

**PINE RIVER PUBLIC
LIBRARY DISTRICT**

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2019

PINE RIVER PUBLIC LIBRARY DISTRICT

December 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet - Governmental Fund.....	10
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund to the Statement of Activities.....	13
Notes to the Basic Financial Statements	14
Required Supplementary Information (Unaudited)	
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual	25

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Pine River Public Library District
Bayfield, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Pine River Public Library District (the District), as of and for the year ended December 31, 2019, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Pine River Public Library District as of December 31, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

FredrickZink & Associates, PC

FredrickZink & Associates, PC
Durango, Colorado
June 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Pine River Public Library District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2019. 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 and deferred inflows of resources on December 31, 2019 by \$4,505,664. This represented a decrease of \$225,526 from net position at December 31, 2018. This perspective on net position includes spendable resources as well as the investment in buildings, collections and other capital assets of \$3,575,239; including restricted emergency reserves of \$24,280.
- During the year, the District's expenses were \$225,526 more than the \$685,825 generated in program and general revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from 2018, and no new programs were added in 2019.
- The District's general fund reported an ending fund balance of \$940,213, a decrease of \$124,544 in comparison to the prior year. The portion of the total fund balance for the General Fund that is unrestricted and available for spending at the District's discretion is \$901,634.

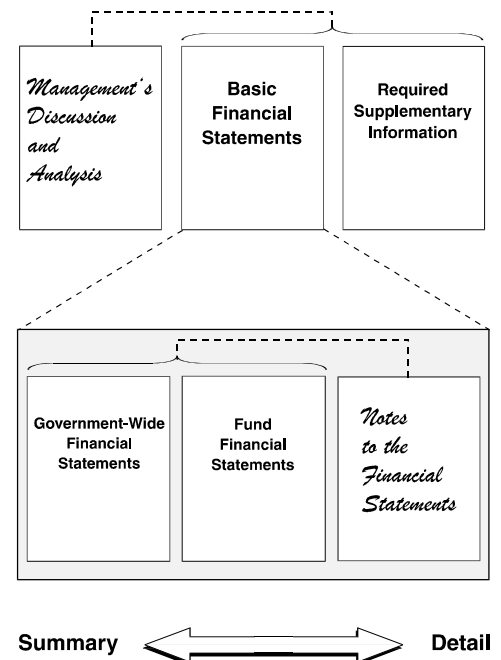
Overview of the Financial Statements

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

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

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

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



Basic Financial Statements

Government-wide Statements

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the activities of the District's individual governmental funds and are divided into two parts: 1) the "modified accrual basis statements" and 2) the "budgetary basis statements".

The financial statements on pages 10 and 12 of the audited financial statements focus on assets that can readily be converted into cash in the short-term and liabilities that will be settled in the short term. Governmental funds in the "modified accrual basis statements" are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting method provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the District's programs.

The annual budgets shown in the "budgetary basis statements" are prepared as described in Note 2. These budgets are presented using the modified accrual basis of accounting and are found in the Required Supplementary Information section.

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

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

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

Condensed Statement of Net Position

	2019	2018
Current and other assets	\$ 1,886,066	\$ 1,663,383
Capital assets, net	3,575,239	3,677,262
Total assets	<u>5,461,305</u>	<u>5,340,645</u>
Current liabilities	28,766	36,908
Noncurrent liabilities	9,788	10,829
Total liabilities	<u>38,554</u>	<u>47,737</u>
Deferred inflows of financial resources	<u>917,087</u>	<u>561,718</u>
Total liabilities and deferred inflows of financial resources	<u>955,641</u>	<u>609,455</u>
Net position		
Net investment in capital assets	3,575,239	3,677,262
Restricted net position	24,280	25,853
Unrestricted net position	906,145	1,028,075
Total net position	<u>\$ 4,505,664</u>	<u>\$ 4,731,190</u>

Net Position:

The District's assets exceeded its liabilities and deferred inflows by \$4,505,664 as of December 31, 2019, a decrease in the District's net position of \$225,526 during 2019. This overall decrease is mainly due to the decrease in the net investment in capital assets portion of total net position, primarily as a result of depreciation expense. The District reports \$3,575,239 invested in capital assets, which includes land, buildings, library materials, furniture and equipment. The District uses capital assets to provide services to patrons; consequently, these assets are not available for future spending. The remaining portions of the District's net position are classified as either restricted or unrestricted. The restricted portion include \$24,280 for an emergency reserve. The remaining balance of \$906,145 is unrestricted and can be used for future operations.

The District's Changes in Net Position

Condensed Statement of Activities

	2019	2018
Program revenue		
Charges for services	\$ 9,730	\$ 11,958
Grants and contributions	25,985	14,251
General revenues		
Property and other taxes	627,926	599,622
Interest	22,184	10,131
	<u>685,825</u>	<u>635,962</u>
Program expenses		
Primary government	911,351	978,176
	<u>(225,526)</u>	<u>(342,214)</u>
Change in net position		
Net position – beginning	<u>4,731,190</u>	<u>5,073,404</u>
Net position – ending	<u>\$ 4,505,664</u>	<u>\$ 4,731,190</u>

Fund Financial Analysis

On December 31, 2019, the District reported a fund balance of \$940,213 in the General Fund. Of that, \$24,280 is reserved for emergencies under TABOR. Of the remaining fund balances, \$126,634 is available for future commitments and is unassigned, and \$775,000 is committed by the Board of Trustees and \$14,299 is nonspendable prepaid expenditures.

The General Fund balance decreased in 2019 by \$124,544 due to continued decreases in property tax revenue as the result of falling oil and gas revenues, and mandatory property tax rebalancing due to the Gallagher Amendment.

Property taxes are the most significant source of revenues for the Library. Property taxes (\$553,962) accounted for 81% of total revenues (\$685,825). Special ownership taxes (\$73,964), which are a type of property tax, consist of vehicle taxes collected by La Plata County and were also a significant source of revenue accounting for about 11% of total revenues. Grants and donation (\$25,985) made up 4% of the District's revenue and the remaining funds came from investment interest and collection revenues.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Actual expenditures were \$21,997 below the final budget amounts and resources available were \$10,107 above the final budgeted amount.

Significant budget variances from the final were as follows:

Account	2019 Actual	2019 Final Budget	Budget Variance	Reason
Revenues:				
Property Tax	553,962	561,718	(7,756)	Current year uncollected taxes
Specific ownership & other taxes	73,964	67,500	6,464	Unexpected increase
Expenses:				
Administration operations	42,308	53,795	11,487	Fiscal restraint due to mill levy uncertainty
Repairs and maintenance	60,575	65,000	4,425	Maintenance cost less than expected

Capital Assets

The District's investment in capital assets as of December 31, 2019, totals \$3,575,239 net of accumulated depreciation. These assets include buildings, land, furniture, equipment, books, and audiovisual equipment. Additional information on the District's capital assets can be found in Note 1 and 5 of the financial statements.

Major capital asset transactions during the calendar year include purchasing books and audiovisual materials of \$31,872, furniture and equipment in the amount of \$1,040, and technology \$24,988.

Economic Factors and Next Year's Budget Outlook

The La Plata County Treasurer projects continued decreases in property tax revenue over the next few years due to falling oil and gas revenues. As a result, the Board of Trustees is conservative when budgeting each fiscal year and is equally diligent when monitoring each year's budget to ensure the longevity of the District.

Looking to the future, the Board projects there will be a need for an addition to our building to accommodate the growing population. In order to continue current services, the District went to the District's voters for a 2 mill increase in property taxes to cover shortfalls in revenues due to oil and gas reduced production and increased costs. The vote failed by 9 votes – 2,401 against, 2,392 in favor. In 2019, District made a second ask for a mill levy increase—this time 1.5 mills—and the community overwhelmingly passed it 58% in favor, 42% against.

The District derives nearly all its revenues from property taxes, any change in assessed property values has a significant impact on the budget. Between 2016 and 2019, property tax revenue decreased from \$706,899 to \$553,962. In 2020, due to the 1.5 mill levy increase, property tax revenue is estimated to increase to \$917,087. Accordingly, the Library's operating budget for 2020 has been increased to make up for cuts over the last four years. The Library's Board of Trustees is committed to continuing the highest level of service. The increased budget allow the library to open for 16 additional hours (including Sundays), increase staff hours to man the additional hours, update computers, finance additional collections, and take care of building maintenance. It is the Board's belief that it is the staff that made the "Best Small Library in America" honor possible and it is the staff that will enable the District to thrive even through an era of budget reductions. The Board will use \$45,000 to buy off the Solar contract that was purchased seven years ago. Eventually, this purchase will allow a large savings in electricity costs.

Requests for Information

This report is designed to provide an overview of the District's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to Shelley Walchak, Director, Pine River Library District, P.O. Box 227, Bayfield, CO 81122, or you may call 970-884-2222.

BASIC FINANCIAL STATEMENTS

PINE RIVER PUBLIC LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents.....	\$ 949,802
Due from other governments.....	4,780
Property taxes receivable, net.....	917,185
Prepaid items.....	14,299
Total current assets.....	<u>1,886,066</u>
Noncurrent assets	
Capital assets, not being depreciated.....	866,456
Capital assets, depreciated, net of accumulated depreciation.....	2,708,783
Total noncurrent assets.....	<u>3,575,239</u>
Total assets	<u>\$ 5,461,305</u>
LIABILITIES	
Current liabilities	
Accounts payable.....	\$ 14,932
Accrued liabilities.....	13,834
Total current liabilities.....	<u>28,766</u>
Noncurrent liabilities	
Compensated absences.....	9,788
Total liabilities	<u>\$ 38,554</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes.....	\$ 917,087
Total deferred inflows of resources	<u>\$ 917,087</u>
NET POSITION	
Net investment in capital assets.....	\$ 3,575,239
Restricted for declared emergencies.....	24,280
Unrestricted.....	906,145
Total net position	<u>\$ 4,505,664</u>

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

PINE RIVER PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Total
				Governmental Activities
Governmental activities:				
Public library.....	\$ 911,351	\$ 9,730	\$ 25,985	\$ (875,636)
General revenues				
Property taxes.....				553,962
Specific ownership and other taxes.....				73,964
Interest.....				22,184
Total general revenues.....				<u>650,110</u>
Change in net position.....				(225,526)
Net position, beginning.....				<u>4,731,190</u>
Net position, ending.....				<u>\$ 4,505,664</u>

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

PINE RIVER PUBLIC LIBRARY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND

December 31, 2019

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents.....	\$ 949,802
Due from other governments.....	4,780
Property taxes receivable, net.....	917,185
Prepaid items.....	14,299
Total assets.....	<u>\$ 1,886,066</u>
LIABILITIES	
Accounts payable.....	\$ 14,932
Accrued liabilities.....	13,834
Total liabilities.....	<u>28,766</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes.....	917,087
Total deferred inflows of resources.....	<u>917,087</u>
FUND BALANCE	
Nonspendable	
Prepaid items.....	14,299
Restricted	
Declared emergencies.....	24,280
Committed	
Capital outlay.....	300,000
Contingencies.....	455,000
Staff Education.....	20,000
Unassigned.....	126,634
Total fund balance.....	<u>940,213</u>
Total liabilities, deferred inflows of resources and fund balance.....	<u>\$ 1,886,066</u>

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

PINE RIVER PUBLIC LIBRARY DISTRICT

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

December 31, 2019

Total fund balance - governmental fund	\$ 940,213
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the fund.....	3,575,239
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the fund.....	<u>(9,788)</u>
Total net position - governmental activities	<u>\$ 4,505,664</u>

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

PINE RIVER PUBLIC LIBRARY DISTRICT

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

For the Year Ended December 31, 2019

	<u>General Fund</u>
REVENUES	
Taxes.....	\$ 627,926
Grants and contributions.....	25,985
Charges for services.....	9,730
Interest.....	22,184
Total revenues.....	<u>685,825</u>
EXPENDITURES	
Current	
Library operations.....	784,474
Capital outlay.....	25,895
Total expenditures.....	<u>810,369</u>
Deficiency of revenues over expenditures.....	<u>(124,544)</u>
Fund balance, beginning.....	<u>1,064,757</u>
Fund balance, ending.....	<u><u>\$ 940,213</u></u>

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

PINE RIVER PUBLIC LIBRARY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Net change in fund balance - total governmental fund..... \$ (124,544)

Amounts reported for governmental activities in the statement of activities are 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 capital outlay exceeded depreciation expense in the current period.

Capital asset additions.....	\$ 57,900	
Depreciation expense.....	<u>(159,923)</u>	
Net difference in capital outlay treatment.....		(102,023)

Governmental funds do not record the change in accrued compensated absences during the year as an expenditure. However, in the statement of activities, this change is shown as additional expense. This is the amount of decrease in accrued compensated absences in the current year.....

1,041

Change in net position - governmental activities..... \$ (225,526)

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

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pine River Public Library District (the "District") is a Colorado special district created December 4, 1972. The District is governed by a Board of Trustees, who are appointed by the Board of Commissioners of La Plata County. The purpose of the District is to promote the establishment and development of publicly supported library services.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Reporting entity

As required by generally accepted accounting principles, these financial statements present the District (the primary government) and its component units. Component units are legally separate organizations for which the appointed officials of the primary government are financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. Based upon the foregoing criteria, there are no component units included in the accompanying financial statements.

Nature of operations

The District provides library services for the general public, primarily the Town of Bayfield, La Plata County, Colorado and the surrounding area.

Basic financial statements

Basic financial statements are presented at both the government-wide and fund financial level. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due. Property taxes, grant revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on long-term debt which is recognized when due. The District has no long-term debt.

The District reports the following major governmental fund:

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

Cash and cash equivalents

The District's cash and cash equivalents is comprised of demand deposits and highly liquid investments with original maturities of three months or less from the date of acquisition. Cash equivalents of \$796,521 consist of public funds investment pools.

Investments

Investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition which are stated at cost. Fair values are based on published market prices. The governmental investment pool operate in accordance with appropriate state laws and regulations. The value of the pool is reported at amortized cost which, in most cases, approximates the fair values of the pool shares.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments - Continued

Under Colorado statutes, the District may lawfully invest eligible funds in the following securities:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the 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
- Guaranteed investment contract
- Certain corporate bonds

Receivables

All trade and property tax receivables are reported net of an allowance for uncollectible amounts, when applicable. The allowance for property taxes was \$7,756 as of December 31, 2019.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

Capital assets

Capital assets, which include land, buildings, furniture, equipment, technology and library materials, are reported in the government wide financial statements. In the governmental fund financial statements, capital assets are charged to expenditures when purchased. Capital assets, which are defined as assets with an initial, individual cost of \$1,000 or more, with the exception of library materials capitalized regardless of cost, and an estimated useful life of more than one year, are recorded at historical cost or estimated historical cost if historical cost is not available. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the District values these capital assets at the estimated fair value of the item at the date of donation. Capital assets of the District are depreciated using the straight-line method. The composite method is used in the depreciation of library materials. These assets are depreciated over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	40
Land improvements	20 - 27.5
Furniture, equipment and technology	3 - 10
Library collection	4 - 7

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District does not have any items that qualify for reporting in this category.

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

Compensated absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid compensatory time, based on the employee's length and hours of service. Compensatory time must be used within one year of accrual, and a maximum of 60 hours of compensatory time may accrue for each employee at any given time. At year end, the estimated value of accumulated compensatory time was \$9,788.

Accrued liabilities and long-term obligations

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year.

Net position or fund balances

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Net Position - Net position is assets minus liabilities plus deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Fund Balance - Generally, fund balance reflects assets minus liabilities and deferred inflows of resources. Financial reporting standards establish criteria for classifying fund balance amounts into specifically defined categories to make the nature and extent of constraints on these amounts more useful and understandable. The categories comprise a hierarchy based on the extent to which constraints must be honored for a specified purpose and for which amounts can be spent. Fund balances of governmental funds may be categorized as nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable Fund Balance - cannot be spent because it is either in nonspendable form or is legally or contractually required to be maintained intact. Examples include items not expected to be converted to cash such as inventories and prepaid assets.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net position or fund balances - Continued

Restricted Fund Balance - is restricted for specific purposes based on constraints externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - is constrained for a specific purpose by formal action (resolution or ordinance) adopted by the Board of Trustees, and can be rescinded only through the same type of formal action used to establish the original commitment. Trustee actions require either an ordinance or resolution. Both are equally binding for their respective purposes and are mutually exclusive, not interchangeable with one another.

Assigned Fund Balance - is constrained for specific purposes as determined by management and the Board of Trustees through the budget process. The Executive Director is the only employee authorized to assign fund balance.

Unassigned Fund Balance - is unconstrained and comprised of residual uncategorized fund balance amounts. The General Fund reports a positive unassigned fund balance.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are considered to be reduced first, followed by assigned amounts and then unassigned amounts.

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property taxes for the current year are certified in arrears to La Plata County on December 15 and attach as a lien on property the previous January 1. For example, property taxes owed in 2019 were certified to the County in December 2018 and were available for collection on the due date, January 1, 2019. Property taxes are payable in full by April 30 or in two equal installments due February 28 and June 15. La Plata County bills and collects property taxes for all taxing districts in the County. The property tax receipts collected by La Plata County are remitted to the District in the subsequent month.

Property taxes are reported as a receivable and as deferred inflows of resources when the District has an enforceable legal claim to the taxes and as revenue when available for collection in the following year.

Specific ownership taxes

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

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and budgetary accounting

The District adopts an annual budget for the General Fund which is prepared on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year-end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Trustees to obtain citizen comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

Encumbrances

The District does not report encumbered balances as of December 31, 2019 as all encumbrances lapse at year end.

Fair value measurements

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets.
- Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices-in markets that are not active, or other input 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Fair value measurements - Continued

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

The District recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. During 2019, there were no changes in the methods or assumptions utilized to derive the fair value of the District's assets and liabilities.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments of the District consist of the following:

<u>Deposits</u>	
Cash - demand deposits	\$ 51,927
Cash - certificates of deposit	<u>101,354</u>
Total deposits	153,281
<u>Investments - cash equivalents</u>	
Colorado Local Government Liquid Asset Trust	<u>796,521</u>
Total cash and cash equivalents	<u>949,802</u>
Total deposits and investments	<u>\$ 949,802</u>

Deposits with financial institutions

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and December 31, 2019, all of the District's deposits as shown above were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Deposits with financial institutions - Continued

The District has transaction accounts that are covered under FDIC insurance. The FDIC insurance limit for cash accounts is \$250,000. The carrying amount of the District's deposits as of December 31, 2019 was \$153,281. The bank balances were \$157,144, which are covered by federal deposit insurance.

Investments

The District invested \$796,521 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The trust operates under the authority and in conformity with Part 6 of Article 75 of Title 24 of the Colorado State Revised Statutes. Investment objective and strategies of the trust are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The Trust offers same day access to the investment funds and there are no maximum transaction amounts and withdrawals may be made daily. The trust uses amortized cost rather than the fair value to report net assets to compute share prices. COLOTRUST PLUS+ and COLOTRUST PRIME are rated 'AAAm' by S&P Global Ratings. The trust's financial statements can be obtained on its website.

The dollar weighted average days to maturity of COLOTRUST PLUS+ at December 31, 2019, is 47 days. The dollar weighted average days to maturity of COLOTRUST PRIME at December 31, 2019, is 55 days.

Analysis of specific investment risk

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end as if so, the reporting of certain related disclosures:

- **Credit Risk**
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment. At year end, the District was not significantly exposed to credit risk.
- **Custodial credit risk**
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2019, the District did not hold any such investments requiring additional disclosure.
- **Concentration of credit risk**
The District places no limit on the amount that may be invested in any one issuer, except for corporate securities. As of December 31, 2019, the District did not hold any such investments requiring additional disclosure.
- **Interest rate risk**
Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase. As of December 31, 2019, the District did not hold any investments with a maturity over 24 months.
- **Foreign currency risk**
This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2019

NOTE 4 - PROPERTY TAXES RECEIVABLE

Property taxes receivable as of December 31, 2019, consists of the following:

Property taxes - 2018 and prior	\$	7,756
Property taxes - 2019		<u>917,185</u>
Total receivable		924,941
Less: allowance for doubtful accounts		<u>7,756</u>
		<u><u>\$ 917,185</u></u>

The District reports deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$917,185 of net property taxes receivable is unavailable revenue representing property tax levied in 2019 but not available until 2020.

NOTE 5 - CAPITAL ASSETS

A summary of changes in general capital assets during the year ended December 31, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	<u>\$ 866,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866,456</u>
Capital assets being depreciated:				
Building	2,863,082	-	-	2,863,082
Land improvements	472,888	-	-	472,888
Furniture and equipment	400,626	1,040	-	401,666
Library collection	396,749	31,872	(31,165)	397,456
Technology	173,417	24,988	(36,916)	161,489
Total depreciable capital assets	<u>4,306,762</u>	<u>57,900</u>	<u>(68,081)</u>	<u>4,296,581</u>
Accumulated depreciation				
Building	(593,247)	(72,163)	-	(665,410)
Land improvements	(137,075)	(21,778)	-	(158,853)
Furniture and equipment	(347,280)	(17,675)	-	(364,955)
Library collection	(281,916)	(26,910)	31,165	(277,661)
Technology	(136,438)	(21,397)	36,916	(120,919)
Total accumulated depreciation	<u>(1,495,956)</u>	<u>(159,923)</u>	<u>68,081</u>	<u>(1,587,798)</u>
Capital assets being depreciated, net	<u>2,810,806</u>	<u>(102,023)</u>	<u>-</u>	<u>2,708,783</u>
Governmental activities capital assets, net	<u>\$ 3,677,262</u>	<u>\$(102,023)</u>	<u>\$ -</u>	<u>\$3,575,239</u>

Depreciation expense for the year ended December 31, 2019 was \$159,923 and was charged to government activities expense.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued December 31, 2019

NOTE 6 - EMPLOYEE BENEFIT PLANS

Up until December 2018, the District offered a qualified small employer health reimbursement arrangement (QSEHRA) to eligible employees, at which time the 90-day runout period ended in 2019. The Plan was funded solely by the District and reimbursed individual health insurance policy premiums of an employee and dependents up to \$421 per month (\$5,052 per year). Seasonal employees, and employees under the age of 25, are not eligible to participate in the Plan.

In January 2019, health benefits were offered to employees working 24 hours or more. Of the 14 employees eligible, 9 opted not to receive health insurance and 5 opted to receive health benefits. Staff members were also offered Flexible Spending Accounts (FSA), life insurance, as well as, IRA Match of up to 3%. The District's total employer health insurance contributions and IRA matching contribution for the year ended December 31, 2019 was \$23,794 and \$10,165, respectively.

NOTE 7 - COLORADO TABOR

In November 1992, the people of the State of Colorado passed an amendment to the State's constitution (Article X, Section 20) known as the Taxpayer's Bill of Rights (TABOR), which was effective December 31, 1992. TABOR's intended purpose was to reasonably restrain the growth of government by imposing spending and revenue limits on the state and any local government, excluding enterprises. Provisions of TABOR require, among other things, that:

- Each district shall reserve for use in declared emergencies 3% or more of its fiscal year spending (as defined by TABOR) excluding bonded debt service, and this amount is set aside as part of reserved fund balance, called "declared emergencies".
- If revenue from sources not excluded from fiscal year spending exceeds the limits prescribed by TABOR in dollars for that fiscal year, the excess shall be refunded in the next fiscal year unless voters approve a revenue change as an offset. Revenue collected, kept, or spent illegally since four full fiscal years before an individual or class action enforcement suit is filed shall be refunded with 10% annual simple interest from the initial conduct.
- With minor exceptions, advance voter approval is required for any new tax, tax rate increase, or mill levy above that for the prior year or creation of any multiple-fiscal year direct or indirect district debt or other financial obligation without certain cash reserve amounts or a non-appropriation clause contained within the legal.

At December 31, 2019, the District had reserved \$24,280 in the General Fund for declared emergencies.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for the risks of loss, including worker's compensation and employee accident insurance. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the District's insurance coverage during the past year.

PINE RIVER PUBLIC LIBRARY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2019

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Power purchase agreement

In January 2013, the District entered into a power purchase agreement (PPA) to buy power from a solar energy contractor (Provider). The District agreed to a no-fee 25 year lease of the Library rooftop for the installation of the PPA provider's solar array. The agreement calls for the District to purchase all power produced by the PPA provider's solar array for a term of 25 years. The cost per kilowatt hour (kWh) of power will be at La Plata Electric Association's (LPEA) average rate plus a 1.4¢ per kilowatt increase until a predetermined cap is reached. The kWh rate will be no lower than at 12¢/kWh and capped at 17¢/kWh. Annual energy cost from this array will range from a low of \$5,552 to maximum high of \$7,496 assuming the LPEA rates continue as they have for the last 20 years. If there is no rate escalation, then the year one pricing will carry forward. At the conclusion of the sixth year of the contract, the District will have the option to buy the system, or continue with the leasing arrangement.

NOTE 9 - COMMITMENTS AND CONTINGENCIES - Continued

Grants

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

Claims and litigation

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

NOTE 10 - SUBSEQUENT EVENT

The District has evaluated subsequent events through June 17, 2020, the date which the financial statements were available to be issued. There were no material subsequent events that required additional disclosure in the financial statements, except as noted below.

COVID-19

The COVID-19 outbreak in the United States has caused operation disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the District expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

Power Purchase agreement

The District in January 2020 executed the option to buy the solar panel system for \$45,000, ceasing its leasing arrangement with Solar Energy Partners.

REQUIRED SUPPLEMENTARY INFORMATION

PINE RIVER PUBLIC LIBRARY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND - BUDGET AND ACTUAL

For the Year Ended December 31, 2019

(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
REVENUES				
Property taxes.....	\$ 561,718	\$ 561,718	\$ 553,962	\$ (7,756)
Specific ownership and other taxes.....	67,500	67,500	73,964	6,464
Total taxes.....	<u>629,218</u>	<u>629,218</u>	<u>627,926</u>	<u>(1,292)</u>
Grants and contributions.....	24,500	24,500	25,985	1,485
Service charges and fees.....	12,000	12,000	9,730	(2,270)
Interest.....	10,000	10,000	22,184	12,184
Total revenues.....	<u>675,718</u>	<u>675,718</u>	<u>685,825</u>	<u>10,107</u>
EXPENDITURES				
Books and materials.....	67,786	67,786	69,162	(1,376)
Programming.....	15,000	15,000	10,813	4,187
Repairs and maintenance.....	65,000	65,000	60,575	4,425
Facility fees.....	6,220	6,220	4,153	2,067
Utilities.....	28,000	28,000	24,595	3,405
Technology.....	19,000	19,000	20,679	(1,679)
Small furniture and equipment.....	2,000	2,000	3,218	(1,218)
Treasurer's fee.....	16,000	16,000	16,737	(737)
Administration operations.....	37,315	53,795	42,308	11,487
Personnel.....	532,512	532,512	532,234	278
Total library operations.....	<u>788,833</u>	<u>805,313</u>	<u>784,474</u>	<u>20,839</u>
Capital outlay.....	-	27,053	25,895	1,158
Total expenditures.....	<u>788,833</u>	<u>832,366</u>	<u>810,369</u>	<u>21,997</u>
Deficiency of revenues over expenditures.....	<u>(113,115)</u>	<u>(156,648)</u>	<u>(124,544)</u>	<u>32,104</u>
Fund balance, beginning.....	<u>1,064,757</u>	<u>1,064,757</u>	<u>1,064,757</u>	<u>-</u>
Fund balance, ending.....	<u>\$ 951,642</u>	<u>\$ 908,109</u>	<u>\$ 940,213</u>	<u>\$ 32,104</u>

See accompanying Independent Auditor's Report.