
REPORT OF
THE SOUTHERN CHAFFEE COUNTY REGIONAL LIBRARY
DECEMBER 31, 2017

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SOUTHERN CHAFFEE COUNTY REGIONAL LIBRARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Chaffee County Regional Library

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Southern Chaffee County Regional Library 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

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 opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 that 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 respective financial position of the governmental activities, the business-type activities and each major fund of the Southern Chaffee County Regional Library, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3–10 and 29 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southern Chaffee County Regional Library basic financial statements. The Endowment Fund, Future Projects Fund and the Rental House Fund budget to actual is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Endowment Fund, Future Projects Fund and the Rental House Fund budget to actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Endowment Fund, Future Projects Fund and the Rental House Fund budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Blair and Associates, P.C.

May 15, 2018

Management's Discussion and Analysis

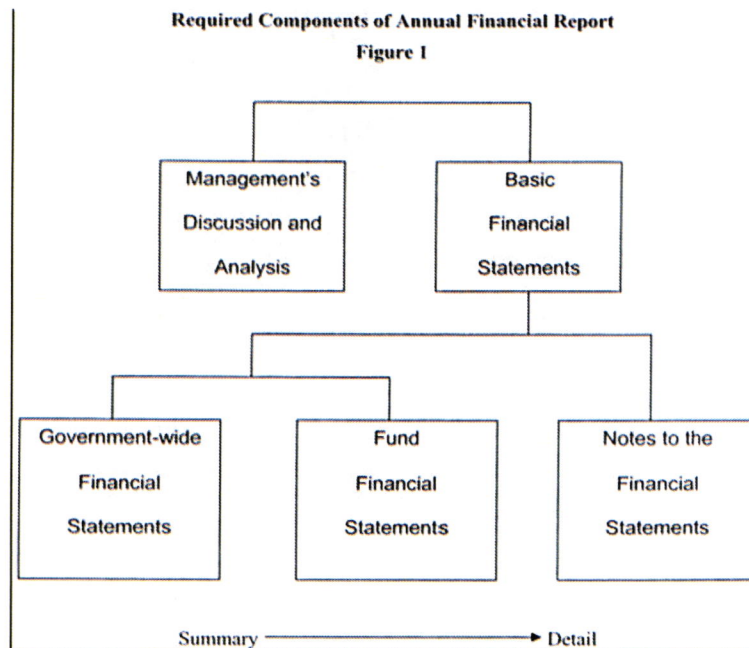
As management of the Southern Chaffee County Regional Library (the "District"), we offer this narrative overview and analysis of the financial activities of the Southern Chaffee County Regional Library for the year ended December 31, 2016. We encourage the readers to consider this Management's Discussion 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 \$3,261,184 (see Exhibit 1). This represented an increase of \$150,319 from net position at December 31, 2016 (see Exhibit 2). This perspective on net position includes spendable resources as well as the investment in buildings, collections and other capital assets of \$940,655; funds of \$199,899 that can only be invested, and the earnings from those investments are available to the District for any purpose; and emergency reserve of \$25,500.
- The District's total liabilities decreased \$13,269 from the prior year as shown in Figure 2.
- As of December 31, 2017, the District's governmental funds reported combined ending fund balances of \$2,308,267, an increase of \$184,473 in comparison to the prior year (see Exhibits 3 and 4). The portion of the total fund balance for the General Fund that is unassigned and available for spending at the District's discretion is \$557,829.
- Within the District's general operating fund, total actual revenues were \$36,442 more than the 2017 final budget, while total actual expenditures were \$66,945 less than the 2017 final budget (see Exhibit 5).

Overview of the Financial Statements

The District's basic financial statements consist of three components; 1) *government-wide financial statements*, 2) *fund financial statements* and 3) *notes to the financial statements*. Figure 1 illustrates the components of a typical annual financial report.



Basic Financial Statements

Government-wide Financial Statements:

The *government-wide financial statements* (Exhibits 1 and 2) provide both current and long-term information about the District's financial status. These financial statements present a broad overview of the District's finances, similar in format to financial statements of a private-sector business. The statement of activities (Exhibit 2) reports changes in the District's net position. This statement includes all of the District's revenues and expenses, regardless of when the cash is received or paid, as defined under the full accrual accounting method.

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" (Exhibits 3 and 4) and the "budget basis statements" (Exhibits 5 thru 8).

Exhibits 3 and 4 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 differences in accounting for financial information in the *government-wide statements* (Exhibits 1 and 2) and the fund statements are illustrated by the reconciliations on Exhibits 2 through 4.

The annual budgets shown in the "budget basis statements" (Exhibits 5 thru 8) are prepared as described in Note 1. These budgets are presented using the modified accrual basis of accounting for governmental funds and working capital basis for enterprise funds.

The "budget basis statements" for the General Fund, Endowment Fund, Future Projects Fund and Rental House Fund demonstrate how the District complied with the year's approved budget. The "budget 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 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 (Exhibits 1 and 2) present the District's financial information as a whole. Figures 2 and 3 provide summaries of these statements for 2016 and 2017.

The District's Net Position Figure 2

	Governmental Activities		Business-type Activities	
	2016	2017	2016	2017
Current and other assets	\$ 2,128,506	\$ 2,311,691	\$ 41,744	\$ 50,562
Other assets	726,204	775,000	-	-
Capital assets, net of depreciation	844,970	794,504	150,434	146,151
Total assets	<u>3,699,680</u>	<u>3,881,195</u>	<u>192,178</u>	<u>196,713</u>
Short-term liabilities	4,915	3,424	500	500
Long-term liabilities	49,578	37,800	-	-
Total liabilities	<u>54,493</u>	<u>41,224</u>	<u>500</u>	<u>500</u>
Deferred inflow of resources	<u>726,000</u>	<u>775,000</u>	<u>-</u>	<u>-</u>
Net position:				
Invested in capital assets, net of related debt	844,970	794,504	150,434	146,151
Restricted:				
For emergency	23,900	25,500	-	-
For Endowment	199,899	199,899	-	-
Unrestricted	1,850,418	2,045,068	41,244	50,062
Total net position	<u>\$ 2,919,187</u>	<u>\$ 3,064,971</u>	<u>\$ 191,678</u>	<u>\$ 196,213</u>

Net Position:

The District's assets exceeded its liabilities by \$3,261,184 as of December 31, 2017, an increase in the District's net position of \$150,319 during 2017 (see Figures 2 and 3). Of the net position, \$940,655 is invested in capital assets, which includes land, buildings, library materials, furniture and equipment, less related debt. 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. The restricted assets of \$199,899 are to be used for investments, and emergency reserve of \$25,500. The remaining net position is unrestricted assets of \$2,095,130 which can be used for future operations.

The District's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities	
	2016	2017	2016	2017
Revenues:				
General revenues:				
Property taxes and other	\$ 795,895	\$ 827,182	\$ 5,219	\$ 4,016
Other	59,069	86,821	245	519
Total revenues	<u>854,964</u>	<u>914,003</u>	<u>5,464</u>	<u>4,535</u>
Expenses:				
Salaries and benefits	391,704	403,061	-	-
Special events and programs	4,239	3,214	-	-
Library materials	31,423	44,072	-	-
General operating library materials	110,095	116,585	-	-
Building operations and maintenance	53,462	63,159	-	-
Depreciation expense	134,349	138,128	-	-
Total expenses	<u>725,272</u>	<u>768,219</u>	<u>-</u>	<u>-</u>
Increase in net position	129,692	145,784	5,464	4,535
Net position, January 1	<u>2,789,495</u>	<u>2,919,187</u>	<u>186,214</u>	<u>191,678</u>
Net position, December 31	<u>\$ 2,919,187</u>	<u>\$ 3,064,971</u>	<u>\$ 191,678</u>	<u>\$ 196,213</u>

The District receives 91 percent of its funding from property tax revenues. Salaries and benefits represent 52 percent of the District's total expenditures. Under the method of accounting used for the government-wide financial statements, library books and other collections are capitalized as assets and depreciated over their estimated useful lives. Consequently, most of the year's expenditures for books and collections are not included in the "library materials" expense shown in Figure 3.

Fund Financial Analysis

“Modified Accrual Basis Statement” Analysis (Exhibits 3 and 4):

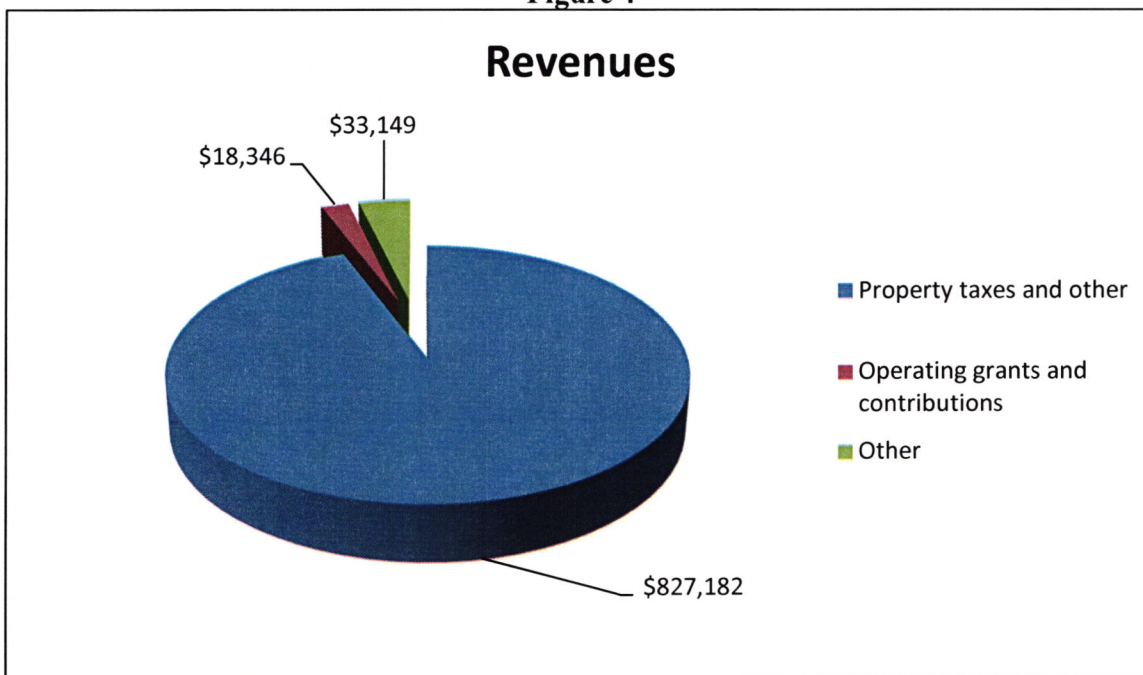
The General Fund is the chief operating fund of the District. At the end of the calendar year 2017, the fund balance of the General Fund is \$583,329. Also, \$25,500 are reserved for emergency under Tabor. The remaining unassigned fund balance of \$557,829 is available for future spending.

On December 31, 2017, the District reported a combined fund balance for its governmental funds of \$2,308,267 (see Exhibit 3). Of this amount, the Endowment Fund balance consists of \$360,316; \$199,899 is restricted for investment, while the earnings on the investments are available to the District and are committed to the Future Projects Fund. Per board policy, the remaining balance stays in the fund which is committed to the Future Projects Fund. The Future Projects Fund balance of \$1,364,622 is committed for the future project expenditures.

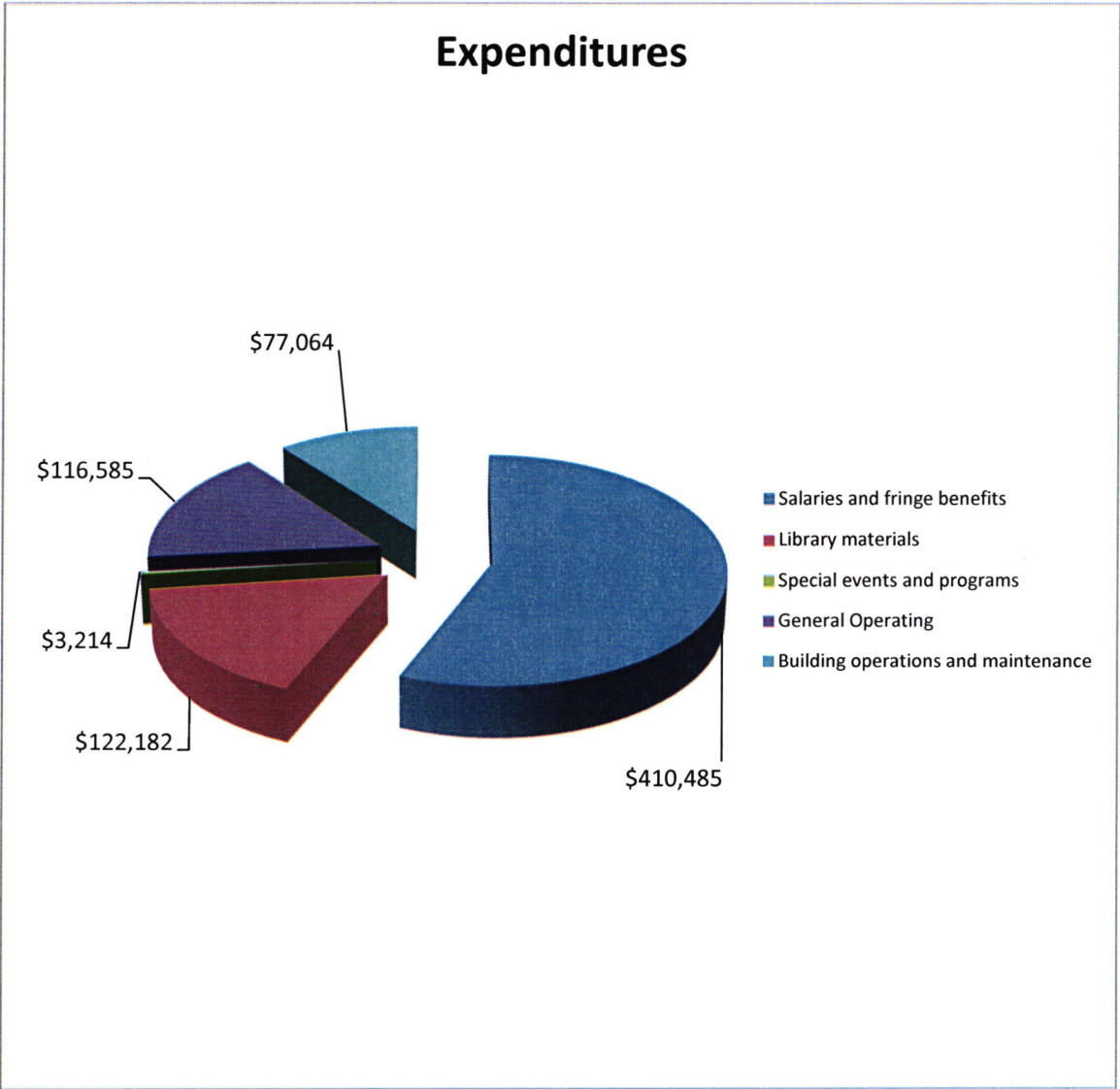
The General Fund balance increased in 2017 mainly due to increase in property taxes and other tax revenues (see Exhibit 4).

The charts in Figures 4 and 5 represent only the General Fund’s revenues and expenditures.

General Fund Revenues
Figure 4



General Fund Expenditures
Figure 5



Capital Asset Discussion

The District’s investment in capital assets as of December 31, 2017, totals \$940,655, net of accumulated depreciation (see Figure 6). 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 4 of the financial statements.

Major capital asset transactions during the calendar year include the following:

Books and audio visual devices	\$ 73,757
Building	\$ 13,905

Capital Assets
Figure 6

	<u>2016</u>	<u>2017</u>
Land	\$ 1,958	\$ 1,958
Building	566,409	552,961
Furniture and equipment	2,375	1,583
Books and audio visual devices	274,228	238,002
Total capital assets	<u>\$ 844,970</u>	<u>\$ 794,504</u>

Economic Factors and Next Year's Budget

For the fiscal year 2017 budget, the total mill levy is 3.5 mills. The mill levy for the fiscal year 2016 was also 3.5 mills.

Highlights:

- The Southern Chaffee County Library District's financial status continues to be strong.
- The District's General Fund balance beginning January 1, 2017 provides the ability to support the economic outlook for future considerations in sustaining materials, programming and capital improvements.
- In the short term, the District enjoys a margin within its mill levy revenue, plus fund balances, which can be used to maintain the current levels of service for a number of years, as well as to seed a possible building project, if necessary.

Our continued partnership in library consortiums allows the District to continue to provide access to an extended amount of materials. The discussion to enlarge the library, to include a programs meeting space has continued to be discussed and a push from the community. The library often fills with people, and the need for more sitting area space will continue to be monitored.

The library use has continued to grow, both in person and online. This is due to easy accessibility of services and programs. Our main focus continues to be: providing excellent customer service, maintaining a variety of materials and formats, and meeting the needs and demands of the Salida Regional Library patrons.

Request for Information

The Financial Report is designed to provide a general overview of the District's finances, compliance with finance related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report, or would like to request additional information contact the Salida Regional Library Director at 405 E Street Salida, CO 81201.

Southern Chaffee County Regional Library District
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 2,311,691	\$ 50,562	\$ 2,362,253
Taxes and other receivables	775,000	-	775,000
Total current assets	<u>3,086,691</u>	<u>50,562</u>	<u>3,137,253</u>
Net capital assets	<u>794,504</u>	<u>146,151</u>	<u>940,655</u>
TOTAL ASSETS	<u>\$ 3,881,195</u>	<u>\$ 196,713</u>	<u>\$ 4,077,908</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 3,424	\$ 500	\$ 3,924
Total current liabilities	<u>3,424</u>	<u>500</u>	<u>3,924</u>
LONG-TERM LIABILITIES			
Compensated absences	<u>37,800</u>	<u>-</u>	<u>37,800</u>
TOTAL LIABILITIES	<u>41,224</u>	<u>500</u>	<u>41,724</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	<u>775,000</u>	<u>-</u>	<u>775,000</u>
NET POSITION			
Net Investment in capital assets	794,504	146,151	940,655
Restricted for:			
Emergencies	25,500	-	25,500
Endowment	199,899	-	199,899
Unrestricted	<u>2,045,068</u>	<u>50,062</u>	<u>2,095,130</u>
TOTAL NET POSITION	<u>\$ 3,064,971</u>	<u>\$ 196,213</u>	<u>\$ 3,261,184</u>

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

Southern Chaffee County Regional Library District
Statement of Activities
For the Year Ended December 31, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Functions/Programs			
Governmental activities			
Salaries and fringe benefits	\$ (403,061)	\$ -	\$ (403,061)
Library materials	(44,072)	-	(44,072)
Special events and programs	(3,214)	-	(3,214)
General operating	(116,585)	-	(116,585)
Building operations and maintenance	(63,159)	-	(63,159)
Depreciation	(138,128)	-	(138,128)
Total governmental activities	<u>(768,219)</u>	<u>-</u>	<u>(768,219)</u>
Business-type activities	<u>-</u>	<u>4,016</u>	<u>4,016</u>
Total primary government	<u>(768,219)</u>	<u>4,016</u>	<u>(764,203)</u>
General revenues			
Taxes	827,182	-	827,182
Other income	86,821	519	87,340
Total general revenues	<u>914,003</u>	<u>519</u>	<u>914,522</u>
Change in net position	145,784	4,535	150,319
Net position - Beginning of year	<u>2,919,187</u>	<u>191,678</u>	<u>3,110,865</u>
Net position - End of year	<u>\$ 3,064,971</u>	<u>\$ 196,213</u>	<u>\$ 3,261,184</u>

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

Southern Chaffee County Regional Library District
Balance Sheet - Governmental Funds
December 31, 2017

	Major Funds			Total
	General Fund	Endowment	Future Projects	
Assets				
Cash and Investments	\$ 586,753	\$ 360,316	\$ 1,364,622	\$ 2,311,691
Receivables:				
Taxes	775,000	-	-	775,000
Other	-	-	-	-
Total assets	\$ 1,361,753	\$ 360,316	\$ 1,364,622	\$ 3,086,691
Liabilities and fund equity				
Liabilities				
Accounts payable	\$ 3,424	\$ -	\$ -	\$ 3,424
Total liabilities	3,424	-	-	3,424
Deferred Inflows of Resources				
Deferred property tax revenue	775,000	-	-	775,000
Fund Balances				
Nonspendable	-	199,899	-	199,899
Restricted				
Reserve for emergency	25,500	-	-	25,500
Committed				
Capital expenditures	-	160,417	1,364,622	1,525,039
Unassigned	557,829	-	-	557,829
Total fund equity	583,329	360,316	1,364,622	2,308,267
Total liabilities and fund balances	\$ 1,361,753	\$ 360,316	\$ 1,364,622	\$ 3,086,691

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

**Southern Chaffee County Regional Library District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2017**

Total fund balance for governmental funds **\$ 2,308,267**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 1,958	
Building	1,276,066	
Furniture and equipment	184,757	
Books and audio-visual devices	636,162	
Less accumulated depreciation	<u>(1,304,439)</u>	
Total capital assets		794,504

Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds. Other related amounts include debt issuance costs, bond interest payable, unamortized bond premium and unamortized deferred amount of refunding.

Compensated absences	<u>(37,800)</u>	
Total long-term liabilities		<u>(37,800)</u>

Total net position of governmental activities **\$ 3,064,971**

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

**Southern Chaffee County Regional Library District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the year ended December 31, 2017**

Revenues	General Fund	Endowment	Future Projects	2017
Property taxes and other	\$ 827,182	\$ -	\$ -	\$ 827,182
Grants and donations	18,346	-	-	18,346
Other	33,149	1,022	34,304	68,475
Total revenues	<u>878,677</u>	<u>1,022</u>	<u>34,304</u>	<u>914,003</u>
Expenditures				
Current:				
Program services:				
Salaries and fringe benefits	410,485	-	-	410,485
Library materials	122,182	-	-	122,182
Special events and programs	3,214	-	-	3,214
General operating	116,585	-	-	116,585
Building operations and maintenance	77,064	-	-	77,064
Total expenditures	<u>729,530</u>	<u>-</u>	<u>-</u>	<u>729,530</u>
Net change in fund balance	149,147	1,022	34,304	184,473
Fund balance, January 1	434,182	359,294	1,330,318	2,123,794
Fund Balance, December 31	<u>\$ 583,329</u>	<u>\$ 360,316</u>	<u>\$ 1,364,622</u>	<u>\$ 2,308,267</u>

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

**Southern Chaffee County Regional Library District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the year ended December 31, 2017**

Net change in fund balance for governmental funds	\$ 184,473
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay 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 depreciation was less than capital outlay in the current period.

Depreciation expense	\$ (138,128)	
Capital outlay	<u>87,661</u>	(50,467)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources and revenues are not recognized until they become both measurable and available. In the Statement of Activities however, which is presented on the accrual basis revenues are recognized when earned and expenses and liabilities are reported regardless of when financial resources are available. In addition, interest and amortization on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of these balances.

Compensated absences	<u>11,778</u>	<u>11,778</u>
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Change in net position of governmental activities	<u><u>\$ 145,784</u></u>
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The accompanying notes are an integral part of the financial statements.

Southern Chaffee County Regional Library District
Statement of Net Position - Proprietary Fund
December 31, 2017

	<u>Rental House Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 50,562
Capital assets, net of accumulated depreciation	<u>146,151</u>
TOTAL ASSETS	<u>\$ 196,713</u>
LIABILITIES AND NET POSITION	
Current liabilities	
Tenant deposits	<u>\$ 500</u>
NET POSITION	
Investment in capital assets, net of related debt	146,151
Unrestricted	<u>50,062</u>
TOTAL NET POSITION	<u>\$ 196,213</u>

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

**Southern Chaffee County Regional Library District
Statement of Revenues, Expenditures and
Changes in Net Position - Proprietary Fund
For the Year Ended December 31, 2017**

	Rental House Fund
Operating revenues	
Charges for services:	
Rent	\$ 10,200
Operating expenses	
Insurance	698
Depreciation	4,283
Total operating expenses	6,184
Operating income	4,016
Non-operating income	
Interest	519
Net income	4,535
Net position - Beginning of the year	191,678
Net position - End of the year	\$ 196,213

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

Southern Chaffee County Regional Library District
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2017

	<u>Rental House Fund</u>
Cash flows from operating activities:	
Cash received from tenants	\$ 10,200
Cash paid to suppliers and employees	<u>1,901</u>
Net cash provided by operating activities	<u>8,299</u>
Cash flows from noncapital financing activities:	
Interest	<u>519</u>
Net increase (decrease) in cash	8,818
Cash - Beginning of the year	<u>41,744</u>
Cash - Ending of the year	<u><u>\$ 50,562</u></u>
Reconciliation of operating income to cash flows from operating activities:	
Operating income	\$ 4,016
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation	<u>4,283</u>
Cash flows from operating activities	<u><u>\$ 8,299</u></u>

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

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 1 - Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Southern Chaffee County Regional Library is incorporated as a library district under the laws of the State of Colorado and is governed by a five person board appointed in accordance with CRS 24-90-108(2)(c). The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the District consist only of the funds and account groups of the District, a stand-alone government. Based on criteria set forth by GASB, there are no component units for which the District is financially accountable. The more significant of the District's accounting principles are described below.

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about all of the activities of the District. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds.

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 1 - Summary of Significant Accounting Policies-(continued)

B. Basis of Presentation, Basis of Accounting-(continued)

Endowment Fund - The Endowment Fund is used to account for contributions wherein the principal amount of the gift is restricted and only the earnings from investments are available for future operating or capital expenditures.

Future Projects Fund -The Future Projects Fund is used to account for the accumulation of resources for approved future project expenditures.

The District reports the following major business-type activity fund:

Rental House Fund - The Rental House Fund is used to account for District's Rental Unit.

C. Measurement Focus, Basis of Accounting

Government-wide Financial Statements

The government-wide fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchanges, include property and specific ownership taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the period for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, specific ownership taxes, grants, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's practice to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 1 - Summary of Significant Accounting Policies-(continued)

C. Measurement Focus, Basis of Accounting-(continued)

The accrual basis of accounting is utilized by the enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of 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 will not recognize as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section of 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 will not be recognize as an inflow of resources (revenue) until that time. Property taxes revenue that are related to a future period have been recorded as deferred inflows. Grants and entitlements received before eligibility requirements are met (e.g., cash advances) are recorded as deferred inflows. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

D. Assets, Liabilities, and Equity

Investments-Investments at December 31, 2017, consisted of obligations of U.S. Agency Bonds stated at fair market value, money market mutual funds stated at amortized cost and ColoTrust stated at net asset value.

Cash and cash equivalents- The District considers all cash on hand, demand deposits and short-term highly liquid investments with an original maturity of three months or less to be cash equivalents

Property taxes- Property taxes are levied on December 22 and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a deferred inflow of resources at December 31, net of an estimated uncollectible portion.

Allowance for doubtful accounts- The District considers all accounts receivable to be collectible and, accordingly, provides no allowance for doubtful accounts.

Capital assets- Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 1 - Summary of Significant Accounting Policies-(continued)

D. Assets, Liabilities, and Equity-(continued)

Capital assets-(continued)

Depreciation is calculated using the straight-line method over the estimated useful lives. Capital assets acquired by capital lease are depreciated over the estimated useful lives and are included in depreciation expense. The estimated useful lives are as follows:

Furniture and equipment	3 -10 years
Books and audio-visual devices	5 years
Buildings	50 years

Compensated absences- Compensated absences arise from policies concerning vacation and sick leave. Vacation leave accumulates at specified rates for employees with over one year of full-time employment and the maximum vacation leave will be capped according to the employee manual. Any unused or accrued capped amount will be paid at 100% upon retirement or termination. Sick leave accumulates at specified rates for permanent employees, and up to 60 days of unused sick pay is payable upon termination

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In the government-wide statements, vacation and sick pay is accrued when incurred and reported as a liability of the governmental and business type activities. In the governmental funds, vacation and sick pay that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a liability by the fund that will pay for it. Amounts not expected to be liquidated with expendable, available financial resources are not reported as expenditures.

Fund equity-The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used. In the governmental fund financial statements, governmental funds report the following classifications of fund balance:

- *Non-spendable-* includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- *Restricted-*includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed-*includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.
- *Assigned-*includes spendable fund balance amounts that are intended to be used for specific purposes that are neither consider restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.
- *Unassigned-*includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 1 - Summary of Significant Accounting Policies-(continued)

D. Assets, Liabilities, and Equity-(continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

E. Budget and Budgetary Accounting

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

1. Budgets are required by state law for all governmental and enterprise funds.
2. During September the proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following January 1.
3. Prior to December 15, the budget is adopted and appropriations are authorized by resolution at the fund level for all funds. The legal level of budgeting control is at the individual fund level for all funds
4. Budgets are adopted on a basis consistent with the accounting basis of all funds, except that book donations and advance refunding are not budgeted.
5. Expenditures may not legally exceed appropriations at the fund level. The Board of Trustees may increase or decrease the budget and appropriations during the year within restrictions imposed by the District and laws of the State of Colorado. Budget amounts included in the financial statements are based on the final, legally amended budget.
6. Appropriations lapse at the end of the year, and the Board of Trustees may adopt supplemental appropriations during the year. For 2016, supplemental appropriations were not adopted.

Note 2 - Deposits with Financial Institutions and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must at least be equal to 102% of the aggregate uninsured deposits.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 2 -Deposits with Financial Institutions and Investments-(continued)

Custodial Credit: Risks -Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2017, the District's bank balances of \$606,177 were insured under FDIC.

Investments

At December 31, 2017 the District had the following investments:

	<u>Rating</u>	<u>Fair Value</u>
ColoTrust Plus	Aaa	<u>\$ 479,230</u>
Sigma Financial Corporation		
Certificate of Deposits	FDIC	\$ 405,040
Federal Home Loan Mortgage	AA+	348,932
Federal Farm Credit Bks Bond	AA+	148,688
Federal Home Loan Bank	AA+	124,101
Money market account	Unrated	<u>265,112</u>
Total		<u>\$ 1,291,873</u>

Interest rate risk - The District does have a formal policy limiting investment maturities, which helps manage its exposure to fair value losses from increasing interest rates.

Credit risk- Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The District's general investment policy is to apply the prudent-person rule: Prudence and protection of District funds are the primary criteria. All investments and bid requests for investments are predicated on liquidity, yield, safety and interest of the local economy. As of December 31, 2017, the District's investment in ColoTrust Plus, a 2a7-like investment pool, was rated AAA/V by Standard & Poor's, Aaa by Moody's Investors Service and AAA/V-1 by Fitch Ratings.

Concentration of credit risk- Investments must be in accordance with Colorado statutes and will be diversified. All of the District's investments are in ColoTrust and U.S. government agency securities.

Fair Value—The District categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 2 -Deposits with Financial Institutions and Investments-(continued)

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3: Unobservable inputs for an asset or liability.

The District has the following fair value measurements as of December 31, 2017:

	<u>12/31/2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Investments by Fair Value Level:</u>				
U.S. Agency Bonds	<u>\$ 621,721</u>	<u>\$ _____</u>	<u>\$ 621,721</u>	<u>\$ _____</u>
Total Investments by Fair Value Level	<u>621,721</u>	<u>\$ _____</u>	<u>\$ 621,721</u>	<u>\$ _____</u>
 Investments Measured at Amortized Costs				
Money Market Mutual Funds	265,112			
Certificate of Deposits	<u>405,040</u>			
	<u>670,152</u>			
 Investments Measured at Net Asset Value				
ColoTrust	<u>479,230</u>			
 Total Investments	<u>\$1,771,103</u>			

Note 3 -Participation in Public Entity Risk Pool

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 has commercial insurance that covers the buildings, boiler, workers compensation, rental insurance, employee health and accident and liability for director and District.

Note 4 -Contingent Liabilities

Under the terms of federal and state grants, costs may be questioned as not being appropriate expenses which could lead to reimbursement to the grantor agencies. District management is not aware of any such expenses which would not be allowed.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 5 -Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,958	\$ -	\$ -	\$ 1,958
Capital assets being depreciated:				
Building	1,262,161	13,905	-	1,276,066
Furniture and equipment	184,757	-	-	184,757
Books and audio visual devices	562,405	73,757	-	636,162
Total capital assets being depreciated	<u>2,009,323</u>	<u>87,662</u>	<u>-</u>	<u>2,096,985</u>
Less accumulated depreciation for:				
Building	(695,752)	(27,353)	-	(723,105)
Furniture and equipment	(182,382)	(792)	-	(183,174)
Books and audio visual devices	(288,177)	(109,983)	-	(398,160)
Total accumulated depreciation	<u>(1,166,311)</u>	<u>(138,128)</u>	<u>-</u>	<u>(1,304,439)</u>
Total Capital assets being depreciated, net	<u>843,012</u>	<u>(50,466)</u>	<u>-</u>	<u>792,546</u>
Governmental activity capital assets, net	<u>\$ 844,970</u>	<u>\$ (50,466)</u>	<u>\$ -</u>	<u>\$ 794,504</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities
 Culture and recreation

\$ 138,128

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 45,294	\$ -	\$ -	\$ 45,294
Capital assets being depreciated:				
Building	171,324	-	-	171,324
Less accumulated depreciation for:				
Building	(66,184)	(4,283)	-	(70,467)
Total Capital assets being depreciated, net	<u>105,140</u>	<u>(4,283)</u>	<u>-</u>	<u>100,857</u>
Governmental activity capital assets, net	<u>\$ 150,434</u>	<u>\$ (4,283)</u>	<u>\$ -</u>	<u>\$ 146,151</u>

Note 6 - Retirement Plans

Defined Contribution Plan

The District has a defined contribution plan for its employees which is administered by Colorado County Officials and Employees Retirement Association (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2017

Note 6 - Retirement Plans (continued)

Full time/Salaried employees are eligible to participate six months from the date of employment. Both the employees and the District make a basic contribution up to 6% of the employee's salary.

Employees may make additional voluntary contributions not to exceed 10% of compensations. Participants vest in employer contributions and in earnings, losses and changes in fair market value of Plan assets at a rate of 20% per year. Any nonvested District contributions forfeited by an employee who leaves the District's employment are remitted to the District.

The District's total payroll in 2017 was \$347,108. The total payroll covered by the plan was **\$347,108**. A contribution of \$20,918 was made to the plan in 2017. This contribution consisted of the District's contribution of \$10,459 and the employee's contributions of \$10,459, which is 6.1% of the covered payroll per group of contributor.

Note 7 -Tax, Spending and Debt Limitations

The State Constitution, Article X, Section 20, has several limitations regarding revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretations. In 2000, the District obtained voter approval on the ballot to the following:

Without changing current mill levy and property tax limits, shall the Southern Chaffee County Regional Library (Salida Regional Library) be authorized to collect, retain and expend all revenues received from any source, commencing January 1, 1999, and for each year thereafter, to constitute a voter-approved revenue change under Article X, Section 20 of the Colorado Constitution(TABOR).

District management believes the District is in compliance with the requirements of the Section. However, District management has made certain interpretations of the Section's language in order to determine its compliance. The emergency reserves required under the Section have been funded.

Note 8 –Restated Fund Balances

During the year ended December 31, 2016, the General Fund, Endowment Fund, Rental House Fund and Future Projects Fund were restated for internal balances that was supposed to be cleared in 2016. The net affect were as follows for each fund:

<u>Fund</u>	<u>Increase or (Decrease)</u>	<u>Balance</u>	<u>Other</u>	<u>Ending Balance</u>
General	\$ 459	\$445,946	\$(11,764)	\$434,182
Rental House	\$(105,958)	\$191,678	\$ -	\$191,678
Endowment	\$(43,683)	\$359,294	\$ -	\$359,294
Future Projects	\$ 149,182	\$1,330,318	\$ -	\$1,330,318
Net effect	\$ -		\$(11,764)	

The \$11,764 other adjustment was for property taxes that were collected in December of 2016 but not recorded until 2017.

Southern Chaffee County Regional Library District
Budget Comparison Schedule - General Fund
For the year ended December 31, 2017

	2017		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Revenues			
Property taxes and other	\$ 806,000	\$ 827,182	\$ 21,182
Grants and donations	12,000	18,346	6,346
Other	24,235	33,149	8,914
Total revenues	<u>842,235</u>	<u>878,677</u>	<u>36,442</u>
Expenditures			
Current			
Culture and recreation			
Salaries and benefits	412,750	410,485	2,265
Treasurer's fees	21,700	21,855	(155)
Office supplies	16,000	14,618	1,382
Library materials	99,850	75,388	24,462
Recordings materials	44,000	34,219	9,781
Auditing fees	4,000	3,850	150
Telephone and telecom	6,000	5,815	185
Postage	4,000	2,273	1,727
Utilities	13,900	13,181	719
Insurance	10,950	10,883	67
Accounting fees	400	434	(34)
Janitorial fees and supplies	18,000	18,640	(640)
Repair and maintenance	15,500	12,687	2,813
Dues and meetings	7,500	5,077	2,423
Equipment, facilities and furnishings	16,000	32,556	(16,556)
Electronic subscriptions	14,000	12,575	1,425
Courier service	16,480	15,799	681
Programs	5,845	3,214	2,631
Marmot	21,000	16,356	4,644
Legal	1,800	1,395	405
Miscellaneous	21,800	18,230	3,570
Contingency	25,000	-	25,000
Total expenditures	<u>796,475</u>	<u>729,530</u>	<u>66,945</u>
Excess (Deficiency) of revenues over expenditures	45,760	149,147	103,387
Fund balance, January 1	-	434,182	434,182
Fund balance, December 31	<u>\$ 45,760</u>	<u>\$ 583,329</u>	<u>\$ 537,569</u>

**Southern Chaffee County Regional Library District
Budget Comparison Schedule - Endowment Fund
For the year ended December 31, 2017**

	2017		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Revenues			
Miscellaneous			
Interest income	\$ 3,800	\$ 1,022	\$ (2,778)
Total revenues	<u>3,800</u>	<u>1,022</u>	<u>(2,778)</u>
Expenditures			
Current			
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	3,800	1,022	(2,778)
Fund balance, January 1	<u>335,728</u>	<u>359,294</u>	<u>23,566</u>
Fund balance, December 31	<u>\$ 339,528</u>	<u>\$ 360,316</u>	<u>\$ 20,788</u>

**Southern Chaffee County Regional Library District
Budget Comparison Schedule - Future Projects Fund
For the year ended December 31, 2017**

	2017		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Revenues			
Gain (Loss) on Investments	\$ -	\$ (5,293)	\$ (5,293)
Interest Income	8,400	39,597	31,197
Total revenues	<u>8,400</u>	<u>34,304</u>	<u>(5,293)</u>
Expenditures			
Miscellaneous	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	8,400	34,304	(5,293)
Fund balance, January 1	<u>1,351,137</u>	<u>1,330,318</u>	<u>(20,819)</u>
Fund balance, December 31	<u>\$ 1,359,537</u>	<u>\$ 1,364,622</u>	<u>\$ (26,112)</u>

**Southern Chaffee County Regional Library District
Budget Comparison Schedule - Rental House Fund
For the year ended December 31, 2017**

	2017		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Operating Revenues			
Rents	\$ 10,200	\$ 10,200	\$ -
Total operating revenues	<u>10,200</u>	<u>10,200</u>	<u>-</u>
Expenditures			
Repairs and maintenance	300	1,203	(903)
Insurance	700	698	2
Contingency	21,000	-	21,000
Total operating expenditures	<u>22,000</u>	<u>1,901</u>	<u>20,099</u>
Excess (deficiency) of revenues over expenditures	(11,800)	8,299	20,099
Other income (expenses)			
Interest income	150	519	369
Net income-budgetary basis	<u>\$ (11,650)</u>	<u>8,818</u>	<u>\$ 20,468</u>
GAAP Basis Adjustments (depreciation)		<u>(4,283)</u>	
Net income		4,535	
Net Position Beginning		<u>191,678</u>	
Net Position Ending		<u>\$ 196,213</u>	