

**Gunnison County Library District
Gunnison, Colorado**

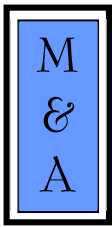
**Financial Statements
December 31, 2022**



**Gunnison County Library District
Financial Report
December 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Gunnison County Library District
Gunnison, Colorado**

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gunnison County Library District (the "District"), as of and for the year ended December 31, 2022, which collectively comprise the District's basic financial statements as listed in the Table of Contents, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gunnison County Library District, as of December 31, 2022 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Gunnison County Library District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Gunnison County Library District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITORS REPORT
To the Board of Directors
Gunnison County Library District
Gunnison, Colorado

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 U.S. GAAS, 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.

INDEPENDENT AUDITORS REPORT
To the Board of Directors
Gunnison County Library District
Gunnison, Colorado

Required Supplementary Information (continued)

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. 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 U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
September 1, 2023

Gunnison County Library District
Management's Discussion and Analysis



Gunnison County Library District

Management's Discussion and Analysis December 31, 2022

As management of Gunnison County Library District (the "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, 2022.

Financial Highlights

- The assets of the District exceeded its liabilities and deferred inflows by \$4,561,425 at the close of the most recent fiscal year end. Of this amount, \$815,924 may be used to meet the District's ongoing obligations to patrons.
- The District's total net position increased by \$815,339.
- At the end of the current fiscal year, total fund balance for the General Fund was \$1,712,783 or 58% percent of current year General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: Government-wide financial statements, Fund financial statements, and Notes to the Financial Statements.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities and deferred inflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activity of the District is library services. There are currently no business-type activities of the District.

The government-wide financial statements can be found on pages C1 and C2 of this report.

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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently accounts for all its activities using a General Fund.

Overview of the Financial Statements (continued)

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages D1 through D11 of this report.

Government-wide financial analysis:

During 2022, approximately 71% of the District's revenue was from property taxes. Investment in capital assets accounted for 49% of the total assets. The District will use these assets to provide services to its citizens. Accordingly, these assets are not an available source for payment of future spending. Three percent of the governmental activities annual budget is restricted for use in the event of an emergency.

Gunnison County Library District's Net Position

	<u>2022</u>	<u>2021</u>
Assets:		
Current and other assets	\$ 3,601,139	\$ 4,191,064
Capital assets	3,496,691	1,865,637
Total Assets	<u>7,097,830</u>	<u>6,056,701</u>
Liabilities:		
Other liabilities	342,103	89,164
Deferred property tax	1,575,831	1,540,288
Long-term liabilities	618,471	681,167
Total Liabilities	<u>2,536,405</u>	<u>2,310,619</u>
Net Position:		
Investment in capital assets	3,496,691	1,865,637
Restricted	248,810	385,187
Unassigned	815,924	1,495,258
Total Net Position	<u>\$ 4,561,425</u>	<u>\$ 3,746,082</u>

Overview of the Financial Statements (continued)

Gunnison County Library District's Change in Net Position

Revenues:	2022	2021
Program revenues:		
Collection revenue	\$ 3,179	\$ 6,614
General revenues:		
Property taxes	1,493,330	1,311,273
Specific ownership taxes	98,205	93,828
Interest on taxes	3,902	2,989
Grants	456,893	614,892
Earnings on investments	11,529	14,391
Donations	50,056	65,030
Other income	-	3,510
Total Revenues	\$ 2,117,094	2,112,527
Expenses:		
Personnel	851,996	692,243
Utilities	21,298	14,461
Office expenses	18,428	19,191
Professional services	45,025	42,041
Courier fees	18,478	18,535
Insurance	12,034	9,798
Dues and meetings	254	335
Library network expense	66,172	88,544
Repairs and maintenance	56,397	37,697
Supplies	-	6,906
Interest expense	11,005	-
Lease payments	-	55,657
Programs	25,419	26,872
Dedicated grant and donation programs	235	2,245
Other	32,145	15,104
Depreciation & amortization	142,865	93,686
Total Expenses	1,301,751	1,123,315
Change in Net Position	815,343	989,212
Other financing sources	-	502,247
Net Position - Beginning	3,746,082	2,254,623
Net Position - Ending	\$ 4,561,425	\$ 3,746,082

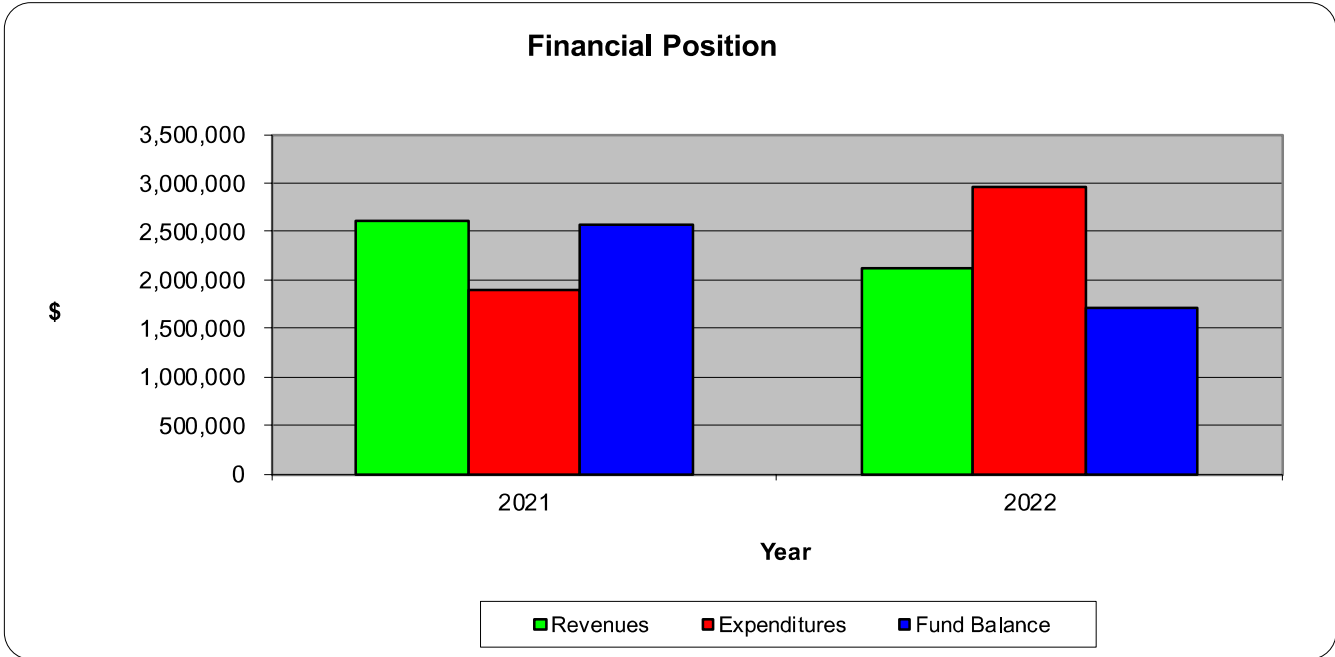
In 2022, revenues increased \$4,567 from 2021 levels. A decrease in grant revenue was offset by an increase in property tax revenue. This increase was due to increased property valuations in the County.

Overview of the Financial Statements (continued)

Overall expenses of the District increased by \$178,436 (16%) in 2022 compared to 2021, Most of the increase relates to increased personnel expenses, which represent 65% of the total expenses in 2022.

Financial Analysis of the District’s Funds

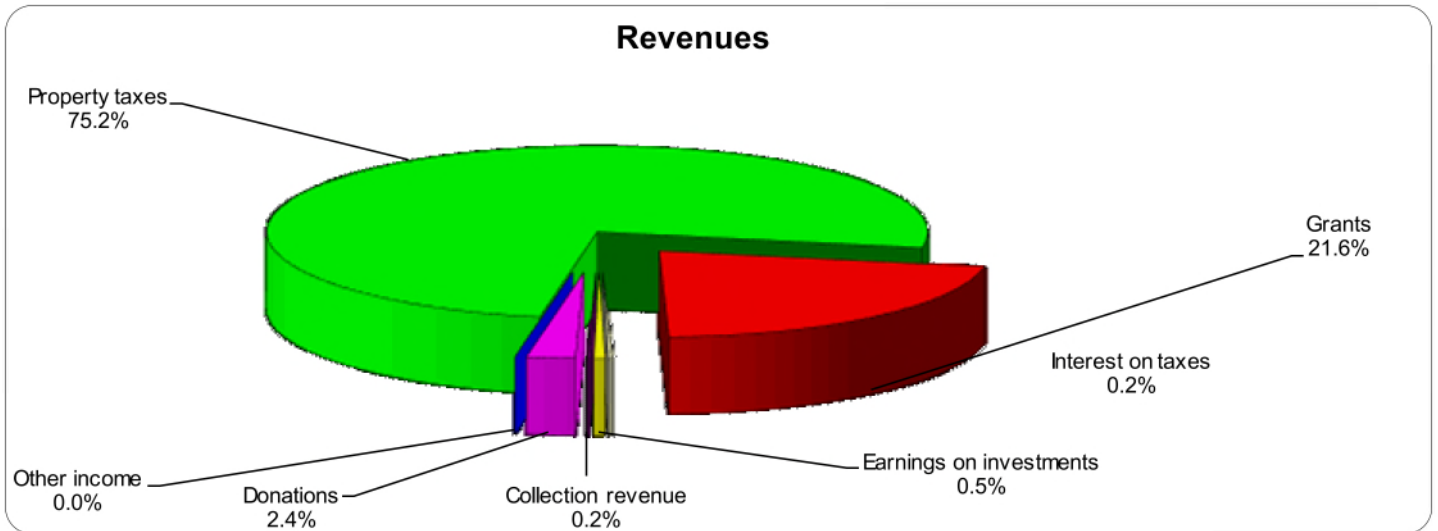
As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District showed the following in its General Fund for the years 2021 and 2022:



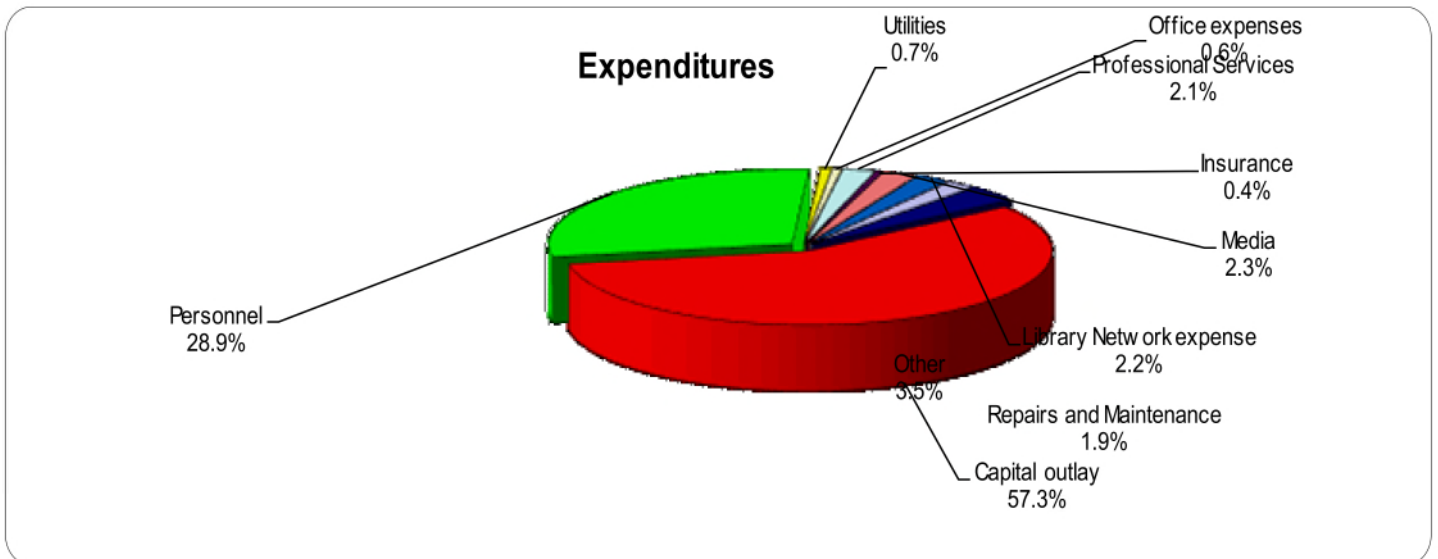
The District’s General Fund’s balance decreased by \$848,829 for an ending fund balance of \$1,712,783. Revenues came in at \$2,117,094, the bulk of which was derived from property taxes and grants. General Fund expenditures were \$2,965,923, primarily related to the personnel costs of running the libraries and construction costs of the new Gunnison Library.

Financial Analysis of the District's Funds (continued)

The following chart represents the District's revenues:



Property taxes and grants make up the largest source of revenue for the District. The District's General Fund expenditures consist primarily of personnel services (wages, retirement, health insurance, etc.).



Financial Analysis of the District's Funds (continued)

Budget variances in the General Fund: The District's 2022 budget was approved at the end of 2021 and was not amended during the year. Significant budget variances were as follows:

Account	Final Budget	Actual	Variance From Final Budget	Reason
Revenues:				
Specific ownership taxes	53,448	98,205	44,757	Received more SO tax than anticipated
Grants	80,375	456,893	376,518	Received unanticipated grants
Donations	-	50,056	50,056	Received unexpected donations for building new library
Expenditures/Expenses:				
Personnel	957,405	856,115	101,290	Conservative budgeting, budgeted for full staffing
Capital outlay	600,000	1,699,846	(1,099,846)	Timing of construction payments related to new library

Capital assets: The District's Capital Assets consist of Leasehold improvements (Gunnison Library construction), furniture and equipment, and its media stock. The media stock is added onto each year through media purchases, and aging items are expensed through depreciation as their estimated useful lives expire. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements in section D6 of this report.

Next year's budget and rates: The District had \$1,712,783 of fund balance at the end of the current fiscal year. The District's 2023 budget anticipates a balanced budget with no increase or decrease in fund balance.

Request for Information

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Gunnison County Library District, 307 N. Wisconsin St., Gunnison, CO 81230 or you may call 970-641-3485.

Gunnison County Library District

Basic Financial Statements



Gunnison County Library District
Governmental Fund Balance Sheet / Statement of Net Position
December 31, 2022

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	1,696,528	-	1,696,528
Accounts receivable	456	-	456
Prepaid expenses	25,704	-	25,704
Deposit	1,000	-	1,000
Property taxes receivable	1,575,831	-	1,575,831
Non-current assets:			
Restricted cash	1,620	-	1,620
Restricted investments	300,000	-	300,000
Capital and leased assets, net of accumulated depreciation and amortization	-	3,496,691	3,496,691
Total Assets	3,601,139	3,496,691	7,097,830
Liabilities:			
Accounts/vouchers payable	312,525	-	312,525
Lease liability (current)	-	29,578	29,578
Unavailable property taxes	1,575,831	-	1,575,831
Non-current liabilities:			
Accrued compensated absences	-	34,459	34,459
Lease liability	-	584,012	584,012
Total Liabilities	1,888,356	648,049	2,536,405
Fund Balance/Net Position:			
Fund Balance:			
Nonspendable	25,704		
Spendable:			
Restricted for emergencies	63,513		
Restricted by grants and donors	185,297		
Committed	112,704		
Unassigned	1,325,565		
Total Fund Balance	1,712,783		
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	3,601,139		
Net Position:			
Investment in capital assets		3,496,691	3,496,691
Restricted		-	248,810
Unassigned		(648,049)	815,924
Total Net Position		2,848,642	4,561,425

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

Gunnison County Library District
Statement of Governmental Fund Revenues, Expenditures
and Changes in Fund Balances / Statement of Activities
For the Year Ended December 31, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	1,493,330	-	1,493,330
Specific ownership taxes	98,205	-	98,205
Interest on taxes	3,902	-	3,902
Grants	456,893	-	456,893
Earnings on investments	11,529	-	11,529
Collection revenue	3,179	-	3,179
Donations	50,056	-	50,056
Total Revenues	<u>2,117,094</u>	<u>-</u>	<u>2,117,094</u>
Expenditures/Expenses:			
Personnel	856,114	(4,118)	851,996
Utilities	21,298	-	21,298
Office expenses	18,428	-	18,428
Professional services	45,025	-	45,025
Courier fees	18,478	-	18,478
Insurance	12,034	-	12,034
Dues and meetings	254	-	254
Media purchases	68,359	(68,359)	-
Library network expense	66,172	-	66,172
Repairs and maintenance	56,397	-	56,397
Lease payments	40,003	(40,003)	-
Interest expense	-	11,005	11,005
Programs	25,419	-	25,419
Dedicated grant and donation programs	5,951	(5,716)	235
Other expenses	32,145	-	32,145
Capital outlay	1,699,846	(1,699,846)	-
Depreciation and amortization	-	142,865	142,865
Total Expenditures/Expenses	<u>2,965,923</u>	<u>(1,664,172)</u>	<u>1,301,751</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>(848,829)</u>	<u>1,664,172</u>	<u>815,343</u>
Fund Balances/Net Position - Beginning of Year	<u>2,561,612</u>		<u>3,746,082</u>
Fund Balances/Net Position - End of Year	<u>1,712,783</u>		<u>4,561,425</u>

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

Gunnison County Library District
Notes to the Basic Financial Statements



**Gunnison County Library District
Notes to the Financial Statements
December 31, 2022**

I. Summary of Significant Accounting Policies

Gunnison County Library District (the "District") was established January 1, 2008, by an Intergovernmental Agreement between the Board of the County Commissioners of the County of Gunnison, Colorado and The Gunnison County Library District. The District was created as a political subdivision of the state and as a "public library," as defined under Colorado Revised Statutes, as amended, to be operated and maintained for the free use of the public residing within its legal service area.

The District began receiving a dedicated Mill Levy in 2020 and the District and The Board of County Commissioners of the County of Gunnison signed a new Intergovernmental Agreement.

The District operates under the laws of the State of Colorado and is governed by a Board of Trustees appointed by the Gunnison County Commissioners. The Trustees serve six-year terms. The District was formed to provide for the selection, organization, and distribution of books and other materials to residents and visitors to the District. The District operates libraries in Gunnison and Crested Butte, Colorado.

The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the District is not financially accountable for any other entity nor is the District a component unit of any other government.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, the District has only governmental activities.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

**Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)**

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements (continued)

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the District are reported in the General Fund, which is a set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The General Fund accounts for resources devoted to financing the general services that the District performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

**Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

2. Investments

Investments are stated at fair market value.

3. Fund Equity

The District has designated \$63,513 for emergency reserves.

4. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets include assets with an individual cost of \$5,000 or more and an estimated useful life in excess of two years. Books and periodicals, although having an individual cost of less than \$5,000, are also considered capital assets. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Land owned by the District is not depreciated. Books and media are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Books and media	6
Equipment	5-10
Leasehold improvements	40

5. Compensated Absences

The District allows its exempt employees to accumulate sick and vacation leave, based on the employee's length and hours of service.

Accrued compensated absences may be carried over to the following year, with the maximum amount of carry-over based upon the length of service of the employee. The District pays the full amount of accrued vacation upon separation from the District. Accrued sick leave is paid out based on a formula, dependent on variables such as length of tenure and method of separation. No accrued sick leave is paid out if the employee is terminated.

At year end, the estimated value of accumulated compensated absence leave, including the District's portion of employment costs, is \$34,459.

6. 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 items that qualify for reporting in this category at December 31, 2022.

Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Deferred Outflows/Inflows of Resources (continued)

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 government has two items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items, unavailable property tax and grant revenues, are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

8. Fund Balance

The District classifies governmental fund balances as follows:

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 Trustees.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board of Trustees 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.

Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

8. Fund Balance

It is the District's policy to first apply restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has adopted a minimum fund balance policy of \$275,000 to ensure adequate amounts are maintained for operating and TABOR reserves.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position

The governmental fund Balance Sheet includes adjustments between *fund balance – governmental funds* and *net position of governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation includes Non-current assets. This amount contains \$3,496,691 of Capital assets, net of depreciation. A second element of that reconciliation includes Non-current liabilities. This amount is comprised of \$34,459 of accrued vacation.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes adjustments between *net change in fund balance of governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation includes capitalization of media purchases. The District's capitalizable media purchases for the fiscal year amounted to \$3,496,691. A second element of that reconciliation includes the change in accrued compensated absences from the prior fiscal year. This resulted in an decrease in future expense of \$640. A third element of the reconciliation includes breaking out lease payments into interest expense and principal reduction. A final element of that reconciliation includes depreciation and amortization. This amount includes depreciation and amortization on fixed assets and leased assets of \$142,865.

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriations are adopted for all funds. Expenditures may not legally exceed appropriations at the fund level. All appropriations lapse at year end. In the fall of each year, the District's Board of Trustees formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental funds are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

**Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)**

III. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information

As required by Colorado statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2022:

1. For the 2022 budget year, prior to August 25, 2021, the County Assessor sent to the District an assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10 only once by a single notification to the District.
2. The Manager of the District submitted, on or before October 15, 2021, a recommended budget that detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
3. Prior to December 15, 2021, after a required publication of "Notice of Proposed Budget" and a public hearing, the District certified to the County Commissioners a levy rate that derived the necessary property taxes as computed in the proposed budget, and the District adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year.
4. After adoption of the budget resolution, the District may make the following changes: a) approve supplemental appropriations to the extent of revenues in excess of estimated revenues in the budget; b) approve emergency appropriations; and c) reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus taxes certified in 2021 were collected in 2022 and taxes certified in 2022 will be collected in 2023. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

In 2022, the District's General Fund had expenditures that exceeded appropriated amounts by \$899,068. This may be a violation of State statute.

B. TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 ("TABOR"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

One of the requirements of TABOR is for emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenue (excluding bonded debt service). The District has reserved a portion of its December 31, 2022 year end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$63,513, which is the approximate required reserve at December 31, 2022.

**Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)**

IV. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. As of the fiscal year end, the carrying amount of the District's demand deposits was \$1,698,148. At year end, the District had the following investments and maturities:

	<u>Rating</u>	<u>Carrying Amounts</u>	<u>Maturities</u>	
			<u>Less than one year</u>	<u>Less than five years</u>
<i>Deposits:</i>				
Petty cash	Not Rated	\$ 187	\$ 187	\$ -
Checking	Not Rated	58,452	58,452	-
Savings & money market	Not Rated	1,639,509	1,639,509	-
Certificates of Deposit	Not Rated	300,000	-	300,000
		<u>\$ 1,998,148</u>	<u>\$ 1,698,148</u>	<u>\$ 300,000</u>

Fair Value of Investments

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

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2022 the District had the following recurring fair value measurements:

Primary Government:

<u>Investments Measured at Fair Value</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificate of deposit	\$ 300,000	\$ -	300,000	\$ -

**Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)**

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

1. Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date as required by state statutes. As a result of the limited length of maturities the District has limited its interest rate risk.

2. Credit Risk

State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

3. Concentration of Credit Risk

Deposits may only be made in those financial institutions which qualify as a depository of public funds in Colorado, are insured by the Federal Deposit Insurance Corporation, and collateralize deposits in excess of the Federal Deposit Insurance Corporation limit.

B. Receivables

Receivables as of the year end for the District's funds, including applicable allowances for uncollectible accounts, are as follows.

Property Tax Receivable	\$ 1,575,831
Total Receivable	<u>\$ 1,575,831</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The \$1,575,831 of property taxes receivable is unavailable revenue from property tax levied in 2022 but not available until 2023.

**Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)**

IV. Detailed Notes on All Funds (continued)

C. Capital Assets

The District had the following capital asset changes during the past year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Construction in progress	\$ 947,184	\$ 1,207,819	\$ (2,155,003)	\$ -
Capital and leased assets, being depreciated:				-
Leasehold improvements	-	2,155,003	-	2,155,003
Equipment	5,325	497,742	-	503,067
Books and media	1,674,754	68,358	(77,382)	1,665,730
Leased buildings	686,673	-	-	686,673
Total capital assets	<u>3,313,936</u>	<u>3,928,922</u>	<u>(2,232,385)</u>	<u>5,010,473</u>
Less accumulated depreciation & amortization for:				
Leasehold improvements	-	(17,958)	-	(17,958)
Equipment	(5,325)	(17,345)	-	(22,670)
Books and media	(1,416,587)	(73,227)	77,382	(1,412,432)
Leased buildings	(26,388)	(34,334)	-	(60,722)
Total accumulated depreciation	<u>(1,448,300)</u>	<u>(142,864)</u>	<u>77,382</u>	<u>(1,513,782)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,865,636</u>	<u>\$ 3,786,058</u>	<u>\$ (2,155,003)</u>	<u>\$ 3,496,691</u>

V. Other Information

A. Pension Plans

1. Defined Contribution Pension Plan - 401(a)

The District is currently a member of the Colorado Retirement Association (CRA).

The Board of Director's for the District authorized and has the ability to amend the following terms. Participation is mandatory for all employees who work at least 1560 hours per year (75% FTE). Eligible employees contribute three percent (3%) of their base pay which is matched by the District. The plan has a five (5) year vesting period in which a participant shall vest each plan month at the rate which equals the product of one twelfth (1/12) multiplied by twenty percent (20%). The vested balance is distributed upon the employee's termination or retirement. The unvested amount will be forfeited upon employee's termination or retirement.

Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)

V. Other Information (continued)

A. Pension Plans (continued)

2. Defined Contribution Pension Plan - 401(a) (continued)

During the year, the District's required and actual contributions amounted to \$14,284 which was three percent (3%) of its current year covered payroll of \$476,150. The District's total payroll for 2022 was \$856,114. The District's employees contributed \$14,284. During the year there were no forfeitures. At year end December 31, 2022 there were \$142,865 of payable to CRA. While the District recently separated from the County, the defined contribution pension plan remained largely unchanged. No pension provision changes occurred during the year that affected the required contributions to be made by the District or its employees.

2. Deferred Compensation Plan - 457

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all District employees, permits them to defer a portion of their salary until future years. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries. Amounts contributed to the Deferred Compensation Plan are not available to employees until termination, retirement, death, or unforeseeable emergency. The District matches up to the first 2% of employee contributions. During 2022, the District contributed \$9,500 on behalf of its employees to this plan.

The District has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The District does not administer the plan and is not the Trustee of the plan.

B. Other Employee Benefits

1. Health Insurance (Life, Medical, Dental, and Vision)

The District provides the opportunity for participation in subsidized group insurance, for all eligible employees, through the Colorado Employer Benefit Trust ("CEBT"). Eligibility requirements include, but are not limited to, a minimum of thirty (30) scheduled hours per week or 1,560 hours per year. Participation in the dental and vision plans also requires a two-year commitment, except in the event of loss of eligibility or termination of employment from the District.

Currently, the district pays 75% of CEBT insurance premiums for eligible employees, with the eligible employee paying the remaining 25%.

**Gunnison County Library District
Notes to the Financial Statements
December 31, 2022
(Continued)**

V. Other Information (continued)

B. Other Employee Benefits (continued)

2. Post Employment Health Care Benefits

All District employees covered by COBRA insurance may continue their health insurance due to a reduction in work hours or termination of employment. Employees who elect continued coverage must pay the District for premiums from the termination date of coverage and monthly thereafter. No cost to the District is recognized as employees reimburse 102% of their premium cost to the District.

C. Leases

The District is a lessee in two separate leases, one with Gunnison County, Colorado and one with the Town of Crested Butte, Colorado. These leases, in accordance with applicable governmental accounting standards, are displayed on the District's balance sheet as a long-term liability, measured by the present value of payments required to be made by the District. The District recognizes a reduction in lease liability and interest expense based on the interest rates in both leases. Below is a brief summary of both leases:

Crested Butte Library: On April 1st, 2020, The District entered into a lease agreement with the Town of Crested Butte to rent and operate the Crested Butte Library. Payments are due annually and increase by 1% each year. The original lease term is a 20-year period (expiration of April 1st, 2040) with an automatic 5-year extension unless the District chooses to cancel.

Gunnison Library: On July 7th, 2020, the District entered into a lease agreement with Gunnison County for a piece of land upon which the District was able to construct a new Gunnison Library. Construction of the new library was completed in fall of 2022. Payments are due quarterly. The lease term is 20 years, and after conclusion of the lease, ownership of the Library will transfer from the County to the District.

Current year activity of the outstanding lease liability is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Lease liability	642,588		(28,998)	613,590

A schedule of current and future lease payments is below:

	Principal	Interest	Total
2023	29,578	10,511	40,089
2024	30,171	10,004	40,175
2025	30,777	9,485	40,262
2026	31,396	8,953	40,350
2027	32,030	8,409	40,438
2028-2032	170,148	33,405	203,554
2033-2037	188,227	17,682	205,909
2038-2041	101,263	2,412	103,675
Totals	613,590	100,861	714,450

Gunnison County Library District
Required Supplemental Information



Gunnison County Library District
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
General Fund
For the Year Ended December 31, 2022

	<u>2022</u>		<u>2021</u>	
	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Property taxes	1,465,976	1,493,330	27,354	1,311,273
Specific ownership taxes	53,448	98,205	44,757	93,828
Interest on taxes	1,999	3,902	1,903	2,989
Grants	80,375	456,893	376,518	614,892
Earnings on investments	5,701	11,529	5,828	14,391
Collection revenue	-	3,179	3,179	6,614
Donations	-	50,056	50,056	65,030
Other income	-	-	-	3,510
Total Revenues	<u>1,607,499</u>	<u>2,117,094</u>	<u>509,595</u>	<u>2,112,527</u>
Expenditures/Expenses:				
Personnel	957,405	856,115	101,290	698,489
Utilities	48,100	21,297	26,803	14,462
Office expenses	12,000	18,428	(6,428)	19,191
Professional services	45,000	45,025	(25)	42,041
Courier fees	20,000	18,478	1,522	18,535
Insurance	14,900	12,034	2,866	9,798
Dues and meetings	400	254	146	335
Media purchases	107,300	68,359	38,941	70,895
Library network expense	110,000	66,172	43,828	88,544
Repairs and maintenance	55,000	56,397	(1,397)	37,694
Supplies	-	-	-	6,906
Lease payments	58,750	40,003	18,747	55,657
Programs	22,000	25,419	(3,419)	26,872
Dedicated grant and donation programs	-	5,951	(5,951)	2,245
Other expenses	16,000	32,145	(16,145)	15,104
Capital outlay	600,000	1,699,846	(1,099,846)	785,448
Total Expenditures/Expenses	<u>2,066,855</u>	<u>2,965,923</u>	<u>(899,068)</u>	<u>1,892,216</u>
Excess of Revenues Over Expenditures	<u>(459,356)</u>	<u>(848,829)</u>	<u>(389,473)</u>	<u>220,311</u>
Other Financing Sources (Uses):				
Lease Proceeds		-		502,247
Total Other Financing Sources (Uses)		-		502,247
Change in Net Position		(848,829)		722,558
Fund Balances/Net Position - Beginning of Year		<u>2,561,612</u>		<u>1,839,054</u>
Fund Balances/Net Position - End of Year		<u>1,712,783</u>		<u>2,561,612</u>

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