



FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

COLORADO LIBRARY CONSORTIUM

Year Ended June 30, 2016

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To the Governing Board
Colorado Library Consortium
Centennial, Colorado

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, general fund, and agency fund of Colorado Library Consortium (a nonprofit cooperative regional library service system) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Colorado Library Consortium's (CLiC'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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 auditor's 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, general fund, and agency fund of Colorado Library Consortium as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity 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 5 through 9 and information on pages 32 through 35 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.

Hansom & Co. CPAs

Denver, Colorado

February 9, 2017

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

This document provides a management summary documenting the financial condition, operational highlights, and activities of the Colorado Library Consortium (CLiC) for the year ending June 30, 2016. In the nearly 12 years since its inception in August of 2004, CLiC has matured into a stable organization with policies and procedures to manage its financial assets. At this time, the organization is well established in the Colorado library community and offers a robust set of services to its member libraries. CLiC's funding was stable during the past fiscal year.

This document should be read in conjunction with the audited financial statements following this management discussion and analysis.

Required Financial Statements

The financial statements included in this report are those of a special purpose government engaged in a single program. Government-wide financial statements account for activities on a full accrual basis of accounting. Fund financial statements account for activities on a modified accrual basis of accounting that is the same as the way the budget is prepared. There are three major differences between the two financial statement perspectives: the treatment of capital asset purchases, the accrual of a liability for employees' earned, unused vacation, and recording a proportionate share of the total pension liability of the Local Government Division Trust Fund (LGDTF) of the Public Employees' Retirement Association of Colorado ("PERA") in CLiC's statement of net position. Reporting this pension liability was a change in accounting principle, required for the year ended June 30, 2015 and subsequent years by the Government Accounting Standards Board (GASB) Statement No. 68. Government-wide and fund financial statements have been combined in this report and each page shows the reconciliation between the two perspective presentations.

The statement of net position and governmental fund balance sheet (page 10) reflects CLiC's current financial resources (short-term spendable funds), as well as accounts receivable, prepaid items, short-term obligations, and deferred outflows of resources or deferred inflows of resources. Capital assets, vacation payable, and pension liability are included in the statement of net position. The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported either as net position or as fund balance.

The statement of activities and governmental fund revenues, expenditures, and changes in fund balance – general fund (page 11) reflects CLiC's revenues and expenditures. The difference between revenues and expenses represents annual operating results, and is reported either as change in net position or as excess of expenditures over revenues.

In addition to the governmental fund shown in the combined statements discussed above, CLiC has a second distinct governmental fund that is fiduciary in nature. Assets held for other library organizations and programs are accounted for in this fund (page 12). Since it is fiduciary in nature, there are no operating activities reported in this fund.

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Analysis of Overall Financial Position and Operations

Implementation of GASB No. 68, mentioned above, required the restatement of the July 1, 2014 opening balance in net position from amounts previously reported at June 30, 2014. The reconciliation follows:

Ending net position, June 30, 2014, as originally reported	\$1,619,536
Restatement:	
Proportionate share of net pension liability	(1,261,035)
Deferred outflows of resources	<u>53,780</u>
Ending net position, June 30, 2014, as restated	<u>\$ 412,281</u>

Condensed Statements of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current assets	\$ 2,576,915	\$ 1,994,121	\$ 2,155,217
Capital assets	<u>17,161</u>	<u>24,143</u>	<u>14,735</u>
Total assets	<u>\$ 2,594,076</u>	<u>\$ 2,018,264</u>	<u>\$ 2,169,952</u>
Deferred outflows of resource	<u>\$ 380,627</u>	<u>\$ 156,848</u>	<u>\$ -</u>
Current liabilities	\$ 61,662	\$ 48,062	\$ 57,032
Unearned revenue	252,804	230,189	259,983
Member deposits	648,181	173,549	233,401
Pension liability	<u>1,562,622</u>	<u>1,426,364</u>	<u>-</u>
Total liabilities	<u>\$ 2,525,269</u>	<u>\$ 1,878,164</u>	<u>\$ 550,416</u>
Deferred inflows of resources	<u>\$ 109,803</u>	<u>\$ 286</u>	<u>\$ -</u>
Net position			
Invested in capital assets	\$ 17,161	\$ 24,143	\$ 14,735
Unrestricted, as restated for 2015 opening balance	<u>322,470</u>	<u>272,519</u>	<u>1,604,801</u>
Total net position	<u>\$ 339,631</u>	<u>\$ 296,662</u>	<u>\$ 1,619,536</u>

COLORADO LIBRARY CONSORTIUM

Management's Discussion and Analysis

Analysis of Overall Financial Position and Operations (continued)

Condensed Statements of Activities

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>
Program revenue			
Courier income	\$ 716,980	\$ 682,590	\$ 690,047
Colorado Department of Education Reimbursements and administrative fees	1,000,000	1,000,000	1,000,000
Workshops, coop fees, and miscellaneous	352,933	437,896	489,342
General revenue	554,149	387,767	412,740
Interest income	<u>6,309</u>	<u>2,352</u>	<u>2,212</u>
Total revenue	2,630,371	2,510,605	2,594,341
Expenditures			
Payroll and benefits	1,159,094	1,188,734	1,079,194
Programs	1,240,090	1,277,820	1,210,532
Operational	181,236	154,617	101,860
Depreciation	<u>6,982</u>	<u>5,053</u>	<u>4,089</u>
Total expenditures	<u>2,587,402</u>	<u>2,626,224</u>	<u>2,395,675</u>
Change in net position	42,969	(115,619)	198,666
Beginning net position, as restated for 2015 opening balance	<u>296,662</u>	<u>412,281</u>	<u>1,420,870</u>
Ending net position	<u>\$ 339,631</u>	<u>\$ 296,662</u>	<u>\$ 1,619,536</u>

Since 2004, CLiC has matured into a stable organization with established fiscal controls and management practices. The current executive director was hired in February 2013, and the organization continues to exhibit stability and consistency in the midst of managed growth. CLiC's office manager has more than five years of experience in the position. The previous office manager continues to serve on staff, though in a different role. Altogether, these individuals provide CLiC leadership with relevant organizational memory as well as cross-trained staff for significant day-to-day functions requiring use of QuickBooks. The executive director works each month with CLiC's accountant and office manager to ensure that expenses and revenue are recorded accurately and that costs stay within the budget. The organization continues to hold reserves and some operating revenue at COLOTrust.

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Analysis of Overall Financial Position and Operations (continued)

Currently, CLiC receives \$1,000,000 from the State of Colorado in operating funding, and brings in more than \$1.6 million in additional income through various services, programs and activities. Most of CLiC's financial activities are similar to the previous fiscal year, including having completed its fourth year operating the Lynx service (EBSCO database package). The Lynx service provides a set of 21 databases cooperatively licensed to more than 400 libraries and represents the largest product line among a growing variety of such electronic resources. CLiC also continues to identify and negotiate other online products as cooperative purchases, which has proven valuable to libraries in that such products can be licensed at costs far less than retail, saving libraries (in aggregate) millions of dollars.

CLiC's statewide courier service continues to experience increased traffic (material volume), resulting in additional high-volume fees. A contract with American Courier is being renegotiated. Add-on courier services have remained popular in the library community, though they account for less than 2% of the overall material volume being transported. Responsible material resale and recycling through CLiC's No Store service allows the pick-up of weeded and discarded library material from 65 libraries and has evolved to become a net-revenue generator. This environmentally-friendly program allows the collection, sorting and shipping of such materials to either book resellers or recyclers while earning administrative fees. CLiC's three out-of-state courier streams, Blue Sky Express, COKAMO, and ProMo continue to be stable. Analysis of this last service, including volume of materials transported, was delayed and is now planned for late fall 2017.

CLiC also manages an open-source integrated library system called AspenCat, which grew to serve more than 100 public, school, academic and special libraries as a result of a one-year infusion of grant funds to help underwrite the migration cost of libraries joining between October 2014 and August 2015. Growth during 2016 was planned to be nominal, with the focus instead on deployment of a new public-facing discovery layer. The AspenCat system, considered a union catalog, allows for more than 1.4 million items to be easily discovered and shared among participating member libraries. Fees charged to participating libraries result in an inexpensive system when compared to commercial/for-profit vendor systems. Significant CLiC staff assets continue to support this service.

Capital Assets

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Furniture and fixtures	\$ 73,493	\$ 73,493	\$ 59,032
Accumulated depreciation and amortization	<u>(56,332)</u>	<u>(49,350)</u>	<u>(44,297)</u>
Net capital assets	<u>\$ 17,161</u>	<u>\$ 24,143</u>	<u>\$ 14,735</u>

General Fund Budgetary Highlights

The CLiC board approved the original budget in April 2015. CLiC management continues a philosophy of conservative budgeting and use of funds. Delinquent accounts have been cleared from the books, and staff members involved with invoicing libraries actively work to stay current with service fees from those member libraries.

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Facts, Decision, and Conditions Expected to have Future Ramifications

A new five-year contract with American Courier is under negotiation, with anticipated terms favorable to CLiC (and libraries) due to its affordability. Despite a 45% increase in the volume of material being transported, the system has remained stable. A new contract will keep prices low for libraries and maintain predictability and cost containment, providing stable and excellent service to CLiC's member libraries.

CLiC's cooperative purchase program continues to grow under the direction of the executive director. A continuing emphasis on more flexible negotiation periods with existing and new vendors has created new database and electronic product purchase arrangements. In addition, the investment in an online "ordering/renewal" system will be due for an overhaul in the coming year. More marketing activity is underway to make the library community aware of vendor products. A staff member (cooperative products manager) was assigned full time to coordinate operations-level work in this area, and a half-time staff member (cooperative purchasing assistant) was hired in July 2015 to help with accounts payable/receivable activity associated with this program.

CLiC's contracts with the State Library continue to be stable and work well for both organizations. Consistent, recurring communication with State Library leadership ensures CLiC has advance notice should the State Library decide to make changes. In addition, the State of Colorado's financial situation continues to be monitored by CLiC's management and board. So far, CLiC's state appropriation appears stable and with the increase in the revenue base over the past few years, CLiC has a stable platform and is well-positioned to handle fiscal adversity in the future. Several years of prudent budgeting created a significant reserve as well. As in past years, the executive director and board will continue to monitor the state's budget situation through the next year.

During the year, CLiC continued to serve as fiscal agent for a two-year financial literacy education grant funded by the FINRA Foundation for nearly \$150,000. CLiC will derive a small administrative fee for receiving the funds, and for tracking and reporting on expenses associated with the project. This project is being conducted in partnership with the Estes Valley Library and the Colorado State Library.

Included in the Management's Discussion and Analysis section of this report is information under Required Financial Statements referencing GASB 68. For the second year now, CLiC is reporting its proportionate share of the total pension liability of PERA's Local Government Division Trust Fund. At fiscal year-end that amount was \$1.5M. CLiC maintains a reserve fund held at COLOTrust, which is large enough to cover the liability in the unlikely event that CLiC would cease as an organization (dissolution) and would be required to fund that pension liability.

Additional Financial Information

This financial report is intended to provide users with an overview of the Colorado Library Consortium's financial operations and conditions. For additional information, please contact the Colorado Library Consortium, 7400 E. Arapahoe, Suite 75, Centennial, Colorado 80110.

COLORADO LIBRARY CONSORTIUM
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2016

ASSETS	General Fund	Adjustments (Note C)	Statement of Net Position
Assets			
Cash & investments	\$ 1,844,142	\$ -	\$ 1,844,142
Cash restricted for member deposits	648,181	-	648,181
Trade accounts receivable (net of allowance of \$3,000)	32,986	-	32,986
Related party accounts receivable	34,879	-	34,879
Prepaid expenses	16,727	-	16,727
Capital assets, net	-	17,161	17,161
Total assets	\$ 2,576,915	\$ 17,161	\$ 2,594,076
DEFERRED OUTFLOWS OF RESOURCES			
	\$ -	\$ 380,627	\$ 380,627
LIABILITIES			
Liabilities			
Accounts payable	\$ 200	\$ -	\$ 200
Accrued payroll liabilities	18,727	-	18,727
Vacation payable	-	42,735	42,735
Unearned revenue	252,804	-	252,804
Member deposits	648,181	-	648,181
Pension liability	-	1,562,622	1,562,622
Total liabilities	919,912	1,605,357	2,525,269
DEFERRED INFLOWS OF RESOURCES			
	\$ -	\$ 109,803	\$ 109,803
FUND BALANCE/NET POSITION			
Fund balance			
Nonspendable	\$ 16,727	\$ (16,727)	\$ -
Assigned	300,000	(300,000)	-
Unassigned	1,340,276	(1,340,276)	-
Total fund balance	1,657,003	(1,657,003)	-
Total liabilities, deferred inflows, and fund balance	\$ 2,576,915		
Net position			
Net investment in capital assets		17,161	17,161
Unrestricted		322,470	322,470
Total net position		\$ 339,631	\$ 339,631

The accompanying notes are an integral part of this statement.

COLORADO LIBRARY CONSORTIUM
Statement of Activities and Governmental Fund Revenues,
Expenditures, and Changes in Fund Balance - General Fund
Year Ended June 30, 2016

	General Fund	Adjustments (Note C)	Statement of Activities
EXPENDITURES/EXPENSES			
Payroll, taxes, and benefits	\$ 1,128,295	\$ 30,799	\$ 1,159,094
Program and service expense			
AspenCat catalog	179,100	-	179,100
Consulting travel and lodging	53,158	-	53,158
Continuing education and workshops	67,961	-	67,961
Courier contract and expense	889,693	-	889,693
Grant expenditure	309	-	309
No Store expense	6,344	-	6,344
Other program expense	11,278	-	11,278
Software development and maintenance	4,414	-	4,414
Telecommunications and internet	27,833	-	27,833
Operational expense			
Audit, accounting, and legal	18,968	-	18,968
Bad debt expense	-	-	-
Capital outlay	4,280	-	4,280
Depreciation and amortization	-	6,982	6,982
Insurance	5,802	-	5,802
Meeting administration	2,952	-	2,952
Other operational expense	60,897	-	60,897
Space cost	72,261	-	72,261
Supplies	16,076	-	16,076
Total expenditures/expenses	2,549,621	37,781	2,587,402
PROGRAM REVENUE			
State appropriation	1,000,000	-	1,000,000
Administrative fees	37,103	-	37,103
AspenCat catalog	210,446	-	210,446
Colorado State Library reimbursements	315,830	-	315,830
Courier income	716,980	-	716,980
Continuing education and workshops	21,714	-	21,714
Cooperative projects, net	252,371	-	252,371
Grants	-	-	-
No Store and other income	69,618	-	69,618
Total program revenue	2,624,062	-	2,624,062
Net program revenue	74,441	(37,781)	36,660
GENERAL REVENUE			
Interest income	6,309	-	6,309
Excess expenditures over revenues/ change in net position	80,750	(37,781)	42,969
FUND BALANCE/NET POSITION			
BEGINNING OF YEAR	1,576,253	(1,279,591)	296,662
END OF YEAR	\$ 1,657,003	\$ (1,317,372)	\$ 339,631

The accompanying notes are an integral part of this statement.

COLORADO LIBRARY CONSORTIUM
Statement of Net Position - Agency Fund
June 30, 2016

ASSETS	
Cash & investments	\$ 483,659
Total assets	\$ 483,659
LIABILITIES	
Due to:	
CLEL (Early Literacy)	\$ 6,233
Collaborative Librarian	7,559
Colorado Academic Library Association	1,240
Colorado Library Card	11,805
Colorado State Library Services	108,029
Colorado Virtual Library	46,577
Common Cents for CO	23,455
COSLL (School Librarians)	(17)
Flatirons Library Consortium	94,965
ILL Conference	7,349
Innovation Conference	1,014
LRS General Account	15,152
RIPL Research	155,407
Southwest Days	2,050
Special Populations	1,468
SPELL	213
State Publication	1,160
Total liabilities	\$ 483,659

The accompanying notes are an integral part of this statement.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note A - Summary of Significant Accounting Policies

The Colorado Library Consortium is a regional library service system, authorized under the provisions of Colorado Revised Statute 24-90-115 to develop and coordinate cooperative library services. The Colorado Library Consortium (CLiC) provides courier service between libraries, continuing education, consulting, technical assistance, professional support, and facilitates resource sharing. CLiC serves the entire State of Colorado. CLiC has 467 (349 active) member libraries, including academic, public, school district, and special libraries and cooperatives. CLiC has a seven-member governing board, elected by the Membership Council, which has one voting representative from each member library. CLiC is funded through the Colorado state budget and regulated by the Colorado State Board of Education through its State Library division.

CLiC's financial statements are prepared in accordance with U. S. Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by CLiC are discussed below.

Reporting Entity

CLiC is a special purpose governmental entity reporting as a primary government as defined by Statement No. 14 of the Governmental Accounting Standards Board. CLiC has determined that it has no component units required to be included in the reporting entity because of operational or financial relationships with CLiC. The governing board does not appoint or elect members of other boards and no other organizations are fiscally dependent upon CLiC. CLiC does not have the power to impose its will on any other entity and has no financial benefit or burden related to any other organization. The accompanying financial statements, therefore, consist only of funds of CLiC and do not include financial information for any component units.

Government-wide and Fund Financial Statements

Colorado Library Consortium is a special-purpose governmental entity engaged in a single program. It has elected to combine its government-wide and fund financial statements, as provided in GASB No. 34. The combined government-wide and fund financial statements (i.e., the statement of net position and governmental fund balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance) report information on all of the non-fiduciary activities of CLiC. The combined government-wide and fund financial statements include a reconciliation of the general fund to the full accrual, government-wide financial statements (See Note C).

The accounts of CLiC include two funds: governmental and fiduciary, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note A - Summary of Significant Accounting Policies (continued)

Governmental Fund

General Fund – The general fund is the general operating fund of CLiC. The focus of its measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Fund

Agency Fund – CLiC maintains a single agency fund to account for assets held for other library organizations and programs. Since this fund is custodial in nature, assets equal liabilities and the fund does not measure results of operations.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means that revenue is collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

CLiC has defined cash and cash equivalents to include demand deposits and all highly liquid investments with original maturity of three months or less when purchased.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note A - Summary of Significant Accounting Policies (continued)

Accounts Receivable

Generally, CLiC does not require collateral or other security to support customer receivables. Accounts receivable are accounted for at face value. Interest is generally not charged on overdue accounts. The allowance for doubtful accounts is estimated using past history of write-offs, and management's judgment of current economic conditions and customer financial condition. The estimated allowance for doubtful accounts is \$3,000 at June 30, 2016. An account is written off only when management has determined that it is unlikely to be collected.

Capital Assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation or amortization is provided on the straight-line basis over estimated useful lives of five to ten years. Depreciation and amortization expense is recorded on the statement of activities and capital assets are shown net of accumulated depreciation and amortization on the statement of net position.

In the fund financial statements, capital assets are accounted for as capital outlay expenditures upon acquisition.

Deferred Outflows of Resources and Deferred Inflows of Resources

CLiC reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. The deferred outflows of resources result from recording CLiC's proportionate share of the Public Employee Retirement Association (PERA) pension liability and include the net differences between projected and actual earnings on pension plan investments, changes in proportion and differences between pension contributions recognized and the proportionate share of pension contributions, and pension contributions subsequent to the measurement date of December 31, 2015. Please see Note H. No deferred outflows of resources affect the general fund balance sheet in the current year.

CLiC reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its statement of net position. The deferred inflows of resources also result from recording CLiC's proportionate share of the PERA pension liability and include the net difference between the expected and actual experience, changes of assumptions or other inputs, and changes in proportion and differences between pension contributions recognized and the proportionate share of pension contributions. Please see Note H. No deferred inflows of resources affect the general fund balance sheet in the current year.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note A - Summary of Significant Accounting Policies (continued)

Revenues, Expenditures, and Expenses

Program revenue includes the annual appropriation from the State of Colorado. Courier income is for services billed to member and associate libraries. Courier revenue is unearned when courier billings are in advance of the courier services to be provided. Most libraries pay annually for courier services from October 2015 through September 2016, so one fourth of CLiC's courier revenue receipts are unearned at June 30, 2016.

Other fiscal year receipts are from a variety of sources, including registration fees for continuing education, workshops, and other training. CLiC sponsors cooperative project purchases for member libraries, charging a small administrative fee. Receipts from member libraries for these cooperative purchases are reported net of the related expenses, since the vendor and not CLiC is the primary obligor in the delivery of the purchased services.

CLiC also manages contracts that may provide technical programming, administrative support, and direct payroll for the Colorado Virtual Library, Colorado Historic Newspaper Collection, and Flatirons Library Consortium. CLiC subcontracts the technical services for these projects, acts as employer of record, and provides accounting services, office space, and other operating support. Employees providing services under these contracts are treated as CLiC employees for all payroll reporting purposes. CLiC recognizes the activity on these contracts at gross amounts, recognizing revenue of \$386,742 and expense of \$348,759 during the year. See Note M.

Expenditures and expenses are classified by function.

Income Taxes

Colorado Library Consortium is a special purpose government and has also reported annually to the IRS as an exempt organization for federal and state income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

Fund Equity

Fund balances are reported in classifications based on CLiC's budgeting constraints for the purpose of what amount can be spent. In accordance with the GASB Statement No. 54, CLiC's presentation for governmental funds reports the following classification of fund balance:

- Nonspendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. CLiC reports prepaid assets as nonspendable.
- Assigned - includes amounts that can be used for specific purposes, established by resolution of the board of directors.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note A - Summary of Significant Accounting Policies (continued)

Fund Equity (continued)

- Unassigned - is the residual classification for the general fund. The classification includes amounts that have not been assigned to other funds or restricted, committed, or assigned to specific purposes within the general fund.

When expenditures occur for which assigned or unassigned fund balances are available, CLiC considers amounts to have been spent first out of assigned, then unassigned.

In the governmental fund balance sheet, the assigned fund balance reports \$300,000 designated by the board for an emergency shutdown of CLiC, in the event of a future funding shortfall (Note G). The nonspendable fund balance reports \$16,727 for prepaid expenses. There is no fund balance defined as either committed or restricted.

Note B - Cash and Investments

As of June 30, 2016, cash and investments are classified in the accompanying financial statements as follows:

	<u>June 30, 2016</u>
Statement of net position: governmental fund	
Cash & investments	\$1,844,142
Cash restricted for member deposit	<u>648,181</u>
	2,492,323
Statement of net position: agency fund	
Cash & investments	<u>483,659</u>
	<u>\$2,975,982</u>

Cash and investments as of June 30, 2016, consist of the following:

Deposits with financial institutions	\$1,268,562
Investments with Colotrust	<u>1,707,420</u>
	<u>\$2,975,982</u>

Deposits

CLiC carries all deposits at cost, which approximates fair value. CLiC follows state statute with respect to its deposits, but has not adopted a policy to address the concentration of credit risk (limits on the amounts invested with any one issuer).

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA, which allows the institution to create a single collateral pool for all public funds. The market value of the collateral must be at least 102% of the aggregate uninsured public deposits. The pool is to be maintained by another institution, or held in trust for

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note B - Cash Deposits and Investments (continued)

Deposits (continued)

all the uninsured public deposits as a group. 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 depositories and assets maintained in the collateral pools.

Financial statement cash at June 30, 2016 is \$1,268,562. The FDIC insured bank balance is \$250,000. Bank balances above that amount are collateralized by the PDPA. The State of Colorado has determined that there is no custodial credit risk for public deposits collateralized under PDPA.

Investments

CLiC carries investments (all short-term) at cost, which approximates fair value. Colorado statute specifies the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligation of the United States and certain U.S. government agency entities, certain money markets funds, guaranteed investment contracts, and local government pools. CLiC invests in a local government investment pool following state statute. It has not adopted an investment policy more specific than state statute.

The local government investment pool, Colorado Local Government Liquid Asset Trust (COLOTRUST) is rated AAAM by Standard & Poor's and operates similarly to a money market fund with each share equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies.

Designated custodian banks provide safekeeping and depository services to the trust. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At June 30, 2016, CLiC had \$1,707,420 invested in COLOTRUST.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note C - Reconciliation between Government-Wide and Fund Financial Statements

The adjustments column of the statement of net position and governmental fund balance sheet shows the net book value of capital assets and net position invested in capital assets. It also shows a liability for employees' earned, unused vacation, and CLiC's allocated share of the net pension liability of the Local Government Division Trust Fund of PERA. The adjustments column of the statement of net position also shows deferred outflows of resources and deferred inflows of resources related to CLiC's proportionate share of LGDTF pension activity. These items are required to be included in the full accrual, government-wide financial statements.

The adjustments column of the statement of activities and governmental fund revenues, expenditures, and changes in fund balance – general fund shows depreciation expense, capitalized equipment, accrued compensation expense for employee's earned, unused vacation, and pension expense adjustments related to CLiC's proportionate share of LGDTF pension activity. It also shows the net differences between net position (full accrual basis) and fund balance (modified accrual basis) at the beginning of the year and the end of the year.

Note D - Capital Assets

The following is a summary of capital asset activity.

Capital assets	June 30, 2015	Additions	Deletions	June 30, 2016
Equipment	\$55,493	\$ -	\$ -	\$55,493
Software	18,000	-	-	18,000
Accumulated depreciation	(40,650)	(3,382)	-	(44,032)
Accumulated amortization	(8,700)	(3,600)	-	(12,300)
Capital assets, net	\$24,143	\$ (6,982)	\$ -	\$ 17,161

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note E - Operating Lease

CLiC has a 60 month operating lease for office space which expires in 2019. Rent expense is included in space cost and is \$66,126 for the year ended June 30, 2016. Colorado State Library reimbursed rent expense totaling \$12,000 as part of the Colorado Virtual Library contract. This amount is included in reimbursement income. See Note M. CLiC also signed a 36 month operating lease on a copier effective January 2014. Copier lease expense is included in telecommunication and internet and is \$2,192 for the year ended June 30, 2016.

Future minimum rental payments under the copier lease & operating lease include only base amounts. There may be additional amounts due under the leases for operating and use expenses. Future minimum payments under the leases as of June 30, 2016 are as follows:

<u>Copier Lease</u>	
Years Ended June 30,	
2017	<u>\$ 918</u>
 <u>Operating Lease</u>	
Years Ended June 30,	
2017	\$ 64,659
2018	64,659
2019	<u>64,658</u>
	<u>\$193,976</u>

Note F - Contracts and Contingencies

CLiC uses a contract vendor to transport library materials throughout the state. The contract was renewed for the upcoming fiscal year. Monthly courier contract expense is \$57,000 with additional charges for stops in excess of 796 per week, as well as fuel surcharges. The annual expense is \$858,851, which is included in courier contract and expense in the statement of activities and governmental fund revenues, expenses, and changes in fund balance.

Note G - Economic Dependency

The Colorado Library Consortium is fiscally dependent upon appropriations from the State of Colorado. The state appropriation for the current fiscal year ending June 30, 2016 is \$1,000,000.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Colorado Library Consortium 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.

General Information about the Pension Plan

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

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

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

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

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

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

	<u>Rate</u>
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)	<u>(1.02)%</u>
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	2.20%

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 1	<u>1.50%</u>
Total Employer Contribution Rate to the LGDTF	<u>12.68%</u>

¹Rates 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 Colorado Library Consortium is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from Colorado Library Consortium were \$102,152 for the year ended June 30, 2016.

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

At June 30, 2016 the Colorado Library Consortium reported a liability of \$1,562,622 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 Colorado Library Consortium proportion of the net pension liability was based on Colorado Library Consortium contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the Colorado Library Consortium proportion was 0.142 percent, which was a decrease of 0.0172 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Colorado Library Consortium recognized pension expense of \$133,404. At June 30, 2016, the Colorado Library Consortium 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	\$ 11,724	\$ 54
Changes of assumptions or other inputs	-	28,621
Net difference between projected and actual earnings on pension plan investments	300,815	-

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Changes in proportion and differences between contributions recognized and proportionate share of contributions	7,173	81,128
Contributions subsequent to the measurement date	<u>60,915</u>	<u>-</u>
	<u>\$ 380,627</u>	<u>\$ 109,803</u>

\$60,915 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 June 30, 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:

<u>Year ended June 30,</u>	
2017	\$ 7,336
2018	\$60,785
2019	\$79,513
2020	\$62,275
Thereafter	\$ -

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

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

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 are as follows:

- The following programming 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 benefit 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.

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:

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non-U.S. Equity – Development	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	<u>7.00%</u>	7.15%
	<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 7.50%.

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.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (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 Colorado Library Consortium 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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount <u>Rate (7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of the net pension liability	\$2,395,622	\$1,562,622	\$871,701

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.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note I - Defined Contribution Pension Plan – Voluntary Investment Program

Plan Description

Employees of Colorado Library Consortium that are also members of the LGDTF (see Note H) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the CRS, 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 may be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established by the state statute identified in the previous paragraph. In addition, employer contribution requirements are subject to rules determined by the Internal Revenue Service. However, CLiC makes no matching or discretionary contribution to the 401(k) Plan. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$19,155 for the Voluntary Investment Program.

Note J - Post Employment Benefit – Health Care Trust Fund

Plan Description

CLiC contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF 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 CRS, 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 may be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

CLiC is required to contribute at a rate of 1.02 percent of PERA-includible salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for CLiC are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the years ending June 30, 2016, and each of the two preceding year ends, CLiC's contributions to the HCTF were \$8,962, \$8,724, and \$8,441, respectively, equal to their required contributions for each year. CLiC's employer contribution is included in payroll, taxes and benefits in the statement of activities and governmental fund revenues, expenditures, and changes in fund balance.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note K - Compliance with Taxpayer Bill of Rights

Colorado voters passed an amendment to the state constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. Regional library service systems have taken the position, based on legal consultation, that they are not subject to the provisions of the amendment since the funds appropriated by the Colorado General Assembly and publicly supported member libraries have previously been subjected to the limitations imposed.

Note L - Risk Management

CLiC is exposed to risks of loss related to damage to and destruction of assets, errors and omissions, theft, natural disasters, and liabilities of various types. CLiC carries commercial insurance for these risks of loss. No settlements exceeded insurance coverage for each of the past three years.

Note M - Related Party Transactions

CLiC submits annual plans, budgets and reports to the Colorado State Librarian under rules and regulations adopted by the Colorado Department of Education and the Colorado State Librarian as required by state law. CLiC receives annual state funding of \$1,000,000 through the Colorado Department of Education.

CLiC manages a contract that provides technical programming and training support for the Colorado Virtual Library (CVL). The CVL has four employees and the computer network for the CVL is located in the CLiC offices. CLiC is the administrative agent of this activity and the employer of record of the CVL personnel. The Colorado State Library (CSL) is responsible for the services provided and supervises and approves payroll. CVL payroll, benefit expenses, and operating costs are invoiced by CLiC and submitted monthly to the Colorado State Library, which reimburses those costs along with an administrative fee. CLiC has a related party receivable for payroll and operating expense reimbursement at year end of \$34,879 from Colorado State Library. CLiC recognized revenue of \$347,729, including reimbursements and administrative fees, and expense of \$315,830 during the year ended June 30, 2016 for CVL services.

Colorado Historic Newspaper Collection Service (CHNC) is sponsored by the Colorado State Library and provides digitization services. CLiC is the administrative agent of this activity. The Colorado State Library provides funding for this project and pays CLiC annual administrative fees of \$2,500.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note M - Related Party Transactions (continued)

The Colorado State Library provides advance funding for these activities and CLiC maintains a separate Colorado State Library (CSL) Services bank account. These amounts are recorded in the agency fund as cash and investments and include \$108,029 for CSL Services and \$46,577 for Colorado Virtual Library.

The CLiC has a new agreement with the Flatirons Library Consortium (Flatirons) in which it acts as the administrative agent for the operating activity and employer of record for the employee of Flatirons. Flatirons provides advance funding for this activity which is included in agency cash. Flatirons reimburses CLiC for all payroll and benefit expenses and pays an administrative fee to CLiC. The employee is treated as a CLiC employee for all payroll reporting purposes. CLiC recognized revenue of \$36,513, including reimbursements and administrative fees, and expense of \$32,929 during the year ended June 30, 2016. The amount in agency cash at June 30, 2016 is \$94,965.

Required Supplementary Information

COLORADO LIBRARY CONSORTIUM
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2016

	Original Budget	Actual	Variance Positive (Negative)
BUDGETARY FUND BALANCE,			
JULY 1, 2016	\$ 1,576,253	\$ 1,576,253	\$ -
REVENUES			
State appropriation	1,000,000	1,000,000	-
Administrative fees	26,000	37,103	11,103
AspenCat catalog	135,000	153,589	18,589
Courier income	700,000	716,980	16,980
Continuing education and workshops	16,000	21,714	5,714
Cooperative projects, net	107,000	252,371	145,371
Reimbursements	415,000	286,994	(128,006)
No Store and other income	23,500	69,618	46,118
Interest income	2,500	6,309	3,809
Total revenues and available resources	4,001,253	4,120,931	119,678
EXPENDITURES			
Payroll, taxes, and benefits	\$ 1,190,000	\$ 1,128,295	\$ 61,705
Program and service expense			
AspenCat catalog	135,000	122,243	12,757
Consulting travel and lodging	75,000	53,158	21,842
Continuing education and workshops	70,000	67,961	2,039
Courier contract and expense	865,000	889,693	(24,693)
Grant expenditure	-	309	(309)
No Store expense	8,000	6,344	1,656
Other program expense	10,000	11,278	(1,278)
Software development and maintenance	22,000	4,414	17,586
Telecommunications and internet	15,000	14,819	181
Operational expense			
Audit, accounting, and legal	20,700	18,968	1,732
Capital outlay	12,000	4,280	7,720
Meeting administration	5,000	2,952	2,048
Other operational expense	13,500	66,699	(53,199)
Space cost	50,000	56,439	(6,439)
Supplies	13,000	16,076	(3,076)
Total expenditures	2,504,200	2,463,928	40,272
BUDGETARY FUND BALANCE,			
JUNE 30, 2016	\$ 1,497,053	\$ 1,657,003	\$ 159,950

The accompanying notes to the required supplementary information
are an integral part of this schedule.

COLORADO LIBRARY CONSORTIUM
Schedule of Proportionate Share of the Net Pension Liability
Last Three Fiscal Years*

	Years ended June 30,		
	2016	2015	2014
CLiC's proportion of the net pension liability	0.142%	0.159%	0.153%
CLiC's proportionate share of the net pension liability	\$ 1,562,622	\$ 1,426,364	\$ 1,261,035
CLiC's covered-employee payroll	\$ 805,619	\$ 872,003	\$ 817,543
CLiC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.97%	163.57%	154.25%
Plan fiduciary net position as a percentage of the total pension liability	76.87%	80.72%	77.66%

* Amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The accompanying notes to the required supplementary information
are an integral part of this schedule.

COLORADO LIBRARY CONSORTIUM
Schedule of Contributions
Last Three Fiscal Years*

	Years ended June 30,		
	2016	2015	2014
Contractually required contribution	\$ 102,152	\$ 110,570	\$ 103,988
Contributions in relation to the contractually required contribution	<u>102,152</u>	<u>110,570</u>	<u>103,988</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CLiC's covered employee payroll	\$ 805,619	\$ 872,003	\$ 817,543
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.72%

* Amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The accompanying notes to the required supplementary information are an integral part of this schedule.

COLORADO LIBRARY CONSORTIUM
Notes to the Required Supplementary Information

Note A - Summary of Significant Accounting Policies

Budgets and Budgetary Accounting

The annual budget for CLiC is prepared on the modified accrual basis of accounting and is consistent with the governmental fund presentation in the basic financial statements. Encumbrance accounting is not used.

The Colorado State Librarian establishes budget controls. Budget projections are submitted to the Colorado State Librarian 120 days prior to the beginning of the next fiscal year. The governing board approves budget transfers and amendments.

The original budget was approved by the governing board on April 21, 2015.

Note B - Budgetary Differences

CLiC is reimbursed for certain operating expenses under contracts with the Colorado State Library. CLiC includes administrative fees, but does not include expense payments and related reimbursements for these contracts in its budget. CLiC also acted as fiscal agent for electronic books purchased for the AspenCat libraries during the year. The expense and related reimbursements were not included in the budget. Receipts and disbursements for these activities were reported at gross amounts in the government wide and fund financial statements. Reconciliation between the net revenue presentation on a budgetary basis and the gross revenue presentation in the statement of governmental fund revenues, expenditures, and changes in fund balance - general fund is provided.

Revenue and available resources, budgetary basis	\$4,120,931
Add Colorado State Library reimbursements	28,836
AspenCat reimbursements	56,857
Deduct Beginning fund balance	(1,576,253)
Interest income	<u>(6,309)</u>
Total program revenue, general fund	2,624,062
Expenditures, budgetary basis	(2,463,928)
Add Reimbursed operating expenses	(28,836)
Electronic book purchases	<u>(56,857)</u>
Total expenditures/expenses, general fund	<u>(2,549,621)</u>
Net program revenue, general fund	74,441
General revenue, general fund	<u>6,309</u>
Excess expenditures over revenue, general fund	80,750
Beginning fund balance, general fund	<u>1,576,253</u>
Ending fund balance, general fund	<u>\$1,657,003</u>