

IGNACIO COMMUNITY LIBRARY DISTRICT

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2016



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IGNACIO COMMUNITY LIBRARY DISTRICT

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Ignacio Community Library District
Ignacio, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ignacio Community 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.

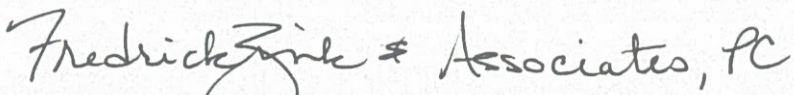
We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Ignacio Community 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 22, 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

June 19, 2017

IGNACIO COMMUNITY LIBRARY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Ignacio Community Library District's (ICL) annual financial report presents our discussion and analysis of the District's financial performance during the calendar year, which ended on December 31, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

ADMINISTRATION

Library Director Leslee Shell retired in May of 2016. The Library Board of Trustees conducted a search for a new director and after receiving approximately 6 applications, interviewed two and ultimately hired Marcia Vining to take on ICL's Director role. Ms. Vining was ICL's librarian from 2013 to May 31st of 2016. The Board of Trustees has remained stable with no changes this year.

GRANT FUNDING

ICL received several grants in 2016.

The Colorado State Grants for Libraries provides funding of \$4500 for collection development and was used for circulating materials.

The Rural Gateways Grant through Califa, funded a new book club based on STEM programming for adults. \$2000 of this \$3500 grant was received in 2016 and provided staff professional development and the first four programs including books, science partnerships and other supplies. The remaining \$1500 will be received in 2018 and will provide for an additional series of book club meetings.

Working with Colorado Humanities, ICL was notified in late 2016 of a Buell Foundation grant award which will allow us to continue to provide family literacy programs in 2017. The \$5000 will be used for books and materials, staff, food, and incentives for participating families. The program, Family Reading Circles, is popular and works to enhance adult literacy as well as early childhood literacy. We also use the Motherhead curriculum for programs at the Southern Ute Detention Center.

ICL staff received the Great Stories Club grant to support programming for youth at risk. No cash was received however this grant covered the cost of a staff member to attend training prior to the ALA conference in June as well as books for the youth in the program.

In November of 2016, ICL was notified of its place in the Small Places Create Smart Places grant. This grant, awarded to only 15 rural libraries, will help ICL staff to make informed decisions regarding the use of library space. It will assist us in continuing to provide a responsive, adaptable space which can adjust as it meets changing community needs. The \$5000 will be available to the Library in the summer and fall of 2017.

Instead of a financial grant, the state library provided materials to support the Summer Reading Program. In 2016 materials for checkout including a backpack filled with bird watching books, binoculars and activities were received by ICL. As the focus was on health this year, an effort was made to help families explore the outdoors together.

PROGRAMMING

In 2016 ICL added some programs based on community input and need. We added an ESL class, more computer classes and expanded the MakerSpace. Our programs showed an attendance of 3886 people. Some of the most popular are our art classes and workshops. Classes are held on Tuesday mornings. Fridays, the instructor is available to assist the attendees on any project they choose. Other programs ranged from tatting, knitting, and gardening to Excel, coding, and astronomy.

In August of 2016 we received the Explore Space Exhibit through ALA and the National Science Foundation. This Exhibit included banners, an interactive kiosk and support materials as well as \$1000. We hosted over 10 programs about space, brought in numerous school groups to use the materials and focused our regular programming such as StoryTime and MakerSpace around the theme of space.

COLLECTIONS

In 2016, the Friends of the Ignacio Community Library purchased 10 Launchpads (a self-contained educational tablet) for our patrons to try out. Later that same year they applied for and received a La Plata Electric grant and matched it to purchase 30 more launchpads including 10 for adults. These have been a very popular addition to the library's collection.

Weeding is an ongoing project as we strive to maintain a collection that is responsive to the community's needs and interests. We continue to order and receive items from the Colorado State Library's Talking Books collection to supplement our large print section.

COMMUNITY OUTREACH

ICL continues to provide programming outside of the library as well as collaborating with area agencies and organizations. We provide *Motheread/Fatheread*® to the Southern Ute Detention Center, an author to teach special writing workshops at the Ignacio Middle School and men to read to the 5th grade boys in a program called *Guys Read*. We worked with staff from Southern Ute Headstart to provide our Family Reading Circles program at the library. We also have worked with the various homeschool groups both providing programs as needed and assisting with research, computer issues and more. We have a staff member who regularly visits the Senior Center and are working to increase our outreach to the elderly and home bound by supplying materials by mail. We also have worked with the people from Meals on Wheels to coordinate delivering materials for us to home bound individuals. ICL participates in the program *One Book 4 Colorado*, which is an initiative of the Lieutenant Governor's office. We provide these books to the public as well as to the 4 -year-olds at Headstart.

Another piece of community involvement this year was the community branding project that Marcia Vining participated in. She attended community meetings, hosted meetings, and the library was also a place where the community could view and participate in various branding activities.

Library staff attends the Chamber of Commerce meetings monthly which helps keep the library aware of what others in the community are doing and offers the opportunity to inform the community as to what the library is offering.

In the fall of 2016, ICL's oral history website; ignaciovoices.org went live. This website provides historic information for the community including interviews of local people, images, and photographs from the area and digital copies of the local newspaper.

PERSONNEL

Lucas Gass received his MLIS from San Jose State University in May of 2016. He continues to provide excellent technology support for ICL. Luri Owen moved on to a new position which created an opening at ICL. The opening for a part time Library Assistant was filled when Jonathan Quintana was hired. The Board of Trustees created the position Youth Services Specialist and Hannah Horman was hired to fill that position.

During the summer of 2016 ICL hosted an intern through the Southern Ute Tribal Education Department. This was an opportunity to work with this department and help develop employment skills with a high school student.

ICL also has several volunteers that help throughout the library. One of these volunteers labels and covers books on a weekly basis. Another assists with shelf reading and labeling series. This community support is invaluable to the staff and other patrons.

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), cash and cash equivalents, and an annuity investment. 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.

IGNACIO COMMUNITY LIBRARY DISTRICT'S NET POSITION

	2016	2015
Assets		
Current and other assets	\$ 2,492,489	\$ 2,551,423
Capital assets	2,878,508	2,905,074
Total assets	<u>5,370,997</u>	<u>5,456,497</u>
Liabilities	<u>14,746</u>	<u>16,392</u>
Deferred inflows	<u>402,213</u>	<u>671,908</u>
Net Position		
Invested in capital assets	2,878,508	2,905,074
Restricted for emergencies	23,778	21,791
Restricted for collection purchases	4,500	4,500
Restricted for oral history project	-	2,875
Unrestricted	2,047,252	1,833,957
Total net position	<u>\$ 4,954,038</u>	<u>\$ 4,768,197</u>

Approximately 58% of the Library's net position reflects its investment in capital assets, which includes land, building, equipment, and the collection of library materials. The Library's net position increased by 4% from \$4,768,197 to \$4,954,038.

IGNACIO COMMUNITY LIBRARY DISTRICT'S CHANGE IN NET POSITION

	2016	2015
Revenues		
Program Revenue		
Charges for services	\$ 7,244	\$ 9,206
Grants and contributions	10,036	17,715
General revenues		
Property and other taxes	765,950	680,233
Interest	6,301	17,874
Other	3,056	1,330
	<u>792,587</u>	<u>726,358</u>
Expenses		
Library operations		
Primary government	<u>606,746</u>	<u>604,181</u>
Change in net position	185,841	122,177
Net position – beginning	<u>4,768,197</u>	<u>4,646,020</u>
Net position – ending	<u>\$ 4,954,038</u>	<u>\$ 4,768,197</u>

Property taxes were the most significant source of general revenues for the Library. Property taxes accounted for 85% of total revenues. Specific ownership and other

taxes account for about 12% of total revenues. Grants and contributions made up 1% of the District's total revenues and the remaining funds came from investment interest, charges for services, and other income. Fluctuations in oil and gas prices greatly affect the Ignacio property values and therefore affect the Library's annual revenues. As a result, the Board of Trustees is conservative when budgeting each fiscal year and is equally diligent when monitoring each year's budget to ensure the longevity of the Library.

BUDGET VARIANCES IN THE GENERAL FUND

The Library's 2016 budget was approved at the end of 2015. 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>
Revenues:				
Grants	\$ 8,000	\$ 8,628	\$ 628	
Interest	4,000	6,301	2,301	Conservative budgeting
Specific ownership taxes	40,000	57,799	17,799	Conservative budgeting
Expenses:				
Capital improvements	32,500	6,591	25,909	Improvements did not take place
Employee salaries	340,000	277,605	62,395	Position open and overestimated

NEXT YEARS 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 from \$447.9 billion to \$268.1 billion. As a result, property tax revenue coming to the Library in 2017 will decrease from \$671,908 to \$402,213. 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 operating within available revenues in order to maintain financial stability for the Library for future years.

SUMMARY

ICL continues to make literacy a priority, offering programs that will benefit the youth and families in our service area while at the same time offering programs and services that assist our older adults. This focus on serving all demographics is in part what keeps ICL a central part of life in Ignacio. The staff strives to offer excellent service to all and focuses our services, collection and programs on what the community members have

determined that they need. Keeping current on library trends and the needs of the community helps us to remain a vital and exciting part of our community. As we approach the future, we will continue to keep our focus on serving and meeting the needs of an ever growing, ever changing society.

BASIC FINANCIAL STATEMENTS

IGNACIO COMMUNITY LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2016

	<u>Governmental Activities</u>
Assets	
Cash - unrestricted.....	\$ 1,872,651
Investments.....	209,775
Property taxes receivable.....	402,213
Ownership taxes receivable.....	4,544
Prepaid expenses.....	3,306
	<u>2,492,489</u>
Capital assets, not being depreciated.....	162,694
Capital assets, depreciated, net of accumulated depreciation.....	<u>2,715,814</u>
Total assets.....	<u>5,370,997</u>
Liabilities	
Accounts payable.....	1,297
Accrued expenses.....	7,114
Accrued compensated absences.....	6,335
Total liabilities.....	<u>14,746</u>
Deferred inflows of resources	
Unavailable revenue - property taxes levied for future periods.....	402,213
Total deferred inflows of resources.....	<u>402,213</u>
Net position	
Net investment in capital assets.....	2,878,508
Restricted under TABOR for emergencies.....	23,778
Restricted for collection purchases.....	4,500
Unrestricted.....	<u>2,047,252</u>
Total net position.....	<u>\$ 4,954,038</u>

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

IGNACIO COMMUNITY 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.....	\$ 606,746	\$ 7,244	\$ 10,036	\$ (589,466)
Total governmental activities.....	<u>\$ 606,746</u>	<u>\$ 7,244</u>	<u>\$ 10,036</u>	<u>(589,466)</u>
General revenues				
Property taxes.....				670,314
Specific ownership and other taxes.....				59,230
Payment in lieu of taxes, Southern Ute Tribe.....				36,406
Interest.....				6,301
Other revenue.....				<u>3,056</u>
Total general revenues.....				<u>775,307</u>
Change in net position.....				185,841
Net position, beginning.....				<u>4,768,197</u>
Net position, ending.....				<u>\$ 4,954,038</u>

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

IGNACIO COMMUNITY LIBRARY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2016

ASSETS

	<u>General Fund</u>
Assets	
Cash - unrestricted.....	\$ 1,872,651
Investments.....	209,775
Property taxes receivable.....	402,213
Ownership taxes receivable.....	4,544
Prepaid expenses.....	<u>3,306</u>
 Total assets.....	 <u>\$ 2,492,489</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable.....	\$ 1,297
Accrued expenses.....	<u>7,114</u>
Total liabilities.....	<u>8,411</u>
 Deferred inflows of resources	
Unavailable revenue - property taxes levied for future years.....	402,213
Total deferred inflows of resources.....	<u>402,213</u>
 Fund balance	
Nonspendable.....	3,306
Restricted under TABOR for emergencies.....	23,778
Restricted for collection purchases.....	4,500
Committed for expansion.....	175,000
Unassigned.....	<u>1,875,281</u>
Total fund balance.....	<u>2,081,865</u>
 Total liabilities and fund balance.....	 <u>\$ 2,492,489</u>

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

IGNACIO COMMUNITY LIBRARY DISTRICT

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

December 31, 2016

Total fund balance - governmental fund.....	\$ 2,081,865
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.....	2,878,508
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund.....	<u>(6,335)</u>
Total net position - governmental activities.....	<u>\$ 4,954,038</u>

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

IGNACIO COMMUNITY LIBRARY DISTRICT

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

For the Year Ended December 31, 2016

	<u>General Fund</u>
Revenues	
Property taxes.....	\$ 670,314
Specific ownership and other taxes.....	95,636
Charges for services.....	7,244
Grants and contributions.....	10,036
Interest.....	6,301
Other revenue.....	<u>3,056</u>
 Total revenues.....	 <u>792,587</u>
Expenditures	
Current	
Library operations.....	508,121
Capital outlay.....	<u>70,889</u>
 Total expenditures.....	 <u>579,010</u>
 Excess of revenues over expenditures.....	 213,577
 Fund balance, beginning.....	 <u>1,868,288</u>
 Fund balance, ending.....	 <u>\$ 2,081,865</u>

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

IGNACIO COMMUNITY 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..... \$ 213,577

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.....	\$ 70,889	
Depreciation.....	<u>(97,455)</u>	
Net difference in capital outlay treatment.....		(26,566)

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.....

(1,170)

Change in net position - governmental activities..... \$ 185,841

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

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ignacio Community Library District (the "District") is a special district created January 14, 1991. The District is governed by a Board of Trustees who are appointed by the 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 generally accepted accounting principles as applicable to government entities. The following is a summary of the more significant policies:

Principles determining scope of reporting entity

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether the organization is legally separate; the District holds the corporate powers of the organization; the District appoints a voting majority of the organization's board; the District is able to impose its will on the organization; the organization has the potential to impose a financial benefit/burden on the District; there is fiscal dependency by the organization on the District. Based on the aforementioned criteria, the District has no component units.

Government-wide and fund financial statements

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 fund financial statements are designed to provide information about the District's funds. The District has a single governmental fund, the General Fund, which is an operating fund accounting for all activities of the government.

Measurement focus and basis of accounting

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.

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.

Revenues are recorded when earned and expenses are recorded when a 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.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement focus and basis of accounting - Continued

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.

Property taxes are reported as receivables and deferred revenue when levied and as revenues when due for collection in the following year and determined to be available.

Expenditures are recorded when the related fund liability is incurred with the exception of certain sick and retirement pay which are accounted for as expenditures when expected to be liquidated with expendable financial resources.

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

Budgets and budgetary accounting

The District Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with the State statutes, prior to September 1, the Librarian submits to the District Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the department head function level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Librarian is required to present a monthly report to the District Board explaining any variance from the approved budget.
- Formal budgetary integration is employed as a management control device during the year for all funds of the District.
- Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Expenditures may not legally exceed appropriations at the fund level.
- Appropriations lapse at the end of each calendar year.
- The District Board may authorize supplemental appropriations during the year.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Fair value measurements

The District applies GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Revenue recognition – property taxes

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.

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.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital assets - Continued

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:

Building	50 years
Furniture and fixtures	2-7 years
Books and materials	10 years

Compensated absences

The District allows its employees to accumulate paid leave time, based on the employee's length and hours of service. Leave time can be carried over from one year to the next up to a cap of 24 days. Leave hours earned are considered wages earned, and all wages are due and payable to an employee upon termination. At year end, the estimated value of accumulated compensatory time was \$6,335.

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.

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 inventory and prepaid amounts) 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 the limitations imposed by the District's highest level of decision making authority, the Board of Trustees, or other individuals authorized to assign funds to be used for specific purpose. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund balance classifications - Continued

Assigned - The portion of the fund balance set aside for planned or intended purposes but is neither restricted nor committed. The intended use may be expressed by the Board of Trustees or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

Unassigned - The residual portion of the fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

When both restricted and unrestricted fund balance are available for use, it is the District's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned and unassigned.

Financial statement reconciliations

The governmental fund balance sheet includes a reconciliation between total fund balance and net assets as reported in government-wide statement of net assets. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balance and the change in net assets of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

Subsequent events

Management has evaluated subsequent events through June 19, 2017, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

NOTE 2 - CASH AND INVESTMENTS

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 \$1,887,659 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. In November 2014, the District invested \$200,000 in an annuity which matures November 2019. The annuity accrues interest annually at 2.25%. The District recorded \$4,601 of interest income during 2016. The investment is carried at the accumulated value of the annuity contract (a Level 2 measurement), which is \$209,775 at December 31, 2016.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued December 31, 2016

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

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	\$ 142,200	\$ -	\$ -	\$ 142,200
Assets not in service	<u>-</u>	<u>20,494</u>	<u>-</u>	<u>20,494</u>
Total capital assets not being depreciated	<u>142,200</u>	<u>20,494</u>	<u>-</u>	<u>162,694</u>
Capital assets being depreciated:				
Building	3,101,526	-	-	3,101,526
Furniture and equipment	362,515	12,112	-	374,627
Books and materials	<u>310,841</u>	<u>38,283</u>	<u>(15,444)</u>	<u>333,680</u>
Total capital assets being depreciated	3,774,882	50,395	(15,444)	3,809,833
Accumulated depreciation	<u>(1,012,008)</u>	<u>(97,455)</u>	<u>15,444</u>	<u>(1,094,019)</u>
Capital assets being depreciated, net	<u>2,762,874</u>	<u>(47,060)</u>	<u>-</u>	<u>2,715,814</u>
Total capital assets, net	<u>\$ 2,905,074</u>	<u>\$ (26,566)</u>	<u>\$ -</u>	<u>\$ 2,878,508</u>

NOTE 4 - RETIREMENT BENEFIT PLAN

Fulltime employees of the District are eligible for District contributions to a 457(b) plan administered by CCOERA. All fulltime employees may, but are not required, to participate. The District will match employee contributions up to 3% of each employee's annual wages. The District's total contribution to the plan for the year ended December 31, 2016 was \$5,029.

NOTE 5 - TAX SPENDING AND DEBT LIMITATIONS

Colorado voters passed an Amendment to the State Constitution, Article X, Section 20, known as the Taxpayer Bill of Rights (TABOR), 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 District believes it is in compliance with the requirements of the amendment.

TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. The statement of net position carries a balance of \$23,778 restricted for emergencies.

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries of employees while on the job and to property and casualty losses. The District has purchased insurance through commercial companies for protection from said risks.

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

REQUIRED SUPPLEMENTARY INFORMATION

IGNACIO COMMUNITY LIBRARY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND - BUDGET AND ACTUAL

For the Year Ended December 31, 2016

(Unaudited)

	Original Budget	Final Budget	Actual	Variance from Final Budget Favorable (Unfavorable)
Revenues				
Property taxes.....	\$ 671,139	\$ 671,908	\$ 670,314	\$ (1,594)
Donations.....	1,500	1,500	1,408	(92)
Refunds.....	10,000	10,000	3,056	(6,944)
Grants.....	8,000	8,000	8,628	628
Interest.....	4,000	4,000	6,301	2,301
Patron services.....	6,000	6,000	7,244	1,244
SUT PILT/mitigation/royalties.....	37,000	37,000	37,837	837
Specific ownership taxes.....	40,000	40,000	57,799	17,799
Carry forward.....	2,261	1,492	-	(1,492)
Total revenues.....	<u>779,900</u>	<u>779,900</u>	<u>792,587</u>	<u>12,687</u>
Expenditures				
Advertising.....	3,000	3,000	3,579	(579)
Books and materials.....	50,000	50,000	41,651	8,349
Building maintenance and cleaning.....	27,500	27,500	24,885	2,615
Capital improvements.....	32,500	32,500	6,591	25,909
Computer library system.....	10,000	10,000	6,535	3,465
Computer maintenance.....	2,000	2,000	104	1,896
Computer software.....	5,000	5,000	4,592	408
Copier lease and maintenance.....	7,000	7,000	7,474	(474)
Employee salaries.....	340,000	340,000	277,605	62,395
Employee health care insurance.....	27,000	27,000	22,858	4,142
Employee retirement plan.....	7,500	7,500	5,029	2,471
Payroll taxes.....	27,000	27,000	22,168	4,832
Equipment.....	5,000	5,000	29,132	(24,132)
Equipment maintenance.....	4,500	4,500	4,298	202
Grounds maintenance.....	8,000	8,000	3,598	4,402
Property and liability insurance.....	10,000	10,000	9,458	542
Inter-library loan courier.....	400	400	770	(370)
IT services.....	4,000	4,000	3,810	190
Library memberships.....	1,000	1,000	0	1,000
Library programs.....	20,000	20,000	17,897	2,103
Library supply.....	7,000	7,000	6,633	367
Miscellaneous.....	4,000	4,000	4,644	(644)
Office supplies.....	6,000	6,000	5,546	454
Postage and freight.....	1,000	1,000	900	100
Printing and publication.....	1,000	1,000	407	593
Professional services.....	8,000	8,000	9,149	(1,149)
Telecommunications.....	10,000	10,000	9,258	742
Training/tuition/memberships.....	15,000	15,000	9,563	5,437
Treasurer's fees.....	22,500	22,500	20,114	2,386
Utilities.....	20,000	20,000	20,645	(645)
Website.....	1,000	1,000	117	883
Total expenditures.....	<u>686,900</u>	<u>686,900</u>	<u>579,010</u>	<u>107,890</u>
Carry forward				
Capital reserve.....	25,000	25,000	-	25,000
Emergency reserve.....	27,000	27,000	-	27,000
Ending fund balance.....	41,000	41,000	-	41,000
Total carry forward.....	<u>93,000</u>	<u>93,000</u>	<u>-</u>	<u>93,000</u>
Total general fund.....	779,900	779,900	579,010	200,890
Excess of revenues over expenditures.....	-	-	213,577	213,577
Fund balance, beginning.....	-	-	1,868,288	1,868,288
Fund balance, ending.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,081,865</u>	<u>\$ 2,081,865</u>