

**PINE RIVER PUBLIC
LIBRARY DISTRICT**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S
REPORT

December 31, 2015

PINE RIVER PUBLIC LIBRARY DISTRICT

December 31, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2015, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

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.

Fredrick Zink & Associates, PC

FredrickZink & Associates, PC

March 18, 2016

Pine River Public Library District

Management's Discussion and Analysis December 31, 2015

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 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 Public Library 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, 2015. Please read it in conjunction with the Library's financial statements, which follow this section.

Financial Highlights

- The Library restructured our network to provide better Internet service to our patrons for \$15,956.
- The Library invested in a new Integrated Library System by joining the Marmot Library Consortium allowing us to increase our collection from 30,000 items to 1,800,000 through courier service for \$15,500.
- The Library added \$20,000 of new furniture, signage and shelving to better house and identify our collection.
- Cash reserves declined by \$110,000 during the year to help finance the network and new Integrated Library System. In addition, the Board allotted \$25,000 from reserves for other technology improvements.
- The Library received \$14,700 in grants to support programs for youth and adults and the collection.

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

The Statement of Activities presents information that shows how the Library District's Net Position changed during the most recent fiscal year. All changes in Net Position 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.

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.

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.

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. land, buildings, books, furniture, fixtures, and equipment) and a certificate of deposit. 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 in the event of an emergency.

Pine River Public Library District's Net Position

	2015	2014
Assets		
Current and other assets	\$ 2,245,724	\$ 2,275,380
Capital assets	3,967,027	4,030,741
Total assets	<u>6,212,751</u>	<u>6,306,121</u>
Liabilities	<u>34,151</u>	<u>20,881</u>
Deferred inflows	<u>706,899</u>	<u>634,941</u>
Net Position		
Invested in capital assets	3,967,027	4,030,741
Restricted for emergencies	21,424	19,605
Restricted for programs	6,000	-
Restricted for technology	-	15,910
Unrestricted	1,477,250	1,584,043
Total net position	<u>\$ 5,471,701</u>	<u>\$ 5,650,299</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 3% from \$5,650,299 to \$5,471,701.

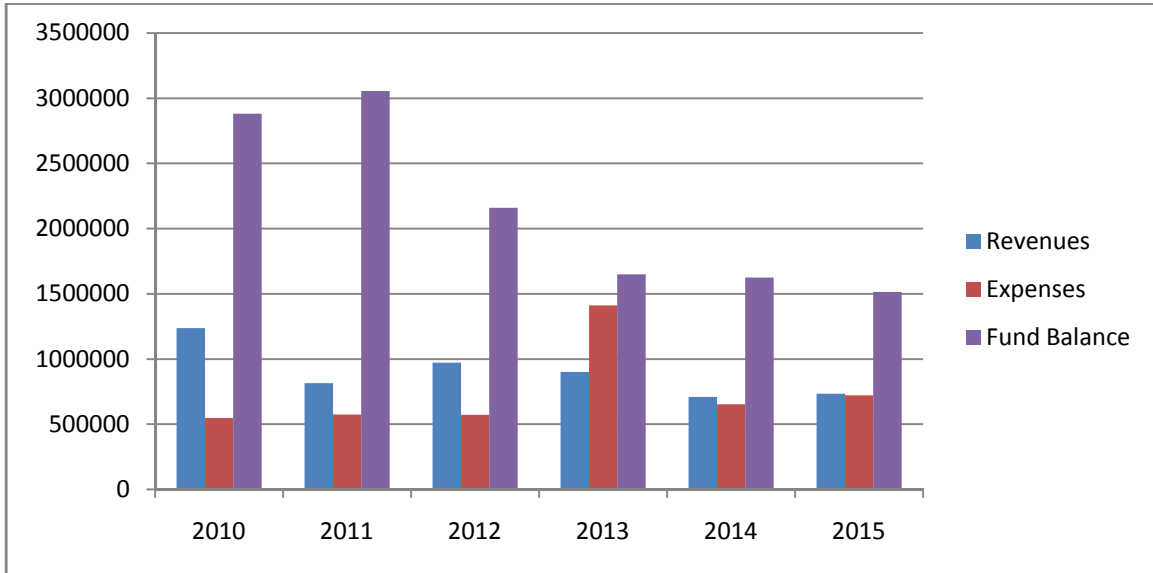
Pine River Public Library District's Change in Net Position

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenue		
Charges for services	\$ 7,064	\$ 8,855
Contributions and grants	16,420	52,624
General revenues		
Property and other taxes	707,081	644,660
Interest	4,211	2,840
	<u>734,776</u>	<u>708,979</u>
Expenses		
Library operations		
Personnel costs	491,436	451,004
Operating costs	209,151	180,962
Depreciation	187,272	179,612
Treasurer's fees	18,891	17,088
Provision for uncollectible taxes	6,624	8,268
	<u>913,374</u>	<u>836,934</u>
Change in net position	(178,598)	(127,955)
Net position – beginning	<u>5,650,299</u>	<u>5,778,254</u>
Net position – ending	<u>\$ 5,471,701</u>	<u>\$ 5,650,299</u>

Property taxes were the most significant source of general revenues for the Library. Property taxes (\$634,941) accounted for 86% of total revenues (\$734,776). Specific ownership and other taxes (\$72,140), include specific ownership taxes which are a type of property tax, consist of vehicle taxes collected by La Plata County and were also a significant source of revenue. Specific ownership and other taxes account for about 10% of total revenues. Grants and contributions (\$16,420) made up 2% of the District's total revenues and the remaining funds came from investment interest and charges for services.

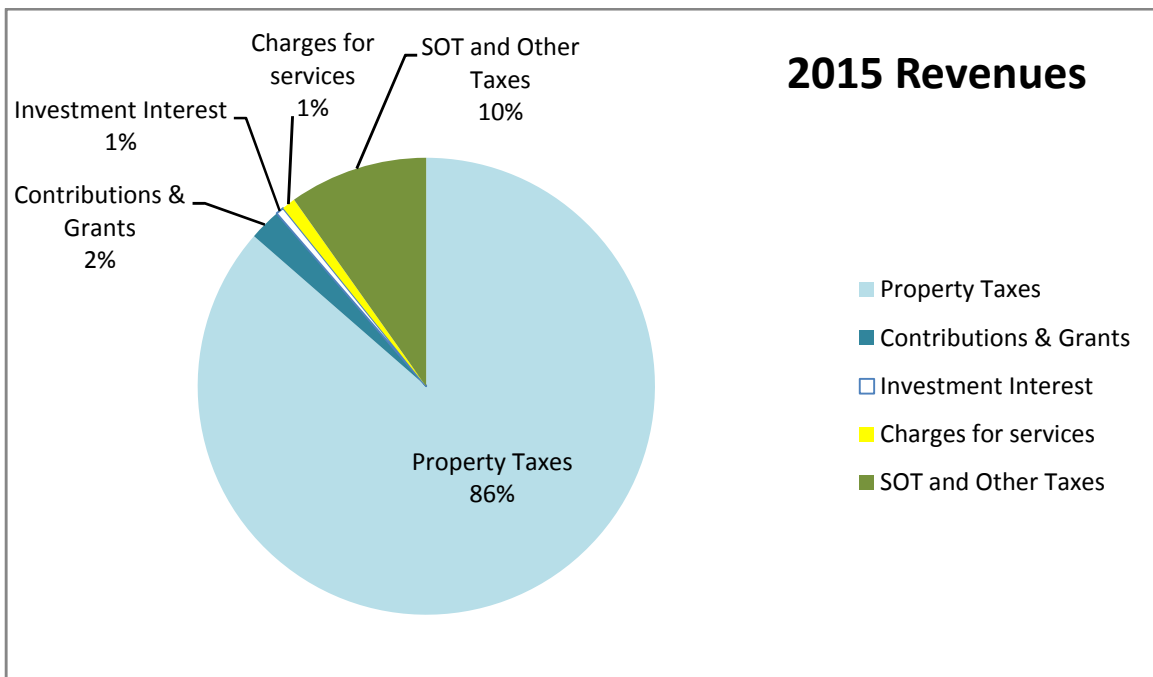
Financial Analysis of the Library's Funds

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 2015, the total revenues were \$734,776.



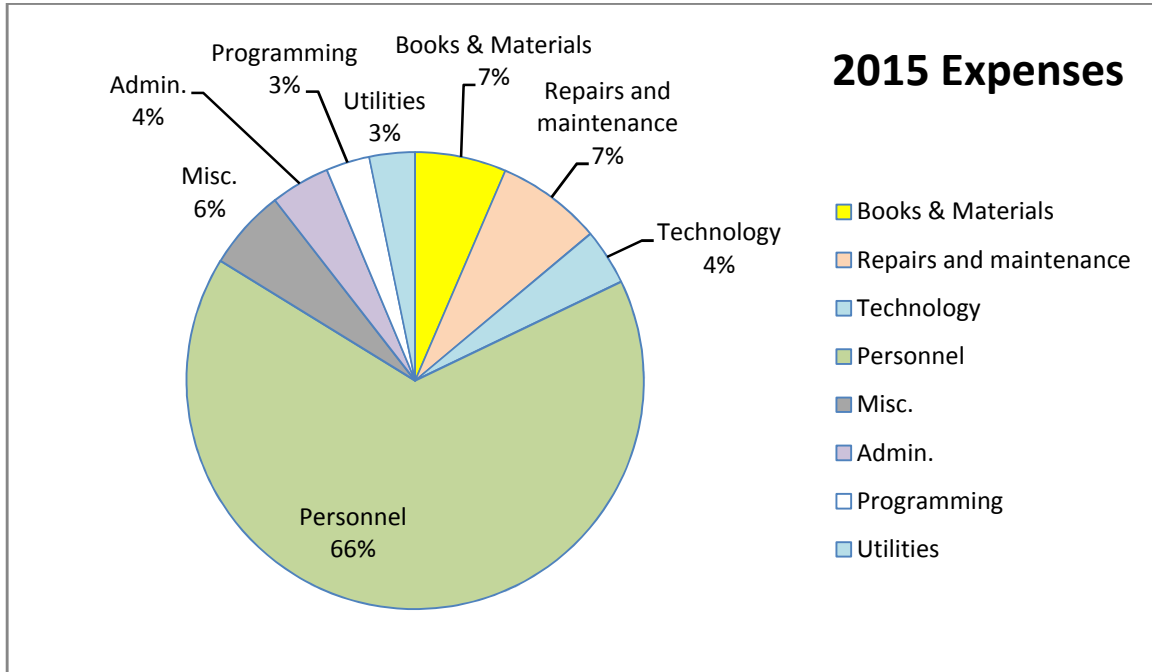
Library Revenues

By a large margin, Library revenues consist mostly of property taxes. The chart below represents the Library's revenues:



Library Expenditures

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



Budget variances in the General Fund

The Library's 2015 budget was approved at the end of 2014. Budget variances from the final were as follows:

<u>Account</u>	<u>2015 Final Budget</u>	<u>2015 Actual</u>	<u>Budget Variance</u>	<u>Reason</u>
Revenues:				
Special Ownership and Other Tax	52,000	72,140	20,140	Conservative budgeting
Expenses:				
Repairs and Maintenance	51,000	55,112	(4,112)	Unforeseen repairs
Technology	25,800	29,472	(3,672)	Network upgrade
Small Furniture and Equipment	8,480	17,230	(8,750)	Expand storage and office desks
Administration Personnel	474,201	487,872	(13,671)	Hired additional staff

Next Year's 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 2015 and 2016, assessed property values within the Library's special tax district increased from \$229.9 billion to \$282.8 billion. As a result, property tax revenue coming to the Library in 2016 will increase from \$634,941 to \$706,899. The Library receives property tax revenues in the year following the year of assessment. Accordingly, the Library's operating budget for 2016 has been increased due to the increase in revenue.

The Library's Board of Trustees is committed to operating within available revenues in order to maintain financial stability for the Library for future years and, to the extent possible, to avoid reducing staff. It is the Board's belief that it is the staff that made the Best Small Library in America award possible and it is the staff that will enable the Library to thrive even through an era of budget reductions.

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 addition financial information should be addressed to: Pine River Public Library District, P.O. Box 227, Bayfield, CO 81122, or you may call 970-884-2222.

BASIC FINANCIAL STATEMENTS

PINE RIVER PUBLIC LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2015

	<u>Governmental Activities</u>
Assets	
Cash - unrestricted.....	\$ 272,577
Certificate of deposit.....	1,243,556
Property taxes receivable, net.....	706,899
Ownership taxes receivable.....	3,389
Grants receivable.....	5,648
Prepaid expenses.....	13,655
	<u>2,245,724</u>
Capital assets, not being depreciated.....	866,456
Capital assets, depreciated, net of accumulated depreciation.....	<u>3,100,571</u>
Total assets.....	<u>6,212,751</u>
Liabilities	
Accounts payable.....	9,175
Accrued expenses.....	7,349
Accrued compensated absences.....	9,127
Unearned grant revenue.....	8,500
Total liabilities.....	<u>34,151</u>
Deferred inflows of resources	
Unavailable revenue - property taxes.....	<u>706,899</u>
Total deferred inflows of resources.....	<u>706,899</u>
Net position	
Net investment in capital assets.....	3,967,027
Restricted for emergencies.....	21,424
Restricted for programs.....	6,000
Unrestricted.....	<u>1,477,250</u>
Total net position.....	<u>\$ 5,471,701</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, 2015

Functions / Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	Revenue and Changes in Net Position
Primary government:				<u>Governmental Activities</u>
Governmental activities:				
Public library.....	\$ 913,374	\$ 7,064	\$ 16,420	\$ (889,890)
Total governmental activities.....	<u>\$ 913,374</u>	<u>\$ 7,064</u>	<u>\$ 16,420</u>	<u>(889,890)</u>
General revenues				
Property taxes.....				634,941
Specific ownership and other taxes.....				72,140
Interest.....				<u>4,211</u>
Total general revenues.....				<u>711,292</u>
Change in net position.....				(178,598)
Net position, beginning.....				<u>5,650,299</u>
Net position, ending.....				<u>\$ 5,471,701</u>

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

PINE RIVER PUBLIC LIBRARY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2015

ASSETS

	<u>General Fund</u>
Assets	
Cash - unrestricted.....	\$ 272,577
Certificate of deposit.....	1,243,556
Property taxes receivable, net.....	706,899
Ownership taxes receivable.....	3,389
Grants receivable.....	5,648
Prepaid expenses.....	<u>13,655</u>
 Total assets.....	 <u>\$ 2,245,724</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable.....	\$ 9,175
Accrued expenses.....	7,349
Unearned grant revenue.....	<u>8,500</u>
Total liabilities.....	<u>25,024</u>
 Deferred inflows of resources	
Unavailable revenue - property taxes.....	<u>706,899</u>
Total deferred inflows of resources.....	<u>706,899</u>
 Fund balance	
Nonspendable.....	13,655
Restricted for emergencies.....	21,424
Restricted for programs.....	6,000
Unassigned.....	<u>1,472,722</u>
Total fund balance.....	<u>1,513,801</u>
 Total liabilities and fund balance.....	 <u>\$ 2,245,724</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, 2015

Total fund balance - governmental fund.....	\$ 1,513,801
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.....	3,967,027
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund.....	<u>(9,127)</u>
Net position of governmental activities.....	<u>\$ 5,471,701</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, 2015

	<u>General Fund</u>
Revenues	
Property taxes.....	\$ 634,941
Specific ownership and other taxes.....	72,140
Charges for services.....	7,064
Grants and contributions.....	16,420
Interest.....	<u>4,211</u>
 Total revenues.....	 <u>734,776</u>
Expenditures	
Current	
Library operations.....	722,538
Capital outlay.....	<u>123,558</u>
 Total expenditures.....	 <u>846,096</u>
 Deficiency of revenues over expenditures.....	 (111,320)
 Fund balance, beginning.....	 <u>1,625,121</u>
 Fund balance, ending.....	 <u>\$ 1,513,801</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, 2015

Net change in fund balance - total governmental fund..... \$ (111,320)

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.....	\$ 123,558	
Depreciation.....	<u>(187,272)</u>	
Net difference in capital outlay treatment.....		(63,714)

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 increase in
compensated absences in the current year.....

Change in net position of governmental activities.....	<u>\$ (178,598)</u>
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The accompanying notes are an integral part of these financial statements.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2015

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, 2015

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, 2015

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
Technology	5 - 7
Furniture and equipment	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 40 hours of compensatory time may accrue for each employee at any given time. At year end, the estimated value of accumulated compensatory time was \$9,127.

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, that 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, 2015

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 March 18, 2016, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

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, 2015, the District had bank deposits of \$1,521,567 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 has invested in a certificate of deposit for \$1,243,556, with a 12 month maturity. This certificate has an interest rate of 0.20% as of December 31, 2015 and matures on January 7, 2016.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued December 31, 2015

NOTE 3 - PROPERTY TAXES RECEIVABLE

Property taxes receivable as of December 31, 2015, consists of the following:

Property taxes - 2015 and prior	\$	6,624
Property taxes - 2016		<u>706,899</u>
Total receivable		713,523
Less: allowance for doubtful accounts		<u>6,624</u>
	\$	<u><u>706,899</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 \$706,899 of property taxes receivable is unavailable revenue representing property tax levied in 2015 but not available until 2016.

NOTE 4 - CAPITAL ASSETS

A summary of changes in general capital assets during the year ended December 31, 2015 is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Capital assets not being depreciated:				
Land	\$ 866,456	\$ -	\$ -	\$ 866,456
Capital assets being depreciated:				
Cost basis				
Building	2,855,261	-	-	2,855,261
Land improvements	433,665	5,553	-	439,218
Furniture and equipment	373,020	19,236	-	392,256
Library collection	323,758	37,871	(5,460)	356,169
Technology	69,525	60,898	-	130,423
Total cost basis	<u>4,055,229</u>	<u>123,558</u>	<u>(5,460)</u>	<u>4,173,327</u>
Accumulated depreciation				
Building	(334,318)	(57,105)	-	(391,423)
Land improvements	(53,945)	(19,487)	-	(73,432)
Furniture and equipment	(227,616)	(29,199)	-	(256,815)
Library collection	(248,638)	(32,819)	5,460	(275,997)
Technology	(26,427)	(48,662)	-	(75,089)
Total accumulated depreciation	<u>(890,944)</u>	<u>(187,272)</u>	<u>5,460</u>	<u>(1,072,756)</u>
Capital assets being depreciated, net	<u>3,164,285</u>	<u>(63,714)</u>	<u>-</u>	<u>3,100,571</u>
Governmental activities capital assets, net	<u>\$ 4,030,741</u>	<u>\$ (63,714)</u>	<u>\$ -</u>	<u>\$ 3,967,027</u>

Depreciation expense for the year ended December 31, 2015 was \$187,272 and was charged to government activities expense.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2015

NOTE 5 - EMPLOYEE BENEFIT PLANS

The District offers a Tax 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 medical benefits paid are prorated based on hours worked. All payments are subject to personal income tax. The District's Tax Health Stipend payments for the year ended December 31, 2015 totaled \$62,690.

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, 2015 was \$7,899.

NOTE 6 - 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.

NOTE 7 - 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 8 - 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 is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the Amendment.

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, 2015

(Unaudited)

	Original Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
Revenues				
Local sources				
Property taxes.....	\$ 633,976	\$ 633,976	\$ 634,941	\$ 965
Specific ownership and other taxes.....	52,000	52,000	72,140	20,140
Service charges and fees.....	5,000	5,000	7,064	2,064
Interest.....	5,000	5,000	4,211	(789)
Friends.....	-	2,000	1,702	(298)
Grants and contributions.....	7,350	7,350	14,718	7,368
Total revenues.....	<u>703,326</u>	<u>705,326</u>	<u>734,776</u>	<u>29,450</u>
Expenditures				
Books and materials.....	44,475	46,725	47,795	(1,070)
Programming.....	25,470	25,470	22,839	2,631
Repairs and maintenance.....	51,000	51,000	55,112	(4,112)
Facility fees.....	-	6,110	6,095	15
Utilities.....	24,900	24,900	23,920	980
Technology.....	25,800	25,800	29,472	(3,672)
Small furniture and equipment.....	8,480	8,480	17,230	(8,750)
Treasurer's fee.....	20,000	20,000	18,891	1,109
Administration				
Operations.....	32,000	49,090	31,147	17,943
Personnel.....	471,201	474,201	487,872	(13,671)
Capital fund release.....	52,362	108,377	99,099	9,278
Total expenditures.....	<u>755,688</u>	<u>840,153</u>	<u>839,472</u>	<u>681</u>
Uncollectible taxes.....	<u>-</u>	<u>-</u>	<u>6,624</u>	<u>(6,624)</u>
Deficiency of revenues over expenditures.....	(52,362)	(134,827)	(111,320)	23,507
Fund balance, beginning.....	<u>52,362</u>	<u>134,827</u>	<u>1,625,121</u>	<u>1,490,294</u>
Fund balance, ending.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,513,801</u>	<u>\$ 1,513,801</u>