ELBERT COUNTY
LIBRARY DISTRICT
dba
PINES AND PLAINS LIBRARIES

FINANCIAL STATEMENTS

DECEMBER 31, 2018

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
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Management Discussion and Analysis

Our discussion and analysis of the Elbert County Library District *dba* Pines and Plains Libraries (the District) financial performance provides an overview of the District's financial activities for the year ended December 31, 2018. Please read it in conjunction with the District's financial statements.

Statement of Net Position and Statement of Activities – Governmental Activities

The Statement of Net Position includes all the District'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 District is improving or deteriorating.

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018 AND 2017

	2018	2017	Variance
ASSETS:			
Cash and investments	$ 834,209	$ 669,725	$ 164,484
Receivables, net	1,055,781	1,016,400	39,381
Prepaid expenses	5,335	4,911	424
Capital assets, net	1,843,531	1,890,276	(46,745)
Total Assets	$ 3,738,856	$ 3,581,312	$ 157,544
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related asset	98,647	210,910	(112,263)
Total Deferred Outflows of Resources	98,647	210,910	(112,263)
LIABILITIES:			
Accounts payable and accrued expenses	$ 17,190	$ 15,882	$ 1,308
Long-term liabilities:			
Due within one year	56,871	57,664	(793)
Due in more than one year	796,810	836,179	(39,369)
Net pension liability	672,536	769,094	(96,558)
Total Liabilities	1,543,407	1,678,819	(135,412)
DEFERRED INTFLOWS OF RESOURCES:			
Unearned revenue	-	6,000	(6,000)
Pension related liability	132,546	33,706	98,840
Property and specific ownership tax revenue	1,046,286	1,016,400	29,886
Total Deferred Inflows of Resources	1,178,832	1,056,106	122,726
NET POSITION:			
Investment in capital assets, net of related debt	1,007,352	1,016,118	(8,766)
Restricted	27,000	24,030	2,970
Unrestricted	80,911	17,149	63,762
Total Net Position	$ 1,115,263	$ 1,057,297	$ 57,966

From 2017 to 2018, the District's total net position increased by $57,966. Cash assets constituted much of this increase. Receivables, which are mostly tax revenue, went up by $39,381. Capital assets decreased by $46,745, which may be mostly attributable to depreciation. Total assets increased by $157,544. Due to issues at the state level, SOT assets in the amount of $17,906 were not collected until the second quarter of 2019.

Liabilities decreased by $135,412. PERA pension liabilities decreased by $96,558. As outlined in subsequent sections, the District cannot be held accountable for these liabilities, but standard government accounting practices dictate that these must be recorded as liabilities to the District. Long-term liabilities—such as those attributable to the Elizabeth Lease Purchase Option (LPO)—decreased by $39,369. In summary, it is administration's opinion that the net position growth from 2017 to 2018 is indicative of an improving financial position.

The Statement of Activities reports information about the District as a whole, showing how the District's net position changed during the most recent fiscal year. These statements are prepared on the accrual basis of accounting and reflect all the current year's revenues and expenses regardless of when cash is received or paid.

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017	Variance
Expenses:			
Operating	$ 818,248	$ 728,933	$ 89,315
Pension expense	111,638	84,979	26,659
Interest	31,364	32,705	(1,341)
Total Expenses	961,250	846,617	114,633
Program Revenues:			
Charges for services	6,868	6,211	657
Operating grants and contributions	8,837	20,057	(11,220)
Net program expense	(945,545)	(820,349)	(125,196)
General Revenues:			
Property taxes	892,892	764,253	128,639
Specific ownership taxes	164,296	148,342	15,954
Miscellaneous	168	270	(102)
Interest income	2,841	1,905	936
Total general revenues	1,060,197	914,770	145,427
Change in net position	114,652	94,421	20,231
Net position – beginning	1,057,297	962,876	94,421
Prior period adjustment	(56,686)	-	(56,686)
Net position - beginning adjusted	1,000,611	962,876	37,735
Net position – ending	$ 1,115,263	$ 1,057,297	$ 57,966

As shown in the table above, expenses increased by $114,633 overall from 2017 to 2018. Operating expenses increased by $89,315. Pension expenses increased by $26,659. These increases are mostly due to the creation of full-time “Leads” at three branches, as well as the replacement of all patron computers and improvement to activity funds. As the District makes progress toward paying-off the Elizabeth Lease Purchase Option, interest expenses have decreased. In 2018, interest expense went down by $1,341.

Program revenues in the District include charges for services such as fees for damaged items, copies, faxes, and meeting rooms, as well as grant monies. The district eliminated daily fines on late items in the last quarter of 2017. Total program revenues decreased by $10,563. The end of the grant cycle for “Growing Readers Together” and a lack of additional scholarship funds for “Career Online High School” were the most prevalent reasons for this decrease. Removing already-nominal late fees resulted in a warming effect on “charges for services.” Those revenues increased by $657. Administration believes that patrons opted to spend more of their monies on business services like fax, copies, and meeting room rental due to the fact that they did not have to pay fines.

General revenues increased by $145,527, with property tax revenue going up by $128,639 and SOT revenue going up by $15,954. These are the District’s primary sources of revenue. Other, much less significant sources of revenue increased as well.

As described in Note 5 to the financial statements, the District contributes to a cost-sharing multiple-employer defined benefit plan administered by the Public Employees’ Retirement Association (PERA). During 2018, the District continued reporting for PERA in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 67” (GASB 68), which requires employers to record their proportionate share of the plan’s net unfunded pension liability.

As a result of the adherence to GASB 68, the District recorded a net pension liability of $616,612 in addition to the related deferred outflows and inflows noted on the above statement of net position and more fully described in Note 5 to the financial statements. The District has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined benefit pension plan.

The governmental fund financial statements provide detailed information about the District’s general fund. Due to the fact the District does not operate business-type activities, the governmental fund financial statements closely mirror the Statement of Net Position and the Statement of Activities; the only differences being the method of accounting used to prepare the two different sets of financials. All of the District’s services are reported in the governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending.

These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Therefore, capital expenditures are reported as a current period expense and long term liabilities are recorded when currently payable, rather than when an obligation is incurred. As such, the amounts reported for 2018 in the governmental fund financial statements exclude capital assets, changes in liabilities for compensated absences, the lease payable and the adoption of GASB 68. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

As the balance sheet indicates, the fund balance grew by $179,095 from 2017 to 2018. The total asset increase listed on the balance sheet was $204,289.

Total liabilities increased by $1,308 during 2018. Most importantly, the fund grew by $179,095, with some cash restricted for required TABOR reserves. Fund growth indicates that we are meeting the strategic objectives to build reserves for the purpose of minimizing amounts owed for the Elizabeth facility lease purchase option (LPO). The District can still meet this objective very soon, while also working on other fiscal priorities.

BALANCE SHEETS - GOVERNMENTAL FUND
DECEMBER 31, 2018 AND 2017

	2018	2017	Variance
ASSETS:			
Cash and investments	$ 834,209	$ 669,725	$ 164,484
Receivables, net	1,055,781	1,016,400	39,381
Prepaid expenses	5,335	4,911	424
Total Assets	$ 1,895,325	$ 1,691,036	$ 204,289
LIABILITIES:			
Accounts payable and accrued expenses	$ 17,190	$ 15,882	$ 1,308
Total Liabilities	17,190	15,882	1,308
DEFERRED INFLOWS OF RESOURCES:			
Unearned revenue	-	6,000	(6,000)
Property and specific ownership tax revenue	1,046,286	1,016,400	29,886
Total Deferred Inflows of Resources	1,046,286	1,022,400	23,886
FUND BALANCE:			
Nonspendable	5,335	4,911	424
Restricted	27,000	24,030	2,970
Unassigned	799,514	623,813	175,701
Total Fund Balance	831,849	652,754	179,095
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,895,325	$ 1,691,036	$ 204,289

The Statement of Revenues, Expenditures, and Change in Fund Balance echoes much of the information covered in the explanations above. Operating costs increased by $159,780. Pension (PERA) expenses to the District increased by $5,873. Unique to this chart are the "Debt Service" amounts. The District continues to pay the Elizabeth facility LPO, with roughly the same amounts going to principle and interest. Program revenues are in proximal agreement with those discussed under comparison tables above, as are general revenues.

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017	Variance
Expenditures:			
Current:			
Operating	$ 773,686	$ 613,906	$ 159,780
Pension expense	53,779	47,906	5,873
Capital Outlay	-	65,899	(65,899)
Debt Service:			
Principle	37,979	36,638	1,341
Interest	31,364	32,705	(1,341)
Total Expenses	896,808	797,054	99,754
Program Revenues:			
Charges for services	6,868	6,211	657
Operating grants and contributions	8,837	20,057	(11,220)
Net program expense	(881,103)	(770,786)	(110,317)
General Revenues:			
Property taxes	892,892	764,253	128,639
Specific ownership taxes	164,296	148,342	15,954
Interest income	2,841	1,905	936
Miscellaneous income	168	270	(102)
Total general revenues	1,060,197	914,770	145,427
Net change in fund balance	179,094	143,984	35,110
Net position – beginning	652,754	508,770	143,984
Net position – ending	$ 831,848	$ 652,754	$ 179,094

Moving from Fiscally Reactive to Proactive

Since 2012, the District has been in a fiscally reactive mode. Coupled with the Great Recession, the previous administration's decision to acquire the Elizabeth Library building through a Lease Purchase Option (the equivalent of debt) resulted in a sharp decline in the general fund until 2014. The current administration and Board of Trustees acted to rectify this situation by enacting a number of austere measures that ultimately allowed the district to build reserves for the past four years. These savings included reducing the salary for, and the combination of, director and Simla manager positions, as well as the elimination of the district cataloger. Since 2015, the economy has recovered, new real estate developments have led to additional revenues, and administration has adhered to financial conservation (outlined by the Board's strategic imperative to "Maintain a sustainable fiscal structure"), and the District has managed to quickly build its general fund.

At the end of 2018, District reserves roughly equaled the amount owed on the Elizabeth Lease Purchase Option. This means the District will either be able to pay-down the LPO and reduce interest payments at the end of 2019, or pay-off the LPO completely very soon. In anticipation of this success, administration and the Board of Trustees will begin enacting new fiscally responsible, yet proactive measures in 2019 via a new strategic plan. One strategic goal speaks to this proactive approach: "Pines & Plains Libraries will work to develop and expand facilities that better meet the needs of existing and prospective users." Objectives, under this new goal, delineate a process for establishing a capital improvements fund, and an accompanying plan, for phased improvement of all current branches, as well as the potential acquisition of new facilities. The plan will hinge on utilizing reserves accrued in the capital improvements fund over time, as well as grants, to complete various expansion projects throughout the District. The District will endeavor to build reserves and augment facilities, while also developing our most important resource: People.

Advancing Services with People Power

In spite of necessary financial austerity measures since 2015, the administration has also managed to "increase service capacity" per another strategic goal. In 2017, administration added a Program and Outreach Coordinator (POC) position to address increasing demand for hands-on learning activities both in and out of our libraries. The consolidation, and subsequent funding, of two full-time (with benefits) regional POC positions has resulted in record attendance at library activities in 2018. Some of this success may also be attributed to a relatively large increase in budget line items which fund activities. More funding has led to better service capacity in other ways as well.

Funding for additional hours of operation in the Elizabeth, Kiowa, and Simla Libraries resulted in more visitations, circulations, Wi-Fi users, e-book downloads, computer users, and other key performance metrics for 2018, but that is only part of the story. With the support of Trustees via budgetary increases, administration created three new full-time, benefitted positions, which also enabled expansion of services. These new positions, known as the "Library Service Leads," assist branch managers in supervising staff, while also specializing in reader's advisory and research. In addition, the District requested and received addition budgetary funds that enabled us to super-charge patron computers through new and improved hardware, as well as through the acquisition of fiber-optic broadband internet service at all facilities. Increased usage has created the need for more dedicated staff.

In an effort to prevent attrition and provide incentive, management began consolidating work hours and, therefore, increasing the number of employees who qualify for basic sick and vacation benefits. Subsequently, benefits expenditures rose in 2018. With the board's approval, administration has also increased benefits line items to accommodate costs for more employees who qualify for medical and dental benefits in 2017 and 2018. Since 2016, the district has also gradually improved the compensation of front-lines staff, via starting pay and merit increases, in response to the incline of minimum wage required by Colorado Law. While all the above-mentioned measures are a start to improving and supporting the District workforce, substantial funds will need to be allotted toward more ambitious staff improvements, moving forward.

In 2019, administration will recommend that the director and Simla manager positions become separate once again. As staff structure, facilities, and operational demands for administration have gone up, so has the need for oversight and leadership beyond the time constraints of a part-time director. In turn, as the second-busiest branch in the district, the Simla Library requires a leader who can give its collection, facilities, budgets, and operations her full attention. This separation of positions will result in a branch manager salary line item increase of at least $40,000, as well as costs associated with benefits, in 2019 and beyond.

As demand for library services inevitably increases in the Elizabeth area, this community's library will also require more service staff hours. While staff pay has improved in the past few years, administration will need to improve it more substantially for Pines & Plains Libraries to attract and keep highly qualified workers at that location. The need to fund and obtain qualified employees, and also to retain them, will continuously compete with the need to increase service capacity—especially in Elizabeth.

Potentially Detrimental Economic Factors

As indicated above, Pines & Plains Libraries are effectively utilizing increased revenues to enhance service capacity, while also continually executing a sustainable financial model. The District anticipates increases in reserves for 2018. In turn, the principal sum of the Elizabeth Lease Purchase Option has been reduced and it is well within range of a total payoff by or before 2021, barring some potentially detrimental external economic factors as outlined below.

Colorado's economy continues to grow, especially in the metro area. Elizabeth's proximity to the metro area tends to attract resident commuters, making the northwestern parts of the county a "bedroom community." High density developers have set their sights on the area. Residential housing makes for revenue increases in the short-term. However, with residential growth outpacing commercial growth in Colorado, another potential statewide Gallagher Amendment reduction in the percentage of a given residence's property assessed is looming for 2019. Elbert County local governments—including the District—stand to lose a significant amount of revenue. These revenues are effectively lost in the long-term due to a legal requirement by the Colorado Taxpayer's Bill of Rights (TABOR) for government to seek a mill levy increase by popular vote. Therefore, in order to retain the level of revenues received prior to a Gallagher adjustment, the District would need to put a tax "increase" on the ballot. Elbert County is both rural and residence-heavy. These two factors mean that the District may experience an even more significant Gallagher reduction impact than libraries in urban areas.

The nation and state economies have historically experienced boom and bust cycles. If either or both economies enter into a recession, the District will likely experience a reduction in property and SOT revenues as well. Taking Gallagher and TABOR into consideration, the District may experience a revenue reduction no matter the state of the economy. Therefore, in a time of population and property assessment growth in Elbert County, the District may have less fiscal resources with which to serve more people and businesses. Regardless, the District will continue to innovate and increase efficiencies, while also increasing service capacity to the greatest extent possible. Elbert County is close enough to both the Denver and Colorado Springs areas that residential developments may offset the negative, ratcheting-down effects of Gallagher and TABOR as discussed above.

Through planning, responsible governance, and effective administration, Pines & Plains Libraries has established a firm financial foundation on which facilities improvements can be built. Since 2015, the District has improved many services to the public, despite the need for fiscal austerity. Financial challenges, via the economy and onerous state measures out of our control, may arise in the near future. However, as has been shown for the latter half of the 2010s, we will continue to surmount those challenges.

Sincerely,

Tim Miller
Executive Director, Pines & Plains Libraries

Traci L. May, CPA
Lenae A. Jackson, CPA
Lori K. Hendrick, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Elbert County Library District *dba* Pines & Plains Libraries

We have audited the accompanying financial statements of the governmental activities and major fund of the Elbert County Library District *dba* Pines & Plains Libraries, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express 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 from 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 major fund of the Elbert County Library District *dba* Pines & Plains Libraries, as of December 31, 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.

18801 E. Mainstreet, Suite 240, Parker, CO 80134 ● (303) 841-4220 ●Fax (303) 841-7393

Emphasis of Matter

As described in Note 1 to the financial statements, in the year ended December 31, 2018, Elbert County Library District *dba* Pines & Plains Libraries 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 budgetary comparison, 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.

May Jackson Hendrick, LLC

Parker, Colorado
April 24, 2019

18801 E. Mainstreet, Suite 240, Parker, CO 80134 ● (303) 841-4220 ●Fax (303) 841-7393

BASIC FINANCIAL STATEMENTS

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES

BALANCE SHEET - GOVERNMENTAL FUND/
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		
	General - Governmental Fund	Adjustments	Statement of Net Position - Governmental Activities
ASSETS:			
Cash	$ 834,209	$ -	$ 834,209
Accounts receivable	15,495	-	15,495
Property and specific ownership taxes receivable, net of allowance for uncollectible accounts of $18,141	1,040,286	-	1,040,286
Prepaid expenses and other assets	5,335	-	5,335
Capital assets not being depreciated	-	362,467	362,467
Capital assets net of accumulated depreciation	-	1,481,064	1,481,064
Total Assets	$ 1,895,325	$ 1,843,531	$ 3,738,856
DEFERRED OUTFLOWS OF RESOURCES:			
Pension and other post employment benefits related assets	-	98,647	98,647
Total Deferred Outflows of Resources	-	98,647	98,647
LIABILITIES:			
Accrued salaries and payroll taxes	$ 17,190	$ -	$ 17,190
Long-term liabilities:			
Due within one year	-	56,871	56,871
Due in more than one year	-	796,810	796,810
Net pension and other post employment benefits liability	-	672,536	672,536
Total Liabilities	17,190	1,526,217	1,543,407
DEFERRED INFLOWS OF RESOURCES:			
Pension and other post employement benefits related liability	-	132,546	132,546
Property and specific ownership tax revenue	1,046,286	-	1,046,286
Total Deferred Inflows of Resources	1,046,286	132,546	1,178,832
FUND BALANCE/NET POSITION:			
Fund Balance			
Nonspendable fund balance	5,335	(5,335)	-
Restricted fund balance	27,000	(27,000)	-
Unassigned fund balance	799,514	(799,514)	-
Total Fund Balance	831,849	(831,849)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,895,325		
Net Position			
Investment in capital assets		1,007,352	1,007,352
Restricted		27,000	27,000
Unrestricted		80,911	80,911
Total Net Position		$ 1,115,263	$ 1,115,263

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND/ STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Primary Government		
	General - Governmental Fund	Adjustments	Statement of Activities - Governmental Activities
Expenditures/Expenses:			
Current			
Operating	$ 773,686	$ 44,562	$ 818,248
Pension and other post employment benefits expense	53,779	57,859	111,638
Capital Outlay	-	-	-
Debt Service			
Principle	37,979	(37,979)	-
Interest expense	31,364	-	31,364
Total Expenses	896,808	64,443	961,251
Program Revenues:			
Operating grants and contributions	8,837	-	8,837
Charges for services	6,868	-	6,868
Total Program Revenues	15,705	-	15,705
Net Program Expenses	(881,103)	(64,443)	(945,545)
General Revenues:			
Property taxes	892,892	-	892,892
Specific ownership taxes	164,296	-	164,296
Interest income	2,841	-	2,841
Miscellaneous income	168	-	168
Total General Revenues	1,060,197	-	1,060,197
Net change in fund balance	179,095	(179,095)	
Change in net position		114,652	114,652
Fund Balance/Net Position			
Beginning of year	652,754	404,543	1,057,297
Prior period adjustment	-	(56,686)	(56,686)
Beginning of year - adjusted	652,754	347,857	1,000,611
End of year	$ 831,849	$ 283,414	$ 1,115,263

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2018

Total fund balance - general fund		$ 831,849
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.		
Capital assets	2,645,076	
Accumulated depreciation	(801,545)	1,843,531
Pension liability is not due and payable in the current period and therefore are not reported in the governmental fund.		
Pension related deferred outflows	98,647	
Pension related deferred inflows	(132,546)	
Pension liability	(672,536)	(706,435)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund.		(17,502)
Some liabilities, including capital leases, are not reported in the governmental fund.		(836,179)
Net position of governmental activities		$ 1,115,263

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

Net change in fund balance - general fund		$ 179,095
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount by which capital outlays exceeded depreciation.		
Capital asset additions	-	
Depreciation	(45,456)	(45,456)
Pension liability does not require use of current financial resources and therefore is not reported as expenditures in the governmental fund.		(57,859)
Compensated absences in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.		894
Some liabilities, including capital leases, are not reported in the governmental fun.		37,979
Change in net position of governmental activities		$ 114,652

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Elbert County Library District (the District) was established in 2000 as a library district to provide library services within Elbert County, Colorado. A five-member Board of Trustees, initially appointed by the Elbert County Board of Commissioners and now appointed upon the recommendation of the Elbert County Library District Board of Trustees and ratified by the Board of Commissioners, governs the District.

The District maintains libraries in Kiowa, Elizabeth and Simla, Colorado. In addition, the District provides joint library services in Elbert, Colorado at the Elbert School.

Financial Reporting Entity

All activities of the District are included in the financial statements. The District does not have any component units over which it exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the District (as distinct from legal relationships).

Basis of Presentation

The basic financial statements are presented in a combined format for both the fund and government-wide level. These include the balance sheet – governmental fund / statement of net position and the statement of revenues, expenditures and change in fund balance – governmental fund / statement of activities.

Governmental Fund Financial Statements: Governmental fund financial statements are organized into three major categories: governmental, proprietary and fiduciary; the District has no proprietary or fiduciary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues and expenditures. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered a major fund if it is the primary operating fund. The general fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. The District utilizes the general fund exclusively of which it is charged with all costs of operating the District due to the fact a separate fund has not been established.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements: The Statement of Net Position and Statement of Activities display information about the reporting government as a whole and include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities; the District has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

Measurement Focus and Basis of Accounting
Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus:
In the governmental fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- Current Financial Resources - Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund uses a fund balance as the measure of available spendable financial resources at the end of the period.

- Economic Resources - The accounting objectives of this measurement focus are the determination of operating income, changes in fund balance (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

- The agency fund is not involved in the measurement of results of operations; therefore, measurement focus is not applicable to it.

In the government-wide financial statements, governmental activities are presented using the economic resources measurement focus as defined above.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting:
In the governmental fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

In the government-wide financial statements, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Assets, Liabilities and Fund Balance/Net Position
Cash and Investments:
Colorado Revised Statutes (CRS) authorize the District to invest in certain obligations of the U.S. Treasury and U.S. agencies, commercial paper, repurchase agreements, local government investment pools and other specific investments.

The District limits its exposure to credit risk, which is the risk of loss due to the failure of the security issuer or backer, by diversifying the investment portfolio so that potential losses on individual securities will be minimized and by limiting investments to specific credit ratings.

Furthermore, District funds may only be deposited in banks that are members of the Federal Deposit Insurance Corporation (FDIC) or have been designated by the State Banking Board as an eligible public depository under the Colorado Public Deposit Protection Act (PDPA). Under the provisions of PDPA, amounts on deposit in excess of federal insurance levels must be collateralized by the depository using securities with a market value of 102% of the aggregate uninsured deposits. The State Regulatory Commission for banks and financial services is required by statute to qualify eligible PDPA depositories, limit the types of securities that can be used for collateral and monitor the reporting of uninsured deposits and assets maintained in the collateral pools.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable:
Accounts receivable consist of special ownership tax revenues earned at year-end and not yet received due to difficulties encountered with a software upgrade conducted state-wide by the State of Colorado.

Property Taxes Receivables:
Property tax receivables are net of an allowance for uncollectable accounts. Property values are assessed and a lien placed on the property as of January 1. Property taxes are levied no later than December 22. Taxes are payable in the following year, either in full by April 30, or in two equal payments due February 28 and June 15. Property taxes levied in the current year and payable in the following year are reported as a receivable and deferred inflows of resources at December 31. Revenue is recognized upon collection; therefore, in the following year the receivable is recorded.

Prepaids:
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental fund and government-wide financial statements.

Capital Assets:
The accounting treatment over capital assets, which include land, buildings, furniture, equipment and library materials, depends on whether the assets are reported in the governmental fund or government-wide financial statements.

Governmental Fund Financial Statements: In the governmental fund financial statements, capital assets are expensed when purchased.

Government-wide Financial Statements: In the government-wide financial statements, capital assets with an initial, individual cost of $5,000 or more (except library material which are capitalized regardless of cost) and an estimated useful life of more than one year, are recorded at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Maintenance, repairs and minor renewals are charged as expenditures when incurred.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. Capital assets are depreciated over their estimated useful lives of five to forty years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue:
Grant funds received from grantors which are applicable to future accounting periods are recorded as unearned revenue in both the governmental fund and government-wide financial statements; these funds will be recognized as revenue in the year earmarked by the grantor.

Deferred Outflows of Resources:
In addition to assets, the Statement of Net Position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and will not be recognized as an outflow of resources until that period. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with the presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75).

Long-Term Debt:
The accounting treatment of long-term debt depends on whether it is reported in the governmental fund or government-wide financial statements.

Long-term debt for governmental funds is not reported as liabilities in the governmental fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of accrued compensated absences and a capital lease.

Compensated Absences:
The District's liability for compensated absences consists of accrued vacation, personal and sick time due to employees. The liability for compensated absences is reported in the government-wide financial statements when accrued and only recorded in the governmental fund financial statements when the amount is due to the employee, for example, when an employee takes vacation, personal or sick time, resigns or retires.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Other Post Employment Benefit (OPEB) Plan:
The District 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources:
In addition to liabilities, the Statement of Net Position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and will not be recognized as an inflow of resources until that period. The District has recognized deferred inflows of resources in the government-wide financial statements in accordance with the presentation requirements for property taxes, GASB 68 and GASB 75.

Fund Balance/Net Position:
The District reports fund balance and net position in accordance with the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement identifies fund balance categories to make the nature and extent of the constraints placed on a governmental entity's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints under GASB 54:

- Nonspendable – This classification represents all assets which are not expected to convert to cash (i.e. prepaid expenses).

- Restricted – This classification represents amounts constrained to specific purposes by external parties such as grantors, contributors or through constitutional provisions. Restricted fund balances also include revenues raised pursuant to legislations that restrict the use of funds to a specific purpose.

- Committed – This classification represents amounts constrained to specific purposes by the District's Board of Trustees. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board of Trustees takes action to remove or change the constraint. Fund balance commitments are established, modified or rescinded by the adoption of Board resolutions.

- Assigned – This classification represents amounts the District intends to use for a specific purpose. Intent can be expressed by either the District's Board of Trustees or by an official or body to which the Board delegates the authority.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance/Net Position (Continued):

- Unassigned/Unrestricted – This classification represents amounts that are available for any purpose.

- Investment in capital assets – This classification represents capital assets net of accumulated depreciation and related debt.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When amounts in multiple unrestricted fund balance classifications could be used, the District considers committed funds to be used first, then assigned and finally unassigned fund balances.

Adoption of New Accounting Standards:
The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* effective for fiscal years beginning after June 15, 2017. This Statement establishes standards of accounting and financial reporting for postemployment benefits other than pensions provided to the employees of state and local governmental employers through postemployment benefit plans that are administered through trusts or equivalent arrangements. As a result, net position at December 31, 2017, was restated to reflect the cumulative effect of adopting the standards.

NOTE 2 CASH

At December 31, 2018, the District had the following cash:

	Unrestricted	Restricted	Total
Cash and Investments:			
Cash	$ 807,209	$ 27,000	$ 834,209
Total Cash	$ 807,209	$ 27,000	$ 834,209

NOTE 3 CAPITAL ASSETS

During the year ended December 31, 2018, the District recorded depreciation expense of $111,789. Additionally, the District disposed of fully depreciated fixed assets no longer in use in the amount of $61,982.

Capital assets activity for the year was as follows:

	December 31, 2017	Additions	Deletions	December 31, 2018
Capital Assets Not Being Depreciated				
Land	$ 362,467	$ -	$ -	$ 362,467
Total Capital Assets Not Being Depreciated	362,467	-	-	362,467
Capital Assets Being Depreciated				
Buildings	1,905,246	-	-	1,905,246
Library materials	319,419	65,044	(61,982)	322,481
Computers	16,756	-	-	16,756
Furniture and fixtures	38,590	-	-	38,590
Total Capital Assets Being Depreciated	2,280,011	65,044	(61,982)	2,283,073
Accumulated Depreciation				
Buildings	(508,116)	(46,000)	-	(554,116)
Library materials	(190,032)	(64,496)	61,982	(192,546)
Computers	(15,463)	(1,293)	-	(16,756)
Furniture and fixtures	(38,591)	-	-	(38,591)
Total Accumulated Depreciation	(752,202)	(111,789)	61,982	(802,009)
Net Capital Assets Being Depreciated	1,527,809	(46,745)	-	1,481,064
Net Government-wide Capital Assets	$ 1,890,276	$ (46,745)	$ -	$ 1,843,531

NOTE 4 COMMITMENTS

Operating Lease Commitments:
In September 2017, the District entered into an operating lease for the Simla library facility; the lease is scheduled to expired in August 2027 and carries a $23,625 annual lease obligation ($1,969/month).

Total lease costs for the year ended December 31, 2018 were $23,625. Minimum future lease payments under the operating lease as of December 31, 2018 for each of the next five years and in the aggregate are:

Year ending December 31,:		
2019	$	23,625
2020		23,625
2021		23,625
2022		23,625
2023		23,625
Thereafter		86,627
Total	$	204,752

Capital Lease Commitments:
The District entered into an Amended and Restated Lease Purchase Agreement for the Elizabeth library facility in December 2014. The lease requires semi-annual principal and interest payments of $34,672 through June 2021 and one final balloon payment in December 2021 at which time the lease terminates.

Governmental Fund Financial Statements: In the governmental fund financial statements the asset and liability under the capital lease have not been recorded; instead the related lease payments are reported as expenditures when paid.

Total lease payments (principal and interest) for the year ended December 31, 2018 was $69,343.

Government-wide Financial Statements: In the government-wide financial statements, the lease has been treated as a capital lease and the related asset and liability has been recorded accordingly. Depreciation of the asset under the capital lease is included in depreciation expense for 2018.

NOTE 4 COMMITMENTS (Continued)

Capital Lease Commitments (Continued):
The following is a summary of the property held under the capital lease at December 31, 2018:

Elizabeth Library Facility	$ 1,325,597
Less: Accumulated Depreciation	303,756
Net Book Value	$ 1,021,841

Minimum future lease payments under the capital lease as of December 31, 2018 are as follows:

Year Ending December 31,	
2019	$ 69,343
2020	69,343
2021	783,040
Total Minimum Lease Payments	921,726
Less: Amount Representing Interest	85,548
Net Capital Lease Payments	$ 836,178
Due Within One Year	$ 39,368
Due In More Than One Year	796,810
Lease Payments – Total Principal	$ 836,178

Total interest expense for the year ended December 31, 2018 was $31,364.

Changes in the District's long-term obligations consisted of the following for the year ended December 31, 2018:

	December 31, 2017	Additions	Deletions	December 31, 2018
Governmental Activities:				
Compensated absences	$ 19,685	$ 28,024	$ (30,207)	$ 17,502
Capital lease	874,158	-	(37,980)	836,178
	$ 893,843	$ 28,024	$ (68,187)	$ 853,680

NOTE 5 DEFINED BENEFIT PENSION PLAN

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

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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 (COLAs), referred to as annual increases in the C.R.S. Benefits 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 Works (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 for the LGDTF.

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

Survivor benefits are determined by several factors, which include the amount of earned service credit, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of December 31, 2018: Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 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:

	Rates
Employer Contribution Rate	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	2.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	1.50%
Total Employer Contribution Rate to the LGDTF	12.68%

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

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contribution to the LGDTF. Employer contributions recognized by the LGDTF from the District were $44,361 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported a liability of $616,612 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2017, the District's proportion was .0553794564 percent, which was an increase of .0569555414 percent from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized pension expense of $107,413. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 261	$ 11,731
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	45,088	119,854
Contributions subsequent to the measurement date	49,800	-
Total	$ 95,149	$ 131,585

$49,800 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 December 31, 2019.

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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 December 31,	
2018	$ 10,882
2019	1,110
Total	$ 11,992

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

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

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

Healthy, post-retirement mortality assumptions reflect the RP-2014 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.

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the District proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 982,062	$ 616,612	$ 311,956

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

Changes between the measurement date of the net pension liability and December 31, 2018

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

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

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

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

- 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.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, in the Local Government Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the LGDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2018, the District reported a liability of $616,612 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 7.25%. For comparative purposes, the following schedule presents an estimate of what the District proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the LGDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the LGDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 616,612

NOTE 6 DEFINED CONTRIBUTION PENSION PLANS

Voluntary Investment Program

Plan Description: Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Plan, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 6 DEFINED CONTRIBUTION PENSION PLAN (Continued)

Funding Policy: The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not match any of the employee contributions. Employees are immediately vested in their own contributions and investment earnings. For the year ended December 31, 2018, program members contributed $3,000 to the Voluntary Investment Program.

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Plan description: Eligible employees of the District 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.

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

Contributions: Pursuant to Title 24, Article 51, 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 District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were $3,979 for the year ended December 31, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At December 31, 2018, the District reported a liability of $55,925 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 District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

At December 31, 2017, the District's proportion was .0043721088 percent, which was an increase from .0043032370 percent, its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the District recognized OPEB expense of $4,382. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ (745)	$ 25
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	264	936
Contributions subsequent to the measurement date	3,979	-
Total	$ 3,498	$ 961

$3,979 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 December 31, 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 December 31,:	
2019	$ 152
2020	152
2021	152
2022	152
2023	152
Thereafter	10
Total	$ 770

NOTE 7 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 agenda
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
PEARCare 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.

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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.

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.

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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.

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.

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

- 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.

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.

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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 District's 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	$ 54,386	$ 55,925	$ 57,778

NOTE 7 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.

NOTE 7 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

Sensitivity of the District's 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	$ 62,877	$ 55,925	$ 49,991

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 8 FUND BALANCE/NET POSITION

The District reports fund balance and net position in accordance with GASB 54. This statement redefines the elements of fund balances in governmental funds and more clearly describes the different types of governmental funds.

Governmental Fund Financial Statements:
Amounts reported as nonspendable fund balance at December 31, 2018 represents prepaid expenses in the amount of $5,335 which are considered nonspendable in form.

At December 31, 2018, the District had restricted fund balance of $27,000 which consists of emergency reserves required by Article X, Section 20 of the Colorado Constitution.

Government-wide Financial Statements:
Amounts report as net investment in capital assets of $1,007,352 represents the District's capital assets net of accumulated depreciation of $1,843,531 less the capital lease balance of $836,179.

Restricted fund balance of $27,000 represents emergency reserves required by Article X, Section 20 of the Colorado Constitution.

NOTE 9 RELATED ORGANIZATIONS

The Elbert County Libraries Foundation dba Pines & Plains Libraries Foundation (the Foundation): The Foundation was established in 2009 to aid, assist and support financially and otherwise the libraries of the Elbert County Library District *dba* Pines and Plains Libraries. Although the Foundation was created for the direct benefit of the District, the Foundation is not reported as a component unit due to the following:

- The District does not appoint or elect a majority of the Foundation's board of directors
- The District cannot impose its will on the Foundation by significantly influencing the program, projects, activities, or level of service performed by the Foundation
- The District does not have the ability to access the economic resources received by the Foundation
- The Foundation is not fiscally depended on the District
- The Foundation does not have a financial benefit or burden relationship with the District

During the year ended December 31, 2018, the District did not receive any contributions from the Foundation. Additional information regarding the Foundation can be obtained at www.eclf.info.

Elizabeth Friends of the Library, Kiowa Friends of the Library, Elbert Friends of the Library and Simla Friends of the Library (the Friends): The Friends are a group of volunteers organized in each respective library's community who exist to provide advocacy, volunteer support, fundraising and community involvement for each library branch.

Funds are raised from book sales, silent auctions and general donations. Funds are contributed to the District to aid in improving the facilities and services provided at each library branch.

During 2018, each library branch received an XBOX gaming system, accessories and games from each library branch's Friends of the Library in addition to other incidental in-kind contributions. The in-kind contributions have not been recorded in the financial statements. Nevertheless, the District recognizes the importance of and is grateful for the in-kind contributions and services provided by the Friends of the Library which contribute to the District's overall success.

NOTE 10 ELBERT LIBRARY AGREEMENT

In August 2004, the Elbert County Library District and the Elbert School District #200 (the School) entered into an agreement for shared library space. Under the agreement, the School provides space to the District for the operations of the Elbert Library (the Library).

The School's responsibilities include:

- Provide the District with adequate space for the Library
- Provide staffing for the Library during regularly scheduled school hours
- Provide adequate facilities and equipment to allow for shelving of Library materials, research and recreational activities of the Library and its programs, a computer circulation system, telephones and data lines for communication and computer equipment and a copier for the general use of Library patrons
- Provide access to the Library for those hours which are not regularly scheduled school hours but during which the Library has established public hours
- Provide year round maintenance, custodial care, snow removal and all other operational aspects of the facility
- Maintain appropriate insurance on the facility
- Permit its library collection to be incorporated into and circulated as a part of the Library's collection available to the general public

The District's responsibilities include:

- Furnish and make available the Library's collection as a part of the Library
- Provide staffing for the Library for those hours that are not regularly scheduled school hours
- Provide materials and equipment unique to its operation as a Library such as an outside book return for returns during non-public hours and signage directing patrons to the Library
- Maintain appropriate levels in insurance for its activities in the Library and for its materials that are incorporated as a part of the Library
- Be responsible for maintaining appropriate order and/or discipline in the Library during its non-school public hours
- Monitor patron activity during non-school public hours to keep patrons from accessing other parts of the school in which the Library is located but which are not part of the Library

The agreement automatically renews annually under the same terms and conditions as reflected in the agreement and any addendums at the time of renewal. Either party can terminate the agreement by giving written notice to the other party no later than March 1 of the year during which the termination is to occur.

NOTE 10 ELBERT LIBRARY AGREEMENT (CONTINUED)

In the event of termination of the agreement, all print and non-print material shall become the property of the School.

NOTE 11 TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

TABOR also requires emergency reserves to be established. These reserves must be at least 3% of fiscal year spending. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At December 31, 2018 there was a $27,000 restricted fund balance in the governmental fund financial statements and the same balance was reported in the government-wide financial statements as restricted, both for TABOR.

NOTE 12 MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 2018, and revenues and expenditures during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and natural disasters for which the District carries commercial and worker’s compensation insurance.

NOTE 14 CONCENTRATION OF CREDIT RISK

The District’s financial instruments that are exposed to concentrations of credit risk consist of cash and accounts receivable. The District places its cash with high credit quality institutions. The District routinely assesses the financial strength of its customers and, as a consequence, believes that its accounts receivable credit risk exposure is limited. At times, cash may be held in accounts in excess of the FDIC insurance limit of $250,000. At December 31, 2018, the District had funds held with one financial institution which exceeded the FDIC insurance limit by $17,350.

NOTE 15 EVALUATION OF SUBSEQUENT EVENTS

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 24, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	$ 869,000	$ 892,892	$ 23,892
Specific ownership taxes	130,000	164,296	34,296
Charges for services	4,575	6,868	2,293
Contributions and grants	7,700	8,837	1,137
Interest	2,100	2,841	741
Miscellaneous income	275	168	(107)
Total Revenues	1,013,650	1,075,903	62,253
Expenditures			
Salaries and benefits	556,616	559,524	(2,908)
Library materials	72,000	70,623	1,377
Facilities	60,400	56,032	4,368
Technology and support services	30,900	24,374	6,526
Programs and outreach	16,600	26,316	(9,716)
Administration	71,400	84,283	(12,883)
Interest expense	69,345	69,343	2
Contingency	1,000	6,314	(5,314)
Total Expenditures	878,261	896,808	(18,547)
Net Change in Fund Balance	135,389	179,095	43,706
Fund Balance, Beginning of Year	587,433	652,754	
Fund Balance, End of Year	$ 722,822	$ 831,849	

See the accompanying independent auditors' report.

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS
COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2018

	12/31/14	12/31/15	12/31/16	12/31/17
Proportionate Share of the Net Pension Liability				
District's Proportion of the Net Pension Liability	0.0717697929%	0.0615847508%	0.0569555414%	0.0553794564%
District's Proportionate Share of the Net Pension Liability	$ 643,279	$ 678,406	$ 769,094	$ 616,611
District's Covered Payroll	$ 393,267	$ 349,754	$ 345,222	$ 349,357
District's Proportionate Share of the Net Pension Liability as a Percentage Covered Payroll	163.57%	193.97%	222.78%	176.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.10%	76.90%	73.60%	79.37%
District Contributions				
Statutorily Required Contribution	$ 49,866	$ 44,349	$ 43,774	$ 44,298
Contributions in Relation to the Statutorily Required Contribution	49,866	44,349	43,774	44,298
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	393,267	349,754	345,222	349,357
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	12.68%	12.68%

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

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND CONTRIBUTIONS COLORADO PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION FOR THE YEAR ENDED DECEMBER 31, 2018

	12/31/17
Proportionate Share of the Net OPEB Liability	
District's Proportion of the Net OPEB Liability	0.0043032370%
District's Proportionate Share of the Net OPEB Liability	$ 55,925
District's Covered Payroll	$ 349,357
District's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
District Contributions	
Statutorily Required Contributions	$ 3,563
Contributions in Relation to the Statutorily Required Contribution	3,563
Contribution Deficiency (Excess)	$ -
District's Covered Payroll	$ 349,357
Contributions as a Percentage of Covered Payroll	1.02%

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