fund financial statements focus on the current flow of available resources and on their end of the year balances. This information may be useful in evaluating the District's present and near-future financing requirements.

In comparing the activities in government-wide financial statements with the governmental funds, the balance sheet and the statement of revenues, expenditures and changes in fund balance for governmental funds will show a reconciliation to the government-wide statement of net position and statement of activities. The government-wide statement of net position reflects the results of financial decisions that affect assets and liabilities and their future impact on available resources.

As required by state law, the District adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the general fund and special revenue fund to demonstrate compliance with this law.

**Notes to the Financial Statements.** The notes provide essential, additional information to understand the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

The District's net position decreased by \$42,597 from 2011 to 2012. At December 31, 2012, assets exceeded liabilities by \$312,438. Cash and investments increased by \$253,395 and the net increase in due to qualifying entities was \$977,798. These changes were due to increased sales tax revenue and lower interest rates and timing of payments to qualifying entities.

The largest proportion of the District's net position is in cash and investments, which are used to meet spending needs in the first quarter of the next year. Current liabilities consist primarily of amounts due to qualifying entities.

## District Net Position

	<b>Year Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Current assets	\$ 11,623,344	\$ 10,686,164
Total assets	11,623,344	10,686,164
Current liabilities	11,310,906	10,331,129
Total liabilities	11,310,906	10,331,129
Net position		
Restricted for emergency reserves	12,680	12,246
Stakeholder assessment project	-	5,377
Unrestricted	299,758	337,412
Total net position	\$ 312,438	\$ 355,035

The restricted assets for emergency reserves are based on TABOR requirements (see Note 9 to the financial statements). The unrestricted net position is generally used to meet the operating expenditures of the subsequent years.

### **Governmental Activities**

Governmental activities decreased the District's net position by \$42,597. The key elements of this decrease were as follows: Sales and use taxes increased by 9%, or \$3,690,628 due to an increase in consumer spending. Investment earnings increased by \$5,023 because of the increase in tax revenues. The District increased its administrative expenses, net of Rex Morgan Tribute expenses by \$21,905. Distributions through tier allocations are made based on actual funds collected, and these increased by \$3,662,948.

During 2011 and 2010, the SCFD served as the fiscal agent for the Rex Morgan Tribute, a work of public art commissioned by the Rex Morgan Tribute Committee. The SCFD received, managed and expended Rex Morgan Tribute donations on behalf of the Committee. Included in the table below are \$1,802 and \$-0- of Restricted Contributions for the Rex Morgan tribute and \$21,073 and \$-0- of Rex Morgan Tribute expenses for the years ended December 31, 2011 and 2012, respectively, which are included on the Administrative Expense line.

## District Changes in Net Position

	Year Ended December 31,	
	2012	2011
<b>Revenue</b>		
General revenue		
Sales tax	\$ 41,349,633	\$ 37,991,898
Use tax	4,242,787	3,909,894
Restricted grants	-	12,000
Net investment earnings	77,818	72,795
Restricted contributions	-	1,820
Other income	2,918	9,137
Total revenues	45,673,156	41,997,544
<b>Expenses</b>		
Administrative	465,276	464,444
Special Revenue Fund distributions	45,250,477	41,587,529
Total expenses	45,715,753	42,051,973
<b>Change in Net Position</b>	(42,597)	(54,429)
<b>Net Position - Beginning</b>	355,035	409,464
<b>Net Position - Ending</b>	\$ 312,438	\$ 355,035

### Financial Analysis of the District's Funds

As of December 31, 2012, the District's general fund reported a fund balance of \$317,517 which is a decrease of \$41,400 in comparison to the prior year. This decrease is primarily due to the continuation of record low interest rates, despite a 9% increase in sales and use tax collections over 2011, and the need to draw on unrestricted reserves to cover operational expenses. The District's special revenue fund distributes all revenue received and has no fund balance at year end.

### General Fund Budgetary Highlights

The general or administrative portion of tax revenue is .75% by statute, or \$341,943 of \$45,592,420. The District amended the appropriations after year end in order to match actual taxes received for 2012 with required disbursements to each of the Tiers. The final variance for general expenditures was \$48,322.

### Economic Factors and Next Year's Budget

During 2012, sales and use tax receipts increased 9% from 2011. However, low interest rates impacted interest income earned. Economic forecasts and reports indicate continuing low Federal Reserve Bank interest rates, possibly well into 2013 and beyond. All of these factors were considered in preparing, adopting, and amending the District's conservative budget for 2013.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information, should be addressed to: Peg Long, Executive Director, 899 Logan Street #500, Denver, CO 80203; 303-860-0588.

## **BASIC FINANCIAL STATEMENTS**

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash and investments	\$ 3,488,831
Receivables:	
Taxes	8,128,894
Deposits	2,825
Prepaid expenses	2,794
Total current assets	<u>11,623,344</u>

**CAPITAL ASSETS**

Equipment, net of accumulated depreciation	-
Total assets	<u>11,623,344</u>

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	10,820
Due to Tier I entities	7,622,056
Due to Tier II entities	2,555,307
Due to Tier III entities	1,117,644
Current portion of long-term liabilities	5,079
Total current liabilities	<u>11,310,906</u>

**NET POSITION**

Restricted for:	
Emergency reserves	12,680
Unrestricted	299,758
Total net position	<u>\$ 312,438</u>

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2012**

**EXPENSES**

Administrative	\$ 465,276
Tier allocations	
Tier I allocation	29,526,030
Tier II allocation	9,577,955
Tier III allocation	<u>6,146,492</u>
Total program expense	<u>45,715,753</u>

**GENERAL REVENUES**

Sales tax	41,349,633
Use tax	4,242,787
Net investment earnings	77,818
Other	<u>2,918</u>
Total general revenues	<u>45,673,156</u>

**CHANGE IN NET POSITION**

(42,597)

**NET POSITION - BEGINNING**

355,035

**NET POSITION - ENDING**

\$ 312,438

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2012**

	<b>General</b>	<b>Special Revenue</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 19,379	\$ 3,469,452	\$ 3,488,831
Taxes receivable	60,967	8,067,927	8,128,894
Due from other fund	242,372	-	242,372
Deposits	2,825	-	2,825
Prepaid items	2,794	-	2,794
<b>TOTAL ASSETS</b>	<b>\$ 328,337</b>	<b>\$ 11,537,379</b>	<b>\$ 11,865,716</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 10,820	\$ -	\$ 10,820
Due to other fund	-	242,372	242,372
Due to Tier I entities	-	7,622,056	7,622,056
Due to Tier II entities	-	2,555,307	2,555,307
Due to Tier III entities	-	1,117,644	1,117,644
Total liabilities	10,820	11,537,379	11,548,199
<b>FUND BALANCES</b>			
Nonspendable	5,619	-	5,619
Restricted for:			
Emergency reserves	12,680	-	12,680
Committed	232,927	-	232,927
Unassigned	66,291	-	66,291
Total fund balances	317,517	-	317,517
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 328,337</b>	<b>\$ 11,537,379</b>	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the fund balance sheet:

Compensated absences	(5,079)
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Net position of governmental activities	\$ 312,438
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The accompanying notes are an integral part of the financial statements.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS**

Year Ended December 31, 2012

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Sales tax	\$ 310,122	\$ 41,039,511	\$ 41,349,633
Use tax	31,821	4,210,966	4,242,787
Net investment earnings	-	77,818	77,818
Other	2,918	-	2,918
Total revenues	<u>344,861</u>	<u>45,328,295</u>	<u>45,673,156</u>
<b>EXPENDITURES</b>			
Salaries and related costs	315,575	-	315,575
Accounting	27,760	-	27,760
Travel and mileage	2,536	-	2,536
Consulting	30,933	-	30,933
Insurance	3,845	-	3,845
Legal	7,322	-	7,322
Office supplies	2,350	-	2,350
Meeting expense	4,169	-	4,169
Other	11,810	-	11,810
Postage	894	-	894
Printing	896	-	896
Rent	41,994	-	41,994
Repairs and maintenance	438	-	438
Memberships/subscriptions	2,451	-	2,451
Stakeholder Assessment	5,377	-	5,377
Economic impact study expense	1,500	-	1,500
Telephone	3,231	-	3,231
Office equipment and furniture	998	-	998
Tier I allocation	-	29,526,030	29,526,030
Tier II allocation	-	9,577,955	9,577,955
Tier III allocation	-	6,146,492	6,146,492
Total expenditures	<u>464,079</u>	<u>45,250,477</u>	<u>45,714,556</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(119,218)</u>	<u>77,818</u>	<u>(41,400)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	77,818	-	77,818
Transfer (out)	-	(77,818)	(77,818)
Total other financing sources (uses)	<u>77,818</u>	<u>(77,818)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(41,400)</u>	<u>-</u>	<u>(41,400)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>358,917</u>	<u>-</u>	<u>358,917</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 317,517</u>	<u>\$ -</u>	<u>\$ 317,517</u>

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2012**

Net change in fund balances - Total governmental funds (page 4)	\$ (41,400)
Amounts reported for governmental activities in the statement of activities (page 2) are different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	<u>(1,197)</u>
Change in net position of governmental activities (page 2)	<u>\$ (42,597)</u>

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Sales tax	\$ 295,033	\$ 310,122	\$ 310,122	\$ -
Use tax	25,655	31,821	31,821	-
Other income	-	-	2,918	2,918
Total revenues	<u>320,688</u>	<u>341,943</u>	<u>344,861</u>	<u>2,918</u>
<b>EXPENDITURES</b>				
Salaries and related costs	329,230	329,230	315,575	13,655
Accounting	34,996	34,996	27,760	7,236
Travel and mileage	2,496	2,496	2,536	(40)
Consulting	36,700	36,700	30,933	5,767
Delivery	100	100	-	100
Insurance	4,000	4,000	3,845	155
Legal	12,150	12,150	7,322	4,828
Office supplies	2,400	2,400	2,350	50
Meeting expense	5,040	5,040	4,169	871
Other	10,020	31,275	11,810	19,465
Postage	1,200	1,200	894	306
Printing	2,500	2,500	896	1,604
Rent	41,994	41,994	41,994	-
Repairs and maintenance	300	300	438	(138)
Memberships/subscriptions	2,800	2,800	2,451	349
Stakeholder Assessment	-	-	5,377	(5,377)
Economic impact study expense	1,500	1,500	1,500	-
Telephone	3,720	3,720	3,231	489
Office equipment and furniture	-	-	998	(998)
Total expenditures	<u>491,146</u>	<u>512,401</u>	<u>464,079</u>	<u>48,322</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(170,458)</u>	<u>(170,458)</u>	<u>(119,218)</u>	<u>51,240</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	87,915	87,915	77,818	(10,097)
Total other financing sources	<u>87,915</u>	<u>87,915</u>	<u>77,818</u>	<u>(10,097)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(82,543)	(82,543)	(41,400)	41,143
<b>FUND BALANCES - BEGINNING</b>	<u>358,917</u>	<u>358,917</u>	<u>358,917</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 276,374</u>	<u>\$ 276,374</u>	<u>\$ 317,517</u>	<u>\$ 41,143</u>

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Sales tax	\$ 39,042,732	\$ 41,039,511	\$ 41,039,511	\$ -
Use tax	3,395,012	4,210,966	4,210,966	-
Net investment earnings	<u>87,915</u>	<u>87,915</u>	<u>77,818</u>	<u>(10,097)</u>
Total revenues	<u>42,525,659</u>	<u>45,338,392</u>	<u>45,328,295</u>	<u>(10,097)</u>
<b>EXPENDITURES</b>				
Tier I allocation	27,715,639	29,526,030	29,526,030	-
Tier II allocation	8,965,982	9,577,955	9,577,955	-
Tier III allocation	<u>5,756,123</u>	<u>6,146,492</u>	<u>6,146,492</u>	<u>-</u>
Total expenditures	<u>42,437,744</u>	<u>45,250,477</u>	<u>45,250,477</u>	<u>-</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>				
	<u>87,915</u>	<u>87,915</u>	<u>77,818</u>	<u>(10,097)</u>
<b>OTHER FINANCING (USES)</b>				
Transfer (out)	<u>(87,915)</u>	<u>(87,915)</u>	<u>(77,818)</u>	<u>10,097</u>
Total other financing (uses)	<u>(87,915)</u>	<u>(87,915)</u>	<u>(77,818)</u>	<u>10,097</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	-	-	-	-
<b>FUND BALANCES - BEGINNING</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Scientific and Cultural Facilities District (District) was established by a statute of the State of Colorado to assist in the preservation and development of scientific and cultural facilities. The area comprising the District consists of the City and County of Denver, the City and County of Broomfield, the counties of Adams, Arapahoe, Boulder, and Jefferson, and portions of Douglas County. The District is governed by a board of eleven directors, seven members of which are appointed by the governing bodies of the seven counties in the District and four members of which are appointed by the Governor of the State of Colorado. Under the original statute, the District was authorized to exist through July 1, 1996. A question to extend the existence of the District to 2006 was approved by voters November 8, 1994 and a question to extend the existence to 2018 was approved November 2, 2004.

A uniform sales and use tax of one tenth of one percent is collected within the District area and distributed to qualifying scientific and cultural facilities which are classified into tiers. The statute provides formulas for distribution of the taxes within each tier and allows an amount not to exceed three fourths of one percent of the tax revenue collected to be used for administration costs of the District.

After the allocation of taxes for administrative costs, the taxes are distributed to facilities as follows:

**Tier**

I - Denver Museum of Nature and Science, Denver Zoological Gardens, Denver Art Museum, Denver Botanical Gardens, and Denver Center for the Performing Arts	65.5%
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II - Scientific or cultural facilities in Colorado having annual operating income of more than \$1,250,000; as adjusted for inflation	21.0%
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III - Eligible scientific or cultural facilities approved by county cultural councils	13.5%
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If total annual revenues exceed \$38 million dollars, after the allocation of taxes for administrative costs, the excess taxes are distributed to facilities as follows:

**Tier**

I - Denver Museum of Nature and Science, Denver Zoological Gardens, Denver Art Museum, Denver Botanical Gardens, and Denver Center for the Performing Arts	64.0%
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**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)**

**Tier**

II - Scientific or cultural facilities in Colorado having annual operating income of more than \$1,250,000; as adjusted for inflation	22.0%
III - Eligible scientific or cultural facilities approved by county cultural councils	14.0%

Any Tier II entity that applies to receive money on or after July 1, 2006 will need annual operating income of greater than \$1,250,000 for the previous year as adjusted for inflation. However, any Tier II entity that qualified to receive a distribution on or before June 30, 2006 was subject to the \$1,250,000 threshold as adjusted for inflation as of July 1, 2009.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, internally dedicated resources and other items not properly included among program revenues are reported instead as general revenues.

Separate statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The major sources of revenues susceptible to accrual are sales and use taxes. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue fund* is used to record the collection of sales and use taxes and the distribution thereof to eligible governmental entities and 501(c)(3) organizations, as required by the statute creating the District (see Note 1).

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

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

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

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

Equipment of the District is depreciated using the straight-line method over a five year life.

**Compensated Absences**

The District has a policy that allows employees to accumulate unused vacation benefits up to certain maximum hours. All such benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Fund Equity**

The District's fund balances in the governmental funds are reported in classifications based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of five categories: 1) nonspendable, 2) restricted, 3) committed, 4) assigned and 5) unassigned.

*Nonspendable*

Nonspendable fund balance represents amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The District has reported the amount equal to the reported deposits and prepaid items in the amount of \$5,619 as nonspendable as they do not constitute spendable resources even though they are a component of net position.

*Restricted*

Restricted fund balances reflect amounts for which constraints have been placed on the use of the resources because of state or federal laws or externally imposed conditions by grantors or creditors. Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). A portion of the General Fund fund balance in the amount of \$12,680 has been restricted in compliance with this requirement.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Committed*

Committed fund balance is the amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specific use by taking formal Board action. The District has committed \$232,927 of the General Fund fund balance as an operating reserve, to be drawn upon during periods of economic fluctuation.

*Assigned*

Assigned fund balance includes amounts that are constrained by the Board of Director's intended use of these resources for a specific purpose but are neither restricted nor committed. The District did not have any assigned resources as of December 31, 2012.

*Unassigned*

Unassigned fund balance represents the net resources in excess of the other spendable classifications.

The District's policy is to spend unassigned fund balance and then the funds committed for operating reserves. The District considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

**Budgetary Information**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Supplementary appropriations approved by the District for the year ended December 31, 2012 modified the appropriation from \$491,146 to \$512,401 in the General Fund and from \$42,525,659 to \$45,338,392 in the Special Revenue Fund.

Budgets for both funds of the District are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Interfund Balances**

Interfund balances at December 31, 2012, consisted of the following:

Due to General Fund from:

Special Revenue Fund	<u>\$ 242,372</u>
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This balance resulted from the time lag between the dates that payments between funds are made.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Interfund Transfers**

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfer to General Fund from:

Special Revenue Fund	\$ <u>77,818</u>
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This transfer was used to move unrestricted interest revenues collected in the Special Revenue Fund to finance general operations accounted for in the General Fund in accordance with budgetary authorizations.

**New and Future Accounting Pronouncements**

The District adopted the provisions of GASB No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB No. 62) and GASB No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB No. 63).

GASB No. 62 continues GASB's efforts to codify all sources of GAAP for state and local governments so that they can derive from a single source. The adoption of GASB No. 62 had no impact on the District's financial statements.

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements* (Concepts Statement No. 4). The District does not have any financial statement balances that under current GAAP meet the definition of a deferred outflow of resources or a deferred inflow of resources. In addition, net assets is now net position and the statement of net assets is now the statement of net position. As such, the names of certain statements and certain line items were changed as required by GASB No. 63, otherwise, the adoption of this pronouncement had no impact to the District's financial statements.

The GASB issued Statement No 68 *Accounting and Financial Reporting for Pensions* (GASB No. 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB No. 68 requires cost-sharing employers participating in the PERA program, such as the District, to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability. The District has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefits, or annual required contribution decisions made by PERA. The requirement of GASB No. 68 to record a portion of PERA's unfunded liability may negatively impact the District's future unrestricted net position. GASB No. 68 is effective for fiscal year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2012 consist of the following:

Deposits with financial institutions	\$ 3,487,309
Investments	<u>1,522</u>
Total cash and investments	<u>\$ 3,488,831</u>

**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. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2012, the District's cash deposits had a carrying balance of \$3,487,309.

**Investments**

**Credit Risk**

The District has adopted a formal investment policy in which the primary investment objectives shall be safety, liquidity, and yield.

The District has defined investment instruments meeting defined rating and risk criteria in which the District may invest, as follows:

- . Obligations of the United States and certain U.S. government agency securities
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks rated in the highest tier by a national rating agency
- . Commercial paper rated in the highest tier by a national rating agency
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Local government investment pools

The local government investment pool is the Colorado Local Government Liquid Asset Trust (Colotrust) and is rated AAAm by Standard & Poor's.

**Interest Rate Risk**

The District will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

To the extent possible, the District attempts to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase.

As of December 31, 2012, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (Colotrust)	Less than one year	<u>\$ 1,522</u>

**COLOTRUST**

As of December 31, 2012, the District had invested \$1,522 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00.

**NOTE 4 - EQUIPMENT**

Capital asset activity for the year ended December 31, 2012 was as follows:

	<b>Balance at December 31, <u>2011</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b>Balance at December 31, <u>2012</u></b>
Capital assets				
Office furniture and equipment	\$ 8,353	\$ -	\$ -	\$ 8,353
Less accumulated depreciation for office furniture and equipment	<u>8,353</u>	<u>-</u>	<u>-</u>	<u>8,353</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 5 - LONG-TERM OBLIGATIONS**

	<b>Balance at December 31, <u>2011</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b>Balance at December 31, <u>2012</u></b>	<b><u>Current Portion</u></b>
Compensated absences	\$ 3,882	\$ 16,906	\$ 15,709	\$ 5,079	\$ 5,079

Compensated absences are liquidated by the General Fund.

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

**Rental Commitments**

The District leases office space and parking spaces under an operating lease which expire in December 2015. Payments consist of a base rent and an additional rent for the District's proportionate share of operating expenses. Total rent expense for the year ended December 31, 2012 was \$36,414.

The minimum base rent for all leases is as follows:

Year ended December 31, 2013	\$ 36,950
2014	37,485
2015	<u>38,020</u>
	<u>\$ 112,455</u>

**NOTE 7 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO**

The District contributes to the Local Government Division Trust Fund (Trust), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The Trust provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the Trust.

The District also contributes to the Health Care Trust Fund (Health Fund), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The Health Fund provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries.

Colorado Revised Statutes assign the authority to establish Trust and Health Fund benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the Trust and the Health Fund. That report may be obtained by writing to PERA at 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 7 - PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
(CONTINUED)**

Plan members and the District are required to contribute to the Trust at rates set by Colorado Statutes. A portion of the District's contribution is allocated for the Health Fund. Member contributions to the Health Fund are not required.

The contribution rate for members and the District's contributions to the Trust and Health Fund, which equaled the District's required contributions for each year was as follows:

	<b>December 31,</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Contribution rate of covered salary			
Members	8%	8%	8%
District			
Trust	12.68%	12.68%	12.68%
Health Plan	1.02%	1.02%	1.02%
Contributions			
Trust	\$ 31,717	\$ 31,268	\$ 31,033
Health Plan	\$ 2,551	\$ 2,515	\$ 2,496

Additionally, Trust members of the District may voluntarily contribute to the Voluntary Investment Program (VIP), an Internal Revenue Code Section 401(K) defined contribution plan administered by PERA. Plan participation is voluntary and contributions are separate from others made to PERA. State statutes have assigned the State Legislature the authority to establish VIP plan provisions.

The VIP is funded by voluntary member contributions of up to a maximum limit set by the IRS. The District will match employee deferrals up to 1.2% of covered wages. Employees of the District participating in the VIP Plan made contributions of \$31,962 during 2012. District contributions were \$3,002 during 2012.

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2012. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 9 - TAX, REVENUE, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 7, 1995, District voters approved retention of revenue in excess of the Fiscal Year Spending limit through June 30, 2006. On November 2, 2004, District voters approved retention of such revenue through June 30, 2018.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District, in consultation with legal counsel, has determined that Emergency Reserves should not accumulate in the Special Revenue Fund. All sales and use taxes collected in that fund will be distributed to the various tiers, pursuant to the statute which created the District (see Note 1).

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

This information is an integral part of the accompanying notes to financial statements.