SCIENTIFIC AND CULTURAL FACILITIES DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Scientific and Cultural Facilities District
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Scientific and Cultural Facilities District (the District), as of and for the year ended December 31, 2016, 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, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, and the pension schedules on pages 32 through 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Scientific and Cultural Facilities District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. This report should be read in conjunction with the financial statements.

Financial Highlights

In comparison to the 2015 financial statements:

- Sales and use tax revenues for 2016 increased by $1,848,700, or 3.38%.
- Interest earnings and the related transfer from the Special Revenue Fund to the General Fund for 2016 increased by $45,580, due to a trend of slightly improved interest earnings from Colotrust.
- Administrative expenses for 2016 were $1,581,619, which is a $1,017,946, 180.59% increase over 2015; the increase was largely due to:
    - Accrued election costs of $910,668 related to the 12-year extension of the District by voters.
    - Increased lobbying expenditures.
    - Continued consulting expenses related to the reauthorization process and the executive director search.
    - Continued TABOR litigation expenses.
- Total fund distributions for 2016 were $55,819,603 up by $1,471,428.
- Change in net position of governmental activities was $(717,392) in 2016 and $(113,541) in 2015, a change of $(603,851).

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 - 14; and 3) notes to the financial statements, pages 15 - 31.

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

The District's net position decreased by $717,392 from 2015 to 2016. This was a result of the change in fund net position for 2016 of $(693,538), as well as the effects of Governmental Accounting Standards Board (GASB) Statement No. 68, which require the District to record its pension plan net liability and related deferred outflows as of December 31, 2016 in the net amount of $(412,756), an increase of $23,507 from 2015.

At December 31, 2016, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by $759,964. Cash and investments increased by $193,330 and the net increase in due to qualifying entities was $437,751. The largest proportion of the District's net position is in taxes receivable and cash and investments, which are used to meet spending needs in the first quarter of the next year. Current liabilities consist primarily of amounts due to qualifying entities.

District Net Position

	Year Ended December 31,	
	2016	2015
Current assets	$ 14,319,437	$ 13,660,826
Total assets	14,319,437	13,660,826
Deferred outflows of resources	148,678	62,662
Liabilities		
Current liabilities	14,666,645	13,314,149
Noncurrent liabilities	548,160	451,820
Total liabilities	15,214,805	13,765,969
Deferred inflows of resources	13,274	91
Net position		
Restricted for:		
Emergency reserves	25,927	13,504
Unrestricted	(785,891)	(56,076)
Total net position	$ (759,964)	$ (42,572)

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

However, the unrestricted deficit is due primarily to:

- $548,160 net pension liability, an actuarialy estimated amount required to be recorded under GASB statement 68, for which the District expects to continue to make yearly contributions based on rates established by PERA.
- $910,668 of election costs incurred during 2016, which will be collected from the tier entities in 2017.

Governmental Activities

Governmental activities decreased the District's net position by $717,392. The key elements of this decrease were as follows:

- Election costs of $910,668 were incurred for reauthorization.
- The District experienced continued consulting expenses relating to the executive director search and reauthorization process, continued TABOR litigation expenses, and continued low investment earnings.
- The decrease in net position was partially offset by an increase in administrative tax revenue of $377,272 due to a change in Colorado law allowing the District to retain 1.5% of taxes collected, up from 0.75% during the fiscal year.
- Distributions through tier allocations are made based on actual funds collected, and these increased by $1,471,428.

District Changes in Net Position

	Year Ended December 31, 2016	Year Ended December 31, 2015
Revenue		
General revenue		
Sales tax	$ 51,583,392	$ 50,119,645
Use tax	5,024,174	4,639,221
Net investment earnings	74,445	28,865
Other income	1,819	10,576
Total revenues	56,683,830	54,798,307
Expenses		
Administrative		
Election Costs	910,668	-
Other	670,951	563,673
Special Revenue Fund distributions	55,819,603	54,348,175
Total expenses	57,401,222	54,911,848
Change in Net Position	(717,392)	(113,541)
Net Position - Beginning	(42,572)	70,969
Net Position - Ending	$ (759,964)	$ (42,572)

Financial Analysis of the District's Funds

As of December 31, 2016, the District's general fund reported a fund balance of $(342,737), which is a decrease of $693,538 in comparison to the prior year. The decrease is primarily due to:

- Election costs of $910,668 relating to the reauthorization vote, continued low interest rates, continued consulting expenses relating to the executive director search process and reauthorization process, and continued costs related to the TABOR litigation.

- The decrease in fund balance was partially offset by an increase in administrative tax revenue of $377,272 due to a change in Colorado law allowing the District to retain 1.5% of taxes collected, up from 0.75% during the fiscal year.

Sales and use tax collections increased by 3.38% over 2015. 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 2016, the administrative portion was $787,963 of the total tax collections of $56,607,566, leaving $55,819,603 distributable to recipient organizations. The District amended the budgeted appropriations after year-end in order to match actual taxes received for 2016 with required disbursements to each of the Tiers and 2016 administrative expenditures. The final variance for general fund expenditures was $56,022.

Economic Factors and Next Year's Budget

During 2016, sales and use tax receipts increased by 3.38% as compared to 5.19% in 2015. Economic forecasts and reports indicate continuing low Federal Reserve Bank interest rates, possibly well into 2017 and beyond. As allowed by statute, all 2016 election costs will be recovered from 2017 Tier funding distributions. Subsequently, the entity's only other source to supplement operating costs is interest earnings from investments based on short-term balances waiting to be distributed to recipient organizations. All of these factors were considered in preparing, adopting, and amending the District's conservative budget for 2017.

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, 2016

ASSETS	
CURRENT ASSETS	
Cash and Investments	$ 4,093,769
Receivables:	
Taxes	10,212,793
Deposits	2,825
Prepaid Expenses	10,050
Total Assets	14,319,437
DEFERRED OUTFLOWS OF RESOURCES	
Pension Contributions Subsequent to the Measurement Date	38,310
Pension Related Deferrals	110,368
Total Deferred Outflows of Resources	148,678
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	927,654
Due to Tier I Entities	9,403,880
Due to Tier II Entities	3,232,584
Due to Tier III Entities	1,098,056
Compensated Absences	4,471
Total Current Liabilities	14,666,645
NONCURRENT LIABILITIES	
Net Pension Liability	548,160
Total Liabilities	15,214,805
DEFERRED INFLOWS OF RESOURCES	
Pension Related Deferrals	13,274
NET POSITION	
Restricted for:	
Emergency Reserves	25,927
Unrestricted	(785,891)
Total Net Position	$ (759,964)

See accompanying Notes to Financial Statements.

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

EXPENSES	
Administrative:	
Election Costs	$ 910,668
Other	670,951
Total Administrative Expenses	1,581,619
Tier Allocations:	
Tier I Allocation	36,286,913
Tier II Allocation	11,905,401
Tier III Allocation	7,627,289
Total Tier Allocations	55,819,603
Total Program Expenses	57,401,222
GENERAL REVENUES	
Sales Tax	51,583,392
Use Tax	5,024,174
Net Investment Earnings	74,445
Other	1,819
Total General Revenues	56,683,830
CHANGE IN NET POSITION	(717,392)
Net Position - Beginning of Year	(42,572)
NET POSITION - END OF YEAR	$ (759,964)

See accompanying Notes to Financial Statements.

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	$ 62,800	$ 4,030,969	$ 4,093,769
Taxes Receivable	153,192	10,059,601	10,212,793
Due from Other Fund	356,050	-	356,050
Deposits	2,825	-	2,825
Prepaid Items	10,050	-	10,050
Total Assets	$ 584,917	$ 14,090,570	$ 14,675,487
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 927,654	$ -	$ 927,654
Due to Other Fund	-	356,050	356,050
Due to Tier I Entities	-	9,403,880	9,403,880
Due to Tier II Entities	-	3,232,584	3,232,584
Due to Tier III Entities	-	1,098,056	1,098,056
Total Liabilities	927,654	14,090,570	15,018,224
FUND BALANCES			
Nonspendable	12,875	-	12,875
Restricted for:			
Emergency Reserves	25,927	-	25,927
Committed	274,895	-	274,895
Unassigned	(656,434)	-	(656,434)
Total Fund Balances	(342,737)	-	(342,737)
Total Liabilities and Fund Balances	$ 584,917	$ 14,090,570	

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

Long-term liabilities, including compensated absences, and amounts related to net pension liability, are not due and payable in the current period and, therefore, are not reported in the fund balance sheet:	
Compensated Absences	(4,471)
Net Pension Liability	(548,160)
Deferred Outflows of Resources	148,678
Deferred Inflows of Resources	(13,274)
Net Position of Governmental Activities	$ (759,964)

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, 2016

	General	Special Revenue	Total Governmental Funds
REVENUES			
Sales Tax	$ 718,239	$ 50,865,153	$ 51,583,392
Use Tax	69,724	4,954,450	5,024,174
Net Investment Earnings	-	74,445	74,445
Other	1,819	-	1,819
Total Revenues	789,782	55,894,048	56,683,830
EXPENDITURES			
Salaries and Related Costs	373,189	-	373,189
Accounting	39,414	-	39,414
Travel and Mileage	2,388	-	2,388
Consulting	94,634	-	94,634
Insurance	4,124	-	4,124
Legal	59,065	-	59,065
Office Supplies	2,209	-	2,209
Meeting	6,130	-	6,130
Other	6,001	-	6,001
Postage	525	-	525
Printing	2,215	-	2,215
Rent	48,881	-	48,881
Memberships/Subscriptions	2,383	-	2,383
Telephone	3,485	-	3,485
Office Equipment and Furniture	2,454	-	2,454
Election Cost	910,668	-	910,668
Tier I Allocation	-	36,286,913	36,286,913
Tier II Allocation	-	11,905,401	11,905,401
Tier III Allocation	-	7,627,289	7,627,289
Total Expenditures	1,557,765	55,819,603	57,377,368
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(767,983)	74,445	(693,538)
OTHER FINANCING SOURCES (USES)			
Transfer In	74,445	-	74,445
Transfer (Out)	-	(74,445)	(74,445)
Total Other Financing Sources (Uses)	74,445	(74,445)	-
NET CHANGE IN FUND BALANCES	(693,538)	-	(693,538)
Fund Balance - Beginning of Year	350,801	-	350,801
FUND BALANCE - END OF YEAR	$ (342,737)	$ -	$ (342,737)

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, 2016

Net Change in Fund Balances - Total Governmental Funds (Page 11)	$	(693,538)
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		(347)
Change in Pension Contributions Made Subsequent to the Measurement Date		2,476
Net Pension Expense		(25,983)
Change in Net Position of Governmental Activities (Page 9)	$	(717,392)

See accompanying Notes to Financial Statements.

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Sales Tax	$ 367,875	$ 718,239	$ 718,239	$ -
Use Tax	40,875	69,724	69,724	-
Restricted Grants	30,000	-	-	-
Other Income	80	80	1,819	1,739
Total Revenues	438,830	788,043	789,782	1,739
EXPENDITURES				
Election	1,000,000	1,000,000	910,668	89,332
Salaries and Related Costs	442,837	435,937	373,189	62,748
Accounting	39,000	41,000	39,414	1,586
Travel and Mileage	3,500	3,000	2,388	612
Consulting	65,700	100,866	94,634	6,232
Insurance	4,700	4,200	4,124	76
Legal	45,000	45,000	59,065	(14,065)
Office Supplies	3,000	3,000	2,209	791
Meeting Expense	6,500	6,500	6,130	370
Other	4,950	4,450	6,001	(1,551)
Postage	1,200	600	525	75
Printing	2,500	2,500	2,215	285
Rent	49,086	47,886	48,881	(995)
Repairs and Maintenance	500	500	-	500
Memberships/Subscriptions	3,200	3,200	2,383	817
Telephone	3,480	3,480	3,485	(5)
Office Equipment and Furniture	1,000	1,000	2,454	(1,454)
Total Expenditures	1,676,153	1,703,119	1,557,765	56,022
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,237,323)	(915,076)	(767,983)	147,093
OTHER FINANCING SOURCES				
Transfer In	36,395	47,400	74,445	27,045
Total Other Financing Sources	36,395	47,400	74,445	27,045
NET CHANGE IN FUND BALANCES	(1,200,928)	(867,676)	(693,538)	174,138
Fund Balances - Beginning of Year	338,010	350,801	350,801	-
FUND BALANCES - END OF YEAR	$ (862,918)	$ (516,875)	$ (342,737)	$ 174,138

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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Sales Tax	$ 48,682,125	$ 50,865,153	$ 50,865,153	$ -
Use Tax	5,409,125	4,954,450	4,954,450	-
Net Investment Earnings	36,395	47,400	74,445	27,045
Total revenues	54,127,645	55,867,003	55,894,048	27,045
EXPENDITURES				
Tier I Allocation	35,184,125	36,286,913	36,286,913	-
Tier II Allocation	11,522,925	11,905,401	11,905,401	-
Tier III Allocation	7,384,200	7,627,289	7,627,289	-
Total Expenditures	54,091,250	55,819,603	55,819,603	-
EXCESS REVENUES OVER EXPENDITURES	36,395	47,400	74,445	27,045
OTHER FINANCING (USES)				
Transfer (Out)	(36,395)	(47,400)	(74,445)	(27,045)
Total Other Financing (Uses)	(36,395)	(47,400)	(74,445)	(27,045)
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ -	$ -	$ -

See accompanying Notes to Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Scientific and Cultural Facilities District (District) was established by a statute of the State of Colorado to assist in the preservation and development of scientific and cultural facilities. The area comprising the District consists of the City and County of Denver, the City and County of Broomfield, the counties of Adams, Arapahoe, Boulder, and Jefferson, and portions of Douglas County. The District is governed by a board of eleven directors, seven members of which are appointed by the governing bodies of the seven counties in the District and four members of which are appointed by the Governor of the State of Colorado. Under the original statute, the District was authorized to exist through July 1, 1996. A question to extend the existence of the District to 2006 was approved by voters November 8, 1994, a question to extend the existence to 2018 was approved by voters November 2, 2004, and a question to extend the existence to 2030 was approved November 8, 2016.

A uniform sales and use tax of one tenth of 1% is collected within the District area and distributed to qualifying scientific and cultural facilities which are classified into tiers. The statute provides formulas for distribution of the taxes within each tier and allows an amount not to exceed one and one half percent of the tax revenue collected to be used for administration costs of the District.

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

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.

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

However, any Tier II entity that qualified to receive a distribution on or before June 30, 2006 was subject to the $1,250,000 threshold as adjusted for inflation as of July 1, 2009.

Effective July 1, 2018, after the allocation of taxes for administrative costs, the taxes are distributed to facilities as follows:

Tier	
I - Denver Museum of Nature and Science, Denver Zoological Gardens, Denver Art Museum, Denver Botanical Gardens, and Denver Center for the Performing Arts	64.0%
II - Scientific or cultural facilities in Colorado having annual operating income of more than $1,250,000; as adjusted for inflation	22.0%
III - Eligible scientific or cultural facilities approved by county cultural councils	14.0%

If total annual revenues exceed $38 million dollars, after the allocation of taxes for administrative costs, the excess taxes are distributed to facilities as follows:

Tier	
I - Denver Museum of Nature and Science, Denver Zoological Gardens, Denver Art Museum, Denver Botanical Gardens, and Denver Center for the Performing Arts	57.0%
II - Scientific or cultural facilities in Colorado having annual operating income of more than $1,250,000; as adjusted for inflation	26.0%
III - Eligible scientific or cultural facilities approved by county cultural councils	17.0%

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

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

The District reports the following major governmental funds:

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables

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

Prepaid Items

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

Capital Assets

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

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

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

Compensated Absences

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

Fund Equity

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

Nonspendable

Nonspendable fund balance represents amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The District has reported the amount equal to the reported deposits and prepaid items in the amount of $12,875 as nonspendable as they do not constitute spendable resources even though they are a component of net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Restricted

Restricted fund balances reflect amounts for which constraints have been placed on the use of the resources because of state or federal laws or externally imposed conditions by grantors or creditors. Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). A portion of the General Fund balance in the amount of $25,927 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 $274,895 of the General Fund balance as an operating reserve, to be drawn upon during periods of economic fluctuation.

Assigned

Assigned fund balance includes amounts that are constrained by the Board of Director's intended use of these resources for a specific purpose but are neither restricted nor committed. The District did not have any assigned resources as of December 31, 2016.

Unassigned

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

Deficit

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

Budgetary Information

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information (Continued)

Supplementary appropriations approved by the District for the year ended December 31, 2016 modified the appropriation from $1,676,153 to $1,703,119 in the General Fund and from $54,091,250 to $55,819,603 in the Special Revenue Fund.

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

Interfund Balances

Interfund balances at December 31, 2016 consisted of the following:

Due to General Fund from:	
Special Revenue Fund	$ 356,050

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, 2016 consisted of the following:

Transfer to General Fund from:	
Special Revenue Fund	$ 74,445

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2016 consisted of the following:

	Amount
Deposits with Financial Institutions	$ 1,479,326
Investments	2,614,443
Total Cash and Investments	$ 4,093,769

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, 2016, the District's cash deposits had a carrying balance of $1,479,326.

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.

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, 2016, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Local Government Liquid Asset Trust (ColoTrust)	Less than one year	$ 2,614,443

ColoTrust

As of December 31, 2016, the District had invested $2,614,443 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, 2016 was as follows:

	Balance at December 31, 2015	Additions	Retirements	Balance at December 31, 2016
Capital Assets:				
Office Furniture and Equipment	$ 8,353	$ -	$ -	$ 8,353
Less: Accumulated Depreciation for Office Furniture and Equipment	8,353	-	-	8,353
Total Capital Assets, Net	$ -	$ -	$ -	$ -

NOTE 5 LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2016 were as follows:

	Balance at December 31, 2015	Additions	Retirements	Balance at December 31, 2016	Current Portion
Compensated Absences	$ 4,124	$ 22,405	$ (22,058)	$ 4,471	$ 4,471

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 2017. 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, 2016 was $48,881.

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

Year Ended December 31:	
2017	$ 42,468
	$ 42,468

Litigation

The District is a defendant in a lawsuit filed October 23, 2013 concerning the taxation of certain products, effective January 1, 2014.

NOTE 7 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Defined Benefit Pension Plan (Continued)

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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit;
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% 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.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF.

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

Defined Benefit Pension Plan (Continued)

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:

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

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $38,310 for the year ended December 31, 2016.

At December 31, 2016, the District reported a liability of $548,160 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014.

Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

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

At December 31, 2015, the District's proportion was 0.049761173%, which was a decrease of 0.0006478202% from its proportion measured as of December 31, 2014.

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

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

For the year ended December 31, 2016, the District recognized pension expense of $25,983. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 4,113	$ 19
Changes of assumptions or other inputs	-	10,040
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	105,761	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	494	3,215
Contributions Subsequent to the Measurement Date	38,310	-
Total	$ 148,678	$ 13,274

$38,310 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 ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2017	$ 21,074
2018	26,202
2019	27,972
2020	21,846
	$ 97,094

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.80%
Real Wage Growth	1.10%
Wage Inflation	3.90%
Salary Increases, Including Wage Inflation	3.90 – 10.85%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.50%
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

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation:

- The following programing changes were made:
    - Valuation of the full survivor benefit without any reduction for possible remarriage.
    - Reflection of the employer match on separation benefits for all eligible years.
    - Reflection of one year of service eligibility for survivor annuity benefit
    - Refinement of the 18 month annual increase timing
    - Refinements to directly value certain and life, modified cash refund and pop-up benefits forms.

- The following methodology changes were made:
    - Recognition of merit salary increases in the first projection year.
    - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
    - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
    - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

As of the November 15, 2013 adoption of the long-term expected rate of return, by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40	5.19%
Non U.S. Equity – Developed	22.06	5.29%
Non U.S. Equity – Emerging	6.24	6.76%
Core Fixed Income	24.05	0.98%
High Yield	1.53	2.64%
Long Duration Gov't/Credit	0.53	1.57%
Emerging Market Bonds	0.43	3.04%
Real Estate	7.00	5.09%
Private Equity	7.00	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, 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.

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

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

- Employer contributions 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 actuarial cost method and assumptions, 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 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. There was no change in the discount rate from the prior measurement date.

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 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability	$ 840,385	$ 548,160	$ 305,788

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.

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

Defined Contribution Pension Plans

Voluntary Investment Program

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

Defined Contribution Pension Plans (Continued)

Voluntary Investment Program (Continued)

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. In addition, the District has agreed to match employee contributions up to 1.2% of covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended December 31, 2016, program members contributed $30,118 and the District recognized pension expense of $3,344 for the Voluntary Investment Program.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries.

Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ended December 31, 2016, 2015 and 2014, the District's contributions to the HCTF were $3,082, $2,883 and $2,817, respectively, equal to their required contributions for each year.

NOTE 8 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 9 TAX, REVENUE, SPENDING AND DEBT LIMITATIONS

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

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

On November 7, 1995, District voters approved retention of revenue in excess of the Fiscal Year Spending limit through June 30, 2006. On November 2, 2004, District voters approved retention of such revenue through June 30, 2018. On November 8, 2016, District voters approved retention of such revenue through June 30, 2030.

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

SCIENTIFIC AND CULTURAL FACILITIES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2016

	2015	2014	2013
District's Proportion of the Net Pension Liability	0.0497611730%	0.0504089899%	0.0499039358%
District's Proportionate Share of the Net Pension Liability	$ 548,160	$ 451,820	$ 410,670
District's Covered-Employee Payroll	$ 282,605	$ 276,219	$ 266,242
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	194%	164%	154%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	$ 38,310	$ 35,834	$ 35,025	$ 33,760	$ 31,717	$ 31,268	$ 31,033	$ 28,215	$ 26,435	$ 20,708
Contributions in Relation to the Contractually Required Contribution	38,310	35,834	35,025	33,760	31,717	31,268	31,033	28,215	26,435	20,708
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 302,132	$ 282,605	$ 276,219	$ 266,242	$ 250,134	$ 246,593	$ 244,740	$ 239,516	$ 242,969	$ 207,495
Contributions as a Percentage of Covered Employee Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%	10.88%	9.98%

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