

ESTES VALLEY PUBLIC LIBRARY DISTRICT

FINANCIAL STATEMENTS

December 31, 2016



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Board of Trustees
Estes Valley Public Library District
Estes Park, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Estes Valley Public Library District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Estes Valley Public Library District, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Estes Valley Library Friends and Foundation, Inc., a discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Estes Valley Library Friends and Foundation, Inc., is based solely on the report of the other auditor. 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 auditors' 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 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 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, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the Estes Valley Public 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.

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information 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 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.

Ernst & Young LLP

June 16, 2017

ESTES VALLEY PUBLIC LIBRARY DISTRICT

Management's Discussion and Analysis

As management of Estes Valley Public Library District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

This Management's Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements. Comparative data are presented when available.

Government-wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

- The *Statement of Net Position*. This is the government-wide statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of District infrastructure, in addition to the financial information provided in this report.
- The *Statement of Activities* reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by property taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general library operations. The District has no business-type activities.

The government-wide financial statements include not only the District itself (known as the primary government), but also a legally separate entity, which has a significant operational or financial relationship with the District. This entity, a discretely presented component unit, is the Estes Valley Library Friends and Foundation, Inc. More information on the functions of this entity can be found in Note 1 to the financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's significant funds. Each major fund is separately reported.

The District has one fund type. *Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements.

However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental funds balance sheet and the governmental funds operating statement provide a reconciliation to assist in understanding the difference between these two perspectives.

Notes to Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's detailed budget presentation. This statement demonstrates compliance with the District's adopted and final revised budget.

Government-Wide Financial Analysis

The following represents condensed financial information taken from the government-wide (accrual basis) financial statements for the years ended December 31, 2016 and 2015.

	2016	Percent of Total	2015	Percent of Total
ASSETS				
Current assets	\$3,290,624	70%	\$2,970,400	67.3%
Capital assets, net of accumulated depreciation	1,408,923	30%	1,443,199	32.7%
Total assets	<u>4,699,547</u>	<u>100.0%</u>	<u>4,413,599</u>	<u>100.0%</u>
DEFERRED OUTFLOWS				
Pensions	<u>285,096</u>	<u>100.0%</u>	<u>138,563</u>	<u>100.0%</u>
LIABILITIES				
Current liabilities	57,515	4.0%	49,951	4.3%
Long-term liabilities	41,860	2.9%	30,670	2.6%
Net Pension Liability	<u>1,353,053</u>	<u>93.1%</u>	<u>1,078,517</u>	<u>93.1%</u>
Total liabilities	<u>1,452,428</u>	<u>100.0%</u>	<u>1,159,138</u>	<u>100.0%</u>
DEFERRED INFLOWS				
Property Taxes	1,541,542	99.7%	1,533,372	100.0%
Pensions	<u>4,796</u>	<u>0.3%</u>	<u>46</u>	<u>0.0%</u>
Total deferred inflows of resources	<u>1,546,338</u>	<u>100.0%</u>	<u>1,533,418</u>	<u>100.0%</u>
NET POSITION				
Net investment in capital assets Restricted for Special Needs	1,408,923	70.9%	1,449,435	77.9%
Materials Nonexpendable Restricted for Emergencies	15,000	.8%	15,000	0.8%
Unrestricted	53,000	2.7%	51,000	2.8%
Total net position	<u>508,954</u>	<u>25.6%</u>	<u>344,171</u>	<u>18.5%</u>
Total net position	<u>\$1,985,877</u>	<u>100.0%</u>	<u>\$1,859,606</u>	<u>100.0%</u>

	2016	Percent of Total	2015	Percent of Total
REVENUES				
Program revenues -				
Charges for services	\$16,581	.8%	\$15,204	0.9%
Operating Grants and Contributions	266,115	13.5%	157,387	9.3%
General revenues-				
Taxes	1,649,668	83.7%	1,507,982	89.20%
Contributions Not Restricted to Specific Programs	3,098	0.2%	2,579	0.2%
Investment income	10,609	0.6%	2,460	0.2%
Other revenues	<u>24,101</u>	<u>1.2%</u>	<u>4,026</u>	<u>0.2%</u>
Total revenues	<u>1,970,172</u>	<u>100.0%</u>	<u>1,689,638</u>	<u>100.0%</u>
EXPENSES				
Library services	<u>1,843,901</u>	<u>100.0%</u>	<u>1,679,247</u>	<u>100.0%</u>
Total expenses	<u>1,843,901</u>	<u>100.0%</u>	<u>1,679,247</u>	<u>100.0%</u>
CHANGE IN NET POSITION	\$126,271		\$10,391	

The District's net position increased significantly, by \$115,880. As well as an increase in property tax revenue, and an increase in other revenue from contributions and government grants, this is the second year of reporting net pension liability due to the adoption, first reported in 2015, of GASB Statement No. 68, representing the District's proportionate share of the Local Government Division Trust Fund (LGDTF) pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). As of December 31, 2016 the District's net pension liability was \$1,353,053, an increase of 25.4% over 2015. Despite this increase in net pension liability, a "balancing" effect has occurred in our net position, due to this being the second year of reporting. Most of the District's net position is reflected in the net investment in capital assets – 70.9%. \$68,000 is restricted for emergencies and special needs materials.

The District is reliant on property tax revenue to support operations. During 2016, taxes provided 83.7% of the District's total revenues. Note that program revenues, including from the Library Friends & Foundation, particularly contributions, accounted for 14.3% of total revenues. In addition to healthy program revenues, the general economy and the changes in both residential and commercial property values have a major impact on the District's revenue streams.

For the tax collection years 2000 - 2004, the annual authorized operating mill levy was 2.39, then on November 2, 2004, the voters approved an increase to 3.28 mills for 2005 collection and each year thereafter. Since 1999, the voters allowed the District to collect, keep and expend all revenues (other than excess property tax revenue). It was also exempted from the old law 5.5% property tax revenue limitation. This has prevented the "ratchet-down" effect that the Taxpayer's Bill of Rights used to have on the District's property tax revenue. In addition, the District was successful with an election question to District residents seeking a mill levy tax increase. In 2014, the annual property tax rate for the District increased from 3.28 to 4.52 mills.

The District maintains a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. However, to make this ratio meaningful, we have eliminated the property taxes receivable and the related deferred revenue. After this elimination, governmental current assets are \$1,738,880 and current liabilities are \$57,515. As a result, the current ratio for the District overall is 30.2 to 1 (28.5 to 1 for 2015).

Financial Analysis of the Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financial requirements. In particular, *unrestricted, unassigned fund balance* may serve as a useful measure of the District's net resources that are available for spending at the end of the fiscal year.

The District has two governmental funds: the General Fund and the Capital Reserve Fund. The General Fund is the chief operating fund of the District, whereas the Capital Reserve Fund is held for capital facilities projects. Total governmental funds fund balances increased \$310,726 in 2016, with ending fund balances totaling \$1,691,567 (\$1,476,382 in the General Fund; \$215,185 in the Capital Reserve Fund).

Capital Assets and Long-Term Debt

In 2016 there were no significant capital asset additions. The District purchased books and audio visual materials as well as furniture and equipment.

At the end of 2012, the District paid off its general obligation bonds prior to maturity. Upon retirement of the bonds, there were funds remaining in the former Debt Service Fund. The library Board of Trustees approved these funds to be used for facility maintenance and reinvestment.

General Fund Budgetary Highlights

General Fund revenues were \$1,968,807; \$5,900 less than final budget estimates. Although specific ownership taxes collected were above budgeted estimates, contributions received were less than final budget estimates.

Currently Known Facts

Members of the District Board of Trustees, staff, Library Friends and Foundation affirmed a new 5-Year Comprehensive Strategic Plan for the years 2015-2020. The Plan outlines several goals:

- 1) Our Collections, Programs and Services,
- 2) Our People,
- 3) Our Physical and Technical Capacities,
- 4) Our Financial Capacity, and
- 5) Our Communication and Development Competencies.

In 2015, the Library's two support groups combined into one organization. Together, the Friends & Foundation make generous contributions for strategic projects. We are optimistic that this singular development group will positively impact District revenues over time.

In 2016, the Library's Centennial Year, the Friends & Foundation set a goal to raise \$500,000 to renovate the 2nd floor. They were successful in this endeavor. 2017 will see the completion of that project.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Estes Valley Public Library District, PO Box 1687, Estes Park, Colorado 80517, or you may call the library director at (970) 586-8116.

BASIC FINANCIAL STATEMENTS

ESTES VALLEY PUBLIC LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

	<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>	<u>COMPONENT UNIT FOUNDATION</u>
ASSETS		
Cash and Investments	\$ 1,700,401	\$ 1,595,751
Accounts Receivable	31,912	9,000
Property Taxes Receivable	1,551,744	-
Prepaid Expenses	6,567	-
Capital Assets, Net of Accumulated Depreciation	<u>1,408,923</u>	<u>-</u>
TOTAL ASSETS	<u>4,699,547</u>	<u>1,604,751</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	<u>285,096</u>	<u>-</u>
LIABILITIES		
Accounts Payable	30,417	64,336
Accrued Salaries and Benefits	27,098	-
Noncurrent Liabilities		
Due Within One Year	28,047	-
Due in More Than One Year	13,813	-
Net Pension Liability	<u>1,353,053</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,452,428</u>	<u>64,336</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	1,541,542	-
Pensions, Net of Accumulated Amortization	<u>4,796</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,546,338</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	1,408,923	-
Restricted for Special Needs Materials		
Nonexpendable	15,000	-
Restricted for Emergencies	53,000	-
Restricted for Library Programs		
Nonexpendable	-	1,093,675
Expendable	-	296,036
Unrestricted	<u>508,954</u>	<u>150,704</u>
TOTAL NET POSITION	<u>\$ 1,985,877</u>	<u>\$ 1,540,415</u>

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT ACTIVITIES	COMPONENT UNIT FOUNDATION
PRIMARY GOVERNMENT					
Governmental Activities					
Library Services	\$ 1,843,901	\$ 16,581	\$ 266,115	\$ (1,561,205)	\$ -
TOTAL PRIMARY GOVERNMENT	\$ <u>1,843,901</u>	\$ <u>16,581</u>	\$ <u>266,115</u>	<u>(1,561,205)</u>	<u>-</u>
COMPONENT UNIT					
Foundation	\$ <u>277,834</u>	\$ <u>-</u>	\$ <u>285,083</u>	<u>-</u>	<u>7,249</u>
GENERAL REVENUES					
Property Taxes				1,526,561	-
Specific Ownership Taxes				123,107	-
Contributions not Restricted to Specific Programs				3,098	110,812
Investment Income				10,609	87,801
Miscellaneous				24,101	-
TOTAL GENERAL REVENUES				<u>1,687,476</u>	<u>198,613</u>
CHANGE IN NET POSITION				126,271	205,862
NET POSITION, Beginning				<u>1,859,606</u>	<u>1,334,553</u>
NET POSITION, Ending				\$ <u>1,985,877</u>	\$ <u>1,540,415</u>

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	GENERAL	NONMAJOR CAPITAL RESERVE	TOTALS
ASSETS			
Cash and Investments	\$ 1,485,216	\$ 215,185	\$ 1,700,401
Accounts Receivable	31,912	-	31,912
Property Taxes Receivable	1,551,744	-	1,551,744
Prepaid Items	6,567	-	6,567
TOTAL ASSETS	\$ 3,075,439	\$ 215,185	\$ 3,290,624
LIABILITIES			
Accounts Payable	\$ 30,417	\$ -	\$ 30,417
Accrued Salaries and Benefits	27,098	-	27,098
TOTAL LIABILITIES	57,515	-	57,515
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	1,541,542	-	1,541,542
FUND BALANCE			
Nonspendable Cash and Investments for Special Needs Materials	15,000	-	15,000
Nonspendable Prepaid Items	6,567	-	6,567
Restricted for Emergencies	53,000	-	53,000
Assigned to Facility Maintenance and Reinvestment	-	215,185	215,185
Unrestricted, Unassigned	1,401,815	-	1,401,815
TOTAL FUND BALANCE	1,476,382	215,185	1,691,567
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 3,075,439	\$ 215,185	\$ 3,290,624

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of Governmental Funds	\$ 1,691,567
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,408,923
Long-term liabilities and related items, including accrued compensated absences (\$41,860), net pension liability (\$1,353,053), pension-related deferred outflows of resources \$285,096, and pension-related deferred inflows of resources (\$4,796), are not due and payable in the current year and, therefore, are not reported in governmental funds.	(1,114,613)
Total Net Position of Governmental Activities	\$ 1,985,877

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
 Year Ended December 31, 2016

	<u>GENERAL</u>	<u>NONMAJOR CAPITAL RESERVE</u>	<u>TOTALS</u>
REVENUES			
Property Taxes	\$ 1,526,561	\$ -	\$ 1,526,561
Specific Ownership Taxes	123,107	-	123,107
Charges for Services	16,581	-	16,581
Contributions	269,213	-	269,213
Investment Income	9,244	1,365	10,609
Miscellaneous	<u>24,101</u>	<u>-</u>	<u>24,101</u>
 TOTAL REVENUES	 <u>1,968,807</u>	 <u>1,365</u>	 <u>1,970,172</u>
EXPENDITURES			
Current			
Library Services	1,540,754	-	1,540,754
Capital Outlay	<u>118,692</u>	<u>-</u>	<u>118,692</u>
 TOTAL EXPENDITURES	 <u>1,659,446</u>	 <u>-</u>	 <u>1,659,446</u>
 NET CHANGE IN FUND BALANCE	 309,361	 1,365	 310,726
FUND BALANCE, Beginning	<u>1,167,021</u>	<u>213,820</u>	<u>1,380,841</u>
FUND BALANCE, Ending	\$ <u>1,476,382</u>	\$ <u>215,185</u>	\$ <u>1,691,567</u>

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of Governmental Funds	\$ 310,726
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$252,915) exceeded capital outlay \$212,403 in the current year.	(40,512)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in compensated absences (\$11,190), and the change in net pension liability (\$274,536), pension-related deferred outflows of resources \$146,533, and pension-related deferred inflows of resources (\$4,750).	<u>(143,943)</u>
Change in Net Position of Governmental Activities	\$ <u>126,271</u>

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Estes Valley Public Library District (the “District”) was formed on November 8, 1988, by the electorate of Larimer County and the Town of Estes Park. The District is governed by a seven-member Board of Trustees appointed by Larimer County and the Town of Estes Park.

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

Reporting Entity

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District.

The Estes Valley Library Friends and Foundation, Inc. (the “Foundation”) is a non-profit organization with the purpose to assist in the promotion, development and enhancement of the facilities and educational programs of the District. The Foundation is reported as a discretely presented component unit in the District’s financial statements. Separate financial statements for the Foundation may be obtained by writing to P.O. Box 1470, Estes Park, Colorado 80517.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. The *primary government* is reported separately from the legally separate *component unit* for which the District is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues and investment income associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

When both restricted and unrestricted resources are available for a specific use, it is the District's practice to use restricted resources first, and unrestricted resources as they are needed.

In the fund financial statements, the District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It is used to account for all financial activities of the District, except those accounted for in another fund.

In addition, the District reports the following nonmajor governmental fund:

The *Capital Reserve Fund* accounts for the remaining debt service property taxes following final payment of the District's general obligation debt during the year ended December 31, 2012. The District intends to use the remaining resources for facility maintenance and reinvestment.

Assets, Liabilities and Net Position/Fund Balance

Receivables - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include buildings and improvements, furniture and equipment, and books and audio visual materials, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,500 or more and an estimated useful life in excess of one year, except for library books and audio visual materials, which are capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Library books and audio visual materials are depreciated using a composite rate on a first-in, first-out basis.

Buildings and Improvements	5 - 40 years
Furniture and Equipment	5 - 10 years
Library Books and Audio Visual Materials	6 years

Compensated Absences - Employees of the District are allowed to accumulate unused vacation time. Upon termination of employment from the District, an employee will be compensated for all accrued vacation time at their current pay rate.

These compensated absences are recognized as expenditures when due in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences, which are expected to be liquidated with revenues of the General Fund.

Pensions - The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the LGDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the LGDTF. 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.

Deferred Inflows of Resources - Deferred inflows of resources include property taxes earned but levied for a subsequent fiscal year.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Trustees is authorized to commit fund balance through passage of a resolution, and has assigned fund balances to specific purposes using the budget message.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned and unassigned fund balances.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis.

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; and natural disasters. The District purchases commercial insurance for these risks of loss.

NOTE 2: CASH AND INVESTMENTS

A summary of cash and investments at December 31, 2016, follows:

Petty Cash	\$ 185
Deposits	137,909
Investments	<u>1,562,307</u>
 Total	 <u>\$ 1,700,401</u>

Deposits

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in one issuer, except for corporate securities.

Local Government Investment Pool - At December 31, 2016, the District had \$1,562,307 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Fair Value Measurements - The District reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2016, the District's investment in Colotrust was reported at the net asset value per share, measured utilizing quoted prices in active markets for similar investments (Level 2 inputs).

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: CAPITAL ASSETS

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

	Balances <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/16</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 6,236	\$ -	\$ 6,236	\$ -
Capital Assets, Being Depreciated				
Buildings and Improvements	2,318,341	-	-	2,318,341
Furniture and Equipment	401,197	93,074	-	494,271
Library Books and Audio Visual Materials	<u>893,400</u>	<u>125,565</u>	<u>123,517</u>	<u>895,448</u>
Total Capital Assets, Being Depreciated	<u>3,612,938</u>	<u>218,639</u>	<u>123,517</u>	<u>3,708,060</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,154,093)	(69,009)	-	(1,223,102)
Furniture and Equipment	(304,523)	(34,665)	-	(339,188)
Library Books and Audio Visual Materials	<u>(711,123)</u>	<u>(149,241)</u>	<u>(123,517)</u>	<u>(736,847)</u>
Total Accumulated Depreciation	<u>(2,169,739)</u>	<u>(252,915)</u>	<u>(123,517)</u>	<u>(2,299,137)</u>
Total Capital Assets Being Depreciated, Net	<u>1,443,199</u>	<u>(34,276)</u>	<u>-</u>	<u>1,408,923</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,449,435</u>	<u>\$ (34,276)</u>	<u>\$ 6,236</u>	<u>\$ 1,408,923</u>

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2016.

	Balance <u>12/31/15</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/16</u>	Due Within <u>One Year</u>
Compensated Absences	<u>\$ 30,670</u>	<u>\$ 11,190</u>	<u>\$ -</u>	<u>\$ 41,860</u>	<u>\$ 28,047</u>

NOTE 5: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The District contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the LGDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Benefits Provided - The LGDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless the plan has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The District and eligible employees are required to contribute to the LGDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2015 and 2016 was 13.7% of covered salaries. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The District's contributions to the LGDTF for the year ended December 31, 2016, were \$93,307, equal to the required contributions.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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 net pension liability of \$1,353,053, representing its proportionate share of the net pension liability of the LGDTF. The net pension liability was measured at 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. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. 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 ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.1228282833%, which was an increase of 0.0024995949% from its proportion measured at December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of \$222,540. At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,965	\$ -
Changes of assumptions and other inputs	-	4,796
Net difference between projected and actual earnings on plan investments	191,015	-
Changes in proportion	2,400	-
Contributions subsequent to the measurement date	<u>89,716</u>	<u>-</u>
Total	<u>\$ 285,096</u>	<u>\$ 4,796</u>

District contributions subsequent to the measurement date of \$89,716 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31,

2017	\$ 68,114
2018	68,546
2019	<u>53,924</u>
Total	<u>\$ 190,584</u>

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.85%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two 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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

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 Government/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%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently establish static contribution rates through 2017. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease .5% each year, to a minimum of 10%. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	\$ 2,074,368	\$ 1,353,053	\$ 754,793

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Pension Plan Fiduciary Net Position - Detailed information about the LGDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy and health care programs to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The District is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended December 31, 2016, 2015 and 2014 was \$6,948, \$7,109 and \$6,726, respectively, equal to the required amounts for each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Ground Lease

On March 1, 1990, the District approved a ground lease with the Town of Estes Park to allow for the construction of a library facility on the site. Lease payments of \$1 are due annually on March 1, through 2089. At the end of the lease term, all title and interest of the District in the site will vest with the Town of Estes Park.

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation, but the District believes it is in substantial compliance with the Amendment.

In November 1999, electors within the District authorized the District to collect and keep and expend all revenues received and to continue to levy its operating mill levy of 2.39 mills in 1999 and each year thereafter. An election in November of 2014 increased the mill levy to 4.52 mills.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)

The District has established a reserve for emergencies, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of \$53,000 was reported as restricted fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

ESTES VALLEY PUBLIC LIBRARY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO LOCAL GOVERNMENT TRUST FUND

December 31, 2016

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
District's Proportion of the Net Pension Liability	0.1228282833%	0.1203286884%	0.1138757505%
District's Proportionate Share of the Net Pension Liability	\$ 1,353,053	\$ 1,078,517	\$ 937,107
District's Covered-Employee Payroll	\$ 697,569	\$ 659,381	\$ 607,538
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	194%	164%	154%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77%	81%	78%
	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
DISTRICT CONTRIBUTIONS			
Statutorily Required Contribution	\$ 86,359	\$ 88,380	\$ 83,605
Contributions in Relation to the Statutorily Required Contribution	<u>(86,359)</u>	<u>(88,380)</u>	<u>(83,605)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's Covered-Employee Payroll	\$ 681,069	\$ 697,001	\$ 659,381
Contributions as a Percentage of Covered-Employee Payroll	12.68%	12.68%	12.68%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Property Taxes	\$ 1,535,272	\$ 1,526,561	\$ (8,711)
Specific Ownership Taxes	80,000	123,107	43,107
Charges for Services	13,025	16,581	3,556
Contributions	344,000	269,213	(74,787)
Investment Income	1,520	9,244	7,724
Miscellaneous	890	24,101	23,211
TOTAL REVENUES	<u>1,974,707</u>	<u>1,968,807</u>	<u>(5,900)</u>
EXPENDITURES			
Current			
Library Services	1,559,317	1,540,754	18,563
Capital Outlay	215,000	118,692	96,308
TOTAL EXPENDITURES	<u>1,774,317</u>	<u>1,659,446</u>	<u>114,871</u>
NET CHANGE IN FUND BALANCE	\$ <u>200,390</u>	309,361	\$ <u>108,971</u>
FUND BALANCE, Beginning		<u>1,167,021</u>	
FUND BALANCE, Ending		<u>\$ 1,476,382</u>	

See the accompanying Independent Auditors' Report.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

Changes in Assumptions and Other Inputs

For the year ended December 31, 2015, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- 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.
- 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

State statutes require that all funds have legally adopted budgets and appropriations. Total expenditures may not exceed the amounts appropriated at the fund level. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). For the year ended December 31, 2016, the District did not adopt a budget for the Capital Reserve Fund because no expenditures were anticipated.

The District follows these procedures to establish the budgetary information reflected in the financial statements:

- Management submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally adopted through passage of a resolution.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- All appropriations lapse at year end.