
REPORT OF

THE SOUTHERN CHAFFEE COUNTY REGIONAL LIBRARY

DECEMBER 31, 2020

SOUTHERN CHAFFEE COUNTY REGIONAL LIBRARY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Chaffee County Regional Library

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southern Chaffee County Regional Library as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southern Chaffee County Regional Library, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–10 and 26-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Blair and Associates, P.C.

May 10, 2021

Management’s Discussion and Analysis

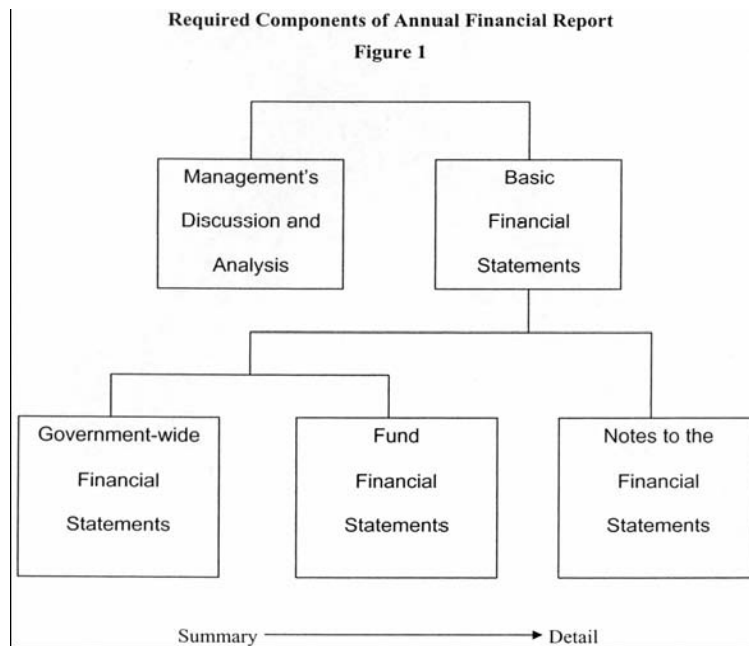
As management of the Southern Chaffee County Regional Library (the “District”), we offer this narrative overview and analysis of the financial activities of the Southern Chaffee County Regional Library for the year ended December 31, 2020. We encourage the readers to consider this Management’s Discussion and Analysis (MD&A) in conjunction with the District’s financial statements, which follow this MD&A.

Financial Highlights

- The District’s total assets exceeded its liabilities on December 31, 2020 by \$3,891,520 (see Exhibit 1). This represented an increase of \$250,166 from net position at December 31, 2019 (see Exhibit 2). This perspective on net position includes spendable resources as well as the investment in buildings, collections and other capital assets of \$2,824,177; funds of \$199,899 that can only be invested, and the earnings from those investments are available to the District for any purpose; and emergency reserve of \$28,650.
- The District’s total liabilities decreased by \$133,710 from the prior year as shown in Figure 2.
- As of December 31, 2020, the District’s governmental funds reported combined ending fund balances of \$1,123,808, a decrease of \$1,073,886 in comparison to the prior year (see Exhibits 3 and 4). The portion of the total fund balance for the General Fund that is unassigned and available for spending at the District’s discretion is \$299,606.
- Within the District’s general operating fund, total actual revenues were \$39,404 more than the 2019 final budget, while total actual expenditures were \$166,735 less than the 2019 final budget (see Exhibit 5).

Overview of the Financial Statements

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



Basic Financial Statements

Government-wide Financial Statements:

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

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The *fund financial statements* focus on the activities of the District's individual governmental funds and are divided into two parts: 1) the "modified accrual basis statements" (Exhibits 3 and 4) and the "budget basis statements" (Exhibits 5 thru 7).

Exhibits 3 and 4 focus on assets that can readily be converted into cash in the short term and liabilities that will be settled in the short term. Governmental funds in the "modified accrual basis statements" are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting method provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the District's programs. The differences in accounting for financial information in the *government-wide statements* (Exhibits 1 and 2) and the fund statements are illustrated by the reconciliations on Exhibits 2 through 4.

The annual budgets shown in the "budget basis statements" (Exhibits 5 thru 7) are prepared as described in Note 1. These budgets are presented using the modified accrual basis of accounting for governmental funds and working capital basis for enterprise funds.

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

Notes to the Basic Financial Statements:

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

Government-Wide Financial Analysis

The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) present the District's financial information as a whole. Figures 2 and 3 provide summaries of these statements for 2020 and 2019.

The District's Net Position Figure 2

	Governmental Activities	
	2020	2019
Current and other assets	\$ 1,131,854	\$ 3,262,651
Other assets	972,500	920,000
Capital assets, net of depreciation	2,824,177	1,496,924
Total assets	4,928,531	5,679,575
Short-term liabilities	8,046	144,957
Long-term liabilities	56,465	53,264
Total liabilities	64,511	198,221
Deferred inflow of resources	972,500	920,000
Net position:		
Invested in capital assets, net of related debt	2,824,177	1,496,924
Restricted:		
For emergency	28,650	83,112
For Endowment	199,899	199,899
Unrestricted	838,794	1,861,419
Total net position	\$ 3,891,520	\$ 3,641,354

Net Position:

The District's assets exceeded its liabilities by \$3,891,520 as of December 31, 2020, an increase in the District's net position of \$250,166 during 2020 (see Figures 2 and 3). Of the net position, \$2,824,177 is invested in capital assets, which includes land, buildings, library materials, furniture and equipment, less related debt. The District uses capital assets to provide services to patrons; consequently, these assets are not available for future spending. The remaining portions of the District's net position are classified as either restricted or unrestricted. The restricted assets of \$199,899 are to be used for investments, and emergency reserve of \$28,650. The remaining net position is unrestricted assets of \$838,794 which can be used for future operations.

The District's Changes in Net Position

Figure 3

	Governmental Activities	
	2020	2019
Revenues:		
General revenues:		
Property taxes and other	\$ 1,057,064	\$ 898,146
Other	43,318	143,467
Total revenues	1,100,382	1,041,613
Expenses:		
Salaries and benefits	458,709	437,018
Special events and programs	7,100	4,600
Library materials	42,780	35,460
General operating library materials	118,730	121,238
Building operations and maintenance	88,611	65,469
Depreciation expense	134,286	122,971
Total expenses	850,216	786,756
Increase in net position	250,166	254,857
Net position, January 1	3,641,354	3,244,629
Residual transfer	-	141,868
Net position, December 31	\$ 3,891,520	\$ 3,641,354

The District receives 96 percent of its funding from property tax revenues. Salaries and benefits represent 54 percent of the District's total expenditures. Under the method of accounting used for the government-wide financial statements, library books and other collections are capitalized as assets and depreciated over their estimated useful lives. Consequently, most of the year's expenditures for books and collections are not included in the "library materials" expense shown in Figure 3.

Fund Financial Analysis

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

The General Fund is the chief operating fund of the District. At the end of the calendar year 2020, the fund balance of the General Fund is \$328,256. Also, \$28,650 are reserved for emergency under Tabor. The remaining unassigned fund balance of \$299,606 is available for future spending.

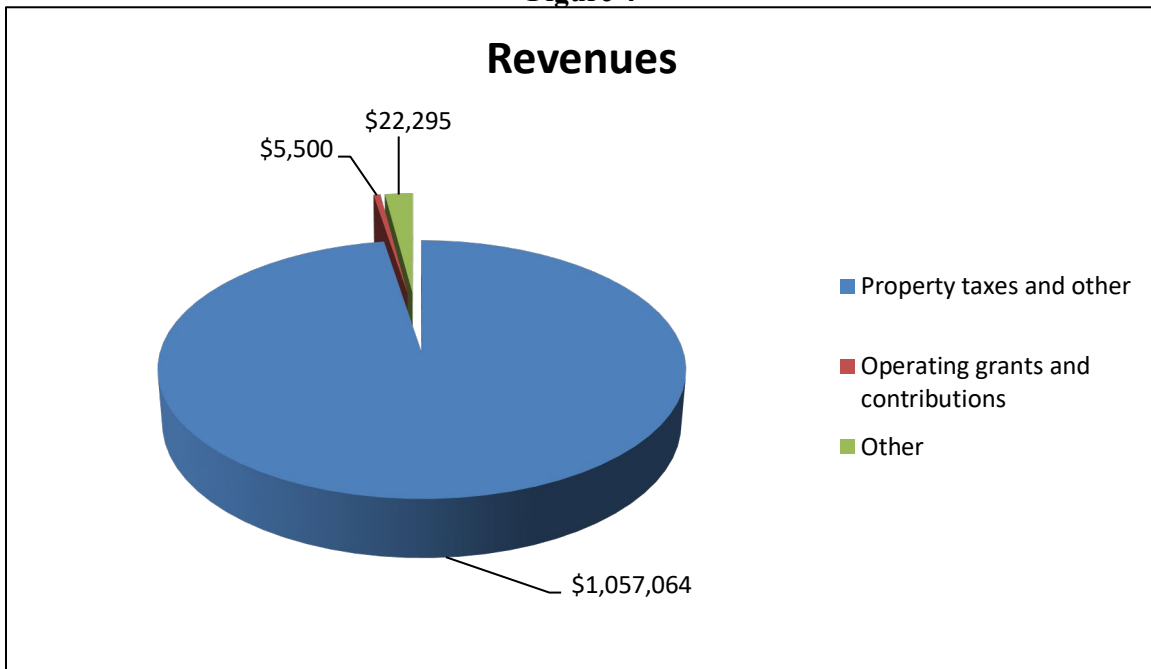
On December 31, 2020, the District reported a combined fund balance for its governmental funds of \$1,123,808 (see Exhibit 3). Of this amount, the Endowment Fund balance consists of \$338,034; \$199,899 is restricted for investment, while the earnings on the investments are available to the District and are committed to the Future Projects Fund. Per board policy, the remaining balance stays in the fund which is committed to the Future Projects Fund. The Future Projects Fund balance of \$457,518 is committed for the future project expenditures.

The General Fund balance increased in 2020 mainly due to increase in property taxes and other tax revenues (see Exhibit 4).

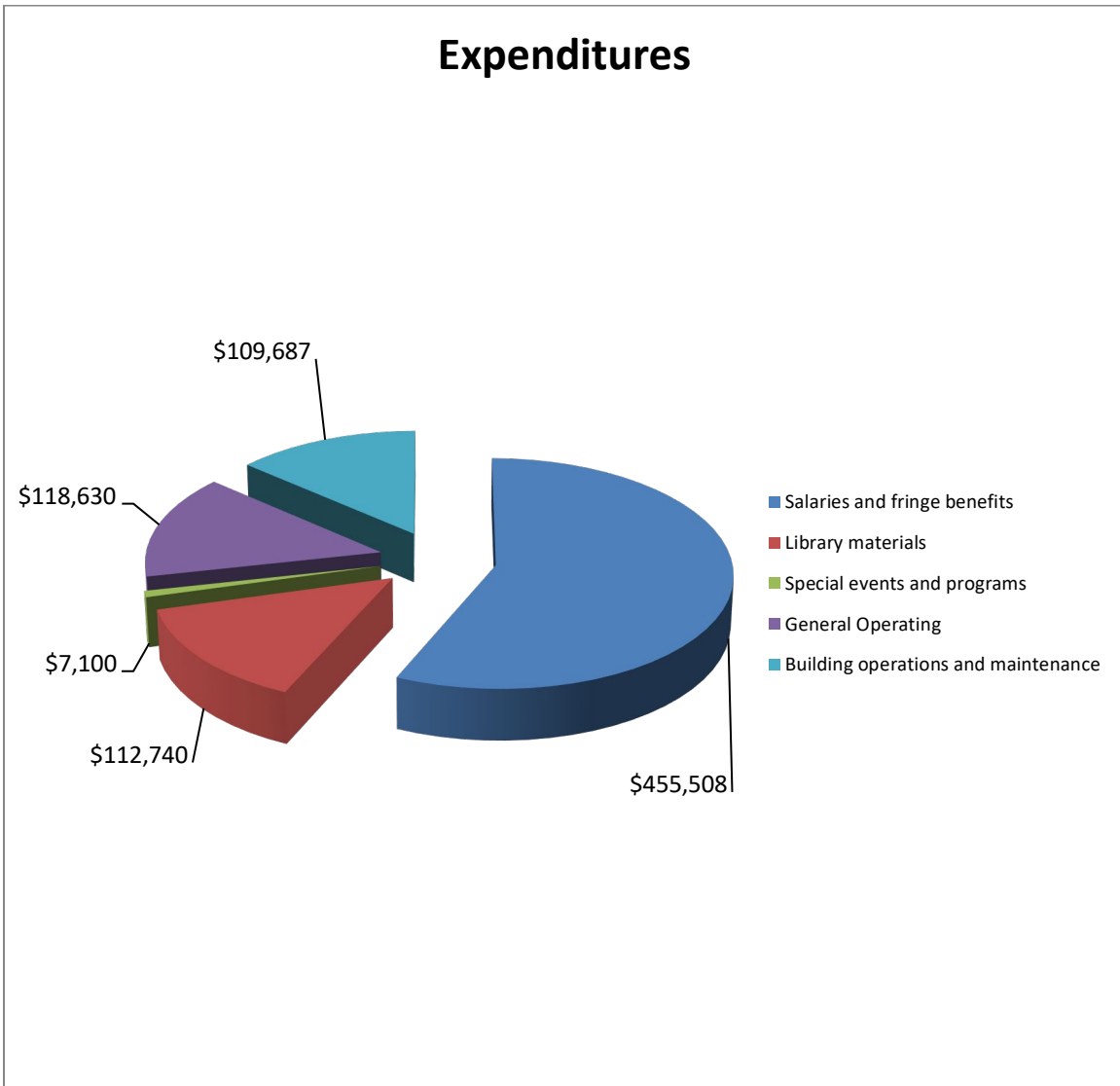
The charts in Figures 4 and 5 represent only the General Fund’s revenues and expenditures.

General Fund Revenues

Figure 4



General Fund Expenditures
Figure 5



Capital Asset Discussion

The District’s investment in capital assets as of December 31, 2020, totals \$2,824,177, net of accumulated depreciation (see Figure 6). These assets include buildings, land, furniture, equipment, books, and audio visual equipment. Additional information on the District’s capital assets can be found in Note 4 of the financial statements.

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

Books and audio visual devices	\$ 69,960
Furniture and Fixtures	27,120
Building	<u>1,364,460</u>
	\$ 1,461,540

Capital Assets
Figure 6

	<u>2020</u>	<u>2019</u>
Land	\$ 143,826	\$ 143,826
Construction in progress	-	650,789
Building	2,464,374	497,173
Furniture and equipment	24,679	-
Books and audio visual devices	191,298	205,136
Total capital assets	<u>\$ 2,824,177</u>	<u>\$ 1,496,924</u>

Economic Factors and Next Year's Budget

For the fiscal year 2020 budget, the total mill levy is 3.5 mills. The mill levy for the fiscal year 2019 was also 3.5 mills.

Highlights:

- The Southern Chaffee County Library District's financial status continues to be consistent, only being moderately affected by the state of the economy.
- The District's General Fund balance beginning January 1, 2019 provides the ability to support the economic outlook for future considerations in sustaining materials, programming and capital improvements through the year.
- In Spring 2019 we moved forward with our review of designs and costs for added space and began our building expansion project. The project allows us to account for the needs we outlined through community surveys and discussions: to include program meeting spaces, a larger children's library area, more areas for using personal devices and Wi-Fi. Construction began on an adjacent property, owned by the library. The project hopes to be completed by summer 2020.
- The Library has continued to grow in use, adding new services while maintaining traditional services that remain in demand.

We look forward to remaining a vital resource in our community.

Request for Information

The Financial Report is designed to provide a general overview of the District's finances, compliance with finance related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information contact the Salida Regional Library Director at 405 E Street Salida, CO 81201.
smatthews@salidalibrary.org 719-538-4826

Basic Financial Statements

Southern Chaffee County Regional Library District
Statement of Net Position
December 31, 2020

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,131,854
Taxes and other receivables	972,500
Total current assets	2,104,354
Net capital assets	2,824,177
TOTAL ASSETS	4,928,531
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Accounts payable	2,816
Accrued payroll	5,230
Total current liabilities	8,046
LONG-TERM LIABILITIES	
Compensated absences	56,465
TOTAL LIABILITIES	64,511
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	972,500
NET POSITION	
Net Investment in capital assets	2,824,177
Restricted for:	
Emergencies	28,650
Endowment	199,899
Unrestricted	838,794
TOTAL NET POSITION	\$ 3,891,520

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

Southern Chaffee County Regional Library District
Statement of Activities
December 31, 2020

	Governmental Activities
Functions/Programs	
Salaries and fringe benefits	\$ (458,709)
Library materials	(42,780)
Special events and programs	(7,100)
General operating	(118,730)
Building operations and maintenance	(88,611)
Depreciation	(134,286)
Total governmental activities	(850,216)
 General revenues	
Taxes	1,057,064
Other income	43,318
Transfers In (Out)	-
Total General Revenues and Transfers	1,100,382
 Change in net position	250,166
Net position - Beginning of year	3,641,354
 Net position - End of year	\$ 3,891,520

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

Southern Chaffee County Regional Library District
Balance Sheet - Governmental Funds
December 31, 2020

	Major Funds			Total
	General Fund	Endowment	Future Projects	
Assets				
Cash and Investments	\$ 336,302	\$ 338,034	\$ 457,518	\$ 1,131,854
Receivables:				
Taxes	972,500	-	-	972,500
Total assets	<u>1,308,802</u>	<u>338,034</u>	<u>457,518</u>	<u>2,104,354</u>
Liabilities and fund equity				
Liabilities				
Accounts payable	2,816	-	-	2,816
Accrued payroll	5,230	-	-	5,230
Total liabilities	<u>8,046</u>	<u>-</u>	<u>-</u>	<u>8,046</u>
Deferred Inflows of Resources				
Deferred property tax revenue	972,500	-	-	972,500
Fund Balances				
Nonspendable	-	199,899	-	199,899
Restricted				
Reserve for emergency	28,650	-	-	28,650
Capital expenditures	-	138,135	457,518	595,653
Unassigned	299,606	-	-	299,606
Total fund equity	<u>328,256</u>	<u>338,034</u>	<u>457,518</u>	<u>1,123,808</u>
Total liabilities and fund balances	<u>\$ 1,308,802</u>	<u>\$ 338,034</u>	<u>\$ 457,518</u>	<u>\$ 2,104,354</u>

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

**Southern Chaffee County Regional Library District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2020**

Total fund balance for governmental funds	\$ 1,123,808
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Land	\$ 143,826	
Building	3,291,314	
Furniture and equipment	211,877	
Books and audio-visual devices	513,225	
Less accumulated depreciation	<u>(1,336,065)</u>	
Total capital assets		2,824,177

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

Compensated absences	<u>(56,465)</u>	
Total long-term liabilities		<u>(56,465)</u>

Total net position of governmental activities	<u><u>\$ 3,891,520</u></u>
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The accompanying notes are an integral part of the financial statements.

Southern Chaffee County Regional Library District
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the year ended December 31, 2020

Revenues	General Fund	Endowment	Future Projects	Total
Property taxes and other	\$ 1,057,064	\$ -	\$ -	\$ 1,057,064
Grants and donations	5,500	-	-	5,500
Other	22,295	7,243	8,280	37,818
Total revenues	1,084,859	7,243	8,280	1,100,382
Expenditures				
Current:				
Program services:				
Salaries and fringe benefits	455,508	-	-	455,508
Library materials	112,740	-	-	112,740
Special events and programs	7,100	-	-	7,100
General operating	118,630	50	50	118,730
Building operations and maintenance	109,687	-	-	109,687
Capital outlay:	-	-	1,370,503	1,370,503
Total expenditures	803,665	50	1,370,553	2,174,268
Excess of revenues over (under) expenditures	281,194	7,193	(1,362,273)	(1,073,886)
Other financing sources (uses)				
Transfers in	(260,000)	-	-	(260,000)
Transfers out	-	-	260,000	260,000
Total other financing sources (uses)	(260,000)	-	260,000	-
Net change in fund balance	21,194	7,193	(1,102,273)	(1,073,886)
Fund balance, January 1	307,062	330,841	1,559,791	2,197,694
Fund Balance, December 31	\$ 328,256	\$ 338,034	\$ 457,518	\$ 1,123,808

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

**Southern Chaffee County Regional Library District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
For the year ended December 31, 2020**

Net change in fund balance for governmental funds	\$ (1,073,886)
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay was more than depreciation in the current period.

Depreciation expense	\$ (134,286)	
Capital outlay	<u>1,461,540</u>	1,327,254

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

Compensated absences	<u>(3,201)</u>	<u>(3,201)</u>
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Change in net position of governmental activities	<u>\$ 250,167</u>
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The accompanying notes are an integral part of the financial statements.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

Note 1 - Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: The statement of net position and the statement of activities display information about all of the activities of the District. These statements include the financial activities of the overall government, except for fiduciary activities. These statements distinguish between the governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no business-type activities.

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

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

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

The District reports the following major governmental funds:

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

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

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

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

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

Future Projects Fund -The Future Projects Fund is used to account for the accumulation of resources for approved future project expenditures. Starting in 2021 the new name for this fund will be Reserves. (This fund is not considered a major special revenue fund under GASB 54, paragraph 30).

Measurement Focus, Basis of Accounting

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not recognize as an outflow of resources (expense/ expenditure) until then.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

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

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

Deferred Outflows / Inflows of Resources

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

D. Assets, Liabilities, and Equity

Investments-Investments consisted of certificate of deposits stated at fair market value, money market mutual funds stated at amortized cost and ColoTrust stated at net asset value.

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

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

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

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

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

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

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

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

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

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

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

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

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

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

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

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

D. Budget and Budgetary Accounting

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

1. Budgets are required by state law for all governmental and enterprise funds.
2. During September the proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following January 1.
3. Prior to December 15, the budget is adopted and appropriations are authorized by resolution at the fund level for all funds. The legal level of budgeting control is at the individual fund level for all funds
4. Budgets are adopted on a basis consistent with the accounting basis of all funds, except that book donations and advance refunding are not budgeted.
5. Expenditures may not legally exceed appropriations at the fund level. The Board of Trustees may increase or decrease the budget and appropriations during the year within restrictions imposed by the District and laws of the State of Colorado. Budget amounts included in the financial statements are based on the final, legally amended budget.
6. Appropriations lapse at the end of the year, and the Board of Trustees may adopt supplemental appropriations during the year. For 2020, supplemental appropriations were not adopted.

Note 2 - Deposits with Financial Institutions and Investments

Deposits

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

Custodial Credit: Risks -Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2020, the District's bank balances of \$18,389 were insured under FDIC.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

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

Investments

At December 31, 2020 the District had the following investments:

	<u>Rating</u>	<u>Investment Maturities</u>
		<u>Less than One Year</u>
ColoTrust	Aaa	<u>\$ 946,168</u>
Sigma Financial Corporation		
Certificate of Deposits	FDIC	\$ 152,799
Money market account	Unrated	<u>3,873</u>
Total		<u>\$ 156,672</u>

The District invested \$946,168 in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established by state statute for local government entities in Colorado to pool surplus funds for investment purposes. The State Securities Commission administers and enforces all state statutes governing public investment pools. The investment is an external investment pool that reports at the fair value per share of the pool's underlying portfolio. The unit of account is each share held, and the value of the position is the fair value of the pool's share price multiplied by the number of shares held. For pricing and redeeming shares, COLOTRUST maintains a stable net asset value (NAV) of \$1 per share, which approximates fair value. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. All COLOTRUST investments are reported at NAV and do not have any unfunded commitments, redemption restrictions or redemption notice periods. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+, which are both rated AAAM by Standard & Poor's. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Financial statements and information about the pool for COLOTRUST may be obtained through its website at www.colotruster.com. COLOTRUST may, without the necessity of a formal meeting of their Board, temporarily suspend the right of redemption or postpone the date of payment for redeemed shares under certain specific conditions described in their trust indenture and during any financial emergency when it is not reasonably practicable because of substantial losses which might be incurred.

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

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

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

Credit risk- Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The District's general investment policy is to apply the prudent-person rule: Prudence and protection of District funds are the primary criteria. All investments and bid requests for investments are predicated on liquidity, yield, safety and interest of the local economy. As of December 31, 2020, the District's investments are in ColoTrust, certificate of deposits, and money market accounts.

Custodial credit risk- For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District follows Colorado State Statutes for investing.

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

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

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

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

Level 3: Unobservable inputs for an asset or liability.

Certificates of deposits held by the District are considered to have a Level 1 valuation within the fair value hierarchy required under GASB 72.

Note 3 -Participation in Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has commercial insurance that covers the buildings, workers compensation, rental insurance, employee health and accident and liability for director and District.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

Note 4 -Contingent Liabilities

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

Note 5 -Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 143,826	\$ -	\$ -	\$ 143,826
Construction in progress	650,789	-	(650,789)	-
Capital assets being depreciated:				
Building	1,276,066	2,015,249	-	3,291,315
Furniture and equipment	184,757	27,120	-	211,877
Books and audio visual devices	574,873	69,960	(131,608)	513,225
Total capital assets being depreciated	<u>2,035,696</u>	<u>2,112,329</u>	<u>(131,608)</u>	<u>4,016,417</u>
Less accumulated depreciation for:				
Building	(778,894)	(48,047)	-	(826,941)
Furniture and equipment	(184,757)	(2,441)	-	(187,198)
Books and audio visual devices	(369,736)	(83,799)	131,608	(321,927)
Total accumulated depreciation	<u>(1,333,387)</u>	<u>(134,287)</u>	<u>131,608</u>	<u>(1,336,066)</u>
Total Capital assets being depreciated, net	<u>702,309</u>	<u>1,978,042</u>	<u>-</u>	<u>2,680,351</u>
Governmental activity capital assets, net	<u>\$ 1,496,924</u>	<u>\$ 1,978,042</u>	<u>\$ (650,789)</u>	<u>\$ 2,824,177</u>

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

Governmental activities	
Culture and recreation	\$ 134,286

Note 6 - Retirement Plans

Defined Contribution Plan

The District is a member employer of the Colorado Retirement Association (CRA). This association was formed by Colorado State Statute to provide retirement benefits to employees of Colorado local governments. CRA administers two different retirement plans a 401(a) Defined Contribution Plan and a 457 Deferred Compensation Plan.

District provides pension benefits for all of its full-time and salaried employees through a defined contribution plan with the Colorado Retirement Association Retirement Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months from the date of employment.

Southern Chaffee County Regional Library
Notes to the Financial Statements
December 31, 2020

Note 6 - Retirement Plans-(continued)

Both the District and the employee contribute up to 6% of the employee's monthly base salary to the plan. Employees may also make additional contributions up to a maximum of 10% of compensation.

The District's contribution for each employee (and interest allocated to the employee's account) is 100% vested after five years. Any non-vested District contributions forfeited by an employee who leaves the District's employment are remitted to the District. For the year ended December 31, 2020 the District's total payroll was \$377,429, the total payroll covered by the retirement plan was \$189,295 and the total contribution paid was \$22,716. The District's portion of the contribution was \$11,358 and the employee's portion was \$11,358. The District has no liability for losses under the plan.

Plan provisions and contributions requirements are established and amended by CRA and would have to be approved by the district board.

Note 7 -Tax, Spending and Debt Limitations

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

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

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

Note 8 –Transfers

During the year ended December 31, 2020, the following transfers were made to the Future Projects Fund:

<u>Fund</u>	<u>Transfer Out</u>
General	<u>\$ 260,000</u>

Southern Chaffee County Regional Library District
Budget Comparison Schedule - General Fund
For the year ended December 31, 2020

	2020		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Revenues			
Property taxes and other	\$ 1,002,600	\$ 1,057,064	\$ 54,464
Grants and donations	5,500	5,500	-
Other	37,355	22,295	(15,060)
Total revenues	<u>1,045,455</u>	<u>1,084,859</u>	<u>39,404</u>
Expenditures			
Current			
Culture and recreation			
Salaries and benefits	483,400	455,508	27,892
Treasurer's fees	32,200	28,268	3,932
Office supplies	13,000	11,485	1,515
Library materials	103,100	76,041	27,059
Recordings materials	34,000	23,341	10,659
Auditing fees	4,500	4,500	-
Telephone and telecom	7,150	7,864	(714)
Postage	2,750	1,454	1,296
Utilities	23,600	13,493	10,107
Insurance	13,600	8,565	5,035
Accounting fees	1,000	-	1,000
Janitorial fees and supplies	30,000	25,433	4,567
Repair and maintenance	20,000	11,879	8,121
Dues and meetings	6,000	4,627	1,373
Equipment, facilities and furnishings	81,000	58,882	22,118
Electronic subscriptions	13,500	13,358	142
Courier service	15,800	12,706	3,094
Programs	7,700	7,100	600
Marmot	18,600	18,597	3
Legal	1,800	255	1,545
Miscellaneous	25,500	20,309	5,191
Contingency	32,200	-	32,200
Total expenditures	<u>970,400</u>	<u>803,665</u>	<u>166,735</u>
Excess (Deficiency) of revenues over expenditures	75,055	281,194	206,139
Other financing sources (uses)			
Operating transfers in/(Out)	(266,000)	(260,000)	6,000
Total other financing sources (uses)	<u>(266,000)</u>	<u>(260,000)</u>	<u>6,000</u>
Net change in fund balance	(190,945)	21,194	212,139
Fund balance, January 1	<u>252,872</u>	<u>307,062</u>	<u>54,190</u>
Fund balance, December 31	<u>\$ 61,927</u>	<u>\$ 328,256</u>	<u>\$ 266,329</u>

**Southern Chaffee County Regional Library District
Budget Comparison Schedule - Endowment Fund
For the year ended December 31, 2020**

	2020		Variance Favorable (Unfavorable)
	Original and Final Budget	Actual	
Revenues			
Interest income	\$ 8,000	\$ 7,243	\$ (757)
Total revenues	<u>8,000</u>	<u>7,243</u>	<u>(757)</u>
Expenditures			
Current			
Miscellaneous	-	50	(50)
Total expenditures	<u>-</u>	<u>50</u>	<u>(50)</u>
Excess (deficiency) of revenues over expenditures	8,000	7,193	(807)
Other financing sources (uses)			
Operating transfers in	(8,000)	-	8,000
Total other financing sources (uses)	<u>(8,000)</u>	<u>-</u>	<u>8,000</u>
Net change in fund balance	-	7,193	7,193
Fund balance, January 1	<u>330,585</u>	<u>330,841</u>	<u>256</u>
Fund balance, December 31	<u>\$ 330,585</u>	<u>\$ 338,034</u>	<u>\$ 7,449</u>

**Southern Chaffee County Regional Library District
Budget Comparison Schedule - Future Projects Fund
For the year ended December 31, 2020**

	2020		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Oil and Gas	\$ -	\$ -	\$ -
Donations and Other	5,000	-	(5,000)
Interest Income	16,850	8,280	(8,570)
Total revenues	<u>21,850</u>	<u>8,280</u>	<u>(13,570)</u>
Expenditures			
Expansion project	1,800,000	1,370,503	429,497
Miscellaneous	-	50	(50)
Total expenditures	<u>1,800,000</u>	<u>1,370,553</u>	<u>429,447</u>
Excess (deficiency) of revenues over expenditures	(1,778,150)	(1,362,273)	415,877
Other financing sources (uses)			
Transfers In/Out	274,000	260,000	(14,000)
Total other financing sources (uses)	<u>274,000</u>	<u>260,000</u>	<u>(14,000)</u>
Net change in fund balance	(1,504,150)	(1,102,273)	401,877
Fund balance, January 1	<u>1,685,471</u>	<u>1,559,791</u>	<u>(125,680)</u>
Fund balance, December 31	<u>\$ 181,321</u>	<u>\$ 457,518</u>	<u>\$ 276,197</u>