

**IGNACIO COMMUNITY
LIBRARY DISTRICT**

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2017

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June 28, 2018

IGNACIO COMMUNITY LIBRARY DISTRICT

December 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Governmental-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Fund.....	11
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities.....	14
Notes to the Basic Financial Statements	15
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual	24

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 the major fund of the Ignacio Community Library District (the District), as of and for the year ended December 31, 2017, 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Ignacio Community Library District as of December 31, 2017, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, on pages 3-8, and the budgetary comparison information on page 24, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
Durango, Colorado
May 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ignacio Community Library District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2017. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the District's financial statements, which follow this MD&A.

Financial Highlights

- The District's total assets exceeded its liabilities on December 31, 2017 by \$4,897,763. This represented a decrease of \$56,275 from net position at December 31, 2016. This perspective on net position includes spendable resources as well as the investment in buildings, collections and other capital assets of \$2,811,542; restricted grant funds of \$4,236; and emergency reserves of \$15,263.
- During the year, the District's expenses were \$56,275 more than the \$508,763 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from 2016, and no new programs were added in 2017.
- The District's general fund reported an ending fund balance of \$2,093,066, an increase of \$11,201 in comparison to the prior year. The portion of the total fund balance for the General Fund that is unrestricted and available for spending at the District's discretion is \$2,068,515.

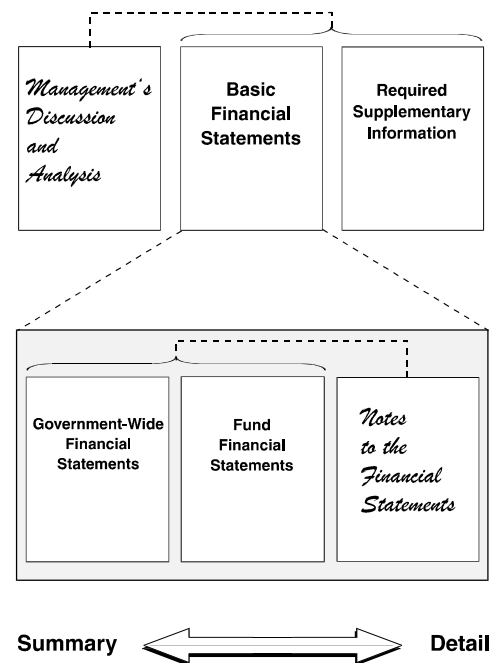
Overview of the Financial Statements

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government services* were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report



Basic Financial Statements

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the activities of the District's individual governmental funds and are divided into two parts: 1) the "modified accrual basis statements" and 2) the "budgetary basis statements."

The financial statements on pages 11 and 13 of the audited financial statements focus on assets that can readily be converted into cash in the short-term and liabilities that will be settled in the short-term. Governmental funds in the "modified accrual basis statements" are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting method provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the District's programs.

The annual budgets shown in the "budgetary basis statements" are prepared as described in Note 1. These budgets are presented using the modified accrual basis of accounting and are found in the Required Supplementary Information section.

The "budgetary basis statements" for the General Fund, demonstrate how the District complied with the year's approved budget. The "budgetary basis statements" are presented using the same classifications as those used in the legal budget document.

Notes to the Basic Financial Statements

Notes to the basic financial statements provide additional information that is essential to fully understanding the financial statement data.

Government-Wide Financial Analysis

The Statement of Net Position and the Statement of Activities present the District's financial information as a whole.

Condensed Statement of Net Position

	2017	2016
Current and other assets	\$ 2,427,036	\$ 2,492,489
Capital assets	<u>2,811,542</u>	<u>2,878,508</u>
Total assets	<u>5,238,578</u>	<u>5,370,997</u>
Current Liabilities	5,602	8,411
Noncurrent Liabilities	6,845	6,335
Total Liabilities	<u>12,447</u>	<u>14,746</u>
Deferred Inflows of Financial Resources	<u>328,368</u>	<u>402,213</u>
Total Liabilities and Deferred Inflows of Financial Resources	<u>340,815</u>	<u>416,959</u>
Net Position		
Net Investment in Capital Assets	2,811,542	2,878,508
Restricted Net Position	19,499	28,278
Unrestricted Net Position	<u>2,066,722</u>	<u>2,047,252</u>
Total net position	<u>\$ 4,897,763</u>	<u>\$ 4,954,038</u>

Net Position:

The District's assets exceeded its liabilities by \$4,897,763 as of December 31, 2017, a decrease in the District's net position of \$56,275 during 2017. This overall decrease is mainly due to the decrease in the net investment in capital assets portion of total net position, primarily as a result of depreciation expense. \$2,811,542 is invested in capital assets, which includes land, buildings, library materials, furniture and equipment. The District uses capital assets to provide services to patrons; consequently, these assets are not available for future spending. The remaining portions of the District's net position are classified as either restricted or unrestricted. Restricted net position includes \$4,236 for future grant expenses, and emergency reserve of \$15,263. The remaining portion of \$2,066,722 is unrestricted and can be used for future operations.

The District's Changes in Net Position

Condensed Statement of Activities

	2017	2016
Program Revenue		
Charges for services	\$ 7,727	\$ 7,244
Grants and contributions	18,012	10,036
General revenues		
Property and other taxes	467,350	765,950
Interest	6,492	6,301
Other	9,182	3,056
	<u>508,763</u>	<u>792,587</u>
Program Expenses		
Primary government	<u>565,038</u>	<u>606,746</u>
Change in net position	(56,275)	185,841
Net position – beginning	<u>4,954,038</u>	<u>4,768,197</u>
Net position – ending	<u>\$ 4,897,763</u>	<u>\$ 4,954,038</u>

Fund Financial Analysis

On December 31, 2017, the District reported a fund balance of \$2,093,066 in the General Fund. Of that \$15,263 is reserved for emergency under Tabor and \$4,236 is restricted for grant expenditures. Of the remaining fund balance \$1,893,515 is available for future commitments and is unassigned fund balance, \$5,052 is nonspendable prepaid expenditures and \$175,000 is committed for future capital projects.

The General Fund balance increased in 2017 by \$11,201 mainly due to reduced spending of \$130,238 compared to budget.

Property taxes were the most significant source of general revenues for the District. Property taxes accounted for 78% of total revenues. Specific ownership and payment in lieu of taxes account for about 13% of total revenues. Grants and contributions made up 3.5% of the District's total revenues and the remaining funds came from investment interest, charges for services, and other income.

General Fund Budgetary Highlights

Over the course of the year, the District did not revise its budget. Actual expenditures were \$130,238 below the final budget amounts and resources available were \$8,382 below the final budgeted amount.

Capital Assets

The District's investment in capital assets as of December 31, 2017, totals \$2,811,542 net of accumulated depreciation. These assets include buildings, land, furniture, equipment, books, and audio visual equipment. Additional information on the District's capital assets can be found in Note 3 of the financial statements.

	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance 12/31/17</u>
Assets not being depreciated:					
Land	\$ 142,200	\$ -	\$ -	\$ -	\$ 142,200
Assets not in service	20,494	-	-	(20,494)	-
Total assets not being depreciated	<u>162,694</u>	<u>-</u>	<u>-</u>	<u>(20,494)</u>	<u>142,200</u>
Assets being depreciated:					
Building	3,101,526	-	-	-	3,101,526
Furniture and equipment	374,627	6,308	-	20,494	401,429
Books and materials	333,680	32,193	(43,229)	-	322,644
Total assets being depreciated	<u>3,809,833</u>	<u>38,501</u>	<u>(43,229)</u>	<u>20,494</u>	<u>3,825,599</u>
Less: Accumulated depreciation					
Building	(569,498)	(62,510)	-	-	(632,008)
Furniture and equipment	(335,497)	(15,175)	-	-	(350,672)
Books and materials	(189,023)	(27,783)	43,229	-	(173,577)
Total accumulated depreciation	<u>(1,094,018)</u>	<u>(105,468)</u>	<u>43,229</u>	<u>-</u>	<u>(1,156,257)</u>
Capital assets being depreciated, net	<u>2,715,815</u>	<u>(66,967)</u>	<u>-</u>	<u>20,494</u>	<u>2,669,342</u>
Net Capital Assets	<u>\$ 2,878,509</u>	<u>\$ (66,967)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,811,542</u>

Major capital asset transactions during the calendar year include purchasing books and audio visual materials of \$32,193 and furniture and equipment in the amount of \$6,308.

Economic Factors and Next Year's Budget Outlook

The District 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 the District 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.

Fluctuations in oil and gas prices greatly affect the Ignacio property values and therefore affect the District'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 District.

Although not as severe a decrease in property taxes as the previous year, the outlook for 2018 continues the downward trend with assessed property values dropping from \$268.1 billion in 2017 to \$218.9 billion for 2018. This results in a decrease of property tax revenue from \$402,213 to \$328,368. The budget for the 2018 fiscal year remains relatively unchanged from 2017 with the additional revenue provided by the Board from reserves. The ICL Board of Trustees continues to budget conservatively to ensure the financial strength and sustainability of the District. The District's staff continues to pursue grant funding when appropriate to supplement property tax revenue.

Requests for Information

This report is designed to provide an overview of the District's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Ignacio Community Library District, P.O. Box 886, Ignacio, CO 81137.

BASIC FINANCIAL STATEMENTS

IGNACIO COMMUNITY LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2017

	Governmental Activities
Assets	
Current assets	
Cash.....	\$ 1,875,084
Investments.....	214,760
Property taxes receivable.....	328,368
Due from other governments.....	3,772
Prepaid items.....	5,052
Total current assets.....	<u>2,427,036</u>
Noncurrent assets	
Capital assets, not being depreciated.....	142,200
Capital assets, net of accumulated depreciation.....	2,669,342
Total noncurrent assets.....	<u>2,811,542</u>
Total assets	<u>5,238,578</u>
Liabilities and deferred inflows of resources	
Current liabilities	
Accrued expenses.....	5,602
Noncurrent liabilities	
Accrued compensated absences.....	6,845
Total liabilities.....	<u>12,447</u>
Deferred inflows of resources	
Property taxes.....	328,368
Total deferred inflows of resources.....	<u>328,368</u>
Total liabilities and deferred inflows of resources	<u>340,815</u>
Net position	
Net investment in capital assets.....	<u>2,811,542</u>
Restricted	
Declared emergencies.....	15,263
Grants and contributions.....	4,236
Total restricted.....	<u>19,499</u>
Unrestricted.....	<u>2,066,722</u>
Total net position	<u>\$ 4,897,763</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, 2017

Function	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
Governmental activities				
Library services.....	\$ 565,038	\$ 7,727	\$ 18,012	\$ (539,299)
General revenues				
Property taxes.....				400,463
Specific ownership and other taxes.....				45,286
Payment in lieu of taxes, Southern Ute Indian Tribe.....				21,601
Investment earnings.....				6,492
Miscellaneous.....				9,182
Total general revenues.....				483,024
Change in net position.....				(56,275)
Net position, beginning.....				4,954,038
Net position, ending.....				\$ 4,897,763

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

IGNACIO COMMUNITY LIBRARY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2017

	<u>General Fund</u>
Assets	
Cash.....	\$ 1,875,084
Investments.....	214,760
Taxes receivable.....	328,368
Due from other governments.....	3,772
Prepaid items.....	5,052
Total assets	<u>\$ 2,427,036</u>
Liabilities	
Accrued compensation payable.....	\$ 5,602
Deferred inflows of resources	
Unavailable revenue - property taxes.....	<u>328,368</u>
Fund balance	
Nonspendable	
Prepaid expenditures.....	5,052
Restricted	
Declared emergencies.....	15,263
Grants and contributions.....	4,236
Committed	
Capital projects.....	175,000
Unassigned.....	<u>1,893,515</u>
Total fund balance	<u>2,093,066</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,427,036</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, 2017

Total fund balance - governmental fund..... \$ 2,093,066

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..... 2,811,542

Accrued compensated absences are not due and payable in the current period
and therefore are not reported in the fund..... (6,845)

Total net position - governmental activities..... \$ 4,897,763

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, 2017

	General Fund
Revenues	
Taxes.....	\$ 467,350
Grants and contributions.....	18,012
Charges for services.....	7,727
Investment earnings.....	6,492
Miscellaneous.....	9,182
Total revenues	508,763
Expenditures	
Current	
Library operations.....	459,061
Capital outlay.....	38,501
Total expenditures	497,562
Revenues in excess of expenditures	11,201
Fund balance, beginning	2,081,865
Fund balance, ending	\$ 2,093,066

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, 2017

Net change in fund balance - total governmental fund..... \$ 11,201

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.....	38,501	
Depreciation.....	<u>(105,468)</u>	
Net difference in capital outlay treatment.....		(66,967)

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.....

(509)

Change in net position - governmental activities..... \$ (56,275)

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

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ignacio Community Library District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to government units. 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 District is considered to be a "Special Library District" and was created January 14, 1991 through state statute (C.R.S. 24-90-110). The District is governed by a five-person board who are appointed by the Commissioners of La Plata County.

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.

Nature of operations

The District's purpose is to promote the establishment and development of publicly supported library services to the general public, primarily in Ignacio, Colorado and the surrounding area.

Basic financial statements

The District's basic financial statements consist of government-wide statements, including a statement of net position, statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide financial statements report information about the reporting government as a whole. These statements focus on the sustainability of the District as an entity and the change in financial position resulting from the activities of the year. These statements consist of the Statement of Net Position and the Statement of Activities.

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. Taxes and other items not included among program revenues are reported instead as general revenues.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basic financial statements - Continued

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The District's sole fund (the General Fund) is classified as governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds would be consolidated into a single column in the financial section of the basic financial statements. The District does not have any non-major funds.

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 a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized 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. 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. However expenditures related to compensated absences are recorded only when payment is due.

Property taxes, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

The District reports the following major governmental fund:

General Fund

This fund accounts for the financial resources of the District. Principal sources of revenue are property taxes, intergovernmental revenue and interest. Primary expenditures are for library services and general administration. The General Fund is the sole fund of the District.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgets

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

- In accordance with the State statutes the Director 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.
- Public hearings are conducted to obtain taxpayer comment.
- Submission of the proposed budget to the local governing body by October 15 of each year.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Director is required to present a monthly report to the District Board explaining any substantial 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.
- The District Board may authorize supplemental appropriations during the year.

Encumbrances

The District does not report encumbered balances as of December 31, 2017 as all encumbrances lapse at year end.

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).

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. The District considers all accounts receivable to be collectible and, accordingly, provides no allowance for doubtful accounts. Governmental funds report deferred inflows of resources, as further described below in connection with receivables for revenues that are not considered to be available to liquidate liabilities for the current period. At the end of the current year, these receivables consisted of property taxes levied in 2017 and due in 2018.

Prepaid items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

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. In the case of donations the District values these capital assets at the estimated fair value of the item at the date of donation.

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.

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 equipment	2-7 years
Books and materials	10 years

Deferred Outflow and Inflow of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and inflows of resources. These separate financial statement elements, deferred outflows of financial resources and deferred inflows of financial resources, represent a usage or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until a future period.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The District reports only deferred inflows, which arise under the full accrual and modified accrual basis of accounting. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

Compensated absences

The liability for compensated absences reported in the government-wide financial statements consist of unpaid accumulated paid leave time and is 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.

Net position / fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

In the government-wide financial statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Amounts are reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Trustees, are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position / fund balance flow assumptions - Continued

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining governmental balances or deficits in other governmental funds are presented as unassigned.

Program revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property tax

Property taxes are levied on November 1 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.

Specific ownership taxes

Specific ownership taxes are collected by La Plata County for motor vehicles and other personal property registered in the District's assessment area. Specific ownership taxes are recorded as revenue when collected by La Plata County.

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.

Subsequent events

Management has evaluated subsequent events through May 16, 2018, the date which the financial statements were available to be issued. No events were identified that required additional disclosure.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued December 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk - deposits

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 year-end, the carrying amount of the District's deposits was \$1,875,084 and the bank balance was \$1,887,524. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,387,524 was uninsured but collateralized with securities held by a third party in the name of the PDPA.

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 \$4,985 of interest income during 2017. The investment is carried at the accumulated value of the annuity contract (a Level 2 measurement), which is \$214,760 at December 31, 2017.

Credit risk

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.

As of December 31, 2017, the District's investments, New York Life Secure Term MVA Fixed Annuity was rated AA+ by Standard & Poor's. To obtain information about New York Life, you may visit their website at www.newyorklife.com.

Concentration of credit risk - investments

The District places no limit on the amount that may be invested in any one issuer. As of December 31, 2017, the District did not hold any investments requiring additional disclosure.

Interest rate risk - investments

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase.

Custodial credit risk - investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2017, the District did not hold any investments requiring safekeeping.

Foreign currency risk - investments

The District does not invest in any foreign investments.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued December 31, 2017

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended December 31, 2017 is as follows:

	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>2017</u>
Assets not being depreciated:					
Land	\$ 142,200	\$ -	\$ -	\$ -	\$ 142,200
Assets not in service	20,494	-	-	(20,494)	-
Total assets not being depreciated	<u>162,694</u>	<u>-</u>	<u>-</u>	<u>(20,494)</u>	<u>142,200</u>
Assets being depreciated:					
Building	3,101,526	-	-	-	3,101,526
Furniture and equipment	374,627	6,308	-	20,494	401,429
Books and materials	333,680	32,193	(43,229)	-	322,644
Total assets being depreciated	<u>3,809,833</u>	<u>38,501</u>	<u>(43,229)</u>	<u>20,494</u>	<u>3,825,599</u>
Accumulated depreciation					
Building	(569,498)	(62,510)	-	-	(632,008)
Furniture and equipment	(335,497)	(15,175)	-	-	(350,672)
Books and materials	(189,023)	(27,783)	43,229	-	(173,577)
Total accumulated depreciation	<u>(1,094,018)</u>	<u>(105,468)</u>	<u>43,229</u>	<u>-</u>	<u>(1,156,257)</u>
Capital assets being depreciated, net	<u>2,715,815</u>	<u>(66,967)</u>	<u>-</u>	<u>20,494</u>	<u>2,669,342</u>
Net Capital Assets	<u>\$ 2,878,509</u>	<u>\$ (66,967)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,811,542</u>

NOTE 4 - RETIREMENT BENEFIT PLAN

The District offers its employees the CCOERA's 457(b) Deferred Compensation Plan, an Internal Revenue Code Section 457 deferred compensation plan. Participation is voluntary. The District matches employee contributions up to 3% of employees' annual compensation. The maximum amount that may be deferred under the Plan for 2017, excluding catch-up provisions for participants age 55 or over was the lesser of \$18,000 or 100 percent of the participant's includable compensation. The District does not have fiduciary accountability for the Plan and does not hold the Plan's assets in a trustee capacity. Accordingly, the Plan's assets and related liabilities to Plan participants are not recorded on the financial statements of the District. The District's total contribution to the Plan for the year ended December 31, 2017 was \$4,888.

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 \$15,263 restricted for emergencies.

IGNACIO COMMUNITY LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017

NOTE 6 - GRANTS

The District periodically receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, will be immaterial.

NOTE 7 - 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; injuries to employees and natural disasters. The District carries commercial insurance for the risks of loss, including worker's compensation and employee accident insurance. There were no significant reductions in insurance coverage from the prior year.

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, 2017

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes.....	\$ 403,145	\$ 400,463	\$ (2,682)
Specific ownership taxes.....	40,000	45,286	5,286
Payment in lieu of taxes- Southern Ute Tribe..	37,000	21,601	(15,399)
Total taxes.....	<u>480,145</u>	<u>467,350</u>	<u>(12,795)</u>
Grants.....	15,000	14,800	(200)
Contributions.....	1,500	3,212	1,712
Total grants and contributions.....	<u>16,500</u>	<u>18,012</u>	<u>1,512</u>
Charges for services.....	6,500	7,727	1,227
Interest.....	4,000	6,492	2,492
Miscellaneous.....	10,000	9,182	(818)
Total revenues.....	<u>517,145</u>	<u>508,763</u>	<u>(8,382)</u>
Expenditures			
Advertising.....	500	379	121
Books and materials.....	40,000	1,646	38,354
Building maintenance and cleaning.....	22,000	27,017	(5,017)
Computer library system.....	10,000	5,469	4,531
Computer maintenance.....	1,000	158	842
Computer software.....	2,500	700	1,800
Copier lease and maintenance.....	7,000	7,768	(768)
Employee salaries.....	290,000	261,554	28,446
Employee health care insurance.....	25,000	27,847	(2,847)
Employee retirement plan.....	6,000	4,888	1,112
Payroll taxes.....	27,000	21,329	5,671
Equipment.....	1,500	2,173	(673)
Equipment maintenance.....	4,000	5,717	(1,717)
Grounds maintenance.....	7,000	2,490	4,510
Property and liability insurance.....	10,000	9,722	278
Inter-library loan courier.....	400	800	(400)
IT services.....	1,000	910	90
Library memberships.....	1,000	-	1,000
Library programs.....	10,000	9,845	155
Library supply.....	5,500	4,299	1,201
Miscellaneous.....	3,000	3,931	(931)
Office supplies.....	5,000	5,154	(154)
Postage and freight.....	600	369	231
Printing and publication.....	1,000	516	484
Professional services.....	8,000	11,771	(3,771)
Telecommunications.....	3,000	7,307	(4,307)
Training/tuition/memberships.....	2,000	1,855	145
Treasurer's fees.....	14,500	11,968	2,532
Utilities.....	21,000	21,420	(420)
Website.....	300	59	241
Total library operations.....	<u>529,800</u>	<u>459,061</u>	<u>70,739</u>
Contingency.....	93,000	-	93,000
Capital outlay.....	5,000	38,501	(33,501)
Total expenditures.....	<u>627,800</u>	<u>497,562</u>	<u>130,238</u>
Net change in fund balance.....	(110,655)	11,201	(121,856)
Fund balance, beginning.....	2,081,865	2,081,865	-
Fund balance, ending.....	\$ 1,971,210	\$ 2,093,066	\$ (121,856)

See accompanying Independent Auditor's Report.