

SANIBEL PUBLIC LIBRARY DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

**SANIBEL PUBLIC LIBRARY DISTRICT
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YEAR ENDED SEPTEMBER 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Sanibel Public Library District
Sanibel, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Sanibel Public Library District (District) as of and for the year ended September 30, 2018, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 and the general fund of the Sanibel Public Library District as of September 30, 2018, and the respective changes in financial position and the budgetary comparison of the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

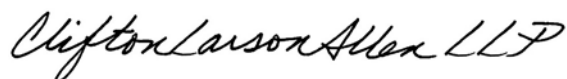
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Fort Myers, Florida
January 3, 2019

Management's Discussion and Analysis

The discussion and analysis of the Sanibel Public Library District (District) financial statements is designed to introduce the basic financial statements and provide an analytical overview of the District's financial activities for the fiscal year ended September 30, 2018. The basic financial statements are comprised of the government-wide financial statements, the general fund financial statements, and notes. The information presented in this MD&A should be considered in conjunction with the accompanying financial statements.

District Highlights

- The District is an independent special district which operates under Chapter 2005-336 Florida Statutes and is governed by an elected seven-member Board of Commissioners (Board). The Commissioners are elected for a four-year term (except for the first term where four members were elected for two years to allow for staggering the terms of the members).
- As of September 30, 2018, the District had eleven full-time employees, five part-time employees, and one independent contractor, as well as enlisting more than fifty volunteers.
- At close of fiscal year 2018, the District's assets exceeded its liabilities, resulting in net position of \$11,410,185.
- The unrestricted net position of \$1,581,751 can be used to meet ongoing obligations of the District and fund projects designated by the Board.

Government-wide Financial Statements

Government-wide financial statements (statement of net position and statement of activities found on pages 7 and 8) are intended to allow a reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operation objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the District as a whole and do not emphasize fund types.

The statement of net position (page 7) presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The District's capital assets (land, building, and equipment) are included in this statement and reported net of their accumulated depreciation, when applicable.

The statement of activities (page 8) presents revenue and expense information showing how the District's net position changed during the fiscal year. Both statements are measured and reported using the economic resource measurement focus (revenues and expenses) and the accrual basis of accounting (revenue recognized when earned and expenses recognized when a liability is incurred).

Fund Financial Statements

The accounts of the District are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District currently has only one fund, the general fund.

Fund financial statements (found on pages 9 and 11) are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets.

Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements and begin on page 14. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The government-wide financial statements were designed so the user could determine if the District is in better or worse financial condition from the prior year.

The following is a condensed summary of net position for the primary government as of September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
ASSETS		
Current and Other Assets	\$ 2,594,085	\$ 5,978,375
Capital Assets (Net)	<u>9,828,434</u>	<u>6,013,867</u>
Total Assets	<u>12,422,519</u>	<u>11,992,242</u>
 LIABILITIES		
Current Liabilities	984,295	794,816
Noncurrent Liabilities	<u>28,039</u>	<u>37,289</u>
Total Liabilities	<u>1,012,334</u>	<u>832,105</u>
 NET POSITION		
Investment in Capital Assets	9,828,434	6,013,867
Restricted	-	250,000
Unrestricted	<u>1,581,751</u>	<u>4,896,270</u>
Total Net Position	<u>\$ 11,410,185</u>	<u>\$ 11,160,137</u>

Current and other assets represent 21% of total assets. Current assets include unrestricted cash and investments of \$2,492,161.

The investment in capital assets is comprised of the building, equipment, and lending collections net of accumulated depreciation.

The following schedule reports the revenues and expenses of the District for fiscal years ended September 30, 2018 and 2017:

	2018	2017
REVENUES		
General Revenues:		
Property Taxes	\$ 1,960,073	\$ 1,672,593
Interest	47,156	33,338
Other Revenue	-	15,358
Total General Revenues	2,007,229	1,721,289
Program Revenues:		
Operating Grants	50,908	48,700
Contributions	77,028	374,205
Charges for Services	11,651	24,345
Fines and Fees	4,222	5,320
Total Program Revenues	143,809	452,570
Total Revenues	2,151,038	2,173,859
EXPENSES		
Personal services	1,130,810	1,069,150
Operating	501,884	652,805
Depreciation	219,923	222,616
Loss on Disposal of Capital Assets	48,373	4,201
Total Expenses	1,900,990	1,948,772
Increase in Net Position	\$ 250,048	\$ 225,087

Total general revenues were a little higher than prior year due to increase in real estate values compared to the prior fiscal year.

Program Revenues decreased from the prior year due to the receipt of a grant from the Sanibel Public Library Foundation for \$250,000 in 2017.

Personal Services have increased as a result of two part-time staff positions increased to full-time staff positions and the addition of healthcare coverage for same and normal salary increases. Operating expenses have decreased somewhat due to reduced building repairs and maintenance as a result of the ongoing replacement of aging infrastructure during the 'Reimagining' Project.

Budgetary Highlights

The District adopts an annual budget for its funds as required by Florida Statute. There were no budget amendments during the fiscal year.

Debt Administration

As of September 30, 2018, the District had no outstanding debt, other than amounts outstanding for compensated absences. See Note 4 for more information.

Capital Assets

Nondepreciable capital assets include land and improvements, and art and shell collections. Depreciable assets include buildings, equipment, and the lending collection. The following is a schedule of the District's capital assets as of September 30, 2018:

CAPITAL ASSETS

Land and Items not being Depreciated		\$ 6,343,136
Capital Assets being Depreciated:		
Building and Improvements	\$ 4,386,889	
Equipment	184,681	
Lending Collection	<u>1,523,915</u>	
Total Capital Assets being Depreciated		6,095,485

ACCUMULATED DEPRECIATION

Buildings and Improvements	(1,560,713)	
Equipment	(162,599)	
Lending Collection	<u>(886,875)</u>	
Total Accumulated Depreciation		<u>(2,610,187)</u>
Total Capital Assets being Depreciated, Net		<u>3,485,298</u>
Total Capital Assets, Net		<u><u>\$ 9,828,434</u></u>

Economic Factors and Next Year's Budget Rates

The factors taken into consideration when preparing the budget for fiscal year 2018-19 were:

- The Board approved an increase in the millage rate in order to help replenish the depleted Reserves as a result of much needed infrastructure improvements taking place last year and this year.
- It is expected that tax revenue may be flat or lower due to the impact of poor water quality issues.

Request for Information

The financial report is designed to provide the reader an overview of the Sanibel Public Library District. Questions regarding any information provided in this report should be directed to: Sanibel Public Library, 770 Dunlop Road, Sanibel, Florida 33957, or by calling 239-472-2483.

**SANIBEL PUBLIC LIBRARY DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

ASSETS

Cash	\$ 1,489,106
Investments	1,003,055
Taxes Receivable	16,416
Other Receivables	6,832
Prepaid Items	78,676
Capital Assets, Net	9,828,434
Total Assets	12,422,519

LIABILITIES

Accounts Payable	821,706
Accrued Expenses	37,710
Retirement Contribution Payable	104,879
Unearned Revenue	20,000
Compensated Absences:	
Expected to be Paid in One Year	14,280
Expected to be Paid After One Year	13,759
Total Liabilities	1,012,334

NET POSITION

Investment in Capital Assets	9,828,434
Unrestricted	1,581,751
Total Net Position	\$ 11,410,185

See accompanying Notes to Financial Statements.

**SANIBEL PUBLIC LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

EXPENSES

Culture/Recreation - Library:

Personal Service	\$ 1,130,810
Operating	501,884
Depreciation	219,923
Loss on Disposal of Capital Assets	48,373
Total Program Expenses	1,900,990

PROGRAM REVENUES

Operating Grants	50,908
Contributions	77,028
Charges for Services	11,651
Fines and Fees	4,222
Total Program Revenues	143,809

NET PROGRAM EXPENSES

(1,757,181)

GENERAL REVENUES

Property Taxes	1,960,073
Investment Earnings	47,156
Total General Revenues	2,007,229

INCREASE IN NET POSITION

250,048

Net Position - Beginning of Year

11,160,137

NET POSITION - END OF YEAR

\$ 11,410,185

**SANIBEL PUBLIC LIBRARY DISTRICT
BALANCE SHEET – GENERAL FUND
SEPTEMBER 30, 2018**

ASSETS

Cash	\$ 1,489,106
Investments	1,003,055
Taxes Receivable	16,416
Other Receivables	6,832
Prepaid Items	<u>78,676</u>
Total Assets	<u><u>\$ 2,594,085</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	\$ 821,706
Accrued Expenses	37,710
Retirement Contribution Payable	104,879
Unearned Revenue	<u>20,000</u>
Total Liabilities	<u><u>984,295</u></u>

FUND BALANCES

Nonspendable:	
Prepaid Items	78,676
Committed to:	
Emergencies	620,000
Self Insurance - Flood	500,000
Insurance – Deductibles	400,000
Insurance – Unemployment	50,000
Unassigned	<u>(38,886)</u>
Total Fund Balance	<u><u>1,609,790</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 2,594,085</u></u>

**SANIBEL PUBLIC LIBRARY DISTRICT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

Fund Balance - General Fund	\$ 1,609,790
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 are, therefore, not reported on the general fund balance sheet.	9,828,434
Compensated absences are not due and payable in the current period and, therefore, are not reported as a liability on the general fund balance sheet.	<u>(28,039)</u>
Net Position - Governmental Activities	<u>\$ 11,410,185</u>

See accompanying Notes to Financial Statements.

**SANIBEL PUBLIC LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2018**

REVENUES

Ad Valorem Taxes	\$ 1,960,073
Contributions	77,028
Intergovernmental	50,908
Charges for Services	11,651
Fines and Fees	4,222
Interest	47,156
Total Revenues	2,151,038

EXPENDITURES

Current:	
Operating Expenditures:	
Personal Service	1,140,060
Operating Expenditures	501,884
Capital Outlay	4,082,863
Total Expenditures	5,724,807

EXCESS EXPENDITURES OVER REVENUE (3,573,769)

Fund Balance - October 1, 2017 5,183,559

FUND BALANCE - SEPTEMBER 30, 2018 \$ 1,609,790

**SANIBEL PUBLIC LIBRARY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018**

Net Change in Fund Balance - General Fund \$ (3,573,769)

Amounts reported for governmental activities in the statement of activities are different because:

The general fund reports 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.

Transactions involving capital assets are summarized below:

Capital Outlay	\$ 4,082,863	
Depreciation	(219,923)	
Disposal of Capital Assets	<u>(48,373)</u>	
		3,814,567

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the general fund. This represents the change in compensated absences.

9,250

Change in Net Position - Governmental Activities \$ 250,048

**SANIBEL PUBLIC LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Ad Valorem Taxes	\$ 1,940,594	\$ 1,940,594	\$ 1,960,073	\$ 19,479
Contributions	330,750	330,750	77,028	(253,722)
Intergovernmental	48,700	48,700	50,908	2,208
Charges for Services	24,540	24,540	11,651	(12,889)
Fines and Fees	6,000	6,000	4,222	(1,778)
Interest	20,000	20,000	47,156	27,156
Miscellaneous	5,000	5,000	-	(5,000)
Total Revenues	<u>2,375,584</u>	<u>2,375,584</u>	<u>2,151,038</u>	<u>(224,546)</u>
EXPENDITURES				
Current:				
Culture/Recreation - Library:				
Personal Services:				
Personal Service	875,611	875,611	915,225	(39,614)
Personal Services Benefits	214,277	214,277	224,835	(10,558)
Operating Expenditures:				
Travel	11,500	11,500	5,856	5,644
Utilities	62,400	62,400	65,326	(2,926)
Insurance	91,000	91,000	76,452	14,548
Promotional Activities	7,000	7,000	5,291	1,709
Printing	9,000	9,000	7,366	1,634
Professional Services	51,310	51,310	49,693	1,617
Repairs and Maintenance	72,325	72,325	119,821	(47,496)
Office Supplies	27,200	27,200	21,939	5,261
Other Operating Expenditures	288,075	288,075	150,140	137,935
Capital Outlay	4,081,230	4,081,230	4,082,863	(1,633)
Contingency	125,000	125,000	-	125,000
Total Expenditures	<u>5,915,928</u>	<u>5,915,928</u>	<u>5,724,807</u>	<u>191,121</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(3,540,344)	(3,540,344)	(3,573,769)	(33,425)
Fund Balance - October 1, 2017	<u>-</u>	<u>5,183,559</u>	<u>5,183,559</u>	<u>-</u>
FUND BALANCE - SEPTEMBER 30, 2018	<u>\$ (3,540,344)</u>	<u>\$ 1,643,215</u>	<u>\$ 1,609,790</u>	<u>\$ (33,425)</u>

See accompanying Notes to Financial Statements.

**SANIBEL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Defining the Governmental Reporting Entity

The Sanibel Public Library District (District) is an independent special district created to provide public library services within the boundaries of the City of Sanibel. The District was created pursuant to Chapter 2005-336, Laws of Florida. The District's first Board of Commissioners (Board) was elected on March 7, 2006. The Board's first official meeting was on March 17, 2006. Operations of the District effectively commenced on April 1, 2006.

The business and affairs of the District are governed by a board of seven commissioners, who serve on a staggered four-year term basis.

The Financial Reporting Entity Standard requires the financial statements of the District (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. There are no component units required to be included in the District's financial statements.

Basic Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities that report information about the District as a whole. The statement of net position reports all financial and capital resources.

The statement of activities demonstrates the degree to which the direct expenses of the District's program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are presented to report additional and detailed information about the District. Fund financial statements accompany the government-wide financial statements and present a summary reconciliation to explain differences between the data reported in the general fund and the data reported for the corresponding governmental activities in the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

**SANIBEL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when such liabilities have matured.

Ad valorem property taxes are recorded as revenues in the fiscal year in which the taxes are due and collected within 60 days of fiscal year-end. Intergovernmental revenues are recognized at the time of receipt. Investment earnings are recognized when earned. All other revenue items are recognized when cash is received by the District, as any potential receivable amounts are not significant.

Fund Accounting

The accounts of the District are organized on the basis of a fund which is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures, as appropriate. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following governmental fund is used by the District and is reported as major in the financial statements:

General Fund – The General Fund is the general operating fund of the District. All financial resources, which are not specifically restricted or designated as to use, are recorded in the General Fund.

Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1 – Quoted prices in active markets for identical assets;

Level 2 – Significant other observable inputs;

Level 3 – Significant unobservable inputs.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The District utilizes the consumption method of accounting for prepaid expenses, which provides that the expenditures are initially reported as assets and the recognition of the expenditures are deferred until consumed.

**SANIBEL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported only in the government-wide financial statements. Capital assets are those acquired for general government purposes with an initial, individual cost equal to or more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at their estimated fair value at the date of the donation. The estimated fair value is based on the most recent appraisal documentation available. The cost of all lending collection assets is recorded at date of purchase. Maintenance, repairs, and minor renovations are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	39
Land and Building Improvements	10
Furniture and Equipment	5 to 10

The lending collection is depreciated 10% of remaining balance per year for books and 20% for all other lending materials.

Capital assets not being depreciated consist of land, work in process, art, and shell collections.

Budgets and Budgetary Accounting

Per Florida State statutes, the following procedures are followed by the District in establishing its budget:

1. During the summer, the executive director submits to the Board for their consideration a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is adopted through a resolution by the Board.
4. Budget transfers and amendments can be made throughout the year by approval of the Board.
5. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
6. The level of control for appropriations is exercised at the fund level.

Compensated Absences

The District's employees accumulate sick and annual vacation leave based on years of continuous service. Upon termination of employment, employees can receive payment for accumulated vacation leave only if they meet certain criteria.

**SANIBEL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

The amount of compensated absences recorded as expenditures in the General Fund is the amount accrued during the year that would normally be liquidated with expendable available financial resources. Only compensated absences due and payable at September 30, 2018, are recorded on the balance sheet of the General Fund. Both the current and noncurrent portion of compensated absences are reported in the statement of net position.

Fund Balance

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the District’s Board, the District’s highest level of decision-making authority. Commitments may be changed or lifted only by the Board taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned Fund Balance – Includes spendable fund balance amounts established by the library director that are intended to be used for specific purposes that are neither considered restricted or committed.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance may also include negative balances for the General Fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**SANIBEL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

The District expends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed fund balance, followed by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Minimum Fund Balance Policy

The District's policy is to maintain an adequate General Fund unassigned fund balance to provide liquidity to meet seasonal shortfalls in cash flow, and reduce susceptibility to emergency or unanticipated expenditures and/or revenue shortfalls. The District adopted a financial standard to maintain a General Fund minimum unassigned fund balance of approximately four months' worth of operating expenses.

NOTE 2 CASH AND INVESTMENTS

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. In accordance with its policy, all District depositories are banks designated by the Florida State Treasurer as qualified public depositories. Chapter 280 of the Florida Statutes, "Florida Security for Public Deposits Act," provides procedures for public depositories to ensure public monies in banks and saving and loans are collateralized with the Treasurer as agent for the public entities. Chapter 280 defines deposits as demand deposit accounts, time deposit accounts, and nonnegotiable certificates of deposit.

Financial institutions qualifying as public depositories shall deposit with the Treasurer eligible collateral having a market value equal to or in excess of the average daily balance of public deposits times the depository collateral pledging level required, pursuant to Chapter 280, as computed and reported monthly, or 125% of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof and, therefore, the District is not exposed to custodial credit risk.

Investments

The District's policy for investments is to follow Florida Statutes, Section 218.415(16). The District's investments consist of the following at September 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>
U.S. Treasury Notes	\$ 1,003,055

**SANIBEL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

U.S. Treasury Notes are classified as Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

Custodial Credit Risk

Custodian credit risk for investments is the risk that, in the event of failure of the counterparty (e.g., broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investments in U.S. Treasury Notes are held by the counterparty in the District's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 is as follows:

	Balance October 1, 2017	Increases	Decreases	Balance September 30, 2018
<i>Capital Assets not being Depreciated:</i>				
Land	\$ 504,455	\$ -	\$ -	\$ 504,455
Art and Shell Collections	72,289	-	-	72,289
Work in Process	1,793,703	3,972,689	-	5,766,392
Total Capital Assets not being Depreciated	<u>2,370,447</u>	<u>3,972,689</u>	<u>-</u>	<u>6,343,136</u>
<i>Capital Assets being Depreciated:</i>				
Buildings and Improvements	4,383,140	-	(73,038)	4,310,102
Land Improvements	76,787	-	-	76,787
Furniture and Equipment	462,706	-	(278,025)	184,681
Lending Collections	1,413,741	110,174	-	1,523,915
Total Capital Assets being Depreciated	<u>6,336,374</u>	<u>110,174</u>	<u>(351,063)</u>	<u>6,095,485</u>
<i>Less Accumulated Depreciation for:</i>				
Buildings and Improvements	1,482,013	111,924	(39,404)	1,554,533
Land Improvements	4,122	2,058	-	6,180
Furniture and Equipment	402,166	23,719	(263,286)	162,599
Lending Collections	804,653	82,222	-	886,875
Total Accumulated Depreciation	<u>2,692,954</u>	<u>219,923</u>	<u>(302,690)</u>	<u>2,610,187</u>
Total Capital Assets being Depreciated, Net	<u>3,643,420</u>	<u>(109,749)</u>	<u>(48,373)</u>	<u>3,485,298</u>
Total Capital Assets, Net	<u>\$ 6,013,867</u>	<u>\$ 3,862,940</u>	<u>\$ (48,373)</u>	<u>\$ 9,828,434</u>

**SANIBEL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 4 CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended September 30:

Accrued Compensated Absences Payable -		
October 1, 2017	\$	37,289
Net Decrease in Accrued Compensated Absences Payable		<u>(9,250)</u>
Accrued Compensated Absences Payable -		
September 30, 2018	\$	<u>28,039</u>

NOTE 5 PROPERTY TAXES

Property taxes are levied after formal adoption of the District's budget and become due and payable on November 1 of each year. Discounts are allowed for payment of property taxes before March 1 of the following year. On April 1, any unpaid taxes become delinquent. If the taxes are still unpaid in May, tax certificates are then offered for sale to the general public.

The Lee County, Florida Tax Collector performs the billing and collection of all property taxes for the District. Taxes are recognized as revenue when levied to the extent that they result in current receivables.

Key dates in the property tax cycle (latest date, where appropriate) are as follows:

- | | | |
|-----------------|---|---|
| July 1 | ♦ | Assessment roll validated |
| September 30 | ♦ | Millage resolution approved and taxes levied following certification of assessment roll |
| October 1 | ♦ | Beginning of fiscal year for which tax is to be levied |
| November 1 | ♦ | Property taxes due and payable (levy date) with various discount provisions through March 1 |
| April 1 | ♦ | Taxes become delinquent |
| Prior to June 1 | ♦ | Tax certificates sold by Lee County |

The Board levied ad valorem taxes at a millage rate of \$0.4100 per \$1,000 of the 2017 net taxable value of real property located within the District. The amount of tax revenue recorded by the District for the year ended September 30, 2018 was \$1,960,073.

**SANIBEL PUBLIC LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 RETIREMENT PLAN

The District maintains a Simplified Employee Pension or "SEP" plan for all eligible employees. Eligible employees are defined as employees who are at least 21 years of age and have at least two years of service. Under the terms of Section 408(k) of the Internal Revenue Code, the District makes contributions in each calendar year to the Individual Retirement Accounts or Individual Annuities of all eligible employees. The contributions are based on a discretionary percentage of the employee's salary. In the current fiscal year, the approved percentage was 16%. Retirement plan expense for the year ended September 30, 2018 was \$104,879.

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. Insurance coverage for such risk of loss is purchased from commercial insurance companies. The financial impact of the District's risk management activities are reported in the accompanying financial statements. For 2018, the District paid \$78,540 in premiums for policies to insure for these risks. In addition, the Board has committed a portion of the District's unassigned fund balance to meet potential deductible amounts and provide funds in case of excess wind damage. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 8 COMMITMENTS

The District is committed to general contracting services under a general construction agreement for services related to the renovation of the library. For the year ended September 30, 2018, expenditures totaled \$2,884,371. Future committed costs associated with this contract are \$563,924.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Sanibel Public Library District
Sanibel, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Sanibel Public Library District (District) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, as described below, that we consider to be material weakness.

2018-001 Audit Adjustment

Criteria

Management is responsible for establishing and maintaining internal controls for the proper recording of all the District's year-end accruals.

Condition

As part of the audit, we proposed an audit adjustment to revise the District's books at year-end. The adjustment involved recording retainage payable to the general contractor for the Your Library Reimagined construction project.

Cause

Management relies on the audit firm to propose audit adjustments necessary for the preparation of the annual financial statements and related disclosures. However, management has reviewed and approved the proposed audit adjustment.

Effect

The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the entity's internal controls.

Recommendation

We recommend management be consistently aware of all procedures involved in recording accruals and develop internal control policies to ensure proper recording of these items.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying management's response. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Fort Myers, Florida
January 3, 2019

MANAGEMENT LETTER

Board of Commissioners
Sanibel Public Library District
Sanibel, Florida

Report on the Financial Statements

We have audited the financial statements of the Sanibel Public Library District (District), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated January 3, 2019.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 3, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. The status of significant findings and recommendations made in the preceding annual financial report are listed in Appendix A.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been included in the notes to the basic financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)(2). Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

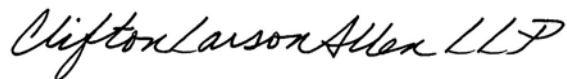
Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The District does not have any special district component units.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Fort Myers, Florida
January 3, 2019

Sanibel Public Library District
 Management Letter
 September 30, 2018

Appendix A – Prior Year Findings and Recommendations

Prior Year Findings		Current Year Status			Current Year Finding #	2016-2017 Year Finding #
		Cleared	Partially Cleared	Not Cleared		
Audit Adjustment	Material Weakness			X	2018-001	2017-001

Sanibel Public Library



CliftonLarsonAllen
Mr. Marty Redovan
6810 International Center Boulevard
Fort Myers, FL 33912-7129

January 04, 2019

Dear Mr. Redovan,

We have reviewed the Management Letter required by Auditor General Rule 10.544(1)(i). We are in agreement with all statements included in the management Letter. Below listed is the Management's response to the findings as identified in the audit 2019.

2018-001 Audit Adjustment

Condition: As part of the audit, the auditors proposed an audit adjustment to revise the District's books at year-end. The adjustment involved recording retainage payable to the general contractor for the Your Library Reimagined construction project.

Cause: Management relies on the audit firm to propose audit adjustments necessary for the preparation of the annual financial statements and related disclosures. Management has reviewed and approved the proposed audit adjustment.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the entity's internal controls.

Correction: Management will continue to monitor recorded accruals monthly. Management will respectfully seek guidance and direction from its accountants and auditors regarding any changes or questions that may arise in the way in which the District should handle its financial recordings. Management will continue to monitor and update internal control policies and practices to ensure proper recording of accruals.

Sincerely,

A handwritten signature in dark ink, appearing to read "Margaret Mohundro". The signature is written in a cursive, flowing style.

Margaret Mohundro, Executive Director
MM/cac



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INDEPENDENT ACCOUNTANTS' REPORT

Board of Commissioners
Sanibel Public Library District
Sanibel, Florida

We have examined Sanibel Public Library District's (District) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2018. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018.

This report is intended solely for the information and use of the District and the Auditor General, State of Florida, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
January 3, 2019