

**UPPER SAN JUAN LIBRARY DISTRICT
ARCHULETA COUNTY, COLORADO**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal	i
FINANCIAL SECTION	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide financial Statements:	
Statement of Net Position.....	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet Governmental Fund	10
Reconciliation of the Balance Sheet of the 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 of the Governmental Fund to the Statement of Activities	13
Notes to the Basic Financial Statements	14
Required Supplementary Information Section	
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual	26

INTRODUCTORY SECTION

FINANCIAL SECTION

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Independent Auditor's Report

Board of Trustees
Upper San Juan Library District
Pagosa Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Upper San Juan Library District (District), 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 District as of December 31, 2020, and the respective changes in financial position for the year then ended in conformity 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 as listed in the table of contents 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 District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



HintonBurdick, PLLC
St. George, Utah
April 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Upper San Juan Library District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2020. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities and deferred inflows (net position) by \$2,291,608 at the close of the fiscal year.
- Total net position increased by \$39,715.
- Total revenue received in the General Fund was \$40,407 more than the final budget and expenditures were \$72,794 more than the final budget.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District. The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the District's basic services are considered to be governmental activities. Property taxes finance most of these activities.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's major funds use the accounting approaches as explained below.

Governmental funds – All of the District's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities and deferred inflows of resources by \$2,291,608 as of December 31, 2020 as shown on the following condensed statement of net position.

Statement of Net Position

	12/31/20	12/31/19
Current and other assets	\$ 964,347	\$ 972,917
Capital assets	1,895,994	1,842,363
Total assets	<u>2,860,341</u>	<u>2,815,280</u>
Current liabilities	11,008	1,067
Non-current liabilities	36,689	35,574
Total liabilities	<u>47,697</u>	<u>36,641</u>
Deferred inflows of resources	<u>521,036</u>	<u>467,278</u>
Net position:		
Net investment in capital assets	1,895,994	1,842,363
Restricted	19,932	26,806
Unrestricted	375,682	442,192
Total net position	<u>\$ 2,291,608</u>	<u>\$ 2,311,361</u>

Governmental Activities

The cost of all governmental activities this year was \$626,255. General revenue from property taxes and other revenue totaled \$582,781.

The District's programs include: Public Library. The program's net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the District's general taxes support the District's program.

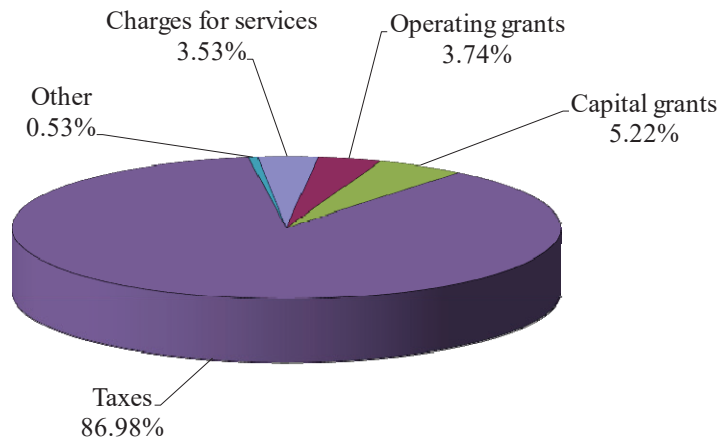
Changes in Net Position

	<u>12/31/20</u>	<u>12/31/19</u>
Revenues:		
Program revenues:		
Charges for services	\$ 23,504	\$ 25,693
Capital grants and contributions	34,748	56,000
Operating grants and contributions	24,937	26,556
General revenues:		
Taxes	579,234	520,485
Other revenue/(expense)	3,547	2,319
Total revenues	<u>665,970</u>	<u>631,053</u>
Expenses:		
Public library	<u>626,255</u>	<u>676,020</u>
Total expenses	<u>626,255</u>	<u>676,020</u>
Increase/(decrease) in net assets	39,715	(44,967)
Net position, beginning	2,311,361	2,356,328
Prior-period adjustment	(59,468)	-
Net position, ending	<u>\$ 2,291,608</u>	<u>\$ 2,311,361</u>

Total resources available during the year to finance governmental operations were \$2,917,863 consisting of net position at January 1, 2020 of \$2,311,361, prior period adjustment of \$59,468, general revenues of \$582,781 and program revenues of \$83,189. The total cost of governmental activities during the year was \$626,255. Governmental net position increased by \$39,715 to \$2,291,608.

The following graph provides a breakdown of revenues by source for all government activities.

Revenue By Source - Governmental Activities



General Fund Budgetary Highlights

The final appropriations for the general fund at year-end were \$72,794 more than actual expenditures. Actual revenues were more than the final budget by \$40,407.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the District are those assets that are used in performance of District functions. Capital assets include land, buildings and improvements, and equipment, furniture and fixtures and books. At the end of fiscal year 2020, net capital assets of the government activities totaled \$1,895,994. Depreciation on books and capital assets is recognized in the government-wide financial statements. (See note 4 to the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the District Budget for calendar year 2021, the District Board and management estimated the budget for operating revenues and expenditures to be slightly higher than the prior year budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact District's Management at 811 San Juan Street P.O. Box 849 Pagosa Springs, CO 81147.

BASIC FINANCIAL STATEMENTS

UPPER SAN JUAN LIBRARY DISTRICT
Statement of Net Position
December 31, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 436,920
Receivables, net of allowance	527,427
Capital assets (net of accumulated depreciation):	
Land	362,254
Land improvements	336,337
Buildings	891,652
Building improvements	157,398
Furniture and equipment	31,296
Books	117,057
Total assets	2,860,341
Liabilities	
Accounts payable and other current liabilities	11,008
Noncurrent liabilities:	
Due within one year - compensated absences	36,689
Total liabilities	47,697
Deferred Inflows of Resources	
Unavailable revenue-property taxes	521,036
Total deferred inflows of resources	521,036
Net Position	
Net investment in capital assets	1,895,994
Restricted for:	
Emergency	19,932
Unrestricted	375,682
Total net position	\$ 2,291,608

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

UPPER SAN JUAN LIBRARY DISTRICT
Statement of Activities
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Total
Governmental activities:						
Public library	\$ 626,255	\$ 23,504	\$ 24,937	34,748	\$ (543,066)	\$ (543,066)
Total governmental activities	626,255	23,504	24,937	34,748	(543,066)	(543,066)
Total primary government	\$ 626,255	\$ 23,504	\$ 24,937	\$ 34,748	\$ (543,066)	\$ (543,066)
General Revenues:						
Taxes:						
Property taxes					521,533	521,533
Specific ownership tax					57,701	57,701
Unrestricted investment earnings					3,547	3,547
Total general revenues & transfers					582,781	582,781
Change in net position					39,715	39,715
Net position - beginning					2,311,361	2,311,361
Prior period adjustment					(59,468)	(59,468)
Net position - ending					\$ 2,291,608	\$ 2,291,608

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

UPPER SAN JUAN LIBRARY DISTRICT
Balance Sheet
Governmental Fund
December 31, 2020

	General Fund
Assets	
Cash	\$ 436,920
Intergovernmental receivables	521,035
Receivables, net of allowance	6,392
Total assets	964,347
 Liabilities, Deferred Inflows, and Fund Balances	
Liabilities:	
Accounts payable	8,297
Accrued liabilities	2,711
Total liabilities	11,008
 Deferred inflows of resources:	
Unavailable revenue-property taxes	521,036
Total deferred inflows of resources	521,036
 Fund balances:	
Restricted for emergency reserve	19,932
Committed for capital projects	162,000
Assigned for capital projects	46,000
Unassigned	204,371
Total fund balances	432,303
Total liabilities, deferred inflows, and fund balances	\$ 964,347

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

UPPER SAN JUAN LIBRARY DISTRICT
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
December 31, 2020

Total fund balances - governmental funds	\$ 432,303
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.	
Governmental capital assets	\$ 3,325,288
Accumulated depreciation	<u>(1,429,294)</u>
	1,895,994
Some liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	
	(36,689)
Net position of governmental activities	<u><u>\$ 2,291,608</u></u>

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

UPPER SAN JUAN LIBRARY DISTRICT
Statement of Revenues, Expenditures, and Changes in
Fund Balance – Governmental Fund
For the Year Ended December 31, 2020

	General Fund
Revenues	
Taxes	\$ 579,234
Charges for services	10,543
Grants	34,748
Donations	24,937
Interest income	3,547
Other revenues	12,961
Total revenues	665,970
 Expenditures	
Current	
Building	30,245
Office	42,770
Programs	3,731
Public relations	2,419
Public use	59,737
Staff education	2,019
Salaries & benefits	395,906
Treasurer's fees	15,696
Capital outlay	185,716
Total expenditures	738,239
Excess revenues over (under) expenditures	(72,269)
Net change in fund balance	(72,269)
Fund balance - beginning of year	504,572
Fund balance - end of year	\$ 432,303

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

UPPER SAN JUAN LIBRARY DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of the Governmental Fund
To the Statement of Activities
For the Year Ended December 31, 2020

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

Net change in fund balances - total governmental funds	\$	(72,269)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$	206,269
Depreciation expense		<u>(93,170)</u>
		113,099
Compensated absences expenses reported in the statement of activities do not require use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(1,115)</u>
Change in net position of governmental activities	\$	<u><u>39,715</u></u>

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

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting entity

Upper San Juan Library District is a special district of Archuleta County, Colorado. The District was established on January 1, 1986. The District is governed by a Board of Trustees who are appointed representatives from the Town of Pagosa Springs and Archuleta County. The purpose of the District is to promote the establishment and development of publicly supported library services. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The District currently has no component units.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The District currently has no enterprise funds or fiduciary funds.

The District reports the following major governmental funds:

The **General Fund** is the district's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

The 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Capital Assets and Depreciation

All capital assets of the District are general capital assets. General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated acquisition value as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of land as land was listed regardless of cost. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Governmental Activities	
<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5-40 Years
Buildings and Building Improvements	40 Years
Equipment, Furniture and Fixtures	5-30 Years
Books	7-15 Years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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/ expenditure) until then. The District does not have any deferred outflows.

In addition to liabilities, the statement of financial position will sometimes report a separate section for 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 so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities statement of net position reports deferred inflows from property taxes levied for a future year.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

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 are established by Archuleta County. Property taxes attach as an enforceable lien on property as of January 1 and are due and payable February 28 and July 31. All unpaid taxes levied in January become delinquent on August 1. The Archuleta County Treasurer collects all tax revenues due to the District. The amounts are remitted on a monthly basis to the District.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

Use of Estimates

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

Budget Policy and Process

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

- In accordance with the State statutes, prior to September 1, the Librarian submits to the District Board a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets are included for administration control. The level of control for the detailed budgets is at the department head function level.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Librarian is required to present a monthly report to the District Board explaining any variance from the approved budget.

Budget amounts included in the financial statements report both the original and final amended budget. There were no revisions made to the original budget during the year. In 2020, the District over spent their budget.

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred.

Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, excluding “enterprises.”

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending (excluding bonded debt service). A portion of the General Fund’s fund balance is classified as restricted for

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 1. Summary of Significant Accounting Policies, Continued

emergencies as required by the Amendment. The District is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. However, the entity has made certain interpretations in the Amendment's language in order to determine its compliance.

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 11.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 13.

NOTE 3. Deposits and Investments

A summary of cash and investments as shown on the statement of net position follows:

Deposits	
Cash in bank	\$ 87,230
Colorado Trust	349,690
	<hr/>
Total cash and investments	\$ 436,920
	<hr/> <hr/>

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 3. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk; however, 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. The 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 be at least equal to the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40. At December 31, 2020 the carrying amount of the District's deposits was \$436,920. As of December 31, 2020 the bank balance of the District's deposits was \$87,230 of which \$87,230 was insured by federal depository insurance and \$349,690 was collateralized by the PDPA as noted above.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include 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 investment policy follows Colorado statutes. At December 31, 2020 the District's investments included funds held in the Colorado Government Liquid Asset Trust (COLOTRUST).

The COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities.

A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank.

The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to and are not registered with the SEC.

As of December 31, 2020, the District had \$349,690 invested in the COLOTRUST with a fair market value of \$349,690 and maturities of less than one year. The COLOTRUST's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 3. Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which requires that the District's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the provisions of the Colorado Public Deposit Protection Act (PDPA) which limits investment in commercial paper and corporate bonds to the top ratings issued by at least two nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

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UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 4. Capital Assets and Depreciation

Governmental Activities	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Capital assets, not being depreciated:				
Land	\$ 362,254	\$ -	\$ -	\$ 362,254
Construction in progress	3,000	155,849	(158,849)	-
Total capital assets, not being depreciated	<u>365,254</u>	<u>155,849</u>	<u>(158,849)</u>	<u>362,254</u>
Capital assets, being depreciated:				
Land improvements	470,940	-	-	470,940
Buildings	1,498,755	-	-	1,498,755
Building improvements	-	158,849	-	158,849
Equipment & furniture	375,723	3,453	-	379,176
Books	460,191	46,967	(51,844)	455,314
Total capital assets, being depreciated	<u>2,805,609</u>	<u>209,269</u>	<u>(51,844)</u>	<u>2,963,034</u>
Less accumulated depreciation for:				
Land improvements	(117,379)	(17,224)	-	(134,603)
Buildings	(568,673)	(38,430)	-	(607,103)
Building improvements	-	(1,451)	-	(1,451)
Equipment & furniture	(336,528)	(11,352)	-	(347,880)
Books	*	(365,388)	(24,713)	51,844
Total accumulated depreciation	<u>(1,387,968)</u>	<u>(93,170)</u>	<u>51,844</u>	<u>(1,429,294)</u>
Total capital assets, being depreciated, net	<u>1,417,641</u>	<u>116,099</u>	<u>-</u>	<u>1,533,740</u>
Governmental activities capital assets, net	<u>\$ 1,782,895</u>	<u>\$ 271,948</u>	<u>\$ (158,849)</u>	<u>\$ 1,895,994</u>

The entire \$93,170 of depreciation was charged to the governmental activity, Public Library.

* The beginning balance has been restated. See Note 8.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 5. Pension Plans

Colorado County Officials and Employees Retirement Association

The Colorado County Officials and Employees Retirement Association (Association) was established to serve as trustee and provide continuing administration of a trust fund for retirement benefits for eligible county and municipal officers and county, municipal, and special district employees. The Association established a defined contribution plan called Colorado County Officials and Employees Retirement Plan (Plan) through which contributions of the employers are combined with contributions of the employees and invested in income earning instruments for the benefit of the Plan participants. Any county, municipality, or special district of the State of Colorado may, with the consent of the Association, can become a member of the Association and participate in the Plan by adopting it for its officers and employees.

Full-time Employees and officers of Association members are required to participate in the Plan after the completion of one year of service, but participation is optional for all elected officers. The Plan is controlled by a five-member governing board selected in accordance with Colorado State statutes.

Employer contributions to the Plan is 4% of compensation. Employee contributions must match employer contributions and are funded on a current basis. Employees may make additional voluntary contributions not to exceed 10% of compensation.

Participants vest in employer contributions and in the earnings, losses, and changes in the fair market value of the Plan at 20% per year, as adopted by the District. Participants are immediately vested 100% in their own contributions and earnings. In the event that an Association member withdraws from the Plan, the participant balances for that member shall become immediately vested 100%. The unvested employer contributions are forfeited and credited back to the District. The forfeiture is used up as monthly credit toward District contributions. Contributions by the District to the plan were \$8,748.

Net earnings or losses are allocated quarterly to Plan participants. The allocation is based on each participant's balance as of the beginning of that quarter. Participants receiving benefit payments upon retirement or termination are allocated earnings through the date of the distribution.

Benefit payments are made as of the effective date of each participant's retirement or termination. At retirement, each participant has the option of receiving their vested balance in cash or having the Association place the funds in a bank account maintained under the joint control of the Association and the retiring individual. Any employer contributions forfeited by a participant due to termination of employment before becoming fully vested is returned to the member county, municipality, or special district.

The Association may at any time elect to terminate the Plan. In the event of such termination, each participant shall become 100% vested.

In addition to participating in the Plan, each participant may elect to contribute to a deferred compensation plan. Through the deferred compensation plan, a member employer defers payment of a portion of an employee's current salary and deposits the deferred payment with the Association upon a participant's retirement or termination of employment, the Association may begin payment of this deferred amount, and until then, all rights and interest in the deferred compensation plan remain vested with the employer.

UPPER SAN JUAN LIBRARY DISTRICT
Notes to Financial Statements
December 31, 2020

NOTE 5. Pension Plans, Continued

Both the retirement plan and the deferred compensation plan were amended July 1, 1991 to allow participants to self-direct the investment of their funds. Participants may self-direct employee and deferred contributions and earnings, and employer contributions and earnings, in which they are 100% vested. The governing board selected six Fidelity Investment funds (Magellan Fund, Contra Fund, Growth and Income Portfolio, Global Bond Fund, Intermediate Bond Fund and the Retirement Money Market Portfolio) for the investment of self-directed funds. The board continues to manage all other investments of the Plan. If no written directions are received from a participant, the participant's funds are automatically invested in the board-managed assets.

NOTE 6. 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 has purchased insurance through commercial companies for protection from said risks.

NOTE 7. Contingency

The COVID-19 outbreak has caused business disruptions and has had an economic impact on most of the United States. The District may be impacted in some manner but the extent is uncertain and cannot be estimated at this time.

NOTE 8. Prior Period Adjustment

A prior period adjustment of \$59,468 has been recorded to decrease net position on the government-wide financial statements due to a restatement that increases the beginning balance of accumulated depreciation for books that should be fully depreciated.

UPPER SAN JUAN LIBRARY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUND:

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

UPPER SAN JUAN LIBRARY DISTRICT
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended December 31, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 566,063	\$ 566,063	\$ 579,234	\$ 13,171
Charges for services	12,150	12,150	10,543	(1,607)
Grants	15,000	15,000	34,748	19,748
Donations	25,000	25,000	24,937	(63)
Interest income	7,000	7,000	3,547	(3,453)
Other revenues	350	350	12,961	12,611
Total revenues	625,563	625,563	665,970	40,407
EXPENDITURES				
Current:				
Building	45,190	45,190	30,245	14,945
Office	56,770	56,770	42,770	14,000
Programs	5,400	5,400	3,731	1,669
Public relations	5,350	5,350	2,419	2,931
Public use	66,300	66,300	59,737	6,563
Staff education	5,700	5,700	2,019	3,681
Salaries & benefits	402,735	402,735	395,906	6,829
Treasurer's fees	18,000	18,000	15,696	2,304
Capital outlay	60,000	60,000	185,716	(125,716)
Total expenditures	665,445	665,445	738,239	(72,794)
Excess revenues over(under) expenditures	(39,882)	(39,882)	(72,269)	(32,387)
Net change in fund balance	(39,882)	(39,882)	(72,269)	(32,387)
Fund balance - beginning of year	504,572	504,572	504,572	-
Fund balance - end of year	\$ 464,690	\$ 464,690	\$ 432,303	\$ (32,387)