SCIENTIFIC AND CULTURAL FACILITIES DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
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YEAR ENDED DECEMBER 31, 2017

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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 (the District), as of and for the year ended December 31, 2017, 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, 2017, 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 3 through 7, and the pension schedules on pages 35 through 36, 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

CliftonLarsonAllen LLP

Greenwood Village, Colorado
May 8, 2018

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, 2017. This report should be read in conjunction with the financial statements.

Financial Highlights

In comparison to the 2016 financial statements:

- Sales and use tax revenues for 2017 increased by $3,243,028, or 5.73%.
- Interest earnings and the related transfer from the Special Revenue Fund to the General Fund for 2017 increased by $31,834, due to a trend of improved earnings from Colotrust, where the majority of cash balances are held at the present time.
- Administrative expenses for 2017 were $845,548, which is a $736,071, or 46.54% decrease from 2016; the decrease was largely due to the lack of accrued election costs of $910,668 related to the 12-year extension of the District by voters. Aside from the large change in decreased election costs, the change in administrative expenses reflect an increase of $174,597 due to:
  - Additional lobbying and legal expenditures due to an unforeseen change with marijuana tax collection in the District, implemented with Senate Bill 267
  - Continued TABOR litigation expenses
  - First full year collection of 1.5% administrative revenue as defined in 2016 reauthorization
  - Infrastructure improvements including computers, IT security upgrades, phones system, and communications and awareness consulting
- Total fund distributions for 2017 were $58,042,168 up by $2,222,565.
- Change in net position of governmental activities was $1,082,641 in 2017 and $(717,392) in 2016, a difference of $1,800,033

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 8 - 9; 2) fund financial statements on pages 10 - 15; and 3) notes to the financial statements, pages 15 - 34.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 increased by $1,082,641 from 2016 to 2017. This was a result of the change in fund balance for 2017 of $1,158,720, as well as the effects of Governmental Accounting Standards Board (GASB) Statement No. 68, which require the District to record its pension plan net liability and related deferred outflows as of December 31, 2017 in the net amount of $(493,089), an increase of $80,333 from 2016.

At December 31, 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $322,677. Cash and investments increased by $765,121 and the net increase due to qualifying entities was $949,655. The largest proportion of the District's net position is in taxes receivable and 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

	Year Ended December 31,	
	2017	**2016**
Current assets	$ 15,521,118	$ 14,319,437
Capital assets	6,067	-
Total assets	15,527,185	14,319,437
Deferred outflows of resources	182,033	148,678
Liabilities		
Current liabilities	14,711,419	14,666,645
Noncurrent liabilities	672,589	548,160
Total liabilities	15,384,008	15,214,805
Deferred inflows of resources	2,533	13,274
Net position		
Invested in Capital Assets	6,067	-
Restricted for:		
Emergency reserves	57,471	25,927
Unrestricted	259,139	(785,891)
Total net position	$ 322,677	$ (759,964)

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.

However, the change in unrestricted net position from 2016 to 2017 is due primarily to:

- Increase in net pension liability from $548,160 to $672,589, an actuarially estimated amount required to be recorded under GASB statement 68, for which the District expects to continue to make yearly contributions based on rates established by PERA.

- Election cost expenditures of $910,668 were incurred in 2016, and subsequently repaid in full to the District's general fund in 2017.

Governmental Activities

Governmental activities increased the District's net position by $1,082,641. The key elements of this increase were as:

- Election costs of $910,668 were incurred for reauthorization in 2016, no such expenses occurred in the current year. All election costs were repaid by the tier entities in 2017.

- The District experienced in the previous year consulting expenses relating to the executive director search and reauthorization process that were not incurred in the current year.

District Changes in Net Position

	Year Ended December 31,	
	2017	2016
Revenue		
General revenue		
Sales tax	$ 54,580,275	$ 51,583,392
Use tax	5,270,319	5,024,174
Restricted grants	12,500	-
Net investment earnings	106,279	74,445
Other income	984	1,819
Total revenues	59,970,357	56,683,830
Expenses		
Administrative		
Election Costs	-	910,668
Other	845,548	670,951
Special Revenue Fund distributions	58,042,168	55,819,603
Total expenses	58,887,716	57,401,222
Change in Net Position	1,082,641	(717,392)
Net Position - Beginning	(759,964)	(42,572)
Net Position - Ending	$ 322,677	$ (759,964)

Financial Analysis of the District's Funds

As of December 31, 2017, the District's general fund reported a fund balance of $815,983, which is an increase of $1,158,720 in comparison to the prior year. The increase is primarily due to:

- Election cost recovery in 2017 of $910,668 related to the reauthorization vote in 2016, improved interest earnings from Colotrust, and unanticipated savings in salaries and related costs.

Sales and use tax collections increased by 5.73% over 2016. 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 per statute has historically been 0.75% of the total tax revenue collected. The Senate Bill 16-16 amended the statute, increasing the administrative portion to 1.5%, effective with the March 2016 tax revenues. For 2017, the administrative portion was $897,759 of the total tax collections of $59,850,594. $910,668 of election costs were recovered, leaving $58,042,168 distributable to recipient organizations. The District amended the budgeted appropriations after year-end in order to match actual taxes received for 2017 with required disbursements to each of the Tiers and 2017 administrative expenditures. The final variance for general expenditures was $128,290.

Economic Factors and Next Year's Budget

During 2017, sales and use tax receipts increased by 5.73%, as compared to 3.38% in 2016. Economic forecasts and reports indicate slowly rising interest rates and continued positive net migration into Colorado, increasing sales and use tax as our communities grow.

As allowed by statute, all 2016 election costs were recovered by the general fund from 2017 revenue and distributions. Subsequently, other than the 1.5% statutory administrative percentage, the entity's only other potential supplemental revenue source to support operating costs is earnings from investments based on short-term balances waiting to be distributed to recipient organizations. All of these factors were considered in preparing and adopting the District's conservative budget for 2018.

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: Deborah Jordy, 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, 2017

ASSETS	
CURRENT ASSETS	
Cash and Investments	$ 4,858,890
Receivables:	
Taxes	10,646,446
Deposits	2,825
Prepaid Expenses	12,957
Total current assets	15,521,118
CAPITAL ASSETS	
Equipment, net of accumulated depreciation	6,067
Total assets	15,527,185
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions Subsequent to the Measurement Date	41,352
Pension Related Deferrals	140,681
Total Deferred Outflows of Resources	182,033
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	20,960
Due to Tier I Entities	9,741,139
Due to Tier II Entities	3,351,967
Due to Tier III Entities	1,591,069
Compensated Absences	6,284
Total Current Liabilities	14,711,419
NONCURRENT LIABILITIES	
Net Pension Liability	672,589
Total Liabilities	15,384,008
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferrals	2,533
NET POSITION	
Invested in Capital Assets	6,067
Restricted for:	
Emergency Reserves	57,471
Unrestricted	259,139
Total Net Position	$ 322,677

See accompanying Notes to Financial Statements.

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

EXPENSES	
Administrative:	
Other	$ 845,548
Total Administrative Expenses	845,548
Tier Allocations:	
Tier I Allocation	37,694,777
Tier II Allocation	12,404,084
Tier III Allocation	7,943,307
Total Tier Allocations	58,042,168
Total Program Expenses	58,887,716
GENERAL REVENUES	
Sales Tax	54,580,275
Use Tax	5,270,319
Restricted Grants	12,500
Net Investment Earnings	106,279
Other	984
Total General Revenues	59,970,357
CHANGE IN NET POSITION	1,082,641
Net Position - Beginning of Year	(759,964)
NET POSITION - END OF YEAR	$ 322,677

See accompanying Notes to Financial Statements.

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	$ 83,040	$ 4,775,850	$ 4,858,890
Taxes Receivable	159,697	10,486,749	10,646,446
Due from Other Fund	578,424	-	578,424
Deposits	2,825	-	2,825
Prepaid Items	12,957	-	12,957
Total Assets	$ 836,943	$ 15,262,599	$ 16,099,542
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 20,960	$ -	$ 20,960
Due to Other Fund	-	578,424	578,424
Due to Tier I Entities	-	9,741,139	9,741,139
Due to Tier II Entities	-	3,351,967	3,351,967
Due to Tier III Entities	-	1,591,069	1,591,069
Total Liabilities	20,960	15,262,599	15,283,559
FUND BALANCES			
Nonspendable	15,782	-	15,782
Restricted for:			
Emergency Reserves	57,471	-	57,471
Committed	323,549	-	323,549
Unassigned	419,181	-	419,181
Total Fund Balances	815,983	-	815,983
Total Liabilities and Fund Balances	$ 836,943	$ 15,262,599	$ 16,099,542

See accompanying Notes to Financial Statements.

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Fund Balances - Total Governmental Funds	$	815,983
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		6,067
Long-term liabilities, including compensated absences, and amounts related to net pension liability, are not due and payable in the current period and, therefore, are not reported in the fund balance sheet:		
Compensated Absences		(6,284)
Net Pension Liability		(672,589)
Deferred Outflows of Resources		182,033
Deferred Inflows of Resources		(2,533)
		(499,373)
Net Position of Governmental Activities	$	322,677

See accompanying Notes to Financial Statements.

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

	General	Special Revenue	Total Governmental Funds
REVENUES			
Sales Tax	$ 818,704	$ 53,761,571	$ 54,580,275
Use Tax	79,055	5,191,264	5,270,319
Restricted Grants	12,500	-	12,500
Net Investment Earnings	-	106,279	106,279
Other	984	-	984
Total Revenues	911,243	59,059,114	59,970,357
EXPENDITURES			
Salaries and Related Costs	417,058	-	417,058
Accounting	57,525	-	57,525
Travel and Mileage	6,001	-	6,001
Consulting	83,518	-	83,518
Insurance	4,709	-	4,709
Legal	88,596	-	88,596
Office Supplies	4,221	-	4,221
Meeting	8,073	-	8,073
Other	5,402	-	5,402
Postage	631	-	631
Printing	1,981	-	1,981
Rent	51,812	-	51,812
Memberships/Subscriptions	6,031	-	6,031
Telephone	4,818	-	4,818
Restricted Grants	15,516		15,516
Office Equipment and Furniture	13,577	-	13,577
Tier I Allocation	-	37,694,777	37,694,777
Tier II Allocation	-	12,404,084	12,404,084
Tier III Allocation	-	7,943,307	7,943,307
Total Expenditures	769,469	58,042,168	58,811,637
EXCESS REVENUES OVER (UNDER) EXPENDITURES	141,774	1,016,946	1,158,720
OTHER FINANCING SOURCES (USES)			
Transfer In	1,016,946	-	1,016,946
Transfer (Out)	-	(1,016,946)	(1,016,946)
Total Other Financing Sources (Uses)	1,016,946	(1,016,946)	-
NET CHANGE IN FUND BALANCES	1,158,720	-	1,158,720
Fund Balance - Beginning of Year	(342,737)	-	(342,737)
FUND BALANCE - END OF YEAR	$ 815,983	$ -	$ 815,983

See accompanying Notes to 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, 2017

Net Change in Fund Balances - Total Governmental Funds (Page 11)	$ 1,158,720
Amounts Reported for Governmental Activities in the Statement of Activities (Page 9) 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	(1,813)
Purchase of Capital Assets	6,500
Depreciation Expense	(433)
Change in Pension Contributions Made Subsequent to the Measurement Date	3,042
Net Pension Expense	(83,375)
Change in Net Position of Governmental Activities (Page 9)	$ 1,082,641

See accompanying Notes to 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Sales Tax	$ 729,000	$ 818,704	$ 818,704	$ -
Use Tax	81,000	79,055	79,055	-
Restricted Grants	-	-	12,500	12,500
Other Income	80	80	984	904
Total Revenues	810,080	897,839	911,243	13,404
EXPENDITURES				
Salaries and Related Costs	537,843	537,843	417,058	120,785
Accounting	45,250	45,250	57,525	(12,275)
Travel and Mileage	8,000	8,000	6,001	1,999
Consulting	78,500	122,380	83,518	38,862
Insurance	4,500	4,500	4,709	(209)
Legal	32,000	81,089	88,596	(7,507)
Office Supplies	3,500	3,500	4,221	(721)
Meeting	6,000	6,000	8,073	(2,073)
Other	7,950	7,950	5,402	2,548
Postage	400	400	631	(231)
Printing	3,000	3,000	1,981	1,019
Rent	49,967	49,967	51,812	(1,845)
Repairs and Maintenance	600	600	-	600
Memberships/Subscriptions	5,000	5,000	6,031	(1,031)
Telephone	3,480	3,480	4,818	(1,338)
Restricted Grants	12,000	12,000	15,516	(3,516)
Office Equipment and Furniture	6,800	6,800	13,577	(6,777)
Total Expenditures	804,790	897,759	769,469	128,290
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,290	80	141,774	141,694
OTHER FINANCING SOURCES				
Transfer In	1,072,000	1,072,000	1,016,946	(55,054)
Total Other Financing Sources	1,072,000	1,072,000	1,016,946	(55,054)
NET CHANGE IN FUND BALANCES	1,077,290	1,072,080	1,158,720	86,640
Fund Balances - Beginning of Year	(445,485)	(342,737)	(342,737)	-
FUND BALANCES - END OF YEAR	$ 631,805	$ 729,343	$ 815,983	$ 86,640

See accompanying Notes to 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Sales Tax	$ 47,871,000	$ 53,761,571	$ 53,761,571	$ -
Use Tax	5,319,000	5,191,264	5,191,264	-
Net Investment Earnings	72,000	106,279	106,279	-
Total revenues	53,262,000	59,059,114	59,059,114	-
EXPENDITURES				
Tier I Allocation	33,948,050	37,694,777	37,694,777	-
Tier II Allocation	11,117,500	12,404,084	12,404,084	-
Tier III Allocation	7,124,450	7,943,307	7,943,307	-
Total Expenditures	52,190,000	58,042,168	58,042,168	-
EXCESS REVENUES OVER EXPENDITURES	1,072,000	1,016,946	1,016,946	-
OTHER FINANCING (USES)				
Transfer (Out)	(1,072,000)	(1,016,946)	(1,016,946)	-
Total Other Financing (Uses)	(1,072,000)	(1,016,946)	(1,016,946)	-
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ -	$ -	$ -

See accompanying Notes to Financial Statements.

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, a question to extend the existence to 2018 was approved by voters November 2, 2004, and a question to extend the existence to 2030 was approved November 8, 2016.

A uniform sales and use tax of one tenth of 1% 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 one and one half 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:

<u>Tier</u>	
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%
II - Scientific or cultural facilities in Colorado having annual operating income of more than $1,250,000; as adjusted for inflation	21.0%
III - Eligible scientific or cultural facilities approved by county cultural councils	13.5%

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:

<u>Tier</u>	
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%
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.

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

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.

Effective July 1, 2018, 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	64.0%
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%

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	57.0%
II - Scientific or cultural facilities in Colorado having annual operating income of more than $1,250,000; as adjusted for inflation	26.0%
III - Eligible scientific or cultural facilities approved by county cultural councils	17.0%

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.

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 unrestricted resources first, and then restricted resources as they are needed.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 acquisition cost 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 $15,782 as nonspendable as they do not constitute spendable resources even though they are a component of net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

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 balance in the amount of $57,471 has been restricted in compliance with this requirement.

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 $323,549 of the General 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, 2017.

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).

Deficit

The General Fund had a fund balance deficit as of December 31, 2016 in the amount of $342,737. The deficit was created from the large election costs incurred in 2016. The deficit was eliminated in 2017 through the recovery of the election costs from taxes from the Tier entities as allowed under the Colorado Revised Statutes (C.R.S) section 32-13-107(3).

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information (Continued)

Supplementary appropriations approved by the District for the year ended December 31, 2017 modified the appropriation from $804,790 to $897,759 in the General Fund and from $52,190,000 to $58,042,168 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, 2017 consisted of the following:

Due to General Fund from:	
Special Revenue Fund	$ 578,424

This balance resulted from the time lag between the dates that payments between funds are made.

Interfund Transfers

Interfund transfers for the year ended December 31, 2017 consisted of the following:

Transfer to General Fund from:	
Special Revenue Fund	$ 1,016,946

This transfer was used to move unrestricted interest revenues collected in the Special Revenue Fund to the General Fund in accordance with budgetary authorizations. During the year ended December 31, 2017 the Special Revenue Fund also made a one time transfer to the General fund in the amount of $910,668 to recover costs associated with the 2016 election measure related to reauthorization of the District. Further funds related to the election measure will not be transferred in subsequent years.

Defined Benefit Pension Plan

Pensions. The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF 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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2017 consisted of the following:

	Amount
Deposits with Financial Institutions	$ 797,030
Investments	4,061,860
Total Cash and Investments	$ 4,858,890

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, 2017, the District's cash deposits had a carrying balance of $797,030.

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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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:

- 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, 2017, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (ColoTrust)	< 1 Year	$ 4,061,860

ColoTrust

As of December 31, 2017, the District had invested $4,061,860 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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under C.R.S. 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust'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 the Trust. The Trust records its investments at fair value and the District records its investment in the Trust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 EQUIPMENT

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance at December 31, 2016	Additions	Retirements	Balance at December 31, 2017
Capital Assets:				
Office Furniture and Equipment	$ 8,353	$ 6,500	$ -	$ 14,853
Less: Accumulated Depreciation for Office Furniture and Equipment	8,353	433	-	8,786
Total Capital Assets, Net	$ -	$ 6,067	$ -	$ 6,067

NOTE 5 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2017 were as follows:

	Balance at December 31, 2016	Additions	Retirements	Balance at December 31, 2017	Current Portion
Compensated Absences	$ 4,471	$ 13,954	$ (12,141)	$ 6,284	$ 6,284

Compensated absences are liquidated by the General Fund.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Rental Commitments

The District leases office space under an operating lease, which expires in December 2019. Payments consist of a base rent and an additional rent for the District's proportionate share of operating expenses. Parking spaces are also leased under a month to month lease. Total rent expense for the year ended December 31, 2017 was $51,812.

The minimum base rent for the office space is as follows:

Year Ended December 31:	
2018	$ 43,050
2019	43,631
	$ 86,681

Litigation

The District is a defendant in a lawsuit filed October 23, 2013 concerning the taxation of certain products, effective January 1, 2014. Supreme cout arguments were heard November 11, 2017, and subsequently on April 23, 2018, the Colorado Supreme Court confirmed an appellate court ruling in favor of the District in relation to this lawsuit.

NOTE 7 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Defined Benefit Pension Plan

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code.

Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit;

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

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

Defined Benefit Pension Plan (Continued)

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the LGDTF.

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

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

Contributions. Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate*	10.00%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)*	(1.02%)
Amount Apportioned to the LGDTF*	8.98%
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411*	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411*	1.50%
Total Employer Contribution Rate to the LGDTF*	12.68%

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $41,352 for the year ended December 31, 2017.

At December 31, 2017, the District reported a liability of $672,589 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

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

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

At December 31, 2016, the District's proportion was 0.0498088223%, which was an increase of 0.0000476493% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of $83,375. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 11,969	$ -
Changes of assumptions or other inputs	47,708	1,945
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	80,775	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	229	588
Contributions Subsequent to the Measurement Date	41,352	-
Total	$ 182,033	$ 2,533

$41,352 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2018	$ 78,801
2019	35,945
2020	22,634
2021	768
	$ 138,148

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

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

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

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 – 10.45%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate	7.25%
Future Post-Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007, and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired After December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December, 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's board on November 13, 2012, and an economic assumption study, adopted by PERA's board on November 15, 2013 and January 17, 2014.

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

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

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

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

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

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

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

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

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

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42	4.80%
Non U.S. Equity – Developed	18.55	5.20%
Non U.S. Equity – Emerging	5.83	5.40%
Core Fixed Income	19.32	1.20%
High Yield	1.38	4.30%
Non U.S. Fixed Income - Developed	1.84	0.60%
Emerging Market Bonds	0.46	3.90%
Core Real Estate	8.50	4.90%
Opportunity Fund	6.00	3.80%
Private Equity	8.50	6.60%
Cash	1.00	0.20%
Total	100.00%	

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

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:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. As of the prior measurement date, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent.

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	$ 991,702	$ 672,589	$ 408,329

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

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description - Employees of the District that are also members of the LGDTF 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 District has agreed to match employee contributions up to 1.2% 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 December 31, 2017, program members contributed $9,072 and the District recognized pension expense of $3,875 for the Voluntary Investment Program.

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

Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy – The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended December 31, 2017, 2016 and 2015, the District's contributions to the HCTF were $3,326, $3,082 and $2,883, respectively, equal to their required contributions for each year.

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, 2017. 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.

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. On November 8, 2016, District voters approved retention of such revenue through June 30, 2030.

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.

REQUIRED SUPPLEMENTARY INFORMATION

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2017

	2016	2015	2014	2013
District's Proportion of the Net Pension Liability	0.0498088223%	0.0497611730%	0.0504089899%	0.0499039358%
District's Proportionate Share of the Net Pension Liability	$ 672,589	$ 548,160	$ 451,820	$ 410,670
District's Covered Payroll	$ 302,132	$ 282,605	$ 276,219	$ 266,242
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	223%	194%	164%	154%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.65%	76.87%	80.72%	77.66%

Note: The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
DECEMBER 31, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 41,352	$ 38,310	$ 35,834	$ 35,025	$ 33,760	$ 31,717	$ 31,268	$ 31,033	$ 28,215	$ 26,435
Contributions in Relation to the Contractually Required Contribution	41,352	38,310	35,834	35,025	33,760	31,717	31,268	31,033	28,215	26,435
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 326,116	$ 302,132	$ 282,605	$ 276,219	$ 266,242	$ 250,134	$ 246,593	$ 244,740	$ 239,516	$ 242,969
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%	10.88%

Note: The amounts presented for each fiscal year were determined as of December 31.