

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
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YEAR ENDED DECEMBER 31, 2018**

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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" or "SCFD"), as of and for the year ended December 31, 2018, 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, 2018, 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.

Emphasis of a Matter

During fiscal year ended December 31, 2018, Scientific and Cultural Facilities District adopted Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, Scientific and Cultural Facilities District reported a restatement for the change in accounting principle (see Note 11). Our opinions were not modified with respect to the restatement.

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 information and other post employment benefits (OPEB) information on pages 42 through 45 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, 2019

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Scientific and Cultural Facilities District's ("the District" or "SCFD") financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2018. This report should be read in conjunction with the financial statements.

Financial Highlights

In comparison to the 2017 financial statements:

- Sales and use tax revenues for 2018 increased by \$3,311,989, or 5.53%.
- Interest earnings and the related transfer from the Special Revenue Fund to the General Fund for 2018 increased by \$143,374, due to a trend of slightly improved earnings from Colotrust.
- Administrative expenses for 2018 were \$979,437, which is a \$133,889, 15.8% increase over 2017; the increase is due to salaries adjustments, 30th Anniversary Community Celebration and Rex Morgan Awards, SCFD rebrand and a new website.
- Total fund distributions for 2018 were \$62,215,144 up by \$4,172,976.
- Total net position of governmental activities was \$526,607 in 2018 and \$322,677 in 2017, a change of \$203,930.
- Tier I, II and III total distributions from the Special Revenue Fund reflect the bifurcated allocation formulas, i.e., one formula for revenue up to \$38 million and an adjusted formula for revenue above \$38 million, as well as a hybrid year of the new inter-Tier percentages where Tiers II & III are allocated a larger share of distributable funds.

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 16 - 41.

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 and deferred outflows of resources less total liabilities and deferred inflows of resources. 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.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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 total net position increased by \$203,930 from 2017 to 2018. This was a result of the change in fund balance for 2018 of \$344,869, 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 and inflows as of December 31, 2018 in the net amount of \$(584,762), an increase of \$91,673 from 2017.

At December 31, 2018, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$526,607. Cash and investments increased by \$912,307 and the net increase in due to qualifying entities was \$1,237,211. 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.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

District Net Position

	Year Ended December 31,	
	2018	2017
Current assets	\$ 17,114,209	\$ 15,521,118
Capital assets	4,767	6,067
Total assets	<u>17,118,976</u>	<u>15,527,185</u>
Deferred outflows of resources	<u>109,062</u>	<u>182,033</u>
Liabilities		
Current liabilities	15,960,880	14,711,419
Noncurrent liabilities	<u>627,797</u>	<u>672,589</u>
Total liabilities	<u>16,588,677</u>	<u>15,384,008</u>
Deferred inflows of resources	<u>112,754</u>	<u>2,533</u>
Net position		
Invested in Capital Assets	4,767	6,067
Restricted for:		
Emergency reserves	36,888	57,471
Unrestricted	<u>484,952</u>	<u>259,139</u>
Total net position	<u>\$ 526,607</u>	<u>\$ 322,677</u>

2017 amounts have not been restated for the impact of implementing GASB Statement No. 75 (see Note 11).

The restricted assets for emergency reserves are based on TABOR requirements (see Note 10 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 2017 to 2018 is due primarily to:

- An increase in revenues related to the administrative portion of taxes collected by the District as well as an increase in interest income due to better market rates in the current year.

Governmental Activities

Governmental Activities

Governmental activities increased the District's net position by \$250,177. The key elements of this increase were as follows:

- An increase in investment income of \$143,374 due to better market rates compared to the prior year.
- An increase in the administrative portion of taxes collected of \$49,680 compared to the prior year.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

District Changes in Net Position

	Year Ended December 31,	
	2018	2017
Revenue		
General revenue		
Sales tax	\$ 56,573,598	\$ 54,580,275
Use tax	6,588,985	5,270,319
Restricted grants	30,000	12,500
Net investment earnings	249,653	106,279
Other income	2,522	984
Total revenues	<u>63,444,758</u>	<u>59,970,357</u>
Expenses		
Administrative	979,437	845,548
Special Revenue Fund distributions	62,215,144	58,042,168
Total expenses	<u>63,194,581</u>	<u>58,887,716</u>
Change in Net Position	250,177	1,082,641
Net Position - Beginning	276,430	(759,964)
Net Position - Ending	<u>\$ 526,607</u>	<u>\$ 322,677</u>

2017 amounts have not been restated for the impact of implementing GASB Statement No. 75 (see Note 11).

Financial Analysis of the District's Funds

As of December 31, 2018, the District's general fund reported a fund balance of \$1,160,852, which is an increase of \$344,869 in comparison to the prior year. The increase is primarily due to increased sales and use tax collection.

Sales and use tax collections increased by 5.53% over 2017. 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 2018, the administrative portion was \$947,439 of the total tax collections of \$63,162,583 leaving \$62,215,144 distributable to recipient organizations. The District amended the budgeted appropriations after year-end in order to match actual taxes received for 2018 with required disbursements to each of the Tiers and 2018 administrative expenditures. The final variance for general expenditures was \$62,694.

Economic Factors and Next Year's Budget

During 2018, sales and use tax receipts increased by 5.53%, as compared to 5.73% in 2017. Economic growth in the U.S. and Colorado has moderated and is expected to slow further over the next two years as the economy shifts out of high gear. The U.S. and Colorado economies are expected to continue to grow in 2019 and 2020; however, the pace of expansion is expected to slow as the simulative impacts of federal tax cuts fade and labor shortages and a slowing global economy constrain growth. U.S. real gross domestic product (GDP) is expected to grow 2.3 percent in 2019, before slowing to 1.1 percent in 2020.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

As allowed by statute, all election costs have been recovered by the general fund from sales and use tax 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 2019.

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, 2018**

ASSETS

CURRENT ASSETS

Cash and Investments	\$ 5,771,197
Receivables:	
Taxes	11,325,865
Other Assets	1,195
Deposits	2,825
Prepaid Expenses	13,127
Total Current Assets	17,114,209

CAPITAL ASSETS

Equipment, Net of Accumulated Depreciation	4,767
Total Assets	17,118,976

DEFERRED OUTFLOWS OF RESOURCES

Pension Contributions Subsequent to the Measurement Date	49,819
OPEB Contributions Subsequent to the Measurement Date	4,008
Pension Related Deferrals	52,892
OPEB Related Deferrals	2,343
Total Deferred Outflows of Resources	109,062

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	31,971
Due to Tier I Entities	9,482,925
Due to Tier II Entities	4,325,545
Due to Tier III Entities	2,112,916
Compensated Absences	7,523
Total Current Liabilities	15,960,880

NONCURRENT LIABILITIES

Net Pension Liability	575,592
Net OPEB Liability	52,205
Total Liabilities	16,588,677

DEFERRED INFLOWS OF RESOURCES

Pension Related Deferrals	111,881
OPEB Related Deferrals	873
Total Deferred Inflows of Resources	112,754

NET POSITION

Invested in Capital Assets	4,767
Restricted for:	
Emergency Reserves	36,888
Unrestricted	484,952
Total Net Position	\$ 526,607

See accompanying Notes to Financial Statements.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

EXPENSES

Administrative:	
Other	\$ 979,437
Total Administrative Expenses	<u>979,437</u>
Tier Allocations:	
Tier I Allocation	38,526,631
Tier II Allocation	14,382,805
Tier III Allocation	9,305,708
Total Tier Allocations	<u>62,215,144</u>
Total Program Expenses	<u>63,194,581</u>

GENERAL REVENUES

Sales Tax	56,573,598
Use Tax	6,588,985
Restricted Grants	30,000
Net Investment Earnings	249,653
Other	2,522
Total General Revenues	<u>63,444,758</u>

CHANGE IN NET POSITION

250,177

Net Position - Beginning of Year (as Restated, see note 11)

276,430

NET POSITION - END OF YEAR

\$ 526,607

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 60,495	\$ 5,710,702	\$ 5,771,197
Taxes Receivable	169,888	11,155,977	11,325,865
Other Current Assets	1,195	-	1,195
Due from Other Fund	945,293	-	945,293
Deposits	2,825	-	2,825
Prepaid Items	13,127	-	13,127
Total Assets	\$ 1,192,823	\$ 16,866,679	\$ 18,059,502
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	31,971	\$ -	\$ 31,971
Due to Other Fund	-	945,293	945,293
Due to Tier I Entities	-	9,482,925	9,482,925
Due to Tier II Entities	-	4,325,545	4,325,545
Due to Tier III Entities	-	2,112,916	2,112,916
Total Liabilities	31,971	16,866,679	16,898,650
 FUND BALANCES			
Nonspendable	15,952	-	15,952
Restricted for:			
Emergency Reserves	36,888	-	36,888
Committed for:			
Operating Reserves	384,735	-	384,735
Election Cost Reserves	400,000	-	400,000
Unassigned	323,277	-	323,277
Total Fund Balances	1,160,852	-	1,160,852
Total Liabilities and Fund Balances	\$ 1,192,823	\$ 16,866,679	\$ 18,059,502

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, 2018**

Fund Balances - Total Governmental Funds	\$ 1,160,852
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	4,767
Long-term liabilities, including compensated absences, and amounts related to net pension liability and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the fund balance sheet:	
Compensated Absences	(7,523)
Net Pension Liability	(575,592)
Net OPEB Liability	(52,205)
Deferred Outflows of Resources for Pension	102,711
Deferred Outflows of Resources for OPEB	6,351
Deferred Inflows of Resources for Pension	(111,881)
Deferred Inflows of Resources for OPEB	(873)
	<u>(639,012)</u>
Net Position of Governmental Activities	<u>\$ 526,607</u>

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, 2018**

	General	Special Revenue	Total Governmental Funds
REVENUES			
Sales Tax	\$ 848,604	\$ 55,724,994	\$ 56,573,598
Use Tax	98,835	6,490,150	6,588,985
Restricted Grants	30,000	-	30,000
Net Investment Earnings	-	249,653	249,653
Other	2,522	-	2,522
Total Revenues	<u>979,961</u>	<u>62,464,797</u>	<u>63,444,758</u>
EXPENDITURES			
Salaries and Related Costs	514,638	-	514,638
Accounting	57,637	-	57,637
Travel and Mileage	5,913	-	5,913
Consulting	131,776	-	131,776
Insurance	4,801	-	4,801
Legal	14,851	-	14,851
Office Supplies	2,847	-	2,847
Meeting	12,647	-	12,647
Professional Development	10,752	-	10,752
Other	2,312	-	2,312
Postage	772	-	772
Printing	2,844	-	2,844
Rent	53,091	-	53,091
Memberships/Subscriptions	7,796	-	7,796
Economic Activity Study	3,000	-	3,000
Telephone	4,769	-	4,769
Rex Morgan Event & SCFD Day	23,523	-	23,523
Restricted Grants	30,000	-	30,000
Office Equipment and Furniture	776	-	776
Tier I Allocation	-	38,526,631	38,526,631
Tier II Allocation	-	14,382,805	14,382,805
Tier III Allocation	-	9,305,708	9,305,708
Total Expenditures	<u>884,745</u>	<u>62,215,144</u>	<u>63,099,889</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>95,216</u>	<u>249,653</u>	<u>344,869</u>
OTHER FINANCING SOURCES (USES)			
Transfer In	249,653	-	249,653
Transfer (Out)	-	(249,653)	(249,653)
Total Other Financing Sources (Uses)	<u>249,653</u>	<u>(249,653)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	344,869	-	344,869
Fund Balance - Beginning of Year	<u>815,983</u>	<u>-</u>	<u>815,983</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,160,852</u>	<u>\$ -</u>	<u>\$ 1,160,852</u>

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, 2018**

Net Change in Fund Balances - Total Governmental Funds (Page 11)	\$	344,869
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		(1,239)
Depreciation Expense		(1,300)
Change in Pension Contributions Made Subsequent to the Measurement Date		8,467
Net Pension Expense		(100,140)
Change in OPEB Contributions Made Subsequent to the Measurement Date		682
Net OPEB Expense		<u>(1,162)</u>
Change in Net Position of Governmental Activities (Page 9)	\$	<u><u>250,177</u></u>

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Sales Tax	\$ 756,000	\$ 848,604	\$ 848,604	\$ -
Use Tax	84,000	98,835	98,835	-
Restricted Grants	-	-	30,000	30,000
Other Income	80	80	2,522	2,442
Total Revenues	<u>840,080</u>	<u>947,519</u>	<u>979,961</u>	<u>32,442</u>
EXPENDITURES				
Salaries and Related Costs	558,290	558,290	514,638	43,652
Accounting	53,750	53,750	57,637	(3,887)
Travel and Mileage	9,450	9,450	5,913	3,537
Consulting	131,400	131,400	131,776	(376)
Insurance	5,500	5,500	4,801	699
Legal	45,000	45,000	14,851	30,149
Office Supplies	2,000	2,000	2,847	(847)
Meeting	7,200	7,200	12,647	(5,447)
Professional Development	13,000	13,000	10,752	2,248
Other	3,426	6,309	2,257	4,052
Postage	720	720	772	(52)
Printing	3,420	3,420	2,844	576
Rent	72,000	72,000	53,091	18,909
Repairs and Maintenance	600	600	55	545
Memberships/Subscriptions	6,000	6,000	7,796	(1,796)
Economic Activity Study	3,000	3,000	3,000	-
Telephone	4,800	4,800	4,769	31
Rex Morgan Event & SCFD Day	25,000	25,000	23,523	1,477
Restricted Grants	-	-	30,000	(30,000)
Office Equipment and Furniture	-	-	776	(776)
Total Expenditures	<u>944,556</u>	<u>947,439</u>	<u>884,745</u>	<u>62,694</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(104,476)</u>	<u>80</u>	<u>95,216</u>	<u>95,136</u>
OTHER FINANCING SOURCES				
Transfer In	120,000	120,000	249,653	129,653
Total Other Financing Sources	<u>120,000</u>	<u>120,000</u>	<u>249,653</u>	<u>129,653</u>
NET CHANGE IN FUND BALANCES	15,524	120,080	344,869	224,789
Fund Balances - Beginning of Year	<u>708,312</u>	<u>815,983</u>	<u>815,983</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 723,836</u>	<u>\$ 936,063</u>	<u>\$ 1,160,852</u>	<u>\$ 224,789</u>

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales Tax	\$ 49,644,000	\$ 55,724,994	\$ 55,724,994	\$ -
Use Tax	5,516,000	6,490,150	6,490,150	-
Net Investment Earnings	120,000	249,653	249,653	-
Total revenues	<u>55,280,000</u>	<u>62,464,797</u>	<u>62,464,797</u>	<u>-</u>
EXPENDITURES				
Tier I Allocation	34,475,000	38,526,631	38,526,631	-
Tier II Allocation	12,568,600	14,382,805	14,382,805	-
Tier III Allocation	8,116,400	9,305,708	9,305,708	-
Total Expenditures	<u>55,160,000</u>	<u>62,215,144</u>	<u>62,215,144</u>	<u>-</u>
EXCESS REVENUES OVER EXPENDITURES	<u>120,000</u>	<u>249,653</u>	<u>249,653</u>	<u>-</u>
OTHER FINANCING (USES)				
Transfer (Out)	(120,000)	(249,653)	(249,653)	-
Total Other Financing (Uses)	<u>(120,000)</u>	<u>(249,653)</u>	<u>(249,653)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

From January 1, 2018 through June 30, 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	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:

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%

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.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 \$15,952 as nonspendable as they do not constitute spendable resources even though they are a component of net position.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 10). A portion of the General Fund balance in the amount of \$36,888 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 \$384,735 of the General Fund balance as an operating reserve, to be drawn upon during periods of economic fluctuation.

The District has committed \$400,000 of the General Fund balance as an election cost reserve, to be drawn upon for costs related to reauthorization in future years.

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, 2018.

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 10).

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, 2018 modified the appropriation from \$944,556 to \$947,439 in the General Fund and from \$55,280,000 to \$62,464,797 in the Special Revenue Fund.

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Balances

Interfund balances at December 31, 2018 consisted of the following:

Due to General Fund from:	
Special Revenue Fund	<u>\$ 945,293</u>

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, 2018 consisted of the following:

Transfer to General Fund from:	
Special Revenue Fund	<u>\$ 249,653</u>

This transfer was used to move unrestricted interest revenues collected in the Special Revenue Fund to the General Fund in accordance with budgetary authorizations.

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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018 consisted of the following:

	Amount
Deposits with Financial Institutions	\$ 894,115
Investments	4,877,082
Total Cash and Investments	<u>\$ 5,771,197</u>

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2018, the District's cash deposits had a carrying balance of \$894,115.

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:

- 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.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (ColoTrust)	< 1 Year	\$ 4,877,082

ColoTrust

As of December 31, 2018, the District had invested \$4,877,082 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, 2018 was as follows:

	<u>Balance at December 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2018</u>
Capital Assets:				
Office Furniture and Equipment	\$ 14,853	\$ -	\$ -	\$ 14,853
Less: Accumulated Depreciation for Office Furniture and Equipment	8,786	1,300	-	10,086
Total Capital Assets, Net	<u>\$ 6,067</u>	<u>\$ (1,300)</u>	<u>\$ -</u>	<u>\$ 4,767</u>

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2018 were as follows:

	Balance at December 31, 2017	Additions	Retirements	Balance at December 31, 2018	Current Portion
Compensated Absences	\$ 6,284	\$ 24,696	\$ (23,457)	\$ 7,523	\$ 7,523

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, 2018 was \$53,091.

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

<u>Year Ended December 31:</u>	
2019	<u>\$ 43,631</u>

NOTE 7 DEFINED BENEFIT PENSION PLAN

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").

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and December 31, 2018.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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% and then multiplied by years of service credit;
- The value of the retiring employee's member contribution account plus a 100% 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% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), 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 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 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 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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate*	10.00%	10.00%
Amount of Employer Contribution Apportioned in C.R.S. § 24-51-208(1)(f)*	(1.02)%	(1.02)%
Amount Apportioned to the LGDTF*	8.98 %	8.98 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411*	2.20 %	2.20 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411*	1.50 %	1.50 %
Total Employer Contribution Rate to the LGDTF*	12.68 %	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 \$49,819 for the year ended December 31, 2018.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At December 31, 2018, the District reported a liability of \$575,592 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the District's proportion was 0.0516953961%, which was an increase of 0.0018865738% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense of \$100,140. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 36,008	\$ -
Changes of Assumptions or other Inputs	6,080	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	111,881
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	10,804	-
Contributions Subsequent to the Measurement Date	49,819	-
Total	<u>\$ 102,711</u>	<u>\$ 111,881</u>

\$49,819 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 35,610
2020	(12,425)
2021	(40,688)
2022	(41,486)

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The December 31, 2016 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 – 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

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 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the 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. 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 most recent 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	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42	4.80
Non U.S. Equity – Developed	18.55	5.20
Non U.S. Equity – Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market 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	<u>100.00%</u>	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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:

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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 member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law 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% 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%. There was no change in the discount rate from the prior measurement date.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 DEFINED BENEFIT PENSION PLAN (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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 916,732	\$ 575,592	\$ 291,203

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.

Subsequent Events

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100% funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2018, the District reported a liability of \$575,592 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB-18-200 (Pro Forma)	Estimated Collective Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (Pro Forma)
7.25%	\$ 407,126

Defined Contribution Pension Plans

Voluntary Investment Program

Plan Description

Employees of the District that are also members of the LGDTF may voluntary contribution 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 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 5% 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, 2018, program members contributed \$16,609 and the District recognized pension expense of \$16,609 for the Voluntary Investment Program.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

Eligible employees of the District are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$4,008 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the District reported a liability of \$52,205 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the District's proportion was 0.0040169736%, which was an increase of .0001934675% from its proportion measured as of December 31, 2016.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

For the year ended December 31, 2018, the District recognized OPEB expense of \$4,488. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 247	\$ -
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	873
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	2,096	-
Contributions Subsequent to the Measurement Date	4,008	-
Total	<u>\$ 6,351</u>	<u>\$ 873</u>

\$4,008 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2019	\$ 242
2020	242
2021	242
2022	242
2023	461
Thereafter	41

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the Aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.00% for 2017, Gradually Rising to 4.25% in 2023

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

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

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

As of the most recent 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Debt	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	<u>100.00</u>	

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%.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	\$ 50,768	\$ 52,205	\$ 53,935

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the HCTF'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% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 58,694	\$ 52,205	\$ 46,665

OPEB Plan Fiduciary Net Position

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

NOTE 9 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, 2018. 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 10 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.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 TAX, REVENUE, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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.

NOTE 11 RESTATEMENT OF NET POSITION – CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2018, the (Entity) adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB no. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). GASB

No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the District, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

Net Position, December 31, 2017, as Previously Reported	\$ 322,677
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(46,247)
Net Position, December 31, 2017, as Restated	<u>\$ 276,430</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability	0.0516953961%	0.0498088223%	0.0497611730%	0.0504089899%	0.0499039358%
District's Proportionate Share of Net Pension Liability	\$ 575,592	\$ 672,589	\$ 548,160	\$ 451,820	\$ 410,670
District's Covered Payroll	\$ 326,116	\$ 302,132	\$ 282,605	\$ 276,219	\$ 266,242
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	176%	223%	194%	164%	154%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.37%	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 PENSION CONTRIBUTIONS
DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually Required Contribution	\$ 49,819	\$ 41,352	\$ 38,310	\$ 35,834	\$ 35,025	\$ 33,760	\$ 31,717	\$ 31,268	\$ 31,033	\$ 28,215
Contributions in Relation to the Contractually Required Contribution	<u>49,819</u>	<u>41,352</u>	<u>38,310</u>	<u>35,834</u>	<u>35,025</u>	<u>33,760</u>	<u>31,717</u>	<u>31,268</u>	<u>31,033</u>	<u>28,215</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 392,568	\$ 326,116	\$ 302,132	\$ 282,605	\$ 276,219	\$ 266,242	\$ 250,134	\$ 246,593	\$ 244,740	\$ 239,516
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%

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

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 DECEMBER 31, 2018**

	<u>2017</u>	<u>2016</u>
District's Proportion of the Net OPEB Liability	0.0040169736%	0.0038235061%
District's Proportionate Share of the Net OPEB Liability	\$ 52,205	\$ 49,573
District's Covered Payroll	\$ 326,116	\$ 302,132
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%

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 2016 was not available.

**SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually Required Contribution	\$ 4,008	\$ 3,326	\$ 3,082	\$ 2,883	\$ 2,817	\$ 2,716	\$ 2,551	\$ 2,515	\$ 2,496	\$ 2,443
Contributions in Relation to the Contractually Required Contribution	<u>4,008</u>	<u>3,326</u>	<u>3,082</u>	<u>2,883</u>	<u>2,817</u>	<u>2,716</u>	<u>2,551</u>	<u>2,515</u>	<u>2,496</u>	<u>2,443</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 392,568	\$ 326,116	\$ 302,132	\$ 282,605	\$ 276,219	\$ 266,242	\$ 250,134	\$ 246,593	\$ 244,740	\$ 239,516
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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