

***ELBERT COUNTY
LIBRARY DISTRICT
dba
PINES AND PLAINS LIBRARIES
FINANCIAL STATEMENTS
DECEMBER 31, 2016***



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ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
DECEMBER 31, 2016
TABLE OF CONTENTS

	<u>Page</u>
Management’s Discussion and Analysis	1 - 7
Independent Auditor’s Report	8 - 9
Basic Financial Statements:	
Government-wide Financial Statements:	
Balance Sheet – Governmental Fund/Statement of Net Position	10
Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund/Statement of Activities	11
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position	12
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund to the Statement of Activities	13
Notes to Financial Statements	14 – 34
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	35
Schedule of Employer's Share of Net Pension Liability and Covered Payroll	36
Schedule of Employer's Statutory Payroll Contributions and Covered Payroll	37



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, 2016. 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 of 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.

<i>STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES</i>			
<i>DECEMBER 31, 2016 AND 2015</i>			
	2016	2015	Variance
ASSETS:			
Cash and investments	\$ 542,279	\$ 409,272	\$ 133,007
Receivables, net	875,136	848,347	26,789
Prepaid expenses	3,371	5,206	(1,835)
Capital assets, net	<u>1,940,298</u>	<u>1,992,559</u>	<u>(52,261)</u>
Total Assets	<u>\$ 3,361,084</u>	<u>\$ 3,255,384</u>	<u>\$ 105,700</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related asset	<u>185,646</u>	<u>34,880</u>	<u>150,766</u>
Total Deferred Outflows of Resources	<u>185,646</u>	<u>34,880</u>	<u>150,766</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 57,459	\$ 21,207	\$ 36,252
Long-term liabilities:			
Due within one year	36,638	53,979	(17,341)
Due in more than one year	874,158	909,413	(35,255)
Net pension liability	<u>678,406</u>	<u>643,279</u>	<u>35,127</u>
Total Liabilities	<u>1,646,661</u>	<u>1,627,878</u>	<u>18,783</u>
DEFERRED INTFLOWS OF RESOURCES:			
Pension related liability	62,057	8,612	53,445
Property and specific ownership tax revenue	<u>875,136</u>	<u>856,847</u>	<u>18,289</u>
Total Deferred Inflows of Resources	<u>937,193</u>	<u>865,459</u>	<u>71,734</u>
NET POSITION:			
Investment in capital assets, net of related debt	1,029,502	1,047,801	(18,299)
Restricted	24,026	24,026	-
Unrestricted	<u>(90,652)</u>	<u>(274,900)</u>	<u>184,248</u>
Total Net Position	<u>\$ 962,876</u>	<u>\$ 796,927</u>	<u>\$ 165,949</u>

From 2015 to 2016, the District's total net position increased by \$165,949. Cash and investments constituted much of this increase, moving from \$409,272 at the end of 2015 to \$542,279 at the end of 2016. Receivables, which are essentially tax revenue, went up by \$26,789. Capital assets decreased by \$52,261, which may be mostly attributable to depreciation. Overall, assets increased by \$105,700.

Liabilities also increased by \$18,783. PERA pension liabilities increased by \$35,127. 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 LPO—decreased by \$52,596. In summary, it is management's opinion that the net position growth from 2015 to 2016 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 via the accrual basis of accounting and reflect all of the current year's revenues and expenses regardless of when cash is received or paid.

<i>STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES</i>			
<i>YEARS ENDED DECEMBER 31, 2016 AND 2015</i>			
	2016	2015	Variance
Expenses:			
Operating	\$ 662,736	\$ 731,109	\$ (68,373)
Pension expense	34,395	60,554	(26,159)
Interest	35,381	34,156	1,225
Total Expenses	732,512	825,819	(93,307)
Program Revenues:			
Charges for services	11,710	15,267	(3,557)
Operating grants and contributions	10,491	14,984	(4,493)
Net program expense	(710,311)	(795,568)	85,257
General Revenues:			
Property taxes	747,751	659,194	88,557
Specific ownership taxes	124,881	115,428	9,453
Miscellaneous	1,146	753	393
Interest income	2,482	1,576	906
Total general revenues	876,260	776,951	99,309
Change in net position	165,949	(18,617)	184,566
Net position – beginning	796,927	209,772	587,155
Restatement, change in accounting principle	-	605,772	(605,772)
Net position - restated	796,927	815,544	(18,617)
Net position – ending	\$ 962,876	\$ 796,927	\$ 165,949

As shown in the table above, expenses decreased by \$93,307 overall from year-end 2015 to 2016. Operating expenses were reduced by \$68,373, and pension expenses went down by \$26,159 as well.

Program revenues in the district include charges for services such as fines, copies, faxes, and meeting room charges, as well as grant monies. Charges for services revenues were reduced by \$3,557. This difference is likely due to declining meeting room and fax revenues concurrent with changes in policies and procedures. Operations grant revenues decreased by \$4,493. Most of the grant monies we received in 2015 and 2016 were obtained through the state. However, federal grant monies, known as “E-Rate,” have gone down, and will continue to grow smaller for the District, as we do not meet the grant program’s current focus on establishing “new” high speed internet infrastructure.

General revenues increased by \$99,309, with property tax revenue going up by \$88,557 and SOT revenue going up by \$9,453. These are the District’s primary sources of revenue. These increases are likely attributable to a rise in assessed values of current properties, some growth in commercial and residential markets, as well as an expanding economy.

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 2016, 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 \$678,406 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.

Balance Sheet and Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund

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 governmental funds, which focus 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 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 2016 in

the governmental fund financial statements exclude capital assets, changes in liabilities for compensated absences, and 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.

BALANCE SHEET - GOVERNMENTAL FUND			
DECEMBER 31, 2016 AND 2015			
	2016	2015	Variance
ASSETS:			
Cash and investments	\$ 542,279	\$ 409,272	\$ 133,007
Receivables, net	875,136	848,347	26,789
Prepaid expenses	3,371	5,206	(1,835)
Total Assets	<u>\$ 1,420,786</u>	<u>\$ 1,262,825</u>	<u>\$ 157,961</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 38,824	\$ 21,207	\$ 17,617
Total Liabilities	<u>38,824</u>	<u>21,207</u>	<u>17,617</u>
DEFERRED INTFLOWS OF RESOURCES:			
Property and specific ownership tax revenue	875,136	856,847	18,289
Total Deferred Inflows of Resources	<u>875,136</u>	<u>856,847</u>	<u>18,289</u>
FUND BALANCE:			
Nonspendable	3,371	5,206	(1,835)
Restricted	24,026	24,026	-
Unassigned	479,429	355,539	123,890
Total Fund Balance	<u>506,826</u>	<u>384,771</u>	<u>122,055</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,420,786</u>	<u>\$ 1,262,825</u>	<u>\$ 157,961</u>

As the balance sheet indicates, liquid assets grew by \$133,007, and tax receivables grew by \$26,789 from 2015 to 2016. The total asset increase listed on the balance sheet was \$157,961, which is relatively close to the net position increase listed above. Total liabilities increased by \$17,617 during 2016. Most importantly, the fund grew by \$122,055, 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 debt. It is administration’s opinion that the District can still meet this objective, while also gradually and cautiously increasing funding to certain line items in order to facilitate the District’s “recovery” from the Great Recession after several years.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND YEARS ENDED DECEMBER 31, 2016 AND 2015			
	2016	2015	Variance
Expenditures:			
Current:			
Operating	\$ 592,495	\$ 609,540	\$ (17,045)
Pension expense	47,274	49,315	(2,041)
Capital Outlay	84,350	60,603	23,747
Debt Service:			
Principle	35,344	35,188	156
Interest	33,999	34,156	(157)
Total Expenses	<u>793,462</u>	<u>788,802</u>	<u>4,660</u>
Program Revenues:			
Charges for services	10,491	15,267	(4,776)
Operating grants and contributions	<u>11,710</u>	<u>14,984</u>	<u>(3,274)</u>
Net program expense	(771,261)	(758,551)	(12,710)
General Revenues:			
Property taxes	747,751	659,194	88,557
Specific ownership taxes	124,881	115,428	9,453
Interest income	2,482	753	1,729
Miscellaneous income	<u>20,146</u>	<u>1,576</u>	<u>18,570</u>
Total general revenues	<u>895,260</u>	<u>776,951</u>	<u>118,309</u>
Net change in fund balance	123,999	18,400	105,599
Net position – beginning	<u>384,771</u>	<u>366,371</u>	<u>18,400</u>
Net position – ending	<u>\$ 508,770</u>	<u>\$ 384,771</u>	<u>\$ 123,999</u>

The Statement of Revenues, Expenditures, and Change in Fund Balance echoes much of the information covered in the explanations above. Operating costs decreased by \$17,045. Pension (PERA) expenses to the district decreased slightly, by \$2,041. Capital outlay, which is essentially “materials” in libraries, increased \$23,747. Unique to this sheet is the “Debt Service” amounts. The district continues to pay the 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. Most notable is the increase in miscellaneous income, under general revenues. This is attributable to the sale of vacant Simla land. Additionally, an increase in interest income is due to the District’s transfer of reserve funds from Colorado Trust to Colorado Business Bank.

Economic Factors and Future Growth in Property Tax Revenue

General fund increases were significant from 2015 to 2016. The District looks forward to enhancing services by minimally increasing certain line items, creating more specialized positions, and working toward providing more competitive pay; while also adamantly retaining funds for purposes of paying off the Elizabeth building LPO (or as much of the principle as possible) by the year 2021. However, funds are not specifically restricted, committed, or assigned toward this purpose, due to the potential for other, unanticipated circumstances that may require general fund allotments.

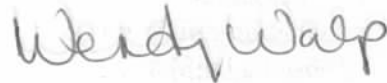
Moving forward to 2017, administration will respond to 2016 community needs, which were ascertained through an assessment survey, by adding \$5,000 to materials line items and increasing funds for added internet bandwidth at the Elizabeth branch, which will equal approximately \$1,300 in additional payments to the library's internet provider. Staff will receive a standard merit increase of two percent, provided that they have met the requirements of their position. The district will restructure staff at each branch by eliminating the library aide position through attrition and adding program and outreach coordinator positions in order to prioritize programing, as desired by our patrons. Amendment 70, which increases minimum wage to \$12.00 by 2020, passed in November of 2016. Administration has chosen to increase base hourly pay for librarians to \$12.00 in anticipation of the pending required pay beginning in January of 2017. Both the Trustees, and administration have identified equitable pay and, ideally, full-time positions, as priorities to be implemented in the short-to-mid-term. The District filed a site plan amendment with the Town of Elizabeth in order to remove certain requirements set by Resolution 11R17, which was incepted in 2011 when a complete buildout of the Elizabeth Library was considered to be more viable. The District will draw from the general fund to accommodate site plan-related expenses, including \$18,775 in tap fees. This expense was effectively discovered in 2016. Therefore, it has been attributed to 2016 expenses per the auditor's direction.

As the District completes its site plan amendment process for its Elizabeth facility, administration will seek to sublease the largely unused warehouse space of the facility, increasing revenue. An increase in property valuations across Elbert County occurred in 2016. The District anticipates reporting subsequent revenue increases for 2017, despite a statewide decrease in residential assessment values required by the Gallagher Amendment. Initial assessment estimates indicate that this decrease will likely be offset by increases in personal property valuations within Elbert County. Therefore, the District tentatively intends on budgeting for either no change or a slight increase in 2017.

Sincerely,



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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, 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 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, 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.

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.

Parker, Colorado
May 31, 2017

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES

BALANCE SHEET - GOVERNMENTAL FUND/

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Primary Government		
	General - Governmental Fund	Adjustments	Statement of Net Position - Governmental Activities
ASSETS:			
Cash	\$ 542,279	\$ -	\$ 542,279
Property and specific ownership taxes receivable, net of allowance for uncollectible accounts of \$15,309	875,136	-	875,136
Prepaid expenses and other assets	3,371	-	3,371
Capital assets not being depreciated	-	362,467	362,467
Capital assets net of accumulated depreciation	-	1,577,831	1,577,831
Total Assets	<u>\$ 1,420,786</u>	<u>\$ 1,940,298</u>	<u>\$ 3,361,084</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related asset	-	185,646	185,646
Total Deferred Outflows of Resources	-	<u>185,646</u>	<u>185,646</u>
LIABILITIES:			
Accounts payable	\$ 21,490	\$ -	\$ 21,490
Accrued salaries and payroll taxes	15,390	-	15,390
Long-term liabilities:			
Due within one year	-	57,217	57,217
Due in more than one year	-	874,158	874,158
Net pension liability	-	678,406	678,406
Total Liabilities	<u>36,880</u>	<u>1,609,781</u>	<u>1,646,661</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related liability	-	62,057	62,057
Property and specific ownership tax revenue	875,136	-	875,136
Total Deferred Inflows of Resources	<u>875,136</u>	<u>62,057</u>	<u>937,193</u>
FUND BALANCE/NET POSITION:			
Fund Balance			
Nonspendable fund balance	3,371	(3,371)	-
Restricted fund balance	24,026	(24,026)	-
Unassigned fund balance	481,373	(481,373)	-
Total Fund Balance	<u>508,770</u>	<u>(508,770)</u>	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,420,786</u>		
Net Position			
Investment in capital assets		1,029,502	1,029,502
Restricted		24,026	24,026
Unrestricted		(90,652)	(90,652)
Total Net Position		<u>\$ 962,876</u>	<u>\$ 962,876</u>

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, 2016**

	Primary Government		
	General - Governmental Fund	Adjustments	Statement of Activities - Governmental Activities
Expenditures/Expenses:			
Current			
Operating	\$ 592,495	\$ 70,241	\$ 662,736
Pension expense	47,274	(12,879)	34,395
Capital Outlay	84,350	(84,350)	-
Debt Service			
Principle	35,344	(35,344)	-
Interest expense	33,999	1,382	35,381
Total Expenses	793,462	(60,950)	732,512
Program Revenues:			
Operating grants and contributions	10,491	-	10,491
Charges for services	11,710	-	11,710
Total Program Revenues	22,201	-	22,201
Net Program Expenses	(771,261)	60,950	(710,311)
General Revenues:			
Property taxes	747,751	-	747,751
Specific ownership taxes	124,881	-	124,881
Interest income	2,482	-	2,482
Miscellaneous income	20,146	(19,000)	1,146
Total General Revenues	895,260	(19,000)	876,260
Net change in fund balance	123,999	(123,999)	
Change in net position		165,949	165,949
Fund Balance/Net Position			
Beginning of year	384,771	412,156	796,927
End of year	\$ 508,770	\$ 454,106	\$ 962,876

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total fund balance - general fund	\$	508,770
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.</p>		
Capital assets	2,671,291	
Accumulated depreciation	(730,993)	1,940,298
<p>Pension liability is not due and payable in the current period and therefore are not reported in the governmental fund.</p>		
Pension related deferred outflows	185,646	
Pension related deferred inflows	(62,057)	
Pension liability	(678,406)	(554,817)
<p>Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund.</p>		
		(20,579)
<p>Some liabilities, including capital leases, are not reported in the governmental fund.</p>		
		(910,796)
Net position of governmental activities	\$	962,876

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, 2016

Net change in fund balance - general fund \$ 123,999

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	84,350	
Depreciation	<u>(115,517)</u>	(31,167)

Government funds report capital outlay as expenditures. Therefore, the gross proceeds from a sale of a capital asset is recognized as income. Whereas in the statement of activities, only the gain or loss from the sale of the capital asset is recognized. (21,095)

Pension liability does not require use of current financial resources and therefore is not reported as expenditures in the governmental fund. 62,194

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. (1,944)

Some liabilities, including capital leases, are not reported in the governmental fund. 33,962

Change in net position of governmental activities \$ 165,949

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 library services to the Elbert School District #200.

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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 Equity

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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Prepays:

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 charged too expenditures 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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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).

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, as a result of employee resignations and retirements.

Pensions:

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined 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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71).

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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

NOTE 2 **CASH**

At December 31, 2016, the District had the following cash:

	Unrestricted	Restricted	Total
Cash and Investments			
Cash	<u>\$ 518,253</u>	<u>\$ 24,026</u>	<u>\$ 542,279</u>
Total Cash	<u>\$ 518,253</u>	<u>\$ 24,026</u>	<u>\$ 542,279</u>

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 CAPITAL ASSETS

During the year ended December 31, 2016, the District recorded depreciation expense of \$115,517. Capital assets activity was as follows:

	December 31, 2015	Additions	Deletions	December 31, 2016
Capital Assets Not Being Depreciated				
Land	\$ 383,562	\$ -	\$ (21,095)	\$ 362,467
Total Capital Assets Not Being Depreciated	383,562	-	(21,095)	362,467
Capital Assets Being Depreciated				
Buildings	1,890,807	18,750	-	1,909,557
Library materials	311,196	65,600	(71,202)	305,594
Computers	50,291	-	-	50,291
Furniture and fixtures	<u>43,381</u>	<u>-</u>	<u>-</u>	<u>43,381</u>
Total Capital Assets Being Depreciated	2,295,675	84,350	(71,202)	2,308,823
Accumulated Depreciation				
Buildings	(418,662)	(46,642)	-	(465,304)
Library materials	(188,305)	(61,119)	71,202	(178,222)
Computers	(41,719)	(3,927)	-	(45,646)
Furniture and fixtures	<u>(37,992)</u>	<u>(3,828)</u>	<u>-</u>	<u>(41,820)</u>
Total Accumulated Depreciation	(686,678)	(115,517)	71,202	(730,992)
Net Capital Assets Being Depreciated	<u>1,608,997</u>	<u>(31,167)</u>	<u>-</u>	<u>1,577,831</u>
Net Government-wide Capital Assets	<u>\$ 1,992,559</u>	<u>\$ (31,167)</u>	<u>\$ (21,095)</u>	<u>\$ 1,940,298</u>

NOTE 4 COMMITMENTS

Operating Lease Commitments:

The District leases the Simla library facility under an operating lease. Total cost for the lease was \$21,864 for the year ended December 31, 2016. The future minimum payments for the lease are as follows:

Year Ending December 31,	
2017	\$ 14,576
Total	<u>\$ 14,576</u>

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 COMMITMENTS (Continued)

Capital Lease Commitments:

The District entered into an Amended and Restated Lease Purchase Agreement for the Elizabeth library facility on December 12, 2014.

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, 2016 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 2016.

The following is a summary of the property held under the capital lease at December 31, 2016:

Elizabeth Library Facility	\$ 1,325,597
Less: Accumulated Depreciation	<u>237,476</u>
Net Book Value	<u>\$ 1,088,121</u>

Minimum future lease payments under the capital lease as of December 31, 2016 for each of the next five years and in the aggregate are:

<u>Year Ending December 31,</u>	
2017	\$ 69,343
2018	69,343
2019	69,343
2020	69,343
2021	<u>783,040</u>
Total Minimum Lease Payments	1,060,412
Less: Amount Representing Interest	<u>149,616</u>
Net Capital Lease Payments	<u>\$ 910,796</u>
Due Within One Year	\$ 36,638
Due In More Than One Year	<u>874,158</u>
Lease Payments – Total Principal	<u>\$ 910,796</u>

Total interest expense for the year ended December 31, 2016 was \$35,381.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 **COMMITMENTS (Continued)**

Changes in the District’s long-term obligations consisted of the following for the year ended December 31, 2016:

	December 31, 2015	Additions	Deletions	December 31, 2016
Governmental Activities:				
Compensated absences	\$ 18,635	\$ 29,054	\$ (27,110)	\$ 20,579
Capital lease	944,758	1,382	(35,344)	910,796
	\$ 963,393	\$ 30,436	\$ (62,454)	\$ 931,375

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-financial-reports.

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

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 **DEFINED BENEFIT PENSION PLAN (Continued)**

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annualized member contribution account balance based on life expectancy and other actuarial factors.

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the 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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

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

Contributions – 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:

	Rate
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	2.20%
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).

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 \$47,274 for the year ended December 31, 2016.

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

At December 31, 2016, the District reported a liability of \$678,406 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District's proportion was .0615847508 percent, which was a decrease of .0101850421 from its proportion measured as of December 31, 2014.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended December 31, 2016, the District recognized pension expense of \$34,395. At December 31, 2016, 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	\$ -	\$ 12,449
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	49,958	-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	135,688	49,608
Total	\$ 185,646	\$ 62,057

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,	
2017	\$ 42,508
2018	<u>9,785</u>
Total	<u>\$ 52,293</u>

Actuarial assumptions – The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future 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

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 **DEFINED BENEFIT PENSION PLAN (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

The LGDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimated ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 **DEFINED BENEFIT PENSION PLAN (Continued)**

Discount rate - The discount rate used to measure the total pension liability was 7.50 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 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, 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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Based on the above actuarial cost method and assumptions, the 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 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. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District’s 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 1,040,065	\$ 678,406	\$ 378,445

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.

NOTE 6 **DEFINED CONTRIBUTION PENSION PLAN**

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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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. Employees are immediately vested in their contributions and investment earnings.

NOTE 7 **POST-EMPLOYMENT HEALTH CARE BENEFITS**

Health Care Trust Fund

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

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA- includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2015, 2014 and 2013 the District's contributions to the HCTF were \$3,567, \$4,011 and \$4,005, respectively, equal to their required contributions for each year.

NOTE 8 **DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources represents an acquisition of net position or fund balances that applies to a future period which will not be recognized as an inflow of resources or revenue until that time.

At December 31, 2016, the District recorded a receivable for property tax revenues to be levied and collected in 2017 of \$875,136. Accordingly, the District has presented these unavailable revenues as a deferred inflow of resources in the governmental activities – statement of net position as prescribed under GASB No. 65, Items Previously Reported as Assets and Liabilities (GASB 65).

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 DEFERRED INFLOWS OF RESOURCES (Continued)

Additionally, at December 31, 2016, the District has recorded a pension related liability of \$62,057. Accordingly, the District has presented this liability as a deferred inflow of resources in the governmental activities – statement of net position as prescribed under GASB No. 65.

NOTE 9 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, 2016 represents prepaid expenses in the amount of \$3,371 which are considered nonspendable in form.

At December 31, 2016, the District had restricted fund balance of \$24,026 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 \$1,029,502 represents the District's capital assets net of accumulated depreciation of \$1,940,298 less the capital lease balance of \$910,796.

Restricted fund balance of \$24,206 represents emergency reserves required by Article X, Section 20 of the Colorado Constitution.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10 **RELATED ORGANIZATION**

The Elbert County Libraries Foundation *dba* Pines & Plains Libraries 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, 2016, the District did not receive any contributions from the Foundation.

Additional information regarding the Foundation can be obtained at www.eclf.info.

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, 2016 there was a \$24,206 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.

ELBERT COUNTY LIBRARY DISTRICT
dba PINES AND PLAINS LIBRARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, 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 **EVALUATION OF SUBSEQUENT EVENTS**

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 31, 2017, 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, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 733,000	\$ 747,751	\$ 14,751
Specific ownership taxes	110,000	124,881	14,881
Charges for services	11,575	11,710	135
Contributions and grants	16,168	10,491	(5,677)
Interest	1,500	2,482	982
Miscellaneous income	250	20,146	19,896
Total Revenues	872,493	917,461	44,968
Expenditures			
Salaries and benefits	482,753	489,856	(7,103)
Library materials	78,791	70,343	8,448
Facilities	61,170	71,995	(10,825)
Technology and support services	25,500	19,554	5,946
Programs and outreach	5,600	12,087	(6,487)
Administration	54,400	60,284	(5,884)
Interest expense	69,345	69,343	2
Contingency	1,000	-	1,000
Total Expenditures	778,559	793,462	(14,903)
Net Change in Fund Balance	93,934	123,999	30,065
Fund Balance, Beginning of Year	359,543	384,771	
Fund Balance, End of Year	\$ 453,477	\$ 508,770	

ELBERT COUNTY LIBRARY DISTRICT dba PINES AND PLAINS LIBRARIES

SCHEDULE OF THE DISTRICT'S PROPORTIONATE

SHARE OF THE NET PENSION LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31,	
	2014	2015
District's proportion of net pension liability	0.0717697929%	0.0615847508%
District's proportionate share of the net pension liability	\$ 643,279	\$ 678,406
District's covered-employee payroll	\$ 393,267	\$ 349,754
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.57%	193.97%
Plan fiduciary net position as a percentage of the total pension liability	64.10%	76.90%

* 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 CONTRIBUTIONS
TO THE PENSION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

	December 31,	
	2014	2015
Contractually required contribution	\$ 49,866	\$ 44,349
Contributions in relation to the contractually required contribution	49,866	44,349
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	393,267	349,754
Contributions as a percentage of covered-employee payroll	12.68%	12.68%

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