



FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

COLORADO LIBRARY CONSORTIUM

Year Ended June 30, 2017



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Office of the State Auditor

May 9, 2018

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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, 2017, 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, 2017, 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 35 through 38 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.

Hansm & Co. CPAs

Denver, Colorado

April 26, 2018

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

This section provides a management summary documenting the financial condition, operational highlights, and activities of the Colorado Library Consortium (CLiC) for the year ending June 30, 2017. In the nearly 13 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. Information about those services can be found on the CLiC web site (www.clicweb.org) along with the organization's long-range strategic plan and annual plan. 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 employee 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 11) 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 12) 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 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 13). 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

Condensed Statements of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current assets	\$ 2,715,829	\$ 2,576,915	\$ 1,994,121
Capital assets	<u>18,133</u>	<u>17,161</u>	<u>24,143</u>
Total assets	<u>\$ 2,733,962</u>	<u>\$ 2,594,076</u>	<u>\$ 2,018,264</u>
Deferred outflows of resource	<u>\$ 624,269</u>	<u>\$ 380,627</u>	<u>\$ 156,848</u>
Current liabilities	\$ 79,209	\$ 61,662	\$ 48,062
Unearned revenue	272,613	252,804	230,189
Member deposits	753,879	648,181	173,549
Pension liability	<u>2,192,769</u>	<u>1,562,622</u>	<u>1,426,364</u>
Total liabilities	<u>\$ 3,298,470</u>	<u>\$ 2,525,269</u>	<u>\$ 1,878,164</u>
Deferred inflows of resources	<u>\$ 23,055</u>	<u>\$ 109,803</u>	<u>\$ 286</u>
Net position			
Invested in capital assets	\$ 18,133	\$ 17,161	\$ 24,143
Unrestricted	<u>18,573</u>	<u>322,470</u>	<u>272,519</u>
Total net position	<u>\$ 36,706</u>	<u>\$ 339,631</u>	<u>\$ 296,662</u>

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Analysis of Overall Financial Position and Operations (continued)

Condensed Statements of Activities

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2015</u>
Program revenue			
Courier income	\$ 753,352	\$ 716,980	\$ 682,590
Colorado Department of Education Reimbursements and administrative fees	1,000,000	1,000,000	1,000,000
Workshops, coop fees, and miscellaneous	366,158	352,933	437,896
General revenue			
Interest income	<u>14,993</u>	<u>6,309</u>	<u>2,352</u>
Total revenue	2,692,751	2,630,371	2,510,605
Expenditures			
Payroll and benefits	1,648,720	1,159,094	1,188,734
Programs	1,190,492	1,240,090	1,277,820
Operational	148,079	181,236	154,617
Depreciation	<u>8,385</u>	<u>6,982</u>	<u>5,053</u>
Total expenditures	<u>2,995,676</u>	<u>2,587,402</u>	<u>2,626,224</u>
Change in net position	(302,925)	42,969	(115,619)
Beginning net position	<u>339,631</u>	<u>296,662</u>	<u>412,281</u>
Ending net position	<u>\$ 36,706</u>	<u>\$ 339,631</u>	<u>\$ 296,662</u>

Since 2004, CLiC has matured into a stable organization with established fiscal controls and management practices. The 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 with relevant organizational memory as well as cross-trained expertise 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.

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.

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Analysis of Overall Financial Position and Operations (continued)

Most of CLiC's financial activities are similar to the previous fiscal year, including cooperative purchasing activities. This aspect of the organization's services provides choice in a wide array of cooperatively-licensed electronic resource products to more than 400 libraries/schools. CLiC continues to identify and negotiate other online products for cost-saving cooperative purchase/license by libraries, proving value in that such products can be licensed at costs far less than retail, saving libraries (in aggregate across the state) millions of dollars.

CLiC's statewide courier service continues to experience record-setting use by libraries (material volume sorting and transportation was above 2.9 million items), resulting in additional high-volume fees paid by participating libraries. A contract with American Courier was being renegotiated at the end of FY17. A significant change (anticipated drop in use of the courier system by the Flatirons Library Consortium for building-to-building transport of library material) was estimated to impact CLiC's revenues for FY18. Add-on courier services have remained popular in the library community, though they still 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, though is not a predictable source of revenue due to the volatility in library participation. 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.

CLiC also manages an open-source integrated library system called AspenCat, which grew to serve 110 public, school, academic and special. Growth in participation continued to be manageable with existing staff. 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, predominantly small and rural libraries. Fees charged to participating libraries result in an inexpensive system, particularly when compared to commercial/for-profit vendor systems. Significant CLiC staff assets continue to support this service.

Capital Assets

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Furniture and fixtures	\$ 82,850	\$ 73,493	\$ 73,493
Accumulated depreciation and amortization	<u>(64,717)</u>	<u>(56,332)</u>	<u>(49,350)</u>
Net capital assets	<u>\$18,133</u>	<u>\$17,161</u>	<u>\$ 24,143</u>

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

General Fund Budgetary Highlights

The CLiC board approved the original budget in June 2016, and a revised budget in August 2016. 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.

Facts, Decisions, and Conditions Expected to have Future Ramifications

A new multi-year contract with American Courier was under negotiation, with anticipated terms favorable to CLiC (and libraries) due to its affordability. Despite a 67% increase in the volume of material being transported over the past eight years, 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, off-the-shelf "configure/price/quote" system proved valuable. While introducing better customer-facing features and interactivity, the system also reduced the number of times CLiC staff had to remind libraries and schools about time-sensitive price quotes and invoices. Marketing activity continues to make the library community aware of vendor products.

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 and diversification of its revenue base over the past five 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 wrapped up its role as fiscal agent for a two-year financial literacy education grant funded by the FINRA Foundation for nearly \$150,000. CLiC derived a small administrative fee for receiving the funds, and for tracking and reporting on expenses associated with the project. This project was being conducted in partnership with the Estes Valley Library and the Colorado State Library. A second year of participation in the Research Institute for Public Libraries (RIPL) funded by the Laura Bush 21st Century Program through the Institute of Museum and Library Services (IMLS) also provided for a small amount of administrative fee revenues.

Included in the Management's Discussion and Analysis section of this report is information under Required Financial Statements referencing GASB 68. For the third year now, CLiC is reporting its proportionate share of the total pension liability of PERA's Local Government Division Trust Fund. Eligible employees and CLiC as an employer are required to contribute to the retirement fund at a rate set by Colorado statute. At fiscal year-end that liability calculated to

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Facts, Decisions, and Conditions Expected to have Future Ramifications (continued)

\$2.19M, representing a 40.3% increase over the FY16 calculated liability. Multiple factors contributed to this calculated liability cost increase: PERA's significant revision of economic and demographic assumptions (and the resulting reset of factors used to determine actuarial valuation tables); an increase in CLiC's proportionate share of PERA's net pension liability (increase from 0.142% to 0.162%), and the growth in number of staff on the CLiC payroll participating in the PERA retirement plan. While CLiC maintains reserve funds held at COLOTrust, that value is no longer 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. The executive director has made the CLiC board aware of the evolving situation and discussions continue for long-term solutions.

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, 2017

ASSETS	General Fund	Adjustments (Note C)	Statement of Net Position
Assets			
Cash & investments	\$ 1,891,280	\$ -	\$ 1,891,280
Cash restricted for member deposits	753,879	-	753,879
Trade accounts receivable (net of allowance of \$3,000)	27,241	-	27,241
Related party accounts receivable	34,313	-	34,313
Prepaid expenses	9,116	-	9,116
Capital assets, net	-	18,133	18,133
Total assets	\$ 2,715,829	\$ 18,133	\$ 2,733,962
DEFERRED OUTFLOWS OF RESOURCES			
	\$ -	\$ 624,269	\$ 624,269
LIABILITIES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll liabilities	17,309	-	17,309
Vacation payable	-	61,900	61,900
Unearned revenue	272,613	-	272,613
Member deposits	753,879	-	753,879
Pension liability	-	2,192,769	2,192,769
Total liabilities	1,043,801	2,254,669	3,298,470
DEFERRED INFLOWS OF RESOURCES			
	\$ -	\$ 23,055	\$ 23,055
FUND BALANCE/NET POSITION			
Fund balance			
Nonspendable	\$ 9,116	\$ (9,116)	\$ -
Assigned	300,000	(300,000)	-
Unassigned	1,362,912	(1,362,912)	-
Total fund balance	1,672,028	(1,672,028)	-
Total liabilities, deferred inflows, and fund balance	\$ 2,715,829		
Net position			
Net investment in capital assets		18,133	18,133
Unrestricted		18,573	18,573
Total net position		\$ 36,706	\$ 36,706

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, 2017

	General Fund	Adjustments (Note C)	Statement of Activities
EXPENDITURES/EXPENSES			
Payroll, taxes, and benefits	\$ 1,329,798	\$ 318,922	\$ 1,648,720
Program and service expense			
AspenCat catalog	96,339	-	96,339
Consulting travel and lodging	56,111	-	56,111
Continuing education and workshops	44,152	-	44,152
Courier contract and expense	954,655	-	954,655
No Store expense	4,776	-	4,776
Other program expense	10,828	-	10,828
Software development and maintenance	9,888	(9,357)	531
Telecommunications and internet	23,101	-	23,101
Operational expense			
Audit, accounting, and legal	19,530	-	19,530
Bad debt expense	-	-	-
Capital outlay	9,238	-	9,238
Depreciation and amortization	-	8,385	8,385
Insurance	5,805	-	5,805
IT support	17,790	-	17,790
Meeting administration	3,496	-	3,496
Other operational expense	7,160	-	7,160
Space cost	72,872	-	72,872
Supplies	12,187	-	12,187
Total expenditures/expenses	2,677,726	317,950	2,995,676
PROGRAM REVENUE			
State appropriation	1,000,000	-	1,000,000
Administrative fees	37,467	-	37,467
AspenCat catalog	162,473	-	162,473
Colorado State Library reimbursements	366,158	-	366,158
Courier income	753,352	-	753,352
Continuing education and workshops	23,775	-	23,775
Cooperative projects, net	172,132	-	172,132
No Store and other income	162,401	-	162,401
Total program revenue	2,677,758	-	2,677,758
Net program revenue	32	(317,950)	(317,918)
GENERAL REVENUE			
Interest income	14,993	-	14,993
Excess expenditures over revenues/ change in net position	15,025	(317,950)	(302,925)
FUND BALANCE/NET POSITION			
BEGINNING OF YEAR	1,657,003	(1,317,372)	339,631
END OF YEAR	\$ 1,672,028	\$ (1,635,322)	\$ 36,706

The accompanying notes are an integral part of this statement.

COLORADO LIBRARY CONSORTIUM
Statement of Net Position - Agency Fund
June 30, 2017

ASSETS	
Cash & investments	\$ 542,125
Total assets	\$ 542,125
LIABILITIES	
Due to:	
CLEL (Early Literacy)	\$ 13,126
Collaborative Librarian	8,737
Colorado Academic Library Association	1,240
Colorado Library Card	11,301
Colorado State Library Services	148,530
Colorado Virtual Library	44,614
Common Cents for CO	37,859
COSLL (School Librarians)	(17)
Flatirons Library Consortium	251,142
ILL Conference	6,413
Innovation Conference	1,014
LRS General Account	14,562
RIPL Research	(1,689)
Southwest Days	2,051
Special Populations	1,468
SPELL	1,113
State Publication	661
Total liabilities	\$ 542,125

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 462 (431 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 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, 2017. 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, 2016. 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 2016 through September 2017, so one fourth of CLiC's courier revenue receipts are unearned at June 30, 2017.

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, Flatirons Library Consortium, and occasional grant projects. 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 \$541,574 and expense of \$492,118 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 \$9,116 for prepaid expenses. There is no fund balance defined as either committed or restricted.

Note B - Cash and Investments

As of June 30, 2017, cash and investments are classified in the accompanying financial statements as follows:

	<u>June 30, 2017</u>
Statement of net position: governmental fund	
Cash & investments	\$ 1,891,280
Cash restricted for member deposits	<u>753,879</u>
	2,645,159
Statement of net position: agency fund	
Cash & investments	<u>542,125</u>
	<u>\$ 3,187,284</u>

Cash and investments as of June 30, 2017, consist of the following:

Deposits with financial institutions	\$ 1,051,938
Deposits in transit	412,933
Investments with Colotrust	<u>1,722,413</u>
	<u>\$ 3,187,284</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

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note B - Cash Deposits and Investments (continued)

Deposits (continued)

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 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, including the agency fund, is \$1,051,938 at June 30, 2017. 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 obligations 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, 2017, CLiC had \$1,722,413 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 (LGDTF) 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, 2016	Additions	Deletions	June 30, 2017
Equipment	\$55,493	\$ -	\$ -	\$55,493
Software	18,000	9,357	-	27,357
Accumulated depreciation	(44,032)	(3,382)	-	(47,414)
Accumulated amortization	(12,300)	(5,003)	-	(17,303)
Capital assets, net	\$17,161	\$ 972	\$ -	\$ 18,133

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 \$68,289 for the year ended June 30, 2017. 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.

Future minimum rental payments under the 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, 2017 are as follows:

<u>Operating Lease</u>	
Years Ended June 30,	
2018	\$ 64,659
2019	<u>64,658</u>
	<u>\$129,317</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 \$77,000 with additional charges for stops in excess of 796 per week, as well as fuel surcharges. The annual expense is \$932,455, 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, 2017 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.

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 percent and then multiplied by years of service credit.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

General Information about the Pension Plan (continued)

Benefits provided (continued).

- \$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 percent of highest average salary and cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 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:

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

General Information about the Pension Plan (continued)
Contributions (continued).

	<u>Rate</u>
Employer contribution rate ¹	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	<u>(1.02)%</u>
Amount apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
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 \$130,160 for the year ended June 30, 2017.

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

At June 30, 2017 the Colorado Library Consortium reported a liability of \$2,192,769 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Colorado Library Consortium proportion of the net pension liability was based on Colorado Library Consortium contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the Colorado Library Consortium proportion was 0.162 percent, which was an increase of 0.020 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Colorado Library Consortium recognized pension expense of \$429,917. At June 30, 2017, the Colorado Library Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 39,022	\$ -
Changes of assumptions	155,537	6,341
Net difference between projected and actual earnings on pension plan investments	263,342	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	100,098	16,714
Contributions subsequent to the measurement date	66,270	-
	<u>\$ 624,269</u>	<u>\$ 23,055</u>

\$66,270 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	\$329,260
2019	\$129,390
2020	\$ 73,790
2021	\$ 2,504
2022	\$ -
Thereafter	\$ -

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Actuarial assumptions. The total pension liability in the December 31, 2015 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
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 10.45 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years. Active member mortality was based upon the same mortality rates

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Actuarial assumptions (continued). but adjusted to 55 percent of the base rate for males and 40 percent of 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back two years for males and set back two years for females) was assumed.

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

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

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

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

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

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

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

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Actuarial assumptions (continued).

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Actuarial assumptions (continued).

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

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

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Discount rate (continued).

fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

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

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	\$3,233,139	\$2,192,769	\$1,331,230

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, 2017, program members contributed \$21,572 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 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, 2017, and each of the two preceding year ends, CLiC's contributions to the HCTF were \$10,470, \$8,962, and \$8,724, 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 several 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 yearend of \$34,315 from Colorado State Library. CLiC recognized revenue of \$403,626, including reimbursements and administrative fees, and expense of \$366,158 during the year ended June 30, 2017 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.

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 \$148,530 for CSL Services and \$44,614 for Colorado Virtual Library.

The CLiC has agreements with two other library activities in which it acts as the administrative agent for an operating activity and employer of record for employees, who are treated as a CLiC employees for all payroll reporting purposes. One library activity, Flatirons Library Consortium (Flatirons) provides advance funding which is included in agency cash, reimburses CLiC for all payroll and benefit expenses, and pays an administrative fee. CLiC recognized revenue of \$110,636 including reimbursements and administrative fees, and expense of \$100,691 during the year ended June 30, 2017. The amount in agency cash at June 30, 2017 is \$251,142. The second activity is grant administration and includes agency cash, reimbursement to CLiC for all payroll and benefit expenses, and an administrative fee. CLiC recognized revenue of \$27,312, including reimbursements and administrative fees, and expense of \$25,269 during the year ended June 30, 2017. The amount in agency cash at June 30, 2017 is 9,236.

Required Supplementary Information

COLORADO LIBRARY CONSORTIUM
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
BUDGETARY FUND BALANCE,				
JULY 1, 2016	\$ 1,657,003	\$ 1,657,003	\$ 1,657,003	\$ -
REVENUES				
State appropriation	1,000,000	1,000,000	1,000,000	-
Administrative fees	26,000	26,000	37,467	11,467
AspenCat catalog	145,000	147,000	162,473	15,473
Courier income	724,500	800,000	753,352	(46,648)
Continuing education and workshops	16,000	14,600	23,775	9,175
Cooperative projects, net	107,000	107,000	172,132	65,132
Reimbursements	352,000	352,000	366,158	14,158
No Store and other income	144,300	144,300	137,132	(7,168)
Interest income	4,000	4,000	14,993	10,993
Total revenues and available resources	4,175,803	4,251,903	4,324,485	72,582
EXPENDITURES				
Payroll, taxes, and benefits	\$ 1,325,500	\$ 1,326,000	\$ 1,304,529	\$ 21,471
Program and service expense				
AspenCat catalog	140,000	110,000	96,339	13,661
Consulting travel and lodging	50,000	50,000	56,111	(6,111)
Continuing education and workshops	66,000	66,000	44,152	21,848
Courier contract and expense	922,200	922,200	954,655	(32,455)
Grant expenditure				-
No Store expense	6,000	6,000	4,776	1,224
Other program expense	8,600	8,600	10,828	(2,228)
Software development and maintenance	12,000	12,000	9,888	2,112
Telecommunications and internet	15,000	15,000	23,101	(8,101)
Operational expense				
Audit, accounting, and legal	23,700	23,700	19,530	4,170
Capital outlay	9,000	9,000	9,238	(238)
Other operational expense	26,300	26,300	34,251	(7,951)
Space cost	68,400	68,400	72,872	(4,472)
Supplies	13,000	13,000	12,187	813
Total expenditures	2,685,700	2,656,200	2,652,457	3,743
BUDGETARY FUND BALANCE,				
JUNE 30, 2017	\$ 1,490,103	\$ 1,595,703	\$ 1,672,028	\$ 76,325

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 Calendar Years

	Years ended December 31,		
	2016	2015	2014
CLiC's proportion of the net pension liability	0.162%	0.142%	0.159%
CLiC's proportionate share of the net pension liability	\$ 2,192,769	\$ 1,562,622	\$ 1,426,364
CLiC's covered-employee payroll	\$ 984,265	\$ 805,619	\$ 872,003
CLiC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	222.78%	193.97%	163.57%
Plan fiduciary net position as a percentage of the total pension liability	73.65%	76.87%	80.72%

Note: Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

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,		
	2017	2016	2015
Contractually required contribution	\$ 130,160	\$ 111,408	\$ 108,450
Contributions in relation to the contractually required contribution	<u>130,160</u>	<u>111,408</u>	<u>108,450</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CLiC's covered employee payroll	\$ 1,026,498	\$ 878,612	\$ 855,284
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.68%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

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 June 21, 2016 and amended on August 21, 2016.

Note B - Budgetary Differences

CLiC is reimbursed for certain operating expenses under contracts with other library entities. The expense and related reimbursements may not be 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	\$4,324,485
Add Grant reimbursements	25,269
Deduct Beginning fund balance	(1,657,003)
Interest income	<u>(14,993)</u>
Total program revenue, general fund	2,677,758
Expenditures, budgetary basis	(2,652,457)
Add Reimbursed expenses	<u>(25,269)</u>
Total expenditures/expenses, general fund	<u>(2,677,726)</u>
Net program revenue, general fund	32
General revenue, general fund	<u>14,993</u>
Excess expenditures over revenue, general fund	15,025
Beginning fund balance, general fund	<u>1,657,003</u>
Ending fund balance, general fund	<u>\$1,672,028</u>