

EAST ROUTH LIBRARY DISTRICT

Financial Statements

December 31, 2016



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EAST ROUTT LIBRARY DISTRICT

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Independent Auditor's Report

The Board of Trustees
East Routt Library District
Routt County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Routt Library District (the District), as of and for the year ended December 31, 2016, 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 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, each major fund, and the aggregate remaining fund information of the East Routt Library District as of December 31, 2016, 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.

Report on Summarized Comparative Financial Information

We have previously audited the District's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2016. In our opinion, the summarized comparative financial information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-5 and the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget Actual on page 22 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on pages 23-24 are presented for purpose of additional analysis and are not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Steamboat Springs, Colorado
May 24, 2017

**East Routt Library District
Management's Discussion & Analysis
For the Year Ending December 31, 2016**

Overview of the Library

The East Routt Library District was established to provide public library services to the residents of Steamboat Springs and surrounding area. Public library services include but are not limited to:

- 1) Making available to our citizens a collection of print, non-print and digital materials for enrichment, education and entertainment.
- 2) Availability of public computer workstations & free wifi for public Internet access
- 3) Maintaining a current collection of reference materials for in-house research and study
- 4) Providing professional library staff to assist the public with their research and technology needs
- 5) Participation in state networks and resource sharing opportunities to expand the library's in-house collection through borrowing materials from other libraries world-wide
- 6) Free cultural and educational programs for children, teens and adults including story times, summer reading programs, reading group discussions, film showing, lectures, and other special events with an emphasis on books, literature and authors.
- 7) Reader advisory services (what's good to read)

The Library is governed under Colorado statute by a Board of Trustees appointed by joint resolution of the Routt County Commissioners, the Steamboat Springs RE-2 School Board and the Steamboat Springs City Council. The Library is managed by a Director hired by the Library Board who is responsible for the administration of all library services and programs. The Library Director prepares and administers the budget that is adopted by the Board annually in accordance Colorado statutory budget requirements.

Overview of Financial Statements

The District's basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements report on information of all of the nonfiduciary activities of the District. The District's primary activities are categorized as governmental activities.

The District reports financial transactions in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The focus of the fund reporting is on current available resources and budget compliance.

**East Routt Library District
Management's Discussion and Analysis (cont.)
Condensed Key Financial Information**

For the year ending December 31, 2016

	2016	2015
Current assets	\$ 8,981,126	\$ 8,589,282
Capital assets	\$ 13,231,813	\$ 13,681,774
Total assets	<u>\$ 22,212,939</u>	<u>\$ 22,271,056</u>
Deferred outflows of resources:		
Deferred bond refunding, net	<u>\$ 510,123</u>	<u>\$ 607,072</u>
Current liabilities	\$ 26,554	\$ 51,103
Noncurrent liabilities	\$ 7,057,093	\$ 7,782,481
Total liabilities	<u>\$ 7,083,647</u>	<u>\$ 7,833,584</u>
Deferred inflows of resources:		
Deferred property taxes	<u>\$ 2,958,600</u>	<u>\$ 2,967,400</u>
Net position:		
Invested in capital assets, net of debt	\$ 6,684,843	\$ 6,506,365
Reserves	\$ 5,995,972	\$ 5,570,779
Total net position	<u>\$ 12,680,815</u>	<u>\$ 12,077,144</u>
Program Revenue:		
Library operations	\$ 60,123	\$ 54,169
Grants & Contributions	\$ 28,146	\$ 26,450
Literary Sojourn operations	\$ 35,179	\$ 35,329
Literary Sojourn grants & contributions	\$ 60,510	\$ 61,402
Total program revenue	<u>\$ 183,958</u>	<u>\$ 177,350</u>
General Revenues		
Taxes	\$ 3,260,797	\$ 3,221,900
Investment earnings	\$ 44,475	\$ 19,761
Total general revenues	<u>\$ 3,305,272</u>	<u>\$ 3,241,661</u>
Total revenues	<u>\$ 3,489,230</u>	<u>\$ 3,419,011</u>
Program expenses:		
Library operations	\$ 2,571,604	\$ 2,586,014
Literary Sojourn	\$ 78,257	\$ 69,213
Interest on long term debt	\$ 235,698	\$ 257,897
Total Expenses - Library services	<u>\$ 2,885,559</u>	<u>\$ 2,913,124</u>
Change in net position	\$ 603,671	\$ 505,887
Net position, beginning of year	<u>\$ 12,077,144</u>	<u>\$ 11,571,257</u>
Net position, end of year	<u><u>\$ 12,680,815</u></u>	<u><u>\$ 12,077,144</u></u>

2016 Budgetary Highlights

The Library's primary revenue source is from taxes levied against property included within the East Routt Library District (Steamboat Springs RE-2 School District) boundaries. Property and Specific Ownership taxes received in 2016 totaled \$2,336,661 for general operating purposes and \$924,136 for Debt Service/repayment of General Obligation bonds for capital construction.

General Fund

The primary categories of expenditures in the general fund include personnel, library materials and resources and general operating or administrative expenses.

Personnel costs accounted for 49% of total general fund expenditures.

Library collections (books, video, recorded books, periodicals) accounted for 18% of total general fund expenditures.

Overall, expenditures in the General Fund were less than budgeted in all areas.

Debt Service Fund & Special Revenue Fund

A separate Debt Service Fund was established in 2006 for the purpose of recording of principal and interest payment on General Obligation Bonds issued in June 2006. A separate tax levy is certified annually for this long term debt. In 2013 the district refinanced its general obligation bond debt. The Series 2013 tax-exempt refunding bonds have an average interest rate of 1.91% and will be replacing the 2006 bonds that had an average interest rate of 4.56%. The low borrowing cost is attributed in part by the district's high investment grade rating of AA (Standard & Poor's), which reflects the district's sound financial management and strong property tax base.

The 24th annual Literary Sojourn: Steamboat Springs' Festival of Authors event was held September 17, 2016. Total revenues exceeded expenditures by \$18,346 due to a significant increase in contributions.

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EAST ROUTT LIBRARY DISTRICT
Statement of Net Position
December 31, 2016
(with summarized financial information as of December 31, 2015)

	2016 Governmental Activities	2015 Governmental Activities
	<u> </u>	<u> </u>
Assets:		
Cash and investments	\$ 5,983,949	\$ 5,593,295
Due from other governments	19,775	21,094
Accounts receivable	-	62
Prepaid expenses	18,802	7,431
Property taxes receivable	2,958,600	2,967,400
Capital assets, net	<u>13,231,813</u>	<u>13,681,774</u>
Total assets	<u>22,212,939</u>	<u>22,271,056</u>
Deferred outflows of resources:		
Deferred bond refunding, net	<u>510,123</u>	<u>607,072</u>
Total deferred outflows of resources	<u>510,123</u>	<u>607,072</u>
Liabilities:		
Accounts payable and accrued expenses	15,329	37,715
Accrued interest payable	11,225	13,388
Noncurrent liabilities:		
Due within one year	741,219	725,388
Due in more than one year	<u>6,315,874</u>	<u>7,057,093</u>
Total liabilities	<u>7,083,647</u>	<u>7,833,584</u>
Deferred inflows of resources:		
Deferred property taxes	<u>2,958,600</u>	<u>2,967,400</u>
Total deferred inflows of resources	<u>2,958,600</u>	<u>2,967,400</u>
Net position:		
Net investment in capital assets	6,684,843	6,506,365
Restricted for:		
TABOR	74,111	71,621
Debt service	454,355	416,598
Unrestricted	<u>5,467,506</u>	<u>5,082,560</u>
Total net position	<u>\$ 12,680,815</u>	<u>\$ 12,077,144</u>

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

EAST ROUTT LIBRARY DISTRICT
Statement of Activities
For the Year Ended December 31, 2016
(with summarized financial information for the year ended December 31, 2015)

Functions/Programs	2016				Net (Expense) Revenue and Change in Net Position	2015
	Expenses	Program Revenues		Capital Grants and Contributions		
		Charges for Services	Operating Grants and Contributions			
Governmental activities:						
Library operations	\$ 2,571,604	\$ 60,123	\$ 28,146	\$ -	\$ (2,483,335)	\$ (2,505,395)
Literary sojourn program	78,257	35,179	60,510	-	17,432	27,518
Interest on long-term debt	235,698	-	-	-	(235,698)	(257,897)
Total governmental activities	\$ 2,885,559	\$ 95,302	\$ 88,656	\$ -	(2,701,601)	(2,735,774)
General revenues:						
Taxes:						
General property					3,033,191	2,995,994
Specific ownership					227,606	225,906
Interest					44,475	19,761
Total general revenues					3,305,272	3,241,661
Change in net position					603,671	505,887
Net position, beginning of year					12,077,144	11,571,257
Net position, end of year					\$ 12,680,815	\$ 12,077,144

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

**EAST ROUTT LIBRARY DISTRICT
Governmental Funds
Balance Sheet
December 31, 2016**

(with summarized financial information as of December 31, 2015)

	2016			2015	
	General Fund	Debt Service Fund	Other Nonmajor Fund	Total Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 5,331,946	\$ 448,751	\$ 203,252	\$ 5,983,949	\$ 5,593,295
Due from other governments	14,171	5,604	-	19,775	21,094
Accounts receivable	-	-	-	-	62
Prepaid expenses	18,802	-	-	18,802	7,431
Property taxes receivable	2,119,800	838,800	-	2,958,600	2,967,400
Total assets	<u>\$ 7,484,719</u>	<u>\$ 1,293,155</u>	<u>\$ 203,252</u>	<u>\$ 8,981,126</u>	<u>\$ 8,589,282</u>
Liabilities, deferred inflows of resources, and fund balances:					
Liabilities:					
Accounts payable and accrued expenses	\$ 15,329	\$ -	\$ -	\$ 15,329	\$ 37,715
Total liabilities	<u>15,329</u>	<u>-</u>	<u>-</u>	<u>15,329</u>	<u>37,715</u>
Deferred inflows of resources:					
Deferred property taxes	2,119,800	838,800	-	2,958,600	2,967,400
Total deferred inflows of resources	<u>2,119,800</u>	<u>838,800</u>	<u>-</u>	<u>2,958,600</u>	<u>2,967,400</u>
Fund balances:					
Nonspendable	18,802	-	-	18,802	7,431
Restricted	74,111	454,355	-	528,466	488,219
Committed	181,728	-	203,252	384,980	360,134
Unassigned	5,074,949	-	-	5,074,949	4,728,383
Total fund balances	<u>5,349,590</u>	<u>454,355</u>	<u>203,252</u>	<u>6,007,197</u>	<u>5,584,167</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,484,719</u>	<u>\$ 1,293,155</u>	<u>\$ 203,252</u>	<u>\$ 8,981,126</u>	<u>\$ 8,589,282</u>

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

EAST ROUTH LIBRARY DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2016

Governmental funds total fund balance	\$	6,007,197
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 funds.		13,231,813
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
General obligation bonds payable		(6,735,000)
Bond issuance premiums		(322,093)
Deferred bond refunding		510,123
Accrued interest payable		(11,225)
		(6,578,095)
Governmental activities net position	\$	12,680,815

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

EAST ROUTT LIBRARY DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2016
(with summarized financial information for the year ended December 31, 2015)

	2016			2015	
	General Fund	Debt Service Fund	Other Nonmajor Fund	Total Governmental Funds	Total Governmental Funds
Revenues:					
Taxes:					
General property	\$ 2,173,584	\$ 859,607	\$ -	\$ 3,033,191	\$ 2,995,994
Specific ownership	163,077	64,529	-	227,606	225,906
Charges for services	60,123	-	35,179	95,302	89,498
Grants and contributions	28,146	-	60,510	88,656	87,852
Interest	37,501	6,060	914	44,475	19,761
Total revenues	<u>2,462,431</u>	<u>930,196</u>	<u>96,603</u>	<u>3,489,230</u>	<u>3,419,011</u>
Expenditures:					
Library operations:					
Personnel services	1,023,458	-	-	1,023,458	1,024,982
Library collections	380,217	-	-	380,217	396,100
Administrative	148,906	300	-	149,206	130,347
Computer services and supplies	163,076	-	-	163,076	155,857
Building maintenance and operation	297,362	-	-	297,362	315,832
Tax collection fees	65,336	25,839	-	91,175	90,049
Program expenditures	17,149	-	78,257	95,406	95,852
Debt service:					
Principal	-	645,000	-	645,000	620,000
Interest	-	221,300	-	221,300	246,188
Capital outlay	-	-	-	-	27,622
Total expenditures	<u>2,095,504</u>	<u>892,439</u>	<u>78,257</u>	<u>3,066,200</u>	<u>3,102,829</u>
Excess of revenues over expenditures	366,927	37,757	18,346	423,030	316,182
Fund balances, beginning of year	4,982,663	416,598	184,906	5,584,167	5,267,985
Fund balances, end of year	<u>\$ 5,349,590</u>	<u>\$ 454,355</u>	<u>\$ 203,252</u>	<u>\$ 6,007,197</u>	<u>\$ 5,584,167</u>

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

EAST ROUTT LIBRARY DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2016

Change in fund balances - governmental funds	\$	423,030
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay		-
Depreciation expense		(449,961)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effects of premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Principal repayments on general obligation debt		645,000
Amortization of deferred bond refunding		(96,949)
Amortization of bond premiums		80,388
Accrued interest payable		2,163
		2,163
Change in net position of governmental activities	\$	603,671

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

EAST ROUTT LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 1: Summary of Significant Accounting Policies

The East Routt Library District (the District) was incorporated in 1980 in Routt County, Colorado as a local government entity under Colorado Revised Statutes (CRS) to provide library facilities and programs to the City of Steamboat Springs and its surrounding areas.

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for the establishment of US GAAP in governmental entities. The following summary of the more significant accounting policies of the District is presented to assist the reader in interpreting these financial statements and should be viewed as an integral part of this report.

Reporting Entity

The reporting entity consists of (a) the primary government, i.e., the District, and (b) organizations for which the District is financially accountable. The District does not have any component units for which it is financially accountable.

Measurement Focus and Basis of Accounting

The government-wide financial statements use a flow of economic resources measurement focus to determine net income and financial position. The accounting principles used are similar to those applicable to businesses in the private sector and, thus, maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements use a current financial resources measurement focus and are maintained on the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues collected within 60 days after year end to be available and thus recognizes them as revenues in the current year.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial Statement Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about the nonfiduciary activities of the District. The District's primary activities are categorized as governmental activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are clearly identified with a specific program. Program revenues include (a) charges for services and (b) grants and contributions that are restricted for the operating or capital requirements of a specific program. All taxes and other revenues not meeting the criteria for classification as program revenues are reported as general revenues. These statements do not include interfund balances.

Fund Financial Statements

The fund financial statements report information about the District's funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for a mill levy restricted for principal and interest payments on the District's general obligation bonds.

EAST ROUTH LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 1: Summary of Significant Accounting Policies (continued)

Fund Balance Presentation

Fund balances of the governmental funds are classified as follows:

- Non-spendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
- Committed – includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the District. Such formal action may be in form of an ordinance or resolution and may only be modified or rescinded by a subsequent formal action.
- Assigned – includes amounts that are intended by the District to be used for specific purposes, but are neither restricted nor committed. Assignments may be made only by the Board of Trustees.
- Unassigned – represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Cash and Investments

The District’s cash includes cash on hand, demand deposits, and certificates of deposit. Investments are reported at fair value.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in the Colorado Government Liquid Trust (COLOTRUST), an external investment pool, are stated at share price which is substantially the same as fair value and are categorized as Level 1.

Capital Assets

Capital assets include property and equipment. Capital assets are defined by the District as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s estimated useful life are not capitalized.

The District’s library collection consisting of books, videos and other library materials is not capitalized. The collection is unencumbered, held for public exhibition and education, protected, and cared for by the District.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	40
Furniture and equipment	6-10
Computer equipment	3

EAST ROUTH LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position (continued)

Bond Premiums

Long-term liabilities include the applicable bond premium in the statement of net position. Bond premiums are amortized over the life of the bonds using the effective-interest method and reported as a component of interest expense in the statement of activities.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. The District's deferred outflows of resources consist solely of the deferred charge on bond refunding resulting from the difference in carrying value of refunded debt and its reacquisition price.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist solely of unavailable revenues from property taxes.

Property Taxes

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The Routt County Treasurer's office collects property taxes and remits collections to the District on a monthly basis. In accordance with US GAAP, the assessed but uncollected property taxes have been recorded as receivable and as deferred inflows of resources as property taxes are assessed in one year as a lien on the property, but not collected by the District until the subsequent year.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the District's audited financial statements for the year ended December 31, 2015, from which the summarized information was derived.

EAST ROUTH LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 1: Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

Effective January 1, 2016, the District adopted the provisions of the following GASB Statements:

- GASB Statement No. 72, "*Fair Value Measurement and Application*." The effect of this adoption is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, and enhancing disclosures about fair value measurements.
- GASB Statement No. 77, "*Tax Abatement Disclosures*." The effect of this adoption is to improve disclosure of tax abatement information about (1) the District's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the District's tax revenues. This Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens.

The District has not entered into any tax abatement agreements nor has any other government that reduces the District's tax revenues.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with US GAAP for all governmental funds.

The District conforms to the following procedures, in compliance with CRS, Title 29, Article 1, in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the Library Director submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Trustees to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Trustees.
- All appropriations lapse at the end of each fiscal year.

The District adopted the following supplemental appropriation for the year ended December 31, 2016:

- Debt Service Fund expenditure appropriations were increased by \$140 for the year ended December 31, 2016. The funds for the additional appropriation was available from property tax receipts collected in 2016.

Compliance

The District had no expenditures in excess of final appropriations for any fund for the year ended December 31, 2016.

EAST ROUNT LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 2: Stewardship, Compliance and Accountability

TABOR Amendment

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 tax spending, revenue and debt limitations that apply to the State of Colorado and all local governments, excluding enterprises. 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 any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has reserved \$74,111 of the December 31, 2016 General Fund balance for this purpose.

The District's voters passed a ballot question in November 1997 authorizing the District to collect, retain and spend all revenues and other funds collected in excess of fiscal year spending for every fiscal year thereafter.

Note 3: Detailed Notes on All Funds

Deposits

The carrying amount of the District's deposits at December 31, 2016 and 2015 was \$1,275,738 and \$1,278,846, respectively, and bank balances were \$1,348,722 and \$1,365,722, respectively. Of the bank balances, \$1,134,772 and \$1,354,917 at December 31, 2016 and 2015, respectively, was covered by federal deposit insurance and \$0 and \$10,805, respectively, was uninsured but collateralized in accordance with provisions of the Colorado Public Deposit Protection Act (PDPA).

The PDPA requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The collateral pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must equal or exceed 102% of the aggregate uninsured deposits.

EAST ROUTT LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 3: Detailed Notes on All Funds (continued)

Investments

At December 31, 2016 and 2015, the District had \$4,055,610 and \$4,314,068, respectively, invested in the COLOTRUST PLUS+ fund. COLOTRUST PLUS+ is a short-term money market fund organized in conformity with Part 7 of Article 75 of Title 24, CRS. The portfolio offers Colorado governmental entities a convenient and efficient means to pool their funds to take advantage of short-term investments and maximize net interest earnings. COLOTRUST PLUS+'s investment objective is to obtain as high a level of current income as is consistent with the preservation of capital and liquidity. The investment advisor for COLOTRUST PLUS+ is Public Trust Advisors LLC, (PTA), a Colorado-based investment adviser, registered with the SEC. The portfolio manager is responsible for making all of the investment decisions for the portfolio. Wells Fargo Bank, N.A. is custodian of the portfolio's securities and cash. COLOTRUST PLUS+ portfolio invests in U.S. Treasury securities, federal instrumentality securities, agency securities, repurchase agreements, tri-party repurchase agreements, collateralized bank deposits, the highest rated commercial paper, and highly-rated corporate bonds. The COLOTRUST PLUS+ fund holds a 'AAAm' rating by Standard and Poor's.

The District's investments are subject to interest rate risk, credit risk, and concentration of credit risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District currently invests only in investment pools which may be redeemed at any time.

Capital Assets

Capital asset activity for the year ended December 31, 2016 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 1,015,279	\$ -	\$ -	\$ 1,015,279
Other capital assets:				
Buildings and improvements	14,878,890	-	-	14,878,890
Furniture and equipment	984,518	-	-	984,518
Public art	127,652	-	-	127,652
Total other capital assets at cost	15,991,060	-	-	15,991,060
Less accumulated depreciation for:				
Buildings and improvements	(2,602,558)	(374,115)	-	(2,976,673)
Furniture and equipment	(722,007)	(75,846)	-	(797,853)
Total accumulated depreciation	(3,324,565)	(449,961)	-	(3,774,526)
Other capital assets, net	12,666,495	(449,961)	-	12,216,534
Governmental activities capital assets, net	<u>\$ 13,681,774</u>	<u>\$ (449,961)</u>	<u>\$ -</u>	<u>\$ 13,231,813</u>

EAST ROUTH LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 3: Detailed Notes on All Funds (continued)

Capital Assets (continued)

Capital asset activity for the year ended December 31, 2015 is summarized below:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 1,015,279	\$ -	\$ -	\$ 1,015,279
Other capital assets:				
Buildings and improvements	14,866,120	12,770	-	14,878,890
Furniture and equipment	969,666	14,852	-	984,518
Public art	127,652	-	-	127,652
Total other capital assets at cost	<u>15,963,438</u>	<u>27,622</u>	<u>-</u>	<u>15,991,060</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,229,721)	(372,837)	-	(2,602,558)
Furniture and equipment	(648,636)	(73,371)	-	(722,007)
Total accumulated depreciation	<u>(2,878,357)</u>	<u>(446,208)</u>	<u>-</u>	<u>(3,324,565)</u>
Other capital assets, net	<u>13,085,081</u>	<u>(418,586)</u>	<u>-</u>	<u>12,666,495</u>
Governmental activities capital assets, net	<u>\$ 14,100,360</u>	<u>\$ (418,586)</u>	<u>\$ -</u>	<u>\$ 13,681,774</u>

All depreciation expense was charged to library operations in the District's statement of activities.

Long-Term Liabilities

The District has the following long-term debt outstanding at December 31, 2016:

General Obligation Refunding Bonds Series 2013

The District issued \$6,940,000 General Obligation Refunding Bonds Series 2013 dated June 4, 2013 bearing interest ranging from 2% to 3%. The proceeds were used to advance refund \$6,530,000 of outstanding Series 2006 General Obligation Bonds. The net proceeds of \$7,444,742 (including premium and after payment of underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, a portion of the Series 2006 General Obligation Bonds is considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$855,599. This amount is being amortized over the remaining life of the refunding debt. The District advance refunded the Series 2006 General Obligation Bonds to reduce its total debt service payments over 13 years by \$474,068 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$426,625.

Principal is payable annually at December 1 while interest is payable in varying amounts, semi-annually at June 1 and December 1 through maturity on December 1, 2025.

EAST ROUTH LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016

(with summarized financial information as of and for the year ended December 31, 2015)

Note 3: Detailed Notes on All Funds (continued)

Long-Term Liabilities (continued)

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series 2013 refunding bonds	\$ 6,800,000	\$ -	\$ (65,000)	\$ 6,735,000	\$ 670,000
Series 2013 premium	397,309	-	(75,216)	322,093	71,219
Series 2006 bonds	580,000	-	(580,000)	-	-
Series 2006 premium	5,172	-	(5,172)	-	-
Total	\$ 7,782,481	\$ -	\$ (725,388)	\$ 7,057,093	\$ 741,219

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series 2013 refunding bonds	\$ 6,865,000	\$ -	\$ (65,000)	\$ 6,800,000	\$ 65,000
Series 2013 premium	476,678	-	(79,369)	397,309	75,216
Series 2006 bonds	1,135,000	-	(555,000)	580,000	580,000
Series 2006 premium	10,813	-	(5,641)	5,172	5,172
Total	\$ 8,487,491	\$ -	\$ (705,010)	\$ 7,782,481	\$ 725,388

Debt service requirements at December 31, 2016 were as follows:

	Principal	Interest	Total
2017	\$ 670,000	\$ 195,350	\$ 865,350
2018	685,000	181,950	866,950
2019	700,000	161,400	861,400
2020	720,000	140,400	860,400
2021	745,000	118,800	863,800
2022-2025	3,215,000	244,650	3,459,650
Total	\$ 6,735,000	\$ 1,042,550	\$ 7,777,550

EAST ROUTH LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 3: Detailed Notes on All Funds (continued)

Governmental Fund Balances

The District's governmental fund balances are classified as follows at December 31, 2016:

	General Fund	Debt Service Fund	Literary Sojourn Fund	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 18,802	\$ -	\$ -	\$ 18,802
Restricted for:				
Emergencies	74,111	-	-	74,111
Debt service	-	454,355	-	454,355
Committed for:				
Swanson Scholarship Fund	64,649	-	-	64,649
Gloria Gossard Fund	117,079	-	-	117,079
Literary sojourn event	-	-	203,252	203,252
Unassigned	5,074,949	-	-	5,074,949
Total fund balances	<u>\$ 5,349,590</u>	<u>\$ 454,355</u>	<u>\$ 203,252</u>	<u>\$ 6,007,197</u>

The District's fund balances are restricted for the following purposes:

- Emergency reserve required by TABOR
- Debt service funds for future payment of bond principal and interest

The District's fund balances are committed by formal board action for the following purposes:

- Swanson Scholarship Fund established from gifts to be used for scholarships.
- Gloria Gossard Fund established from gifts to be used however the board deems appropriate including, but not limited to scholarships.
- Literary Sojourn Fund for an annual festival of authors and readers celebrating the power of the book.

When expenditures are incurred and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

Note 4: Other Information

Employee Benefit Plan

The District established a defined contribution plan for its management employees administered by the ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The District's contribution for each employee and investment earnings allocated to the employee's account are fully vested. The District contributes between 3% and 7% of eligible employees' salaries. The District's contributions to the plan were \$11,070 and \$17,587 during the years ended December 31, 2016 and 2015, respectively. Eligible employees are not required to contribute to the plan.

EAST ROUTH LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2016
(with summarized financial information as of and for the year ended December 31, 2015)

Note 4: Other Information (continued)

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District maintains commercial insurance for these risks by participation in an insurance pool.

The District is a member in the Colorado Special Districts Property and Liability Pool (the Pool). The Pool creates an opportunity for members to control their own insurance costs through the joint pooling of resources, making it possible to self-insure property, liability and workers' compensation insurance. The Pool is member-owned, and all surplus revenues support the stabilization of rates, coverage enhancements, innovation, and technology to bring the most value to its members. The Pool provides property, liability, workers' compensation and associated coverage, and claims and risk management services to its members. The District has not had losses of a material amount in any of the preceding three years.

The Pool has contracted with a third party to operate, administer and manage the Pool. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from its members.

Subsequent Events

The District has evaluated subsequent events through May 24, 2017, the date these financial statements were available to be issued.

EAST ROUTH LIBRARY DISTRICT
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
Revenues:			
Taxes:			
General property	\$ 2,119,834	\$ 2,173,584	\$ 53,750
Specific ownership	145,000	163,077	18,077
Charges for services:			
Fines	32,000	33,469	1,469
Copies	7,000	7,724	724
Book sales	3,000	2,996	(4)
Other	5,000	15,934	10,934
Grants and contributions	7,741	28,146	20,405
Interest	17,865	37,501	19,636
Total revenues	<u>2,337,440</u>	<u>2,462,431</u>	<u>124,991</u>
Expenditures:			
Library operations:			
Personnel services	1,092,750	1,023,458	69,292
Library collections	474,241	380,217	94,024
Administrative	158,650	148,906	9,744
Computer services and supplies	180,000	163,076	16,924
Building maintenance and operation	311,600	297,362	14,238
Tax collection fees	65,199	65,336	(137)
Programs	25,000	17,149	7,851
Capital outlay	30,000	-	30,000
Total expenditures	<u>2,337,440</u>	<u>2,095,504</u>	<u>241,936</u>
Excess of revenues over expenditures	-	366,927	<u>\$ 366,927</u>
Fund balance, beginning of year	<u>4,982,663</u>	<u>4,982,663</u>	
Fund balance, end of year	<u>\$ 4,982,663</u>	<u>\$ 5,349,590</u>	

EAST ROUTT LIBRARY DISTRICT
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes:				
General property	\$ 847,620	\$ 847,620	\$ 859,607	\$ 11,987
Specific ownership	43,679	43,679	64,529	20,850
Interest	1,000	1,000	6,060	5,060
Total revenues	<u>892,299</u>	<u>892,299</u>	<u>930,196</u>	<u>37,897</u>
Expenditures:				
Debt service:				
Principal	645,000	645,000	645,000	-
Interest	221,300	221,300	221,300	-
Tax collection fees	25,549	25,689	25,839	(150)
Other	450	450	300	150
Total expenditures	<u>892,299</u>	<u>892,439</u>	<u>892,439</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	(140)	37,757	<u>\$ 37,897</u>
Fund balance, beginning of year	<u>416,598</u>	<u>416,598</u>	<u>416,598</u>	
Fund balance, end of year	<u>\$ 416,598</u>	<u>\$ 416,458</u>	<u>\$ 454,355</u>	

EAST ROUTH LIBRARY DISTRICT
Literary Sojourn Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2016

	Original and Final Budget	Actual	Variance
Revenues:			
Charges for services:			
Registrations	\$ 32,000	\$ 33,045	\$ 1,045
Other	1,200	2,134	934
Contributions	50,540	60,510	9,970
Interest	300	914	614
Total revenues	<u>84,040</u>	<u>96,603</u>	<u>12,563</u>
Expenditures:			
Program:			
Author	41,500	41,024	476
Food and beverage	24,000	21,890	2,110
Brochures and printing	5,240	8,784	(3,544)
Other	13,300	6,559	6,741
Total expenditures	<u>84,040</u>	<u>78,257</u>	<u>5,783</u>
Excess of revenues over expenditures	-	18,346	<u>\$ 18,346</u>
Fund balance, beginning of year	<u>184,906</u>	<u>184,906</u>	
Fund balance, end of year	<u>\$ 184,906</u>	<u>\$ 203,252</u>	