

# PINE RIVER PUBLIC LIBRARY DISTRICT

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2016



**RECEIVED**

*By the Office of the State Auditor at 10:07 am, Jun 30, 2017*

**PINE RIVER PUBLIC LIBRARY DISTRICT**

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Pine River Public Library District  
Bayfield, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pine River Public Library District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

The District's 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Pine River Public Library District as of December 31, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis beginning on page 3 and the budgetary comparison information on page 21 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.

*FredrickZink & Associates, PC*

FredrickZink & Associates, PC

May 18, 2017

# Pine River Public Library District

## Management's Discussion and Analysis December 31, 2016

### History and Background

In 1930, six members of the Bayfield Study Club formed the first Board of Directors of the Bayfield Public Library. In 1934, the Board purchased the old bank building on Mill Street for \$1,500 and began raising money to furnish the building and buy books. The Library ran solely on the efforts of volunteers until 1941 when the Town Clerk was paid to also act as the Town Librarian. In 1972 the Pine River Public Library District was formed and property tax revenues were available to fund operations and services, and in 1976, a full-time librarian was hired. The Library operated in the old bank building until it moved to its present location in March 2004. In 2005, the Bayfield Public Library building was named the Lavenia McCoy Public Library to honor the service of a woman who volunteered her time and skills over a sixty-year period. In 2010, the Board of Trustees voted to expand the facility. The project started in July of 2012 and was completed in February 2013. A garden and outdoor learning area (the Living Library) was also added during 2013. In February 2014, the Pine River Public Library was named "Best Small Library in America" by *Library Journal*.

As management of the Pine River Library Public District (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended December 31, 2016. Please read it in conjunction with the Library's financial statements, which follow this section.

### Financial Highlights

- The Library hired Native Roots to xeriscape a section of the front of the Library property. (\$15,394)
- The Library worked with the Town of Bayfield and the University of Colorado Technical Assistance program to determine the feasibility of a park next to the Library. (\$1,210)
- Cash reserves declined by \$44,416 during the year to help finance special projects.
- The Library received \$18,725 in grants and contributions.
- The parking lot was resealed for \$8,500.
- The Library added a security system for \$7,821.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise two components: Government-wide financial statements and Notes to the Financial Statements.

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

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

The Statement of Activities presents information that shows how the Library District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The Library's governmental activity is to provide library and community services. There are currently no business-type activities to be reported in the Library's financial statements.

The government-wide financial statements can be found on pages 10 - 11 of this report.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library currently accounts for all its activities using a General Fund.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements can be found on pages 11 - 14 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 16 - 20 of this report.

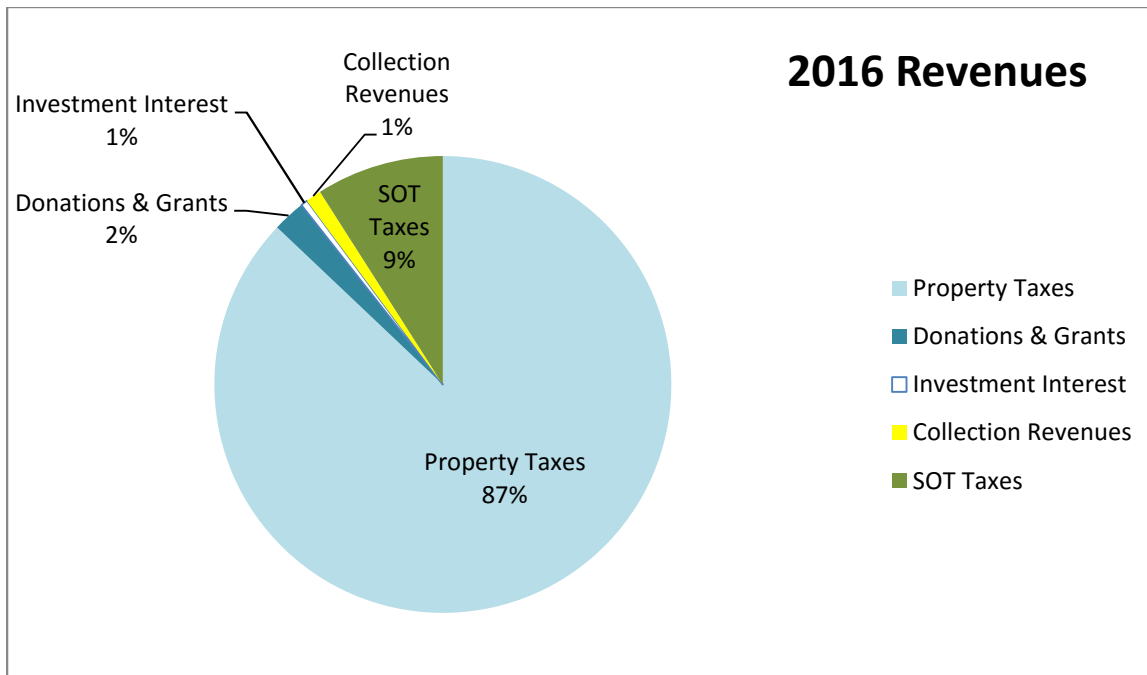
**Government-wide financial analysis:**

Most of the Library's revenue was from property taxes. The Library's assets are reflected in the investment in capital assets (i.e. buildings, books, furniture, fixtures, and equipment) and a certificate of deposit. In 2017, the Library plans to divide the individual certificate of deposit into four separate deposits with differing maturity dates. The Library will use these assets to provide services to its patrons and ensure the future financial health of the Library. Accordingly, these assets are not an available source for the payment of future spending. Of the remaining assets, 3% of the governmental activities annual budget is restricted for use by TABOR laws.

### Pine River Public Library District's Net Assets

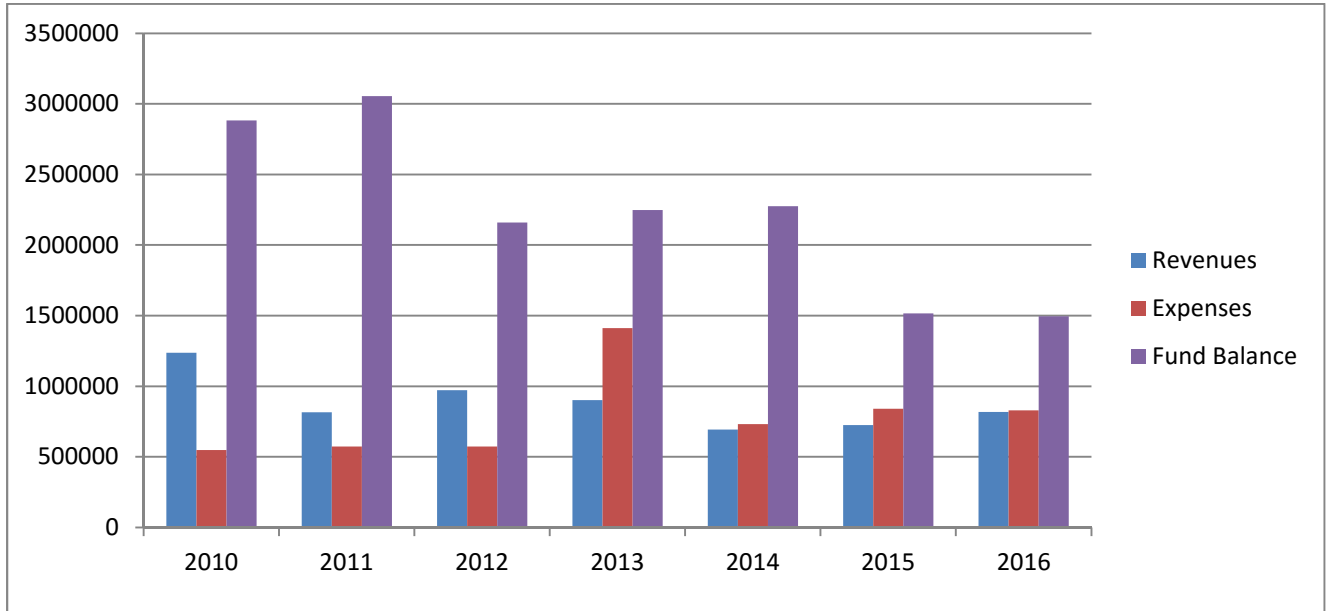
The Library's net assets decreased by 1.6% from \$5,471,701 to \$5,382,850

Property taxes were the most significant source of general revenues for the Library. Property taxes (\$706,899) accounted for 87% of total revenues (\$819,118). Specific ownership taxes (\$73,453), which are a type of property tax, consist of vehicle taxes collected by La Plata County and were also a significant source of revenue accounting for about 9% of total revenues. Grants and donations (\$18,725) made up 2% of the District's revenue and the remaining funds came from investment interest and collection revenues.



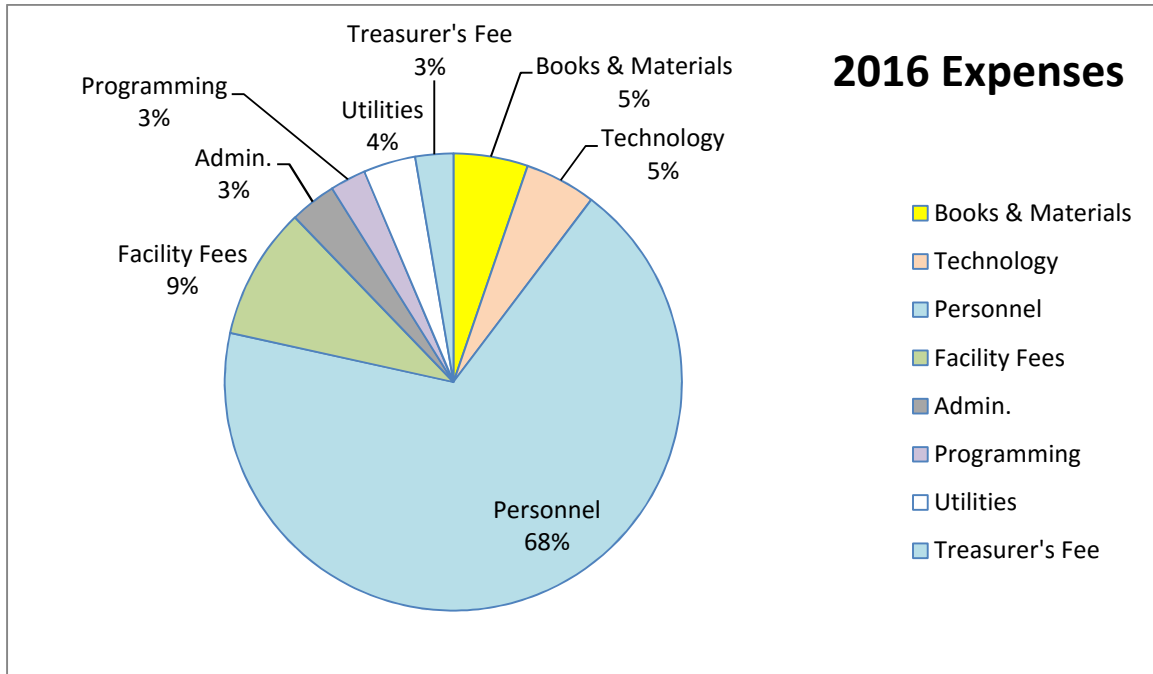
## Financial Analysis of the Library's Funds

The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Library revenues over the past five years reflect the decreased property values due to the recession. The highest revenues were in 2010 (\$1,238,175). In 2016, the total revenues were \$819,118.



## Library Expenditures

The Library's General Fund expenditures consist primarily of personnel costs (wages, retirement, employee benefits, taxes and staff development, etc.) The following pie chart excludes capital outlay and depreciation expenses.



## Pine River Public Library District's Net Position

	2016	2015
<b>Assets</b>		
Current and other assets	\$ 2,070,621	\$ 2,245,724
Capital assets	3,894,820	3,967,027
Total assets	<u>5,965,441</u>	<u>6,212,751</u>
<b>Liabilities</b>	<u>30,741</u>	<u>34,151</u>
Deferred inflows	<u>551,850</u>	<u>706,899</u>
<b>Net Position</b>		
Invested in capital assets	3,894,820	3,967,027
Restricted for emergencies	23,676	21,424
Restricted for programs	-	6,000
Unrestricted	<u>1,464,354</u>	<u>1,477,250</u>
Total net position	<u>\$ 5,382,850</u>	<u>\$ 5,471,701</u>

Approximately 72% of the Library's net position reflects its investment in capital assets, which includes buildings, equipment, land and the collection of library materials. The Library's net position decreased by 1.6% from \$5,471,701 to \$5,382,850.

## Pine River Public Library District's Change in Net Position

	2016	2015
<b>Revenues</b>		
Program Revenue		
Charges for services	\$ 8,834	\$ 7,064
Contributions and grants	18,725	16,420
General revenues		
Property and other taxes	780,352	707,081
Other income	7,224	-
Interest	3,983	4,211
	<u>819,118</u>	<u>734,776</u>
<b>Expenses</b>		
Library operations		
Personnel costs	534,001	491,436
Operating costs	204,040	209,151
Depreciation	141,915	187,272
Treasurer's fees	21,010	18,891
Provision for uncollectible taxes	7,003	6,624
	<u>907,969</u>	<u>913,374</u>
Change in net position	(88,851)	(178,598)
Net position – beginning	<u>5,471,701</u>	<u>5,650,299</u>
Net position – ending	<u>\$ 5,382,850</u>	<u>\$ 5,471,701</u>

Property taxes were the most significant source of general revenues for the Library. Property taxes (\$706,899) accounted for 88% of general revenues (\$791,559) and nearly 87% of total revenues (\$819,118). Specific ownership and other taxes (\$73,453) were also a significant source of revenue. Specific ownership taxes, which are a type of property tax, consist of vehicle taxes collected by La Plata County. Specific ownership and other taxes account for about 9% of total revenues. Grants and contributions (\$18,725) made up 2% of the District's total revenues and the remaining funds came from investment interest and charges for services

## Budget variances in the General Fund

The Library's 2016 budget was approved at the end of 2015. Significant budget variances from the final were as follows:

<u>Account</u>	<u>2016 Final Budget</u>	<u>2016 Actual</u>	<u>Budget Variance</u>	<u>Reason</u>
<b>Revenues:</b>				
Property Tax	707,181	706,899	(282)	
Special Ownership Tax	56,000	73,453	17,453	Conservative budgeting
Donations & Grants	18,450	18,725	275	
Other Income	0	7,224	7,224	Expired employee benefits
Service Charges	6,500	8,834	2,334	Greater use of copier
Interest	2,800	3,983	1,183	
<b>Expenses:</b>				
Personnel Services	533,479	535,280	(1,801)	Salary and Benefits increase
Facilities, Tech, Admin, Utilities, Maintenance, Furniture	160,176	168,063	(7,887)	Unexpected Maintenance
Library Materials & Programming	75,276	61,269	14,007	Conservative spending
Treasurer's Fee	22,000	21,010	990	
Capital Fund Release	73,800	44,416	29,384	

## 2017 Budget

Since the Library derives nearly all its revenues from property taxes, any change in assessed property values has a significant impact on the Library's budget. Between 2016 and 2017, assessed property values within the Library's special tax district decreased drastically. As a result, property tax revenue coming to the Library in 2017 will decrease from \$706,899 to \$551,850. The Library receives property tax revenues in the year following the year of assessment. Accordingly, the Library's operating budget for 2017 has been decreased due to the decrease in revenue.

The Library's Board of Trustees is committed to continuing to offer the highest level of service and thus has agreed to supplement the operating budget by \$150,000 in order to avoid reducing staff. It is the Board's belief that it is the staff that made the Best Small Library in America honor possible and it is the staff that will enable the Library to thrive even through an era of budget reductions.

The Library partnered with the town of Bayfield to secure funding for a park on the Library's .9 acre lot to the west of the Library. We received \$255,000 from Go Outdoors Colorado and \$105,000 from the Colorado Health Foundation along with \$75,000 matching funds from the Library and the Town of Bayfield to construct the park, which should be completed by September 2017.

## Request for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in its report or request for additional financial information should be addressed to: Pine River Library District, P.O. Box 227, Bayfield, CO 81122, or you may call 970-884-2222.

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include integrated sets of financial statements as required by GASB. The sets include:

- Governmental-Wide Financial Statements
- Fund Financial Statements:
  - Governmental Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**PINE RIVER PUBLIC LIBRARY DISTRICT**

**STATEMENT OF NET POSITION**

December 31, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash - unrestricted.....	\$ 253,117
Certificate of deposit.....	1,246,051
Property taxes receivable, net.....	551,850
Ownership taxes receivable.....	4,895
Prepaid expenses.....	14,708
	<u>2,070,621</u>
Capital assets, not being depreciated.....	866,456
Capital assets, depreciated, net of accumulated depreciation.....	<u>3,028,364</u>
Total assets.....	<u>5,965,441</u>
<b>Liabilities</b>	
Accounts payable.....	12,273
Accrued expenses.....	10,620
Accrued compensated absences.....	7,848
Total liabilities.....	<u>30,741</u>
<b>Deferred inflows of resources</b>	
Unavailable revenue - property taxes levied for future periods.....	<u>551,850</u>
Total deferred inflows of resources.....	<u>551,850</u>
<b>Net position</b>	
Net investment in capital assets.....	3,894,820
Restricted under TABOR for emergencies.....	23,676
Unrestricted.....	<u>1,464,354</u>
Total net position.....	<u>\$ 5,382,850</u>

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Revenue and Change in Net Position
				<u>Total Governmental Activities</u>
Primary government:				
Governmental activities:				
Public library.....	\$ 907,969	\$ 8,834	\$ 18,725	\$ (880,410)
Total governmental activities.....	<u>\$ 907,969</u>	<u>\$ 8,834</u>	<u>\$ 18,725</u>	<u>(880,410)</u>
General revenues				
Property taxes.....				706,899
Specific ownership and other taxes.....				73,453
Other income.....				7,224
Interest.....				<u>3,983</u>
Total general revenues.....				<u>791,559</u>
Change in net position.....				(88,851)
Net position, beginning.....				<u>5,471,701</u>
Net position, ending.....				<u>\$ 5,382,850</u>

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

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **BALANCE SHEET - GOVERNMENTAL FUND**

December 31, 2016

### **ASSETS**

	<u>General Fund</u>
<b>Assets</b>	
Cash - unrestricted.....	\$ 253,117
Certificate of deposit.....	1,246,051
Property taxes receivable, net.....	551,850
Ownership taxes receivable.....	4,895
Prepaid expenses.....	<u>14,708</u>
 Total assets.....	 <u>\$ 2,070,621</u>

### **LIABILITIES AND FUND BALANCE**

<b>Liabilities</b>	
Accounts payable.....	\$ 12,273
Accrued expenses.....	<u>10,620</u>
Total liabilities.....	<u>22,893</u>
 <b>Deferred inflows of resources</b>	
Unavailable revenue - property taxes levied for future year.....	551,850
Total deferred inflows of resources.....	<u>551,850</u>
 <b>Fund balance</b>	
Nonspendable.....	14,708
Restricted under TABOR for emergencies.....	23,676
Unassigned.....	<u>1,457,494</u>
Total fund balance.....	<u>1,495,878</u>
 Total liabilities and fund balance.....	 <u>\$ 2,070,621</u>

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

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

December 31, 2016

Total fund balance - governmental fund.....	\$ 1,495,878
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund.....	3,894,820
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund.....	<u>(7,848)</u>
Total net position - governmental activities.....	<u>\$ 5,382,850</u>

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

For the Year Ended December 31, 2016

	<u>General Fund</u>
<b>Revenues</b>	
Property taxes.....	\$ 706,899
Specific ownership and other taxes.....	73,453
Charges for services.....	8,834
Grants and contributions.....	18,725
Other income.....	7,224
Interest.....	<u>3,983</u>
 Total revenues.....	 <u>819,118</u>
<b>Expenditures</b>	
Current	
Library operations.....	767,333
Capital outlay.....	<u>69,708</u>
 Total expenditures.....	 <u>837,041</u>
 Deficiency of revenues over expenditures.....	 (17,923)
 Fund balance, beginning.....	 <u>1,513,801</u>
 Fund balance, ending.....	 <u>\$ 1,495,878</u>

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

**PINE RIVER PUBLIC LIBRARY DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016

Net change in fund balance - total governmental fund..... \$ (17,923)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays are exceeded by depreciation expense in the current period

Capital asset additions.....	\$ 69,708	
Depreciation.....	<u>(141,915)</u>	
Net difference in capital outlay treatment.....		(72,207)

Governmental funds do not record the change in accrued compensated absences during the year as an expenditure. However, in the statement of activities, this change is shown as additional expense. This is the amount of decrease in accrued compensated absences in the current year.....

1,279

Change in net position - governmental activities..... \$ (88,851)

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

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2016

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pine River Public Library District (the "District") is a Colorado special district created December 4, 1972. The Library is governed by a Board of Trustees, who are appointed by the Board of Commissioners of La Plata County. The purpose of the District is to promote the establishment and development of publicly supported library services.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

#### **Reporting Entity**

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any 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 the organization provided benefits to, or imposes financial burdens on the District. Based upon the application of these criteria, no organizations are includable within the District's reporting entity.

#### **Government-Wide and Fund Financial Statements**

The District's financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments 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 patrons or others 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. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The District's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the District. Governmental activities normally are supported by taxes and intergovernmental revenues.

The government-wide financial statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, and infrastructure assets, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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. Available means collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2016

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued**

The District reports the following major governmental fund:

*General Fund* – This is the District's operating fund. It accounts for all activities of the government.

#### **Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Trustees to obtain citizen comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.

#### **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 the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and cash equivalents**

The District's cash is comprised of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### **Fair value of financial instruments**

The District has a number of financial instruments, none of which is held for trading purposes. The District estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The estimated fair value amounts have been determined by the District using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the District could realize in a current market exchange.

#### **Property taxes receivable**

Property taxes receivable is shown net of an allowance for uncollectable amounts. Property taxes are levied on or before December 15 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued** December 31, 2016

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Prepaid expenses**

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

#### **Capital assets**

Capital assets, which include land, buildings, furniture, equipment and library materials, are reported in the government wide financial statements. In the governmental fund financial statements, capital assets are charged to expenditures when purchased. Capital assets, which are defined as assets with an initial, individual cost of \$1,000 or more, with the exception of library materials capitalized regardless of cost, and an estimated useful life of more than one year, are recorded at historical cost or estimated historical cost if historical cost is not available. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the District values these capital assets at the estimated fair value of the item at the date of donation.

Capital assets of the District are depreciated using the straight-line method. The composite method is used in the depreciation of library materials. These assets are depreciated over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	50
Land improvements	20 - 27.5
Furniture, equipment and technology	5 - 10
Library collection	4 - 7

#### **Compensated absences**

The District allows its employees to accumulate compensatory time, based on the employee's length and hours of service. Compensatory time must be used within one year of accrual, and a maximum of 60 hours of compensatory time may accrue for each employee at any given time. At year end, the estimated value of accumulated compensatory time was \$7,848.

#### **Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, this item, unavailable revenue, is reported only in the governmental fund statement of net position. The governmental fund reports unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2016

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Fund balance classifications**

In the fund financial statements the following classifications describe the relative strength of the spending constraints.

**Nonspendable** – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.

**Restricted** – The portion of fund balance constrained to being used for a specific purpose by external parties, constitutional provisions, or enabling legislation.

**Committed** – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Trustees, prior to the end of the current year. The constraint may be removed or changed only through formal action of the Board of Trustees.

When both restricted and unrestricted resources are available, 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 unassigned fund balances.

#### **Subsequent events**

Management has evaluated subsequent events through May 18, 2017, the date which the financial statements were available to be issued. No events were identified that required additional disclosure, except as described in Note 2.

### **NOTE 2 - CASH AND CERTIFICATE OF DEPOSIT**

The District's funds may only be deposited in banks that 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 the 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. At December 31, 2016, the District had bank deposits of \$1,007,638 that were either insured or collateralized with securities held by the financial institution's agents but not in the name of the District.

In the absence of a formal investment policy, the District follows state statutes with respect to allowable 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 specified investments. The District initially invested in a certificate of deposit for \$1,245,424 in 2015, with a 12 month maturity. The certificate had an interest rate of 0.20% as of December 31, 2016 and matured on January 7, 2017. Subsequent to year end when the certificate of deposit matured, it was not renewed. The District withdrew \$150,000 from the proceeds and moved it to the general fund, then with the remaining balance of \$1,095,424, plus additional earned interest, purchased four new certificates of deposits. The new certificates have varying maturity dates of 6, 12, 18, and 24 months.

**PINE RIVER PUBLIC LIBRARY DISTRICT**

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
December 31, 2016

**NOTE 3 - PROPERTY TAXES RECEIVABLE**

Property taxes receivable as of December 31, 2016, consists of the following:

Property taxes - 2016 and prior	\$ 7,003
Property taxes - 2017	<u>551,850</u>
Total receivable	558,853
Less: allowance for doubtful accounts	<u>7,003</u>
	<u><u>\$ 551,850</u></u>

The District reports deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$551,850 of property taxes receivable is unavailable revenue representing property tax levied in 2016 but not available until 2017.

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in general capital assets during the year ended December 31, 2016 is as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Capital assets not being depreciated:				
Land	\$ 866,456	\$ -	\$ -	\$ 866,456
Capital assets being depreciated:				
Cost basis				
Building	2,855,261	7,821	-	2,863,082
Land improvements	439,218	23,894	-	463,112
Furniture, equipment and technology	522,679	3,974	-	526,653
Library collection	356,169	34,019	(16,652)	373,536
Total cost basis	<u>4,173,327</u>	<u>69,708</u>	<u>(16,652)</u>	<u>4,226,383</u>
Accumulated depreciation				
Building	(391,423)	(57,496)	-	(448,919)
Land improvements	(73,432)	(20,551)	-	(93,983)
Furniture, equipment and technology	(331,904)	(28,766)	-	(360,670)
Library collection	(275,997)	(35,102)	16,652	(294,447)
Total accumulated depreciation	<u>(1,072,756)</u>	<u>(141,915)</u>	<u>16,652</u>	<u>(1,198,019)</u>
Capital assets being depreciated, net	<u>3,100,571</u>	<u>(72,207)</u>	<u>-</u>	<u>3,028,364</u>
Governmental activities capital assets, net	<u>\$ 3,967,027</u>	<u>\$ (72,207)</u>	<u>\$ -</u>	<u>\$ 3,894,820</u>

Depreciation expense for the year ended December 31, 2016 was \$141,915 and was charged to government activities expense.

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**

December 31, 2016

### **NOTE 5 - EMPLOYEE BENEFIT PLANS**

The District offers a Taxable Health Stipend to eligible employees. All year-round employees are eligible (part and full-time). The only ineligible employees are temporary (seasonal) employees. The amount paid to an employee is based on hours worked. Each employee receives up to \$620 per month (\$7,440 per year). Part-time employee's health stipends are prorated based on hours worked. All payments are subject to personal income tax. The District's Taxable Health Stipend payments for the year ended December 31, 2016 totaled \$68,096.

The District has adopted a "Savings Incentive Match Plan for Employees of Small Employers" (SIMPLE Plan) for the benefit of eligible employees as outlined in the Summary Plan Description (SPD). Eligibility is limited to employees who reasonably expect to make \$5,000 in compensation for the year. The District provides matching funds up to 3% of the employee's salary. Employee and employer contributions are fully vested at all times. The District's total contribution to the plan for the year ended December 31, 2016 was \$8,746.

### **NOTE 6 - CONTINGENT LIABILITIES**

In January 2013, the District entered into a power purchase agreement (PPA) to buy power from a solar energy contractor (Provider). The District agreed to a no-fee 25 year lease of the Library rooftop for the installation of the PPA provider's solar array. The agreement calls for the District to purchase all power produced by the PPA provider's solar array for a term of 25 years. The cost per kilowatt (kWh) of power will be at La Plata Electric Association's (LPEA) average rate plus a 1.4¢ annual increase until a predetermined cap is reached. The kWh rate will be no lower than at 12¢/kWh and capped at 17¢/kWh. Annual energy cost from this array will range from a low of \$5,552 to maximum high of \$7,496 assuming the LPEA rates continue as they have for the last 20 years. If there is no rate escalation, then the year one pricing will carry forward. At the conclusion of the sixth year of the contract, the District will have the option to buy the system, or continue with the leasing arrangement.

### **NOTE 7 - COLORADO TABOR**

Colorado voters passed an Amendment of 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, known as the Taxpayer Bill of Rights, or TABOR, is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the Amendment.

### **NOTE 8 - RISK MANAGEMENT**

The District carried commercial insurance for risks of loss, including workers' compensation and accident insurance. Any unsettled claims are not expected to exceed the commercial insurance coverage.

The District is unaware of any pending or threatened litigation that might have a material effect on the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

# **PINE RIVER PUBLIC LIBRARY DISTRICT**

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

### GENERAL FUND - BUDGET AND ACTUAL

For the Year Ended December 31, 2016

(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>Revenues</b>				
Local sources				
Property taxes.....	\$ 707,181	\$ 707,181	\$ 706,899	\$ (282)
Specific ownership and other taxes.....	56,000	56,000	73,453	17,453
Service charges and fees.....	6,500	6,500	8,834	2,334
Interest.....	2,800	2,800	3,983	1,183
Miscellaneous income.....	-	-	7,224	7,224
Friends' contributions.....	-	-	1,845	1,845
Grants and contributions.....	18,450	18,450	16,880	(1,570)
Total revenues.....	<u>790,931</u>	<u>790,931</u>	<u>819,118</u>	<u>28,187</u>
<b>Expenditures</b>				
Books and materials.....	46,876	46,876	41,381	5,495
Programming.....	28,400	28,400	19,888	8,512
Repairs and maintenance.....	53,500	53,500	60,175	(6,675)
Facility fees.....	6,220	6,220	6,064	156
Utilities.....	25,000	25,000	29,004	(4,004)
Technology.....	39,620	39,620	39,638	(18)
Small furniture and equipment.....	9,736	9,736	7,298	2,438
Treasurer's fee.....	22,000	22,000	21,010	990
Administration				
Operations.....	26,100	26,100	25,884	216
Personnel.....	533,479	533,479	535,280	(1,801)
Total before capital fund release.....	<u>790,931</u>	<u>790,931</u>	<u>785,622</u>	<u>5,309</u>
Capital fund release.....	25,000	73,800	44,416	29,384
Total expenditures.....	<u>815,931</u>	<u>864,731</u>	<u>830,038</u>	<u>34,693</u>
Uncollectible taxes.....	<u>-</u>	<u>-</u>	<u>7,003</u>	<u>(7,003)</u>
Deficiency of revenues over expenditures.....	(25,000)	(73,800)	(17,923)	55,877
Fund balance, beginning.....	<u>25,000</u>	<u>73,800</u>	<u>1,513,801</u>	<u>1,440,001</u>
Fund balance, ending.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,495,878</u>	<u>\$ 1,495,878</u>