SECURITY PUBLIC LIBRARY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2017

E

SECURITY PUBLIC LIBRARY
TABLE OF CONTENTS
JUNE 30, 2017

Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Security Public Library

We have audited the accompanying financial statements of the governmental activities and each major fund of Security Public Library, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and each major fund of Security Public Library, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

31 East Platte Avenue, Suite 300 • Colorado Springs, CO 80903 • (719) 630-1091 • Fax (719) 630-0522 • www.hoeltingco.com

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Security Public Library's financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
October 31, 2017

SECURITY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2017

As management of Security Public Library (the Library) we offer readers of the Library's annual financial report this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the Library exceeded its assets and deferred outflows at the close of the most recent fiscal year by $260,738 (*net position*).

- The Library's total net position decreased by $352,331.

- As of the close of the current fiscal year, the general fund reported an ending fund balance of $652,414, an increase of $22,907 from the prior year. Approximately ninety-six percent of this total amount, $628,104, is available for spending at the District's discretion (*unassigned*).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Library's basic financial statements. The Library's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances as a whole, in a manner similar to a private-sector business and include two statements:

The *statement of net position* presents information on all of the Library's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information reporting how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Library include general administration activities and library services. Currently, the Library has no business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the Library's operations, focusing on its most significant funds, not the Library as a whole. The Library has two funds, the general fund and a capital building fund, which are governmental funds.

Governmental Funds – Governmental funds focus on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the Library's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the Library's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

The Library maintains two governmental funds: The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *Capital Building Fund* is used to account for the purchase of buildings for the Library.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Library. The Library adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Library's financial position. In the case of the Library, total liabilities exceeded assets by $260,738 as of June 30, 2017 resulting in a negative net position balance.

Condensed Statement of Net Position

	2017	2016
Current and other assets	$ 1,114,628	$ 1,037,583
Capital assets	162,448	167,793
Total assets	1,277,076	1,205,376
Deferred outflows of resources	992,502	165,893
Long-term liabilities	2,476,082	1,223,706
Other liabilities	38,472	35,809
Total liabilities	2,514,554	1,259,515
Deferred inflows of resources	15,762	20,161
Net position		
Investment in capital assets	162,448	167,793
Restricted	24,310	23,500
Unrestricted	(447,496)	(99,700)
Total net position	$ (260,738)	$ 91,593

Condensed Statement of Activities

	2017	2016
Revenues:		
General revenues:		
Property and other taxes	$ 760,980	$ 715,230
Investment income	7,351	2,843
Other income	2,170	123
Program Revenue:		
Charges for services	18,025	18,285
Operating grants and contributions	22,209	13,454
Total revenues	810,735	749,935
Expenses:		
General administration	422,231	258,850
Library services	740,835	518,590
Total expenses	1,163,066	777,440
Change in net position	(352,331)	(27,505)
Net position, beginning, as restated	91,593	119,098
Net position, ending	$ (260,738)	$ 91,593

ANALYSIS OF THE LIBRARY'S FUNDS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is the operating fund of the Library. The fund balance for the general fund was a surplus of $652,414 at the end of the current fiscal year.

BUDGETARY HIGHLIGHTS

The Library's budget is prepared in accordance with state law. The general fund budget was amended during the year due to increased grant revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Library's investment in capital assets for its governmental activities at the end of the year was as follows:

	2017	2016
Buildings	$ 191,937	$ 191,937
Furniture and equipment	88,211	79,337
Accumulated depreciation	(117,700)	(103,481)
Total capital assets, net	$ 162,448	$ 167,793

Major capital asset projects during the year included the purchase of computer equipment and security alarms for the Library.

Long-Term Debt

At June 30, 2017 the Library had no long-term debt.

ECONOMIC FACTORS AND NET YEAR'S BUDGET

The Library continues to face economic and operating fiscal challenges over the next several years. The national recession, contraction of the credit market, and increasing unemployment rates put downward pressure on local tax revenues, making it difficult for all local governments to sustain their current levels of public service. The Library does anticipate revenues to remain steady for the next couple of years.

REQUESTS FOR INFORMATION

This financial report is designed to provide the Library's taxpayers with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Schmitz-Garrett, Director, at 719-390-2814 or by mail at 715 Aspen Drive, Colorado Springs, CO 80911.

BASIC FINANCIAL STATEMENTS

SECURITY PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS		
Cash and cash equivalents	$	1,088,844
Property taxes receivable		25,784
Capital assets, net		162,448
Total assets		1,277,076
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows		992,502
Total deferred outflows of resources		992,502
LIABILITIES		
Accounts payable		11,869
Accrued salaries & benefits		14,089
Compensated absences		12,514
Long-term liabilities		
Due in more than one year		
Compensated absences		12,514
Net pension liability		2,463,568
Total liabilities		2,514,554
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows		15,762
Total deferred inflows of resources		15,762
NET POSITION		
Investment in capital assets		162,448
Restricted		24,310
Unrestricted		(447,496)
Total net position	$	(260,738)

The accompanying notes are an integral part of these financial statements.

SECURITY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					
General administration	$ 422,231	$ -	$ -	$ -	$ (422,231)
Library services	740,835	18,025	22,209	-	(700,601)
Total governmental activities	$ 1,163,066	$ 18,025	$ 22,209	$ -	(1,122,832)
	General revenues:				
	Property taxes				677,612
	Specific ownership taxes				83,368
	Investment income				7,351
	Other				2,170
	Total general revenues				770,501
	Change in net position				(352,331)
	Net position, beginning				91,593
	Net position, ending (deficit)				$ (260,738)

The accompanying notes are an integral part of these financial statements.

SECURITY PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Capital Building Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 661,292	$ 427,552	$ 1,088,844
Property taxes receivable	25,784	-	25,784
Total assets	$ 687,076	$ 427,552	$ 1,114,628
LIABILITIES			
Accounts payable and other current liabilities	$ 11,869	$ -	$ 11,869
Accrued salaries & benefits	14,089	-	14,089
Total liabilities	25,958	-	25,958
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	8,704	-	8,704
Total deferred inflows of resources	8,704	-	8,704
FUND BALANCES			
Restricted for:			
Emergencies	24,310	-	24,310
Assigned for:			
Capital projects	-	427,552	427,552
Unassigned	628,104	-	628,104
Total fund balance	652,414	427,552	1,079,966
Total liabilities, deferred inflows of resources, and fund balances	$ 687,076	$ 427,552	$ 1,114,628

The accompanying notes are an integral part of these financial statements.

SECURITY PUBLIC LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

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

Total Fund Balance of Governmental Funds	$ 1,079,966
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	162,448
Unavailable revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,704
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	992,502
Compensated absences are liabilities that are not due and payable in the current period and therefore are not reported at the fund level; however, they are reported on the government-wide statement of net position.	(25,028)
Pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,463,568)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	(15,762)
Net Position of Governmental Activities	$ (260,738)

The accompanying notes are an integral part of these financial statements.

SECURITY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Capital Building Fund	Total Governmental Funds
REVENUES			
Local sources	$ 806,532	$ 3,680	$ 810,212
Total revenues	806,532	3,680	810,212
EXPENDITURES			
General administration	239,300	-	239,300
Library services	494,325	-	494,325
Total expenditures	733,625	-	733,625
Excess (deficiency) of revenues over expenditures	72,907	3,680	76,587
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	50,000
Transfers out	(50,000)	-	(50,000)
Total other financing sources (uses)	(50,000)	50,000	-
Net change in fund balances	22,907	53,680	76,587
Fund balances - beginning	629,507	373,872	1,003,379
Fund balances - ending	$ 652,414	$ 427,552	$ 1,079,966

The accompanying notes are an integral part of these financial statements.

SECURITY PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net Change in Fund Balances - Total Governmental Funds		$ 76,587
Governmental funds report capital outlay as expenditures, but in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital Outlay	8,874	
Depreciation Expense	(14,219)	(5,345)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		523
Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts earned during the year.		(5,456)
Certain pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds - pension expenses.		(418,640)
Change in Net Position - Statement of Activities		$ (352,331)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Security Public Library (the Library) was organized in 1961. The Library provides library services to the residents of the southeast section of El Paso County, Colorado. It is governed by a seven-member Board of Trustees, which is the policymaking body of the Library.

The financial statements of the Library have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Library are described below.

A. REPORTING ENTITY

The financial reporting entity consists of the Library and organizations for which the Library is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Library. In addition, any legally separate organizations for which the Library is financially accountable are considered part of the reporting entity. Financial accountability exists if the Library appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the Library.

Based on the application of these criteria, the Library does not include additional organizations within its reporting entity.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

The government-wide financial statements (i.e, the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Library. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The accounts of the Library are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS (CONTINUED)

The Library reports the following major governmental funds:

- The *General Fund* is the general operating fund of the Library, used for all financial resources except those required to be accounted for in another fund.

- The *Capital Building Fund* (a Capital Projects fund type) accounts for financial resources to be used for the purpose of constructing all major capital improvement projects of the Library other than special assessment and enterprise projects.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current year or soon enough thereafter to pay liabilities of the current fiscal year, not to exceed 60 days. Tax revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

All other revenues are considered to be measurable and available only when cash is received by the Library. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, specific ownership taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Capital Assets

General capital assets are long-lived assets of the Library as a whole. When purchased, such assets are recorded as expenditures in the governmental funds. The Library reports these assets in the governmental activities column of the government-wide financial statement of net position, but does not report these assets in the fund financial statements.

All capital assets are capitalized at cost or estimated historical cost above $500, if actual cost is not available. Donated capital assets are recorded at their estimated fair value on the date donated. Capital assets, as defined by the Library, are assets with an estimated useful life of greater than one year. The useful life of furniture, fixtures, and equipment is estimated to be 5 years, and building lives 30 years.

All capital assets are depreciated, using the straight line method, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Pensions

Security Public Library participates in the School Division Trust Fund (SCHDTF), 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 SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net position flow assumption

The Library may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance classification (continued)

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Library's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Library would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) charges to patrons for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all tax revenues.

Property Taxes

All property taxes receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 31 and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The El Paso County Treasurer bills and collects the Library's property tax. Library property tax revenues are recognized when levied to the extent they result in current receivables.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statutes for all funds. During April, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

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

All of the bank balances were covered by FDIC insurance.

INVESTMENTS

The Library is required to comply with State statutes that specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following.

- Obligations of the United States and certain U.S. government agencies' securities;
- Certain international agencies' securities;
- General obligation and revenue bonds of U.S. local government entities;
- Bankers' acceptances of certain banks;
- Certain commercial paper;
- Local government investment pools;
- Written repurchase agreements collateralized by certain authorized securities;
- Certain money market fund;
- Guaranteed investment contracts.

State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk. At June 30, 2017, the Library does not have a formal investment policy other than following Colorado Revised Statutes (CRS).

At June 30, 2017 the Library's investment balances were as follows:

Investment	Maturities	Fair Value
ColoTrust	Less than 60 days	$ 1,079,292

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to $1.00. Investments of COLOTRUST consist of U.S. Treasury securities and are rated AAAm by Standard and Poors. A designated custodial bank provides safekeeping and depository withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of the pool are limited to those allowed by State statute. Information regarding COLOTRUST's financial statements is available at its website www.colotrust.com.

NOTE 4 – FAIR VALUE MEASUREMENT

The School records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

	Level 1	Level 2	Level 3	Total
Investments - unrestricted				
ColoTrust	$ 1,079,292	$ -	$ -	$ 1,079,292

NOTE 5 – INTERFUND BALANCES

Interfund balances at June 30, 2017, are as follows and represent amounts transferred between funds for normal operating costs:

	Transfer In	Transfer Out
General	$ -	$ 50,000
Capital Building	50,000	-
Total	$ 50,000	$ 50,000

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Buildings	$ 191,937	$ -	$ -	$ 191,937
Furniture, Fixtures and Equipment	79,337	8,874	-	88,211
Total Capital Assets	271,274	8,874	-	280,148
Less: Accumulated Depreciation	(103,481)	(14,219)	-	(117,700)
Capital Assets, Net	$ 167,793	$ (5,345)	$ -	$ 162,448

Depreciation expense was charged to functions/programs as follows:

Library services	$ 14,219

NOTE 7 – COMPENSATED ABSENCES

Compensated absences are liquidated by the General Fund. The following is a summary of changes in compensated absences for the year ended June 30, 2017:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017	Current Portion
Compensated absences	$ 19,572	$ 5,456	$ -	$ 25,028	$ 12,514

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure 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 SCHDTF.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions. Eligible employees and Security Public Library are required to contribute to the SCHDTF 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:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. §24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF	18.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Security Public Library is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Security Public Library were $68,135 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 Security Public Library reported a liability of $2,463,568 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 Security Public Library proportion of the net pension liability was based on Security Public Library contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the Security Public Library's proportion was 0.0082742618 percent, which was an increase of 0.0003371860 percent from its proportion measured as of December 31, 2015.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the Security Public Library recognized pension expense of $487,931. At June 30, 2017, the Security Public Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 30,798	$ 22
Changes of assumptions or other inputs	799,376	11,109
Net difference between projected and actual earnings on pension plan investments	82,377	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	45,507	4,631
Contributions subsequent to the measurement date	34,444	-
Total	$ 992,502	$ 15,762

$34,444 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	$ 378,612
2019	$ 377,573
2020	$ 185,289
2021	$ 822

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 – 10.10 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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 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 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disable retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 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 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

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

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 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%.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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 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 projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the Security Public Library 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 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 3,097,857	$ 2,463,568	$ 1,946,962

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

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

Funding policy. The Security Public Library is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Security Public Library are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015 the Security Public Library contributions to the HCTF were $3,781, $3,592, and $3,435, respectively, equal to their required contributions for each year.

NOTE 10 – DEFINED CONTRIBUTION PENSION PLAN

Plan Description. Employees of the Library who are members of the SCHDTF (see Note 8) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), and Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from other made to PERA. Title 24, Article 51, Part 14, of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS ($18,000 in the calendar years of 2016 and 2017). The contribution requirements for the Library are established under Title 24, Article 51, Section 1402, of the CRS, as amended. For the year ended June 30, 2015, 2016 and 2017, the 401(k) Plan member contributions from the Library were $4,901, $2,987, and $4,603 respectively.

NOTE 11 – RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to directors and subcontractors; and natural disasters. The Library purchases commercial liability insurance for some risks of loss. The remaining risks of loss are retained by the Library. There have been no significant claims that exceeded coverage in any of the past three years.

NOTE 12 – AMENDMENT TO COLORADO CONSTITUTION

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 requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The Library is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2017 there was a $24,310 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The Library believes it is in compliance with the requirements of the amendment. However, the Library has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTARY INFORMATION

SECURITY PUBLIC LIBRARY
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2017

	2013	2014	2015	2016
Library's proportion of the net pension liability (asset)	0.0078284165%	0.0078093771%	0.0079370758%	0.0082742618%
Library's proportionate share of the net pension liability (asset)	$ 998,512	$ 1,058,433	$ 1,213,920	$ 2,463,568
Library's covered payroll	$ 315,588	$ 327,157	$ 345,896	$ 371,364
Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	316.40%	323.52%	350.95%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

SECURITY PUBLIC LIBRARY
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2017

	2013	2014	2015	2016
Contractually required contribution	$ 49,011	$ 53,752	$ 59,944	$ 67,328
Contributions in relation to the contractually required contribution	(49,011)	(53,752)	(59,944)	(67,328)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Library's covered payroll	$ 315,588	$ 327,157	$ 345,896	$ 371,364
Contributions as a percentage of covered payroll	15.53%	16.43%	17.33%	18.13%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

SECURITY PUBLIC LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	$ 720,000	$ 720,000	$ 760,457	$ 40,457
Fines and Fees	17,000	17,000	18,025	1,025
Grant Income	-	22,209	22,209	-
Investment Income	700	700	3,671	2,971
Other	400	2,825	2,170	(655)
Total revenue	738,100	762,734	806,532	43,798
EXPENDITURES				
Salaries and Wages	382,000	382,000	379,629	2,371
Employee Benefits	77,000	79,000	81,692	(2,692)
Employee Insurance	36,000	36,000	35,141	859
Liability Insurance	6,000	4,000	3,634	366
Library Material - Books	31,000	32,500	30,758	1,742
Library Material - Audiovisual	17,000	18,000	13,725	4,275
Library Material - Software	36,000	33,500	33,377	123
Library Material - Continuations	29,000	29,000	28,889	111
Library Material - State Grant 2013	-	22,209	22,021	188
Subscriptions	3,500	3,500	3,141	359
Tuition Assistance	2,000	2,000	-	2,000
Supplies	23,000	23,000	23,939	(939)
Contract Services	12,500	12,000	11,353	647
Rent and Utilities	12,000	12,500	12,051	449
Equipment Maintenance	1,000	1,000	764	236
Courier	4,500	4,500	4,265	235
Travel and Workshops	6,000	6,000	5,621	379
ASCC	6,500	6,500	6,490	10
Capital Outlay	11,000	11,000	10,060	940
Admin Office Expenses	8,000	8,000	8,346	(346)
Miscellaneous	12,600	15,025	18,729	(3,704)
TABOR reserve	21,500	21,500	-	21,500
Contingency reserve	342,000	342,000	-	342,000
Total expenditures	1,080,100	1,104,734	733,625	371,109
Excess (deficiency) of revenues over expenditures	(342,000)	(342,000)	72,907	414,907
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(50,000)	(50,000)	(50,000)	-
Net change in fund balance	(392,000)	(392,000)	22,907	414,907
Fund balance - beginning	392,000	392,000	629,507	237,507
Fund balance - ending	$ -	$ -	$ 652,414	$ 652,414

See the accompanying Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

SECURITY PUBLIC LIBRARY
CAPITAL BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Local sources	$ 400	$ 3,680	$ 3,280
Total revenues	400	3,680	3,280
OTHER FINANCING SOURCES			
Transfers in	50,000	50,000	-
Net change in fund balance	50,400	53,680	3,280
Fund balance - beginning	373,000	373,872	872
Fund balance - ending	$ 423,400	$ 427,552	$ 4,152

See the accompanying Independent Auditors' Report.