

SECURITY PUBLIC LIBRARY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2018

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Office of the State Auditor

October 30, 2018

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JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Security Public Library

We have audited the accompanying financial statements of the governmental activities and each major fund of Security Public Library, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Security Public Library, as of June 30, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, effective July 1, 2017, the School adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

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

Other Information

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

Hoelting & Company Inc.

Colorado Springs, Colorado
October 26, 2018

**SECURITY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

As management of Security Public Library (the Library) we offer readers of the Library's annual financial report this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of the Library exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$732,451 (*net position*).
- The Library's total net position decreased by \$471,713. This change is comprised of a \$412,667 change in net position and a prior period adjustment related to the adoption of GASB 75.
- As of the close of the current fiscal year, the general fund reported an ending fund balance of \$700,278, an increase of \$47,864 from the prior year. Approximately ninety-six percent of this total amount, \$674,658, is available for spending at the District's discretion (*unassigned*).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Library's financial position. In the case of the Library, total liabilities exceeded assets by \$732,451 as of June 30, 2018 resulting in a negative net position balance.

Condensed Statement of Net Position

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 1,223,449	\$ 1,114,628
Capital assets	<u>154,600</u>	<u>162,448</u>
Total assets	<u>1,378,049</u>	<u>1,277,076</u>
Deferred outflows of resources	<u>804,894</u>	<u>992,502</u>
Long-term liabilities	2,761,391	2,476,082
Other liabilities	<u>40,836</u>	<u>38,472</u>
Total liabilities	<u>2,802,226</u>	<u>2,514,554</u>
Deferred inflows of resources	<u>113,168</u>	<u>15,762</u>
Net position		
Investment in capital assets	154,600	162,448
Restricted	25,620	24,310
Unrestricted	<u>(912,671)</u>	<u>(447,496)</u>
Total net position	<u>\$ (732,451)</u>	<u>\$ (260,738)</u>

Condensed Statement of Activities

	<u>2018</u>	<u>2017</u>
Revenues:		
General revenues:		
Property and other taxes	\$ 809,583	\$ 760,980
Investment income	14,303	7,351
Other income	200	2,170
Program Revenue:		
Charges for services	17,978	18,025
Operating grants and contributions	<u>13,143</u>	<u>22,209</u>
Total revenues	<u>855,207</u>	<u>810,735</u>
Expenses:		
General administration	475,470	422,231
Library services	<u>792,404</u>	<u>740,835</u>
Total expenses	<u>1,126,874</u>	<u>1,163,066</u>
Change in net position	(412,667)	(352,331)
Net position, beginning, as restated	<u>(319,784)</u>	<u>91,593</u>
Net position, ending	<u>\$ (732,451)</u>	<u>\$ (260,738)</u>

ANALYSIS OF THE LIBRARY'S FUNDS

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

The general fund is the operating fund of the Library. The fund balance for the general fund was a surplus of \$700,278 at the end of the current fiscal year.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	<u>2018</u>	<u>2017</u>
Buildings	\$ 191,937	\$ 191,937
Furniture and equipment	85,913	88,211
Accumulated depreciation	<u>(123,250)</u>	<u>(117,700)</u>
Total capital assets, net	<u>\$ 154,600</u>	<u>\$ 162,448</u>

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

Long-Term Debt

At June 30, 2018 the Library had no long-term debt.

ECONOMIC FACTORS AND NET YEAR'S BUDGET

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**SECURITY PUBLIC LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Cash and cash equivalents	\$ 1,194,892
Property taxes receivable	27,842
Other receivables	715
Capital assets, net	154,600
Total assets	1,378,049

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	802,432
Deferred OPEB outflows	2,462
Total deferred outflows of resources	804,894

LIABILITIES

Accounts payable	14,701
Accrued salaries & benefits	13,582
Compensated absences	12,553
Long-term liabilities	
Due in more than one year	
Compensated absences	12,554
Net pension liability	2,687,468
Net OPEB liability	61,369
Total liabilities	2,802,226

DEFERRED INFLOWS OF RESOURCES

Deferred pension inflows	112,141
Deferred OPEB inflows	1,027
Total deferred inflows of resources	113,168

NET POSITION

Investment in capital assets	154,600
Restricted	25,620
Unrestricted	(912,671)
Total net position	\$ (732,451)

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

**SECURITY PUBLIC LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General administration	\$ 475,470	\$ -	\$ -	\$ -	\$ (475,470)
Library services	792,404	17,978	13,143	-	(761,283)
Total governmental activities	\$ 1,267,874	\$ 17,978	\$ 13,143	\$ -	(1,236,753)
General revenues:					
Property taxes					718,458
Specific ownership taxes					91,125
Investment income					14,303
Other					200
Total general revenues					824,086
Change in net position					(412,667)
Net position, beginning, as restated (deficit)					(319,784)
Net position, ending (deficit)					\$ (732,451)

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

**SECURITY PUBLIC LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Capital Building Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 709,981	\$ 484,911	\$ 1,194,892
Property taxes receivable	27,843	-	27,843
Other receivables	715	-	715
Total assets	<u>\$ 738,539</u>	<u>\$ 484,911</u>	<u>\$ 1,223,450</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 14,701	\$ -	\$ 14,701
Accrued salaries & benefits	13,582	-	13,582
Total liabilities	<u>28,283</u>	<u>-</u>	<u>28,283</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	9,978	-	9,978
Total deferred inflows of resources	<u>9,978</u>	<u>-</u>	<u>9,978</u>
FUND BALANCES			
Restricted for:			
Emergencies	25,620	-	25,620
Assigned for:			
Capital projects	-	484,911	484,911
Unassigned	674,658	-	674,658
Total fund balance	<u>700,278</u>	<u>484,911</u>	<u>1,185,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 738,539</u>	<u>\$ 484,911</u>	<u>\$ 1,223,450</u>

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

**SECURITY PUBLIC LIBRARY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total Fund Balance of Governmental Funds		\$ 1,185,189
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		154,600
Unavailable revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		9,978
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.		
Pension outflows	\$ 802,432	
OPEB outflows	2,462	804,894
Compensated absences are liabilities that are not due and payable in the current period and therefore are not reported at the fund level; however, they are reported on the government-wide statement of net position.		(25,107)
Net Pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension liability	\$ (2,687,468)	
Net OPEB liability	(61,369)	(2,748,837)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.		
Pension inflows	\$ (112,141)	
OPEB inflows	(1,027)	(113,168)
Net Position of Governmental Activities		<u>\$ (732,451)</u>

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

SECURITY PUBLIC LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Capital Building Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 846,573	\$ 7,359	\$ 853,932
Total revenues	<u>846,573</u>	<u>7,359</u>	<u>853,932</u>
EXPENDITURES			
General administration	254,722	-	254,722
Library services	493,987	-	493,987
Total expenditures	<u>748,709</u>	<u>-</u>	<u>748,709</u>
Excess (deficiency) of revenues over expenditures	<u>97,864</u>	<u>7,359</u>	<u>105,223</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	50,000	50,000
Transfers out	(50,000)	-	(50,000)
Total other financing sources (uses)	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	47,864	57,359	105,223
Fund balances - beginning	<u>652,414</u>	<u>427,552</u>	<u>1,079,966</u>
Fund balances - ending	<u><u>\$ 700,278</u></u>	<u><u>\$ 484,911</u></u>	<u><u>\$ 1,185,189</u></u>

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

**SECURITY PUBLIC LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

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

Net Change in Fund Balances - Total Governmental Funds		\$ 105,223
Governmental funds report capital outlay as expenditures, but in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital Outlay	7,569	
Depreciation Expense	<u>(14,924)</u>	(7,355)
The net effect of the disposal of capital assets is to reduce net position.		
		(493)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		1,275
Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts earned during the year.		
		(79)
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Pension expenses	(510,349)	
OPEB expenses	<u>(889)</u>	<u>(511,238)</u>
Change in Net Position - Statement of Activities		<u><u>\$ (412,667)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

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

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Library reports the following major governmental funds:

- The *General Fund* is the general operating fund of the Library, used for all financial resources except those required to be accounted for in another fund.
- The *Capital Building Fund* (a Capital Projects fund type) accounts for financial resources to be used for the purpose of constructing all major capital improvement projects of the Library other than special assessment and enterprise projects.

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

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

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

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

Cash and cash equivalents

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

Capital Assets

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

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

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

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

Security Public Library participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF'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 the measurement date of the net pension liability and June 30, 2018*.

Health Care Trust Fund

Security Public Library participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred 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.

Deferred outflows/inflows of resources

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

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

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Net position flow assumption

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

Fund balance classification

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

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

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

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

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

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

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

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

Property Taxes

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

Compensated Absences

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

G. ESTIMATES

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

H. ADOPTION OF NEW ACCOUNTING STANDARDS

The School implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB)*, effective July 1, 2017. This Statement establishes standards of accounting and financial reporting for defined benefit Health Care Trust funds provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Net Position, June 30, 2017, as Originally Stated	\$ (260,738)
Adjustment to fund balance	<u>(59,046)</u>
Net Position, June 30, 2017, as Restated (deficit)	<u>\$ (319,784)</u>

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

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

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

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

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

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

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

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – DEPOSITS AND INVESTMENTS

DEPOSITS

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

All of the bank balances were covered by FDIC insurance.

INVESTMENTS

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

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

State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk. At June 30, 2018, the Library does not have a formal investment policy other than following Colorado Revised Statutes (CRS).

At June 30, 2018 the Library's investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
ColoTrust	Less than 60 days	<u>\$ 1,171,119</u>

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

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 – INTERFUND BALANCES

Interfund balances at June 30, 2018, are as follows and represent amounts transferred between funds for normal operating costs:

	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ -	\$ 50,000
Capital Building	50,000	-
Total	<u>\$ 50,000</u>	<u>\$ 50,000</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
Buildings	\$ 191,937	\$ -	\$ -	\$ 191,937
Furniture, Fixtures and Equipment	<u>88,211</u>	<u>7,569</u>	<u>(9,867)</u>	<u>85,913</u>
Total Capital Assets	280,148	7,569	-	277,850
Less: Accumulated Depreciation	<u>(117,700)</u>	<u>(14,924)</u>	<u>9,374</u>	<u>(123,250)</u>
Capital Assets, Net	<u>\$ 162,448</u>	<u>\$ (7,355)</u>	<u>\$ (493)</u>	<u>\$ 154,600</u>

Depreciation expense was charged to functions/programs as follows:

Library services	<u>\$ 14,924</u>
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NOTE 6 – COMPENSATED ABSENCES

Compensated absences are liquidated by the General Fund. The following is a summary of changes in compensated absences for the year ended June 30, 2018:

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>	<u>Current Portion</u>
Compensated absences	<u>\$ 25,028</u>	<u>\$ 79</u>	<u>\$ -</u>	<u>\$ 25,107</u>	<u>\$ 12,553</u>

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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

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

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 SCHDTF.

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer contribution rate ¹	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	5.50%
Total employer contribution rate to the SCHDTF¹	18.63%	19.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Security Public Library is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Security Public Library were \$73,262 for the year ended June 30, 2018.

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

At June 30, 2018, the Security Public Library reported a liability of \$2,687,468 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF 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 Security Public Library proportion of the net pension liability was based on Security Public Library contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the Security Public Library's proportion was 0.0083109560 percent, which was an increase of 0.0000366942 from its proportion measured as of December 31, 2016.

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2018, the Security Public Library recognized pension expense of \$583,609. At June 30, 2018, the Security Public Library 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	\$ 49,411	\$ -
Changes of assumptions or other inputs	686,210	4,355
Net difference between projected and actual earnings on pension plan investments	-	105,539
Changes in proportion and differences between contributions recognized and proportionate share of contributions	29,651	2,247
Contributions subsequent to the measurement date	37,160	-
Total	\$ 802,432	\$ 112,141

\$37,160 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Year ended June 30, 2018:	
2019	\$ 441,488
2020	\$ 248,398
2021	\$ 2,949
2022	\$ (39,704)
2023	\$ -
Thereafter	\$ -

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension 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 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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 SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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:

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

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

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount rate. The discount rate used to measure the total pension liability was 4.78 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.

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the Security Public Library proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 3,394,729	\$ 2,687,468	\$ 2,111,131

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

Changes between the 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.

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 employer contribution rates by 0.25 percent on July 1, 2019.
- 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).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- 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.
- Member contributions, employer contributions, the direct distribution from the state, 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.

At June 30, 2018, the Security Public Library reported a liability of \$2,687,468 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 4.78%. For comparative purposes, the following schedule presents an estimate of what the Security Public Library proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF 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%	\$ 1,214,175

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$1,254,527 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Health Care Trust Fund

Plan description. Eligible employees of the Security Public Library are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. 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. 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.

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., 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 Security Public Library is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Security Public Library were \$3,958 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Security Public Library reported a liability of \$61,369 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 Security Public Library proportion of the net OPEB liability was based on Security Public Library contributions to the HCTF for calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Security Public Library proportion was 0.0047221260 percent, which was an increase of 0.0000188847 from its proportion measured as of December 31, 2016.

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

For the year ended June 30, 2018, the Security Public Library recognized OPEB expense of \$4,846. At June 30, 2018, the Security Public Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 290	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,027
Changes in proportion and differences between contributions recognized and proportionate share of contributions	191	-
Contributions subsequent to the measurement date	1,981	N/A
Total	\$ 2,462	\$ 1,027

\$1,981 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, 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, 2018:	
2019	\$ (163)
2020	\$ (163)
2021	\$ (163)
2022	\$ (163)
2023	\$ 93
Thereafter	\$ 13

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT 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 OPEB 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 rising 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.

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(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:

Year	PERACare Medicare Plans	Medicare Part A Premiums
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 School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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.

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(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:

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

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

Sensitivity of the Security Public Library 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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
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	\$ 59,680	\$ 61,369	\$ 63,402

**SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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.

Sensitivity of the Security Public Library 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 68,998	\$ 61,369	\$ 54,857

SECURITY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

**NOTE 8 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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 9 – DEFINED CONTRIBUTION PENSION PLAN

Plan Description. Employees of the Library who are members of the SCHDTF (see Note 7) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), and Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from other made to PERA. Title 24, Article 51, Part 14, of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 in the calendar years of 2016-2018). The contribution requirements for the Library are established under Title 24, Article 51, Section 1402, of the CRS, as amended. For the year ended June 30, 2016, 2017 and 2018, the 401(k) Plan member contributions from the Library were \$2,987, \$4,603 and \$4,641 respectively.

NOTE 10 – RISK MANAGEMENT

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

NOTE 11 – AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The Library is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2018 there was a \$25,620 reservation of fund balance in the General Fund for the amendment.

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

REQUIRED SUPPLEMENTARY INFORMATION

SECURITY PUBLIC LIBRARY
SCHEDULE OF LIBRARY'S SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Library's proportion of the net pension liability (asset)	0.0083109560%	0.0082742618%	0.0079370758%	0.0078093771%	0.0078284165%
Library's proportionate share of the net pension liability (asset)	\$ 2,687,468	\$ 2,463,568	\$ 1,213,920	\$ 1,058,433	\$ 998,512
Library's covered payroll	\$ 383,375	\$ 371,364	\$ 345,896	\$ 327,157	\$ 315,588
Library's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

See the accompanying independent auditors' report.

SECURITY PUBLIC LIBRARY
SCHEDULE OF LIBRARY'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 71,423	\$ 67,328	\$ 59,944	\$ 53,752	\$ 49,011
Contributions in relation to the contractually required contribution	<u>(71,423)</u>	<u>(67,328)</u>	<u>(59,944)</u>	<u>(53,752)</u>	<u>(49,011)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 383,375	\$ 371,364	\$ 345,896	\$ 327,157	\$ 315,588
Contributions as a percentage of covered payroll	18.63%	18.13%	17.33%	16.43%	15.53%

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

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

See the accompanying independent auditors' report.

SECURITY PUBLIC LIBRARY
SCHEDULE OF LIBRARY'S SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018

	<u>2017</u>	<u>2016</u>
Library's proportion of the net OPEB liability (asset)	0.0047221260%	0.0047032413%
Library's proportionate share of the net OPEB liability (asset)	\$ 61,369	\$ 60,979
Library's covered payroll	\$ 383,365	\$ 371,368
Library's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	16.7%

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

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

See the accompanying independent auditors' report.

SECURITY PUBLIC LIBRARY
SCHEDULE OF LIBRARY'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2018

	2017	2016
Contractually required contribution	\$ 3,910	\$ 3,788
Contributions in relation to the contractually required contribution	(3,910)	(3,788)
Contribution deficiency (excess)	\$ -	\$ -
Library's covered payroll	\$ 383,365	\$ 371,368
Contributions as a percentage of covered payroll	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

**SECURITY PUBLIC LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES				
Taxes	\$ 730,000	\$ 775,000	\$ 808,309	\$ 33,309
Fines and Fees	19,000	19,000	17,978	(1,022)
Grant Income	-	-	13,143	13,143
Investment Income	3,000	3,000	6,943	3,943
Other	400	400	200	(200)
	<u>752,400</u>	<u>797,400</u>	<u>846,573</u>	<u>49,173</u>
EXPENDITURES				
Salaries and Wages	393,000	395,000	392,929	2,071
Employee Benefits	83,000	86,000	85,194	806
Employee Insurance	39,000	39,000	39,845	(845)
Liability Insurance	6,000	6,000	5,156	844
Library Material - Books	29,000	35,000	33,407	1,593
Library Material - Audiovisual	15,000	18,000	14,185	3,815
Library Material - Software	36,000	36,000	34,469	1,531
Library Material - Continuations	29,000	33,150	33,937	(787)
Library Material - State Grant 2018	-	15,000	13,446	1,554
Subscriptions	3,500	3,500	3,458	42
Tuition Assistance	2,000	2,000	2,000	-
Supplies	23,000	23,000	22,985	15
Contract Services	12,500	12,500	11,606	894
Rent and Utilities	12,000	12,000	10,844	1,156
Equipment Maintenance	1,000	1,000	2,454	(1,454)
Courier	5,300	7,500	6,796	704
Travel and Workshops	5,000	6,000	6,672	(672)
ASCC	5,500	5,500	5,250	250
Capital Outlay	11,000	11,000	1,202	9,798
Admin Office Expenses	8,000	9,000	6,477	2,523
Miscellaneous	14,100	20,000	16,397	3,603
TABOR reserve	21,500	23,250	-	23,250
Contingency reserve	616,474	616,081	-	616,081
	<u>1,370,874</u>	<u>1,415,481</u>	<u>748,709</u>	<u>666,772</u>
Excess (deficiency) of revenues over expenditures	(618,474)	(618,081)	97,864	715,945
OTHER FINANCING SOURCES (USES)				
Transfers In (Out)	(50,000)	(50,000)	(50,000)	-
Net change in fund balance	(668,474)	(668,081)	47,864	715,945
Fund balance - beginning	668,474	668,081	652,414	(15,667)
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,278</u>	<u>\$ 700,278</u>

See the accompanying Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

**SECURITY PUBLIC LIBRARY
CAPITAL BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Local sources	\$ 2,000	\$ 7,359	\$ 5,359
Total revenues	<u>2,000</u>	<u>7,359</u>	<u>5,359</u>
OTHER FINANCING SOURCES			
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	52,000	57,359	5,359
Fund balance - beginning	<u>427,552</u>	<u>427,552</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 479,552</u></u>	<u><u>\$ 484,911</u></u>	<u><u>\$ 5,359</u></u>

See the accompanying Independent Auditors' Report.