



FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

COLORADO LIBRARY CONSORTIUM

Year Ended June 30, 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, 2018, 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, 2018 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.

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 10 and information on pages 44 through 49 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

February 1, 2019

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

As management of the Colorado Library Consortium (CLiC), we offer readers the following management summary documenting the financial condition, operational highlights, and activities of the organization for the year ending June 30, 2018. In the nearly 14 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 operational 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 have been 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. Effective June 30, 2018, CLiC also includes a proportionate share of the total OPEB (other postemployment benefit) liability of the LGDTF PERA in its statement of net position. This is a change in the accounting principle as required for the year ended June 30, 2018 and for all subsequent years, by the Government Accounting Standards Board (GASB) Statement No. 75. CLiC implemented GASB 75, accounting and financial reporting for postemployment benefits other than pensions, in fiscal year 2017. 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/inflows of resources. Capital assets, vacation payable, and pension and other postemployment liabilities 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.

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Required Financial Statements (continued)

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.

Analysis of Overall Financial Position and Operations

Implementation of GASB 75, mentioned above, requires the restatement of the opening balance in net position from amounts previously reported at June 30, 2017. The reconciliation follows:

Ending net position, June 30, 2017	\$ 36,706
Restatement:	
Proportionate share of net OPEB liability	(161,618)
Deferred outflows of resources	<u>5,331</u>
Ending net position, June 30, 2017, as restated	<u><u>\$(119,581)</u></u>

Condensed Statements of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current assets	\$ 2,608,624	\$ 2,715,829	\$ 2,576,915
Capital assets	<u>10,902</u>	<u>18,133</u>	<u>17,161</u>
Total assets	<u><u>\$ 2,619,526</u></u>	<u><u>\$ 2,733,962</u></u>	<u><u>\$ 2,594,076</u></u>
Deferred outflows of resource	<u>216,043</u>	<u>624,269</u>	<u>380,627</u>
Current liabilities	\$ 77,460	\$ 79,209	\$ 61,662
Unearned revenue	289,473	272,613	252,804
Member deposits	559,235	753,879	648,181
Other postemployment benefit liability	164,002	-	-
Pension liability	<u>1,808,233</u>	<u>2,192,769</u>	<u>1,562,622</u>
Total liabilities	<u><u>\$ 2,898,403</u></u>	<u><u>\$ 3,298,470</u></u>	<u><u>\$ 2,525,269</u></u>
Deferred inflows of resources	<u>354,221</u>	<u>23,055</u>	<u>109,803</u>
(Deficit) net position			
Invested in capital assets	\$ 10,902	\$ 18,133	\$ 17,161
Unrestricted	<u>(427,957)</u>	<u>18,573</u>	<u>322,470</u>
Total (deficit) net position	<u><u>\$ (417,055)</u></u>	<u><u>\$ 36,706</u></u>	<u><u>\$ 339,631</u></u>

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Analysis of Overall Financial Position and Operations (continued)

Net position may serve over time as one of several useful indicators of the organization's financial position. FY 2017-18 represents the first time CLiC's ending net position has been shown in a deficit position. The liabilities and deferred inflows of resources of the organization exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$417,055 (deficit net position). Overall the organization's net position decreased \$453,761 from the prior fiscal year. This decrease in overall financial position is a direct result of rising values for CLiC's proportionate share of the pension liability and Other Postemployment Benefit (OPEB) liability of the Local Government Division Trust Fund managed by Colorado PERA. Equivalent increases in net pension liability and OPEB liability are being experienced by every organization that participates in Colorado PERA; many of those organizations likewise see their ending net positions in a deficit position. These liabilities are classified and calculated based on anticipated liquidation either in the near-term or in the future.

Condensed Statements of Activities

	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>
Program revenue			
Courier income	\$ 823,257	\$ 753,352	\$ 716,980
Colorado Department of Education	1,000,000	1,000,000	1,000,000
Reimbursements	373,136	366,158	352,933
Workshops, coop fees, and miscellaneous	581,698	558,248	554,149
General revenue			
Interest income	<u>26,806</u>	<u>14,993</u>	<u>6,309</u>
Total revenue	2,804,897	2,692,751	2,630,371
Expenditures			
Payroll and benefits	1,641,731	1,648,720	1,159,094
Programs	1,298,675	1,190,492	1,240,090
Operational	154,734	148,079	181,236
Depreciation	<u>7,231</u>	<u>8,385</u>	<u>6,982</u>
Total expenditures	<u>3,102,371</u>	<u>2,995,676</u>	<u>2,587,402</u>
Change in net position	(297,474)	(302,925)	42,969
Beginning (deficit) net position, as restated for 2018	<u>(119,581)</u>	<u>339,631</u>	<u>296,662</u>
Ending (deficit) net position	<u>\$ (417,055)</u>	<u>\$ 36,706</u>	<u>\$ 339,631</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. Two additional staff members with more than six years of experience (respectively) continue to work at CLiC. Altogether, these individuals provide CLiC with relevant organizational memory as well as

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Analysis of Overall Financial Position and Operations (continued)

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 \$1.8 million in additional income through various services, programs and activities.

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) an estimated 16+ million dollars.

CLiC's statewide courier service continues to experience significant use by libraries. Material sorting and transportation exceeded projections, but as anticipated, still dropped to 2.51 million items. This reduction in utilization of the statewide system was the result of a significant change: the Flatirons Library Consortium's shift away from using the statewide courier system in favor of a dedicated delivery route and contract with a different carrier for building-to-building transport of FLC library material. As anticipated, this change was estimated to impact CLiC's revenues for FY18. Relative volume remains high across the system, in particular with suburban and urban libraries statewide. The result is additional high-volume fees paid by participating libraries. A three-year contract with American Courier was renegotiated at the end of FY17, which stabilizes and controls costs. 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 it is not a predictable source of revenue due to 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 serves more than 110 public, school, and academic libraries. 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.

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

Capital Assets

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Furniture and fixtures	\$ 82,850	\$ 82,850	\$ 73,493
Accumulated depreciation and amortization	<u>(71,948)</u>	<u>(64,717)</u>	<u>(56,332)</u>
Net capital assets	<u>\$ 10,902</u>	<u>\$ 18,133</u>	<u>\$ 17,161</u>

General Fund Budgetary Highlights

The CLiC board approved the original budget in June 2017, and a revised budget in October 2017. 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 completed, with 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. The new contract keeps prices low for libraries and maintains 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.

A third 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 is information under Required Financial Statements explaining that CLiC must record its proportionate share of the total pension and OPEB liabilities of PERA's Local Government Division Trust Fund. Both eligible employees

COLORADO LIBRARY CONSORTIUM
Management's Discussion and Analysis

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

and CLiC as employer are required to contribute to the retirement fund and the health care trust fund at rates set by Colorado statute. At fiscal year-end, those combined liabilities are nearly \$2M. Multiple factors contribute to the calculated liabilities as detailed in Notes H and J. While CLiC maintains reserve funds held at COLOTrust, that value is not large enough to cover the liabilities in the unlikely event that CLiC would cease as an organization (dissolution) and would be required to fund the pension and OPEB liabilities. The executive director previously has made the CLiC board aware of the evolving situation and discussions continue for long-term solutions. Passage and implementation of SB18-200 will further increase CLiC's financial liability in this category.

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, 2018

ASSETS	General Fund	Adjustments (Note C)	Statement of Net Position
Assets			
Cash & investments	\$ 1,923,151	\$ -	\$ 1,923,151
Cash restricted for member deposits	559,235	-	559,235
Trade accounts receivable (net of allowance of \$3,000)	43,760	-	43,760
Related party accounts receivable	72,536	-	72,536
Prepaid expenses	9,942	-	9,942
Capital assets, net	-	10,902	10,902
Total assets	\$ 2,608,624	\$ 10,902	\$ 2,619,526
DEFERRED OUTFLOWS OF RESOURCES			
	\$ -	\$ 216,043	\$ 216,043
LIABILITIES			
Liabilities			
Accrued payroll liabilities	\$ 17,760	\$ -	\$ 17,760
Vacation payable	-	59,700	59,700
Unearned revenue	289,473	-	289,473
Member deposits	559,235	-	559,235
Other postemployment benefit liability	-	164,002	164,002
Pension liability	-	1,808,233	1,808,233
Total liabilities	\$ 866,468	\$ 2,031,935	\$ 2,898,403
DEFERRED INFLOWS OF RESOURCES			
	\$ -	\$ 354,221	\$ 354,221
FUND BALANCE/(DEFICIT) NET POSITION			
Fund balance			
Nonspendable	\$ 9,942	\$ (9,942)	\$ -
Assigned	300,000	(300,000)	-
Unassigned	1,432,214	(1,432,214)	-
Total fund balance	1,742,156	(1,742,156)	-
Total liabilities, deferred inflows, and fund balance	\$ 2,608,624		
(Deficit) net position			
Net investment in capital assets		10,902	10,902
Unrestricted		(427,957)	(427,957)
Total (deficit) net position		\$ (417,055)	\$ (417,055)

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, 2018

	General Fund	Adjustments (Note C)	Statement of Activities
EXPENDITURES/EXPENSES			
Payroll, taxes, and benefits	\$ 1,281,360	\$ 360,371	\$ 1,641,731
Program and service expense			
AspenCat catalog	139,481	-	139,481
Consulting travel and lodging	45,221	-	45,221
Continuing education and workshops	56,979	-	56,979
Courier contract and expense	1,009,030	-	1,009,030
No Store expense	3,150	-	3,150
Other program expense	11,681	-	11,681
Software development and maintenance	3,544	-	3,544
Telecommunications and internet	29,589	-	29,589
Operational expense			
Audit, accounting, and legal	31,612	-	31,612
Capital outlay	3,874	-	3,874
Depreciation and amortization	-	7,231	7,231
Human resources	1,592	-	1,592
Insurance	7,063	-	7,063
IT support	16,885	-	16,885
Meeting administration	2,539	-	2,539
Other operational expense	8,956	-	8,956
Space cost	73,166	-	73,166
Supplies	9,047	-	9,047
Total expenditures/expenses	2,734,769	367,602	3,102,371
PROGRAM REVENUE			
State appropriation	1,000,000	-	1,000,000
Administrative fees	191,271	-	191,271
AspenCat catalog	167,270	-	167,270
Colorado State Library reimbursements	373,136	-	373,136
Courier income	823,257	-	823,257
Continuing education and workshops	21,460	-	21,460
Cooperative projects, net	180,667	-	180,667
No Store income	21,030	-	21,030
Total program revenue	2,778,091	-	2,778,091
Net program revenue	43,322	(367,602)	(324,280)
GENERAL REVENUE			
Interest income	26,806	-	26,806
Excess expenditures over revenues/ change in net position	70,128	(367,602)	(297,474)
FUND BALANCE/(DEFICIT) NET POSITION			
AS RESTATED, BEGINNING OF YEAR	1,672,028	(1,791,609)	(119,581)
END OF YEAR	\$ 1,742,156	\$ (2,159,211)	\$ (417,055)

The accompanying notes are an integral part of this statement.

COLORADO LIBRARY CONSORTIUM
Statement of Net Position - Agency Fund
June 30, 2018

ASSETS	
Cash & investments	\$ 555,900
Total assets	\$ 555,900
LIABILITIES	
Due to:	
CLEL (Early Literacy)	\$ 8,657
Collaborative Librarian	9,618
Colorado Academic Library Association	1,240
Colorado Library Card	10,590
Colorado State Library Services	100,677
Colorado Virtual Library	45,077
Common Cents for CO	1,020
COSLL (School Librarians)	(18)
Flatirons Library Consortium	269,026
ILL Conference	9,652
Innovation Conference	1,014
LRS General Account	13,765
RIPL Research	80,289
Southwest Days	2,051
Special Populations	1,468
SPELL	1,113
State Publication	661
Total liabilities	\$ 555,900

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 454 (432 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 Statement 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, 2018. 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 shares of the Public Employee Retirement Association (PERA) pension liability and other postemployment benefit (OPEB) liability and include:

- net differences between projected and actual earnings on investments,
- changes in assumptions or other inputs,
- changes in proportion and differences between pension and OPEB contributions recognized and the proportionate share of pension and OPEB benefit contributions,
- and pension and OPEB contributions subsequent to the measurement date of December 31, 2017.

Please see Notes H and J. 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 shares of the PERA pension and OPEB liabilities and include:

- net differences between expected and actual earnings on investments,
- changes of assumptions or other inputs,
- changes in proportion and differences between pension and OPEB contributions recognized and the proportionate share of pension and OPEB benefit contributions.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note A - Summary of Significant Accounting Policies (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Please see Notes H and J. No deferred inflows of resources affect the general fund balance sheet in the current year.

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 2017 through September 2018, so one fourth of CLiC's courier revenue receipts are unearned at June 30, 2018.

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 administrative fees. 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 \$415,931 and expense of \$373,136 during the year. See Note N.

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 Balance and Net Position

Fund Balance. The fund financial statements report the fund balance, which represents the difference between current assets and current liabilities. Fund balances are reported in classifications based on CLiC's budgeting constraints for the purpose of what amount can be spent. In accordance with GASB Statement 54, CLiC's presentation for governmental funds reports the following classifications 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 Balance and Net Position (continued)

Fund Balance (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 \$9,942 for prepaid expenses. There is no fund balance defined as either committed or restricted.

Net Position. The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted. CLiC has no restricted net position due to grantors or laws at this time.

Unrestricted net position has a deficit balance which is entirely due to its proportional share of the Public Employees Retirement Association (PERA) pension and other postemployment benefit liabilities owed to its employees when they retire. See Notes H and J.

Note B - Cash Deposits and Investments

As of June 30, 2018, cash and investments are classified as follows:

Statement of net position: governmental fund	
Cash & investments	\$ 1,923,151
Cash restricted for member deposits	<u>559,235</u>
	2,482,386
Statement of net position: agency fund	
Cash & investments	<u>555,900</u>
Total cash and investments	<u>\$ 3,038,286</u>

Cash and investments as of June 30, 2018, consist of the following:

Deposits with financial institutions	\$ 1,288,685
Deposits in transit	382
Investments with Colotrust	<u>1,749,219</u>
Total cash and investments	<u>\$ 3,038,286</u>

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note B - Cash Deposits and Investments (continued)

Deposits

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

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA, which allows the institution to create a single collateral pool for all public funds. The market value of the collateral must be at least 102% of the aggregate uninsured public deposits. The pool is to be maintained by another institution or held in trust for 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 \$3,038,286 at June 30, 2018. 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. Separate COLOTRUST financial statements can be obtained by calling (303) 864-7474 or going to colotruster.com. At June 30, 2018, CLiC had \$1,749,219 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 following reconciling items:

- net book value of capital assets
- net position invested in capital assets
- liability for employees' earned, unused vacation
- CLiC's allocated share of the net pension and OPEB liabilities of the LGDTF of PERA
- deferred outflows/inflows of resources related to CLiC's proportionate share of LGDTF pension and OPEB activity

These items are all 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 the following reconciling items:

- depreciation expense
- capitalized equipment
- accrued compensation expense for employee's earned, unused vacation
- expense adjustments related to CLiC's proportionate share of LGDTF pension and OBEB activity
- 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, 2017	Additions	Deletions	June 30, 2018
Equipment	\$55,493	\$ -	\$ -	\$55,493
Software	27,357	-	-	27,357
Accumulated depreciation	(47,414)	(3,259)	-	(50,673)
Accumulated amortization	(17,303)	(3,972)	-	(21,275)
Capital assets, net	\$18,133	\$ (7,231)	\$ -	\$ 10,902

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 \$67,951 for the year ended June 30, 2018. 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 N.

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 payment under the leases as of June 30, 2018 is as follows:

<u>Operating Lease</u>	
Years Ended June 30,	
2019	<u>\$ 64,658</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 \$82,030 with additional charges for excess stops and fuel surcharges. Annual expense is \$1,009,030 reported as 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, 2018 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/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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the LGDTF for financial reporting purposes be measured using the plan provisions in effect as of the LGDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200, with the exception of the section titled *Changes between measurement date of the net pension liability and June 30, 2018*.

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 as of December 31, 2017. 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 or

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Benefits provided as of December 31, 2017 (continued).

- 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 or
- \$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 and 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.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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 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.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Benefits provided as of December 31, 2017 (continued).

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.

Contribution provisions as of June 30, 2018. Eligible employees and Colorado Library Consortium are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	<u>Rates</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 \$127,018 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows/Deferred Inflows of Resources Related to Pensions. At June 30, 2018 the Colorado Library Consortium reported a liability of \$1,808,234 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Colorado Library Consortium proportion of the net pension liability was based on Colorado Library Consortium contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

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

At December 31, 2017, the Colorado Library Consortium proportion was 0.162 percent, which was an increase of 0.0001 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Colorado Library Consortium recognized pension expense of \$486,635. At June 30, 2018, the Colorado Library Consortium reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 113,121	\$ -
Changes of assumptions	19,102	-
Net difference between projected and actual earnings on pension plan investments	-	351,477
Changes in proportion and differences between contributions recognized and proportionate share of contributions	12,934	-
Contributions subsequent to the measurement date	<u>63,381</u>	<u>-</u>
	<u>\$ 208,538</u>	<u>\$ 351,477</u>

Deferred outflows of resources related to pensions and reported as \$63,381, result from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ 94,941
2020	\$ (43,110)
2021	\$(127,823)
2022	\$(130,328)
2023	\$ -
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, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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

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

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Actuarial assumptions (continued).

frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

As of the most recent adoption of the 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>	

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%.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

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:

- 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 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.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Discount rate (continued).

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. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Colorado Library Consortium proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$2,879,931	\$1,808,234	\$914,821

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.

Payables to the pension plan.

Changes between measurement date of the net pension liability and June 30, 2018.

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

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

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note H - Defined Benefit Pension Plan (continued)

Payables to the pension plan(continued).

Changes between measurement date of the net pension liability and June 30, 2018 (continued).

- Member contributions, employer contributions, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At June 30, 2018, the Colorado Library Consortium reported a liability of \$1,808,234 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the Colorado Library Consortium proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 1,275,828

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, 2018, program members contributed \$20,506 for the Voluntary Investment Program.

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan

Summary of Significant Accounting Policies

OPEB. CLiC contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows/inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Description. Eligible employees of the Colorado Library Consortium are provided with OPEB through the HCTF - a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. 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.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

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

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

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

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

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

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

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

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Part 4 of the CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Colorado Library Consortium is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Colorado Library Consortium were \$10,217 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB. At June 30, 2018, the Colorado Library Consortium reported a liability of \$164,002 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Colorado Library Consortium proportion of the net OPEB liability was based on Colorado Library Consortium contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Colorado Library Consortium proportion was 0.0126 percent, which was an increase of 0.0002 from its proportion measured as of December 31, 2016.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (continued).

For the year ended June 30, 2018, the Colorado Library Consortium recognized OPEB expense of \$13,171. At June 30, 2018, the Colorado Library Consortium reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 776	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,744
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,631	-
Contributions subsequent to the measurement date	5,098	-
	\$ 7,505	\$ 2,744

Deferred outflows of resources related to OPEB reported as \$5,098, result from contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ (213)
2020	\$ (213)
2021	\$ (213)
2022	\$ (213)
2023	\$ 473
Thereafter	\$ 42

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

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

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 percent, in aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually increasing to 4.25 percent in 2023
DPS benefit structure	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

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

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

Actuarial assumptions (continued).

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

	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024	5.00%	4.25%

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

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on 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.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

Actuarial assumptions (continued).

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

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

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

Actuarial assumptions (continued).

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

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

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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>	

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%.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

Sensitivity of the Colorado Library Consortium proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$159,489	\$164,002	\$169,436

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

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

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note J - Defined Benefit Other Postemployment Benefit (OPEB) Plan (continued)

Sensitivity of the Colorado Library Consortium proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 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 OPEB liability	\$184,839	\$164,002	\$146,600

OPEB plan fiduciary net position. Detailed information about the HCTF’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 K - Disaggregation of Deferred Outflows/Inflows of Resources

Deferred outflows of resources as reported in the statement of net position consist of the following items:

Deferred outflows of resources related to pension plan	\$208,538
Deferred outflows of resources related to OPEB plan	<u>7,505</u>
Deferred outflows from all sources	<u>\$216,043</u>

Deferred inflows of resources as reported in the statement of position consist of the following items:

Deferred inflows of resources related to pension plan	\$351,477
Deferred inflows of resources related to OPEB plan	<u>2,744</u>
Deferred inflows from all sources	<u>\$354,221</u>

Please see notes H and J for additional information on deferred outflows/inflows.

Note L - 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.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note M - 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 N - 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 \$72,536 from Colorado State Library. CLiC recognized revenue of \$415,931, including reimbursements and administrative fees, and expense of \$373,136 during the year ended June 30, 2018 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.

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 \$100,677 for CSL Services and \$45,077 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 \$107,227 including reimbursements and administrative fees, and expense of \$97,272 during the year ended June 30, 2018. The amount in agency cash at June 30, 2018 is \$269,026. 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 \$37,372, including reimbursements and administrative fees, and expense of \$33,692 during the year ended June 30, 2018. The amount in agency cash at June 30, 2018 is \$80,289.

COLORADO LIBRARY CONSORTIUM
Notes to the Basic Financial Statements

Note O - Prior Period Adjustment

Implementation of GASB Statement No. 75, as discussed in Notes A and J, requires the restatement of the opening balance in net position from amounts previously reported in the statement of net position and governmental fund balance sheet as of June 30, 2017. The restatement is necessary to record CLiC's proportionate share of the OPEB liability of the Local Government Division Trust Fund as of December 31, 2016 and the deferred outflows of resources for pension contributions after December 31, 2016 and prior to CLiC's previous year end of June 30, 2017. A reconciliation of the previously reported net position to the restated net position is as follows:

Ending net position, June 30, 2017	\$ 36,706
Restatements:	
Proportionate share of net OPEB liability	(161,618)
Deferred outflows of resources for OPEB contributions after December 31, 2016	<u>5,331</u>
Ending net position, June 30, 2017, as restated	<u>\$ (119,581)</u>

Required Supplementary Information

COLORADO LIBRARY CONSORTIUM
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
BUDGETARY FUND BALANCE,				
JULY 1, 2017	\$ 1,672,028	\$ 1,672,028	\$ 1,672,028	\$ -
REVENUES				
State appropriation	1,000,000	1,000,000	1,000,000	-
Administrative fees	29,000	29,000	42,795	13,795
AspenCat catalog	147,000	147,000	167,270	20,270
Courier income	815,000	902,000	823,257	(78,743)
Continuing education and workshops	20,000	20,000	21,460	1,460
Cooperative projects, net	107,000	113,000	180,667	67,667
Reimbursements	352,000	352,000	373,136	21,136
No Store and other income	122,300	122,300	135,814	13,514
Interest income	10,000	10,000	26,806	16,806
Total revenues and available resources	4,274,328	4,367,328	4,443,233	75,905
EXPENDITURES				
Payroll, taxes, and benefits	\$ 1,381,200	\$ 1,381,200	\$ 1,247,668	\$ 133,532
Program and service expense				
AspenCat catalog	110,000	120,000	139,481	(19,481)
Consulting travel and lodging	58,000	58,000	45,221	12,779
Continuing education and workshops	56,000	56,000	56,979	(979)
Courier contract and expense	968,000	988,000	1,009,030	(21,030)
No Store expense	6,000	6,000	3,150	2,850
Other program expense	8,600	11,500	11,681	(181)
Software development and maintenance	3,000	3,000	3,544	(544)
Telecommunications and internet	16,000	16,000	29,589	(13,589)
Operational expense				
Audit, accounting, and legal	23,700	27,700	31,612	(3,912)
Capital outlay	9,000	9,000	3,874	5,126
Other operational expense	26,300	34,300	37,036	(2,736)
Space cost	68,400	68,400	73,166	(4,766)
Supplies	13,000	13,000	9,046	3,954
Total expenditures	2,747,200	2,792,100	2,701,077	91,023
BUDGETARY FUND BALANCE,				
JUNE 30, 2018	\$ 1,527,128	\$ 1,575,228	\$ 1,742,156	\$ 166,928

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 Four Calendar Years

	Years ended December 31,			
	2017	2016	2015	2014
CLiC's proportion of the net pension liability	0.162%	0.162%	0.142%	0.159%
CLiC's proportionate share of the net pension liability	\$ 1,808,234	\$ 2,192,769	\$ 1,562,622	\$ 1,426,364
CLiC's covered-employee payroll	\$ 1,024,501	\$ 984,265	\$ 805,619	\$ 872,003
CLiC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	176.50%	222.78%	193.97%	163.57%
Plan fiduciary net position as a percentage of the total pension liability	79.40%	73.65%	76.87%	80.70%

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

Please see Note H of the notes to the financial statements for additional information related to this schedule.

COLORADO LIBRARY CONSORTIUM
Schedule of Pension Contributions
Last Four Fiscal Years

	Years ended June 30,			
	2018	2017	2016	2015
Contractually required contribution	\$ 127,018	\$ 130,160	\$ 111,408	\$ 108,450
Contributions in relation to the contractually required contribution	<u>127,018</u>	<u>130,160</u>	<u>111,408</u>	<u>108,450</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CLiC's covered employee payroll	\$ 1,001,716	\$ 1,026,498	\$ 878,612	\$ 855,284
Contributions as a percentage of covered-employee payroll	12.68%	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.

Please see Note H of the notes to the financial statements for additional information related to this schedule.

COLORADO LIBRARY CONSORTIUM
Schedule of Proportionate Share of the Net OPEB Liability
Calendar Year Ended December 31

	2017
CLiC's proportion of the net OPEB liability	13.00 %
CLiC's proportionate share of the net OPEB liability	\$ 164,002
CLiC's covered-employee payroll	\$ 1,024,501
CLiC's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.00 %
Plan fiduciary net position as a percentage of the total OPEB liability	17.50 %

Note: Information is not available prior to 2017. In future reports, additional years will be added until 10 years of historical data are presented.

Please see Note J of the notes to the financial statements for additional information related to this schedule.

COLORADO LIBRARY CONSORTIUM
Schedule of OPEB Contributions
Fiscal Year Ended June 30

	2018
Contractually required contribution	\$ 10,217
Contributions in relation to the contractually required contribution	<u>10,217</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
CLiC's covered employee payroll	\$ 1,001,716
Contributions as a percentage of covered-employee payroll	1.02 %

Note: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented.

Please see Note J of the notes to the financial statements for additional information related to 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 20, 2017 and amended on October 10, 2017.

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	\$4,443,233
Add Grant reimbursements	33,692
Deduct Beginning fund balance	(1,672,028)
Interest income	<u>(26,806)</u>
Total program revenue, general fund	2,778,091
Expenditures, budgetary basis	(2,701,077)
Add Reimbursed expenses for grant	<u>(33,692)</u>
Total expenditures/expenses, general fund	<u>(2,734,769)</u>
Net program revenue, general fund	43,332
General revenue, general fund	<u>26,806</u>
Excess expenditures over revenue, general fund	70,128
Beginning fund balance, general fund	<u>1,672,028</u>
Ending fund balance, general fund	<u>\$1,742,156</u>