

ESTES VALLEY PUBLIC LIBRARY DISTRICT

FINANCIAL STATEMENTS

December 31, 2013

TABLE OF CONTENTS

PAGE

Independent Auditors' Report	
Management's Discussion and Analysis	i - v
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	4
Notes to Financial Statements	5 - 12
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	13
Notes to Required Supplementary Information	14



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, 2013, 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 Public Library 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 Public Library 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' judgement, 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, 2013, 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.

Swanlund & Company LLC

June 16, 2014

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, 2013. 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) government-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 Public Library 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 presentations. These statements demonstrate 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, 2013 and 2012.

	2013	Percent of Total	2012	Percent of Total
ASSETS				
Current assets	\$2,339,198	59.1%	\$1,972,217	53.0%
Capital assets, net of accumulated depreciation	<u>1,620,409</u>	<u>40.9%</u>	<u>1,750,943</u>	<u>47.0%</u>
Total assets	<u>3,959,607</u>	<u>100.0%</u>	<u>3,723,160</u>	<u>100.0%</u>
LIABILITIES				
Current liabilities	53,256	60.3%	41,201	54.3%
Long-term liabilities	<u>35,109</u>	<u>39.7%</u>	<u>34,663</u>	<u>45.7%</u>
Total liabilities	<u>88,365</u>	<u>100.0%</u>	<u>75,864</u>	<u>100.0%</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	<u>1,441,611</u>	<u>100.0%</u>	<u>1,104,612</u>	<u>100.0%</u>
NET POSITION				
Net investment in capital assets	1,620,409	66.7%	1,750,943	68.9%
Restricted	56,000	2.3%	59,000	2.3%
Unrestricted	<u>753,222</u>	<u>31.0%</u>	<u>732,741</u>	<u>28.8%</u>
Total net position	<u>\$2,429,631</u>	<u>100.0%</u>	<u>\$2,542,684</u>	<u>100.0%</u>

REVENUES				
Program revenues -				
Charges for services	\$14,345	1.1%	\$14,318	0.9%
Operating Grants and Contributions	161,407	11.8%	183,002	11.4%
General revenues-				
Taxes	1,188,644	86.7%	1,393,519	87.2%
Contributions Not Restricted to Specific Programs	1,973	0.1%	1,122	0.1%
Investment income	1,200	0.1%	2,554	0.2%
Other revenues	2,850	0.2%	3,656	0.2%
Total revenues	<u>1,370,419</u>	<u>100.0%</u>	<u>1,598,171</u>	<u>100.0%</u>
EXPENSES				
Library services	1,483,472	100%	1,437,250	99.3%
Interest and fiscal charges	<u>0</u>	<u>0%</u>	<u>9,777</u>	<u>0.7%</u>
Total expenses	<u>1,483,472</u>	<u>100.0%</u>	<u>1,447,027</u>	<u>100.0%</u>
CHANGE IN NET POSITION	<u>\$(113,053)</u>		<u>\$151,144</u>	

The District's net position decreased 4.4% or \$113,053. There was a drop in property tax revenue, and despite other revenue, particularly in contributions, and government grants, particularly a FEMA grant for flood restoration, the District saw a decrease in net position. Most of the District's net position is reflected in the net investment in capital assets – 66.7%. \$56,000 is restricted for emergencies and special needs materials.

The District is heavily reliant on property tax revenue to support operations. During 2013, taxes provided 86.7% of the District's total revenues. Note that program revenues, particularly contributions, accounted for 12.8% of total revenues. Despite healthy program revenues, albeit some \$21,500 less than in 2012, 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.

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. After this elimination, governmental current assets are \$889,628 and current liabilities are \$53,256. As a result, the current ratio for the District overall is 16.7 to 1 (20.9 to 1 for 2012).

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 \$17,927 in 2013, with ending fund balances totaling \$844,331 (\$631,134 in the General Fund; \$213,197 in the Capital Reserve Fund).

Capital Assets and Long-Term Debt

In 2013 there were no significant capital asset additions.

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 \$1,370,143; \$26,776 more than final budget estimates. This was largely due to a \$20,000 FEMA grant for flood damage.

Currently Known Facts

- Members of the District Board of Trustees, staff, Library Foundation and Friends of the Library met in 2006, 2010 and again in 2012 to formulate, then update a strategic plan that outlined seven goals: 1) building our collections, programs and services; 2) developing our staff to meet the challenges of the future; 3) expanding our use of technology; 4) marketing our message as the community's premier information resource; 5) demonstrating accountable stewardship of our resources; 6) maintaining and updating our facilities, and 7) developing a culture that values results. This strategic plan will drive future budgets. To meet the plan's objectives, the District began outsourcing materials processing, enacted personnel changes and reached out to the Estes Valley community with mailing of the annual report and ongoing programming.
- In early 2013 the District continued to prepare for its financial future, using the outcomes from Mountain Sage Consulting's strategic financial planning process. As a result, the District hired a development officer for private fundraising. In addition, the District was successful with an election question to District residents seeking a mill levy tax increase. Starting in 2014, the annual property tax rate for the District increases from 3.28 to 4.52 mills. Diversified funding remains a priority for the District.
- A momentous flood visited Estes Park in September of 2013, forever changing the town landscape, community perceptions and library operations. Importantly, our recovery contractors were quick to respond to the library's own flooding problems, and we were back to full service within one month. The District received FEMA funding and local donations, which covered 100% of flood repair expenses.

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, 2013

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	COMPONENT UNIT FOUNDATION
ASSETS		
Cash and Investments	\$ 864,544	\$ 1,217,574
Accounts Receivable	19,145	385
Property Taxes Receivable	1,449,570	-
Prepaid Expenses	5,939	1,797
Capital Assets, Net of Accumulated Depreciation	<u>1,620,409</u>	<u>-</u>
TOTAL ASSETS	<u>3,959,607</u>	<u>1,219,756</u>
LIABILITIES		
Accounts Payable	31,522	2,576
Accrued Salaries and Benefits	21,734	-
Noncurrent Liabilities		
Due Within One Year	23,692	-
Due in More Than One Year	<u>11,417</u>	<u>-</u>
TOTAL LIABILITIES	<u>88,365</u>	<u>2,576</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	<u>1,441,611</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	1,620,409	-
Restricted for Special Needs Materials		
Nonexpendable	15,000	-
Restricted for Emergencies	41,000	-
Restricted for Library Programs		
Nonexpendable	-	945,727
Expendable	-	102,516
Unrestricted	<u>753,222</u>	<u>168,937</u>
TOTAL NET POSITION	<u>\$ 2,429,631</u>	<u>\$ 1,217,180</u>

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

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	\$ 1,483,472	\$ 14,345	\$ 161,407	\$ (1,307,720)	\$ -
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,483,472</u>	<u>\$ 14,345</u>	<u>\$ 161,407</u>	<u>(1,307,720)</u>	<u>-</u>
Component Unit					
Foundation	\$ 50,433	\$ -	\$ 50,784	-	351
GENERAL REVENUES					
Property Taxes				1,106,798	-
Specific Ownership Taxes				81,846	-
Contributions not Restricted to Specific Programs				1,973	39,744
Investment Income				1,200	96,810
Miscellaneous				2,850	-
TOTAL GENERAL REVENUES				<u>1,194,667</u>	<u>136,554</u>
CHANGE IN NET POSITION				(113,053)	136,905
NET POSITION, Beginning				<u>2,542,684</u>	<u>1,080,275</u>
NET POSITION, Ending				<u>\$ 2,429,631</u>	<u>\$ 1,217,180</u>

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
 December 31, 2013

	<u>GENERAL</u>	<u>NONMAJOR CAPITAL RESERVE</u>	<u>TOTALS</u>
ASSETS			
Cash and Investments	\$ 651,347	\$ 213,197	\$ 864,544
Accounts Receivable	19,145	-	19,145
Property Taxes Receivable	1,449,570	-	1,449,570
Prepaid Items	<u>5,939</u>	<u>-</u>	<u>5,939</u>
TOTAL ASSETS	<u>\$ 2,126,001</u>	<u>\$ 213,197</u>	<u>\$ 2,339,198</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 31,522	\$ -	\$ 31,522
Accrued Salaries and Benefits	<u>21,734</u>	<u>-</u>	<u>21,734</u>
TOTAL LIABILITIES	<u>53,256</u>	<u>-</u>	<u>53,256</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	<u>1,441,611</u>	<u>-</u>	<u>1,441,611</u>
FUND BALANCE			
Nonspendable Cash and Investments for Special Needs Materials	15,000	-	15,000
Nonspendable Prepaid Items	5,939	-	5,939
Restricted for Emergencies	41,000	-	41,000
Assigned to Facility Maintenance and Reinvestment	-	213,197	213,197
Unrestricted, Unassigned	<u>569,195</u>	<u>-</u>	<u>569,195</u>
TOTAL FUND BALANCE	<u>631,134</u>	<u>213,197</u>	<u>844,331</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,126,001</u>	<u>\$ 213,197</u>	<u>\$ 2,339,198</u>

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

Total Fund Balance of Governmental Funds	\$ 844,331
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,620,409
Long-term liabilities, including accrued compensated absences, are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(35,109)</u>
Total Net Position of Governmental Activities	<u>\$ 2,429,631</u>

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, 2013

	<u>GENERAL</u>	<u>NONMAJOR CAPITAL RESERVE</u>	<u>TOTALS</u>
REVENUES			
Property Taxes	\$ 1,106,798	\$ -	\$ 1,106,798
Specific Ownership Taxes	81,846	-	81,846
Charges for Services	14,345	-	14,345
Contributions	139,604	-	139,604
Intergovernmental	23,776	-	23,776
Investment Income	924	276	1,200
Miscellaneous	2,850	-	2,850
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,370,143	276	1,370,419
EXPENDITURES			
Current			
Library Services	1,348,411	-	1,348,411
Capital Outlay	4,081	-	4,081
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	1,352,492	-	1,352,492
NET CHANGE IN FUND BALANCE	17,651	276	17,927
FUND BALANCE, Beginning	613,483	212,921	826,404
	<hr/>	<hr/>	<hr/>
FUND BALANCE, Ending	\$ 631,134	\$ 213,197	\$ 844,331
	<hr/>	<hr/>	<hr/>

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

Net Change in Fund Balance of Governmental Funds	\$ 17,927
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 (\$233,795) exceeded capital outlay \$103,261 in the current year.	(130,534)
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 represents the change in accrued compensated absences.	<hr/> (446)
Change in Net Position of Governmental Activities	\$ <hr/> (113,053)

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 the organization provides benefits to, or imposes financial burdens, on the District.

The Estes Valley Public Library Foundation, Inc. (the “Foundation”) is reported as a discretely presented component unit in the financial statements. The Foundation is a non-profit organization incorporated to maintain, support, and improve the District. Separate financial statements for the Foundation may be obtained by writing to P.O. Box 1470, Estes Park, Colorado 80517.

The Friends of Estes Park Library (“Friends”) is a non-profit organization formed to supplement the resources available to the District. Because the resources of Friends are not significant to the District, the financial activities of Friends are not reported in the financial statements. Separate financial statements for Friends may be obtained by writing to P.O. Box 1687, 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.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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.

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 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 required to be accounted for in another fund.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The *Capital Reserve Fund* accounts for the remaining resources of the Debt Service Fund 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

Cash and Investments - Investments are reported at fair value.

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

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 estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset 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 the straight-line method 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

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

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.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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, 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, 2013, follows:

Petty Cash	\$	185
Deposits		116,021
Investments		<u>748,338</u>
Total	\$	<u>864,544</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 2: CASH AND INVESTMENTS (Continued)

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.

Investments

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, concentration and custodial risk criteria in which local governments may invest, which include the following.

- 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, as provided by nationally recognized statistical rating organizations, depending on the investment type.

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, 2013, the District had \$748,338 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 as promulgated under the Investment Company Act of 1940, as amended. 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.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, is summarized below.

	<u>Balances</u> 12/31/12	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 12/31/13
Governmental Activities				
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 2,285,641	\$ -	\$ -	\$ 2,285,641
Furniture and Equipment	340,109	4,081	-	344,190
Library Books and Audio Visual Materials	<u>759,573</u>	<u>99,180</u>	<u>57,151</u>	<u>801,602</u>
Total Capital Assets, Being Depreciated	<u>3,385,323</u>	<u>103,261</u>	<u>57,151</u>	<u>3,431,433</u>
Less Accumulated Depreciation				
Buildings and Improvements	(949,255)	(67,492)	-	(1,016,747)
Furniture and Equipment	(206,211)	(32,702)	-	(238,913)
Library Books and Audio Visual Materials	<u>(478,914)</u>	<u>(133,601)</u>	<u>(57,151)</u>	<u>(555,364)</u>
Total Accumulated Depreciation	<u>(1,634,380)</u>	<u>(233,795)</u>	<u>(57,151)</u>	<u>(1,811,024)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,750,943</u>	<u>\$ (130,534)</u>	<u>\$ -</u>	<u>\$ 1,620,409</u>

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended December 31, 2013.

	<u>Balance</u> 12/31/12	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 12/31/13	<u>Due Within</u> <u>One Year</u>
Compensated Absences	<u>\$ 34,663</u>	<u>\$ 33,791</u>	<u>\$ 33,345</u>	<u>\$ 35,109</u>	<u>\$ 23,692</u>

NOTE 5: RETIREMENT COMMITMENTS

Defined Benefit Multiple-Employer Pension Plan

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). The LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained by contacting Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 5: RETIREMENT COMMITMENTS (Continued)

Defined Benefit Multiple-Employer Pension Plan (Continued)

Funding Policy - Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of Plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members and the District was 8% and 13.7% of covered salaries, respectively, for the past three years. 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 years ended December 31, 2013, 2012 and 2011 were \$83,231, \$81,683 and \$63,842, respectively, equal to the required contributions for each year.

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 to PERA participating 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 members as set by statute. No member contributions are required. The contribution requirements 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 30, 2013, 2012 and 2011 was \$6,197, \$6,082 and \$4,753, 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.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

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.

The District has established a reserve for emergencies, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2013, the emergency reserve of \$41,000 was reported as restricted fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

ESTES VALLEY PUBLIC LIBRARY DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2013

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Property Taxes	\$ 1,106,612	\$ 1,106,612	\$ 1,106,798	\$ 186
Specific Ownership Taxes	70,000	70,000	81,846	11,846
Charges for Services	10,960	10,960	14,345	3,385
Contributions	150,000	150,000	139,604	(10,396)
Intergovernmental	3,006	3,006	23,776	20,770
Investment Income	2,420	2,420	924	(1,496)
Miscellaneous	369	369	2,850	2,481
TOTAL REVENUES	<u>1,343,367</u>	<u>1,343,367</u>	<u>1,370,143</u>	<u>26,776</u>
EXPENDITURES				
Current				
Library Services	1,340,367	1,352,367	1,348,411	3,956
Capital Outlay	3,000	3,000	4,081	(1,081)
TOTAL EXPENDITURES	<u>1,343,367</u>	<u>1,355,367</u>	<u>1,352,492</u>	<u>2,875</u>
NET CHANGE IN FUND BALANCE	-	(12,000)	17,651	29,651
FUND BALANCE, Beginning	<u>657,833</u>	<u>657,833</u>	<u>613,483</u>	<u>(44,350)</u>
FUND BALANCE, Ending	<u>\$ 657,833</u>	<u>\$ 645,833</u>	<u>\$ 631,134</u>	<u>\$ (14,699)</u>

See the accompanying Independent Auditors' Report.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

NOTE 1: 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, 2013, the District did not adopt a budget for the Capital Reserve Fund because no expenditures were expected.

The District follows these procedures in establishing the budgetary data 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 enacted 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.