

**Montrose Regional Library District**

**Financial Statements**  
with Independent Auditor's Report

**December 31, 2022**



# Montrose Regional Library District

Table of Contents  
December 31, 2022

|  |    |
|--|----|
| <b>Independent Auditor's Report</b> .....                            | 1  |
| <b>Management's Discussion and Analysis</b> .....                    | i  |
| <b>Basic Financial Statements</b>                                    |    |
| <i>Government-wide Financial Statements</i>                          |    |
| Statement of Net Position .....                                      | 4  |
| Statement of Activities .....  | 5  |
| <i>Governmental Fund Financial Statements</i>                        |    |
| Balance Sheet .....  | 6  |
| Statement of Revenues, Expenditures and Changes in Fund Balance..... | 7  |
| <i>Notes to Financial Statements</i> .....                           | 8  |
| <b>Required Supplementary Information</b>                            |    |
| Budgetary Comparison Schedule - General Fund.....                    | 17 |
| <i>Notes to Required Supplementary Information</i> .....             | 18 |



**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
Business Advisors

## Independent Auditor's Report

Board of Trustees  
Montrose Regional Library District  
Montrose, Colorado

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Montrose Regional Library District (the District), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

#### Office Locations:

Colorado Springs, CO  
Denver, CO  
Tulsa, OK

#### Denver Office:

750 W. Hampden Avenue  
Suite 400  
Englewood,  
Colorado 80110  
TEL: 303.796.1000  
FAX: 303.796.1001  
[www.HinkleCPAs.com](http://www.HinkleCPAs.com)

***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 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 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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 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.

*Hick & Company, PC*

Englewood, Colorado  
August 28, 2023



**Montrose Regional Library District**  
Management's Discussion & Analysis  
December 31, 2022

As management of Montrose Regional Library District (the District), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2022.

**Financial highlights:**

- The assets of the District exceeded its liabilities and deferred inflows of resources at the close of its most recent year by \$5,734,901 (net position). Of this amount, \$740,850 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors. At the close of the prior year, the District's net position and unrestricted net position were \$ 5,614,626 and \$ 1,162,071 respectively.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$1,069,114 a decrease of \$380,472 from the prior year. As of the close of the prior fiscal year, the District's governmental funds reported an ending fund balance of \$1,449,586.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$961,614 or 27% of total general fund expenditures. At the end of the prior year, the unassigned fund balance for the general fund was \$1,366,686 or 50% of total 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 financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**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 of the District's assets and liabilities and deferred inflows of resources, with the difference between the two 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 District'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 (e.g., accounts receivable and payable),

Both of the government-wide financial statements distinguish functions of the District that are principally supported by general property and specific ownership taxes, operation revenue, contributions, and intergovernmental revenues. The governmental activities of the District include library and supporting services.

# Montrose Regional Library District

## Management's Discussion & Analysis

December 31, 2022

### **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 only has one governmental fund.

### **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 the District'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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual budget for all funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

### **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.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary comparisons for the general fund.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$5,734,901 at the close of the most current fiscal year.

A large portion of the District's net position (80 percent) reflects its investment in capital assets (e.g., buildings, equipment, books). The District uses these capital assets to provide library services; consequently, these assets are not available for future spending.

## **Basic Financial Statements**

**Montrose Regional Library District**  
Statement of Net Position  
December 31, 2022

|   | Primary<br>Governmental<br>Activities |
|---|---------------------------------------|
| <b>Assets</b>                                   |                                       |
| Cash and Investments                            | \$ 1,176,330                          |
| Accounts Receivable                             | 23,675                                |
| Property Taxes Receivable                       | 2,549,321                             |
| Capital Assets, Not Being Depreciated           | 710,543                               |
| Capital Assets, Net of Accumulated Depreciation | 4,176,008                             |
| Total Assets                                    | 8,635,877                             |
| <b>Liabilities</b>                              |                                       |
| Accounts Payable                                | 113,257                               |
| Accrued Salaries & Related Expenses             | 17,634                                |
| Compensated Absences                            | 220,764                               |
| Total Liabilities                               | 351,655                               |
| <b>Deferred Inflows of Resources</b>            |                                       |
| Property Taxes                                  | 2,549,321                             |
| Total Deferred Inflows of Resources             | 2,549,321                             |
| <b>Net Position</b>                             |                                       |
| Net Investment in Capital Assets                | 4,886,551                             |
| Restricted                                      | 107,500                               |
| Unrestricted                                    | 740,850                               |
| Total Net Position                              | \$ 5,734,901                          |

**Montrose Regional Library District**  
Statement of Activities  
For the Year Ended December 31, 2022

| Functions/Programs  | Expenses            | Program Revenues        |   | Net (Expense)<br>Revenue<br>and Change<br>in Net Position<br>Governmental<br>Activities |
|---|---------------------|-------------------------|---|---|
|   |                     | Charges for<br>Services | Operating<br>Grant and<br>Contributions |   |
| <b>Primary Government</b>                                     |                     |                         |   |   |
| <i>Governmental Activities</i>                                |                     |                         |   |   |
| Library Services  | \$ 3,315,724        | \$ 122,995              | \$ 113,455                              | \$ (3,079,274)  |
| Total Primary Government                                      | <u>\$ 3,315,724</u> | <u>\$ 122,995</u>       | <u>\$ 113,455</u>                       | <u>\$ (3,079,274)</u>   |
| <b>General Revenues</b>                                       |                     |                         |   |   |
| Taxes   |                     |                         |   | \$ 2,936,903  |
| Interest Income   |                     |                         |   | 22,194  |
| Loss on Disposal of Assets                                    |                     |                         |   | <u>(16,466)</u>   |
| Total General Revenues and Special Item                       |                     |                         |   | <u>2,942,631</u>  |
| <b>Change in Net Position</b>                                 |                     |                         |   | <u>(136,643)</u>  |
| <b>Net Position, Beginning of Year</b> , as previously stated |                     |                         |   | 5,614,626   |
| Restatement   |                     |                         |   | <u>256,918</u>  |
| <b>Net Position, Beginning of Year</b>                        |                     |                         |   | <u>5,871,544</u>  |
| <b>Net Position, End of Year</b>                              |                     |                         |   | <u>\$ 5,734,901</u>   |

**Montrose Regional Library District**  
 Balance Sheet  
 Governmental Fund  
 December 31, 2022

|  | General          |
|--|------------------|
| <b>Assets</b>  |                  |
| Cash and Investments   | \$ 1,176,330     |
| Accounts Receivable  | 23,675           |
| Property Taxes Receivable  | 2,549,321        |
| <br>Total Assets   | <br>3,749,326    |
| <b>Liabilities</b>   |                  |
| Accounts Payable   | 113,257          |
| Accrued Payroll and Related Expenses                                     | 17,634           |
| <br>Total Liabilities  | <br>130,891      |
| <b>Deferred Inflows of Resources</b>                                     |                  |
| Property Taxes   | 2,549,321        |
| <b>Fund Balance</b>  |                  |
| Restricted for:  |                  |
| Emergencies  | 107,500          |
| Unrestricted, Unassigned   | 961,614          |
| <br>Total Fund Balance   | <br>1,069,114    |
| <br>Total Liabilities, Deferred Inflows of<br>Resources and Fund Balance | <br>\$ 3,749,326 |

**Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:**

|   |                  |
|---|------------------|
| Total Fund Balance of Governmental Funds  | \$ 1,069,114     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.          | 4,886,551        |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds. |                  |
| Accrued compensated absences  | (220,764)        |
| <br>Total Net Position of Governmental Activities   | <br>\$ 5,734,901 |

**Montrose Regional Library District**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended December 31, 2022

|  | General      |
|--|--------------|
| <b>Revenues</b>                        |              |
| Property & Specific Ownership Taxes    | \$ 2,936,903 |
| Special Projects/Grants                | 108,440      |
| Fines & Fees                           | 26,735       |
| Contributions                          | 5,015        |
| Investment Income                      | 22,194       |
| Rent                                   | 94,957       |
| Other                                  | 1,303        |
| Total Revenues                         | 3,195,547    |
| <b>Expenditures</b>                    |              |
| Current                                |              |
| Personnel                              | 1,802,556    |
| Operating Expenses                     | 437,889      |
| Fees                                   | 61,990       |
| Processing                             | 139,073      |
| Library Materials                      | 263,204      |
| Projects and Programs                  | 724,331      |
| Equipment                              | 110,538      |
| Professional Development               | 36,438       |
| Total Expenditures                     | 3,576,019    |
| <b>Net Change in Fund Balance</b>      | (380,472)    |
| <b>Fund Balance, Beginning of Year</b> | 1,449,586    |
| <b>Fund Balance, End of Year</b>       | \$ 1,069,114 |

**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

|   |              |
|---|--------------|
| Net Change in Fund Balance of Governmental Funds  | \$ (380,472) |
| <p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p> |              |
| Depreciation expense  | (416,041)    |
| Capital outlays   | 692,485      |
| Loss on Disposal of Assets  | (16,466)     |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>  |              |
| Accrued compensated absences  | (16,149)     |
| Change in Net Position of Governmental Activities   | \$ (136,643) |

See Notes to the Financial Statements.

# Montrose Regional Library District

Notes to Financial Statements

December 31, 2022

## Note 1: Summary of Significant Accounting Policies

The Montrose Regional Library District (the District), is incorporated as a library district under the laws of the State of Colorado and is governed by a seven-person board appointed in accordance with CRS24-90-108 (2)(c).

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present the Districts, a stand-alone government. Based on criteria set forth by GASE, there are no component units for which the District is financially accountable.

### **Reporting Entity**

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. The *primary government* is reported separately from the legally separate *component unit* for which the District is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Montrose Regional Library District

Notes to Financial Statements

December 31, 2022

## Note 1: Summary of Significant Accounting Policies (Continued)

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the 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.

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 collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues, and investment income associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District. 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, are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It is used to account for all financial activities of the District, except those accounted for in another fund.

### **Assets, Liabilities and Net Position/Fund Balance**

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

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

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

# Montrose Regional Library District

Notes to Financial Statements

December 31, 2022

## Note 1: Summary of Significant Accounting Policies (Continued)

### Assets, Liabilities and Net Position/Fund Balance (Continued)

*Capital Assets* - Capital assets, which include buildings and improvements, furniture and equipment, and books and audio-visual materials, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year, except for library books and audio-visual materials, which are capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

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

|                                |               |
|--------------------------------|---------------|
| Buildings and Improvements     | 15 - 40 years |
| Furniture and Equipment        | 5 - 10 years  |
| Books and Audio-Visual Devices | 5 years       |

*Compensated Absences* - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

*Fund Balance Classification* - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable*: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District did not have any nonspendable resources as of December 31, 2022.

*Restricted*: This classification includes amounts for which constraints have been placed on the use of resources either (a) externally imposed by creditors (such as through a debt covenant), granters, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified emergency reserves required by the State Constitution, Article X, Section 20 as being restricted because their use is restricted by State Statute.

# Montrose Regional Library District

Notes to Financial Statements

December 31, 2022

## Note 1: Summary of Significant Accounting Policies (Continued)

### Assets, Liabilities and Net Position/Fund Balance (Continued)

#### *Fund Balance Classification (Continued)*

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2022.

Assigned: This classification includes amounts that are contained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to the Executive Director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned funds for the General Fund to reflect the use of fund balances to fund 2022 budgeted expenditures.

Unassigned: This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other government fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund resources first to defer the use of these other classified funds.

### Subsequent Events

Subsequent events were evaluated through August 28, 2023, which is the date the financial statements were available to be issued.

## Note 2: Cash and Investments

A summary of cash and investments at December 31, 2022, follows:

|            |    |                  |
|------------|----|------------------|
| Petty Cash | \$ | 575              |
| Deposits   |    | 224,802          |
| Investment |    | <u>950,953</u>   |
| Total      | \$ | <u>1,176,330</u> |

# Montrose Regional Library District

## Notes to Financial Statements

December 31, 2022

### Note 2: Cash and Investments (Continued)

#### Deposits

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

#### Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy for custodial credit risk which limits bank deposits to POPA approved depositories as well as keeping deposits within FDIC limits, limiting investments to federally guaranteed securities and diversifying the investment portfolio. As of December 31, 2022, the District's bank deposits in excess of the FDIC insurance, of \$105,244 were collateralized with securities held by the financial institution's agents but not in their name.

#### Investments

The District is required to comply with State statutes which specify investments instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. Local government entities
- Banker's acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

*Interest rate risk.* The District has an investment policy that limits investment maturities to a maximum of five years, unless a longer period is approved by the Board of Trustees, as a means of managing its exposure to fair value losses arising from increasing interest rates. The District has not experienced fair value losses.

# Montrose Regional Library District

## Notes to Financial Statements

December 31, 2022

### Note 2: Cash and Investments (Continued)

#### Investments (Continued)

*Credit risk.* Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The District's general investment policy is to apply the prudent-person rule: Prudence and protection of District funds are the primary criteria. All investments and bid requests for investments are predicated on liquidity, yield, safety, and interest of the local economy. As of December 31, 2022, the District's investment in COLOTRUST PLUS+, a 2a7-like investment pool, was rated AAAM by Standard & Poor's.

*Concentration of credit risk.* The District places no limit on the amount it may invest in any one issuer. More than 5 percent of the District's investments are in COLOTRUST. At December 31, 2022, COLOTRUST represented 100% of the District's investments.

As of December 31, 2022, the District had invested \$950,953 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool 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 the participating governments.

*Fair value measurement.* The District reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1) inputs are quoted prices in active markets for identical investments; Level 2) inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3) inputs are unobservable inputs. At December 31, 2022, the District's investment in COLOTRUST was reported at the net asset value per share, measured utilizing quoted prices in active markets for similar investments (Level 2).

**Montrose Regional Library District**  
Notes to Financial Statements  
December 31, 2022

**Note 3: Capital Assets**

Capital asset activity for the year ended December 31, 2022, is summarized below.

|  | (Restated)<br>Balance<br>12/31/21 | Additions         | Deletions           | Balance<br>12/31/22 |
|--|-----------------------------------|-------------------|---------------------|---------------------|
| <i>Capital Assets, not being depreciated</i> |                                   |                   |                     |                     |
| Land   | \$ 465,543                        | \$ -              | \$ -                | \$ 465,543          |
| Construction in Progress                     | 92,558                            | 245,000           | (92,558)            | 245,000             |
| Total Capital Assets, not being depreciated  | <u>558,101</u>                    | <u>245,000</u>    | <u>(92,558)</u>     | <u>710,543</u>      |
| <i>Capital Assets, being depreciated</i>     |                                   |                   |                     |                     |
| Buildings and Improvement                    | 7,094,907                         | 112,102           | (19,000)            | 7,188,009           |
| Equipment                                    | 1,206,698                         | 328,300           | -                   | 1,534,998           |
| Periodicals                                  | 1,927,745                         | 99,641            | (324,174)           | 1,703,212           |
| Total Capital Assets, being depreciated      | <u>10,229,350</u>                 | <u>540,043</u>    | <u>(343,174)</u>    | <u>10,426,219</u>   |
| <i>Less Accumulated Depreciation:</i>        |                                   |                   |                     |                     |
| Buildings and Improvement                    | (3,504,658)                       | (184,409)         | 2,534               | (3,686,533)         |
| Equipment                                    | (983,417)                         | (128,017)         | -                   | (1,111,434)         |
| Periodicals                                  | (1,672,803)                       | (103,615)         | 324,174             | (1,452,244)         |
| Total Accumulated Depreciation               | <u>(6,160,878)</u>                | <u>(416,041)</u>  | <u>326,708</u>      | <u>(6,250,211)</u>  |
| Total Capital Assets, being depreciated      | <u>4,068,472</u>                  | <u>124,002</u>    | <u>(16,466)</u>     | <u>4,176,008</u>    |
| Capital Assets, Net                          | <u>\$ 4,626,573</u>               | <u>\$ 369,002</u> | <u>\$ (109,024)</u> | <u>\$ 4,886,551</u> |

**Note 4: Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2022 was as follows:

|                      | Balance<br>12/31/21 | Additions | Deletions   | Balance<br>12/31/22 | Due Within<br>One Year |
|----------------------|---------------------|-----------|-------------|---------------------|------------------------|
| Compensated Absences | \$ 204,615          | \$ 49,607 | \$ (33,458) | \$ 220,764          | \$ 40,923              |

Accrued costs of employees' future compensated absences are liquidated by the general fund.

**Note 5: Employees' Retirement Plan**

The District provides pension benefits for all of its full-time employees through the Colorado County Officials and Employees Retirement Association's defined contribution plan, a multiple-employer public employee retirement system. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after the completion of one year of service with the District. Association rules require that both the employee and the District contribute to the plan in a range of from 3-6% of total compensation.

# Montrose Regional Library District

Notes to Financial Statements

December 31, 2022

## **Note 5: Employees' Retirement Plan (Continued)**

The District's contribution for each employee (and earnings, losses and changes in fair market value of plan assets) are vested at a rate of 20% per year. Employee contributions and their earnings are 100% vested immediately. Nonvested contributions are forfeited upon termination of employment and such forfeitures may be used to pay plan expenses or the employer's contribution to the plan. For the year ended December 31, 2022, there were no forfeitures.

The District's total payroll in 2022 was \$1,403,896. The district contributions were calculated using the covered payroll of \$1,402,830. Both the District and the covered employees made the chosen 4.50% contribution, amounting to \$63,127 from each source, or \$126,256 in total.

The District had no liability to the plan at December 31, 2022.

## **Note 6: Commitments and Contingencies**

### **TABOR Amendment**

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. The Amendment is complex and subject to judicial interpretation, but the District believes it is in substantial compliance with the Amendment.

In 1999, the District obtained voter approval to collect and retain all revenues including property taxes without limitation under the Section. District management therefore believes it is in compliance with the requirements of the Section.

The District has established a reserve for emergencies, representing 3% of qualifying expenditures of \$107,500 was reported as restricted fund balance in the General Fund.

## **Note 7: Risk Management**

The District is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Such exposure, is covered by purchase of commercial insurance, including worker's compensation, and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# Montrose Regional Library District

Notes to Financial Statements

December 31, 2022

## **Note 8: Contingent Liabilities**

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

## **Note 9: Restatement**

Beginning Net Position was restated for a correction of an error in the 2021 financial statements. The retirements for Periodicals were over stated by \$256,918.

## **Required Supplementary Information**

**Montrose Regional Library District**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2022

|  | Original<br>and Final<br>Budget | Actual              | Variance<br>Positive<br>(Negative) |
|--|---------------------------------|---------------------|------------------------------------|
| <b>Revenues</b>                        |                                 |                     |                                    |
| Property Specific Ownership Taxes      | \$ 2,529,000                    | \$ 2,936,903        | \$ 407,903                         |
| Special Projects/Grants                | 95,000                          | 108,440             | 13,440                             |
| Fine & Fees                            | 15,000                          | 26,735              | 11,735                             |
| Contributions                          | 15,000                          | 5,015               | (9,985)                            |
| Investment Income                      | 12,000                          | 22,194              | 10,194                             |
| Rent                                   | 92,000                          | 94,957              | 2,957                              |
| Other                                  | -                               | 1,303               | 1,303                              |
| Contingency                            | 75,000                          | -                   | (75,000)                           |
| <b>Total Revenues</b>                  | <u>2,833,000</u>                | <u>3,195,547</u>    | <u>362,547</u>                     |
| <b>Expenditures</b>                    |                                 |                     |                                    |
| Personnel                              | 1,679,000                       | 1,802,556           | (123,556)                          |
| Operating Expenses                     | 420,000                         | 437,889             | (17,889)                           |
| Fees                                   | 63,000                          | 61,990              | 1,010                              |
| Processing                             | 95,000                          | 139,073             | (44,073)                           |
| Library Materials                      | 299,500                         | 263,204             | 36,296                             |
| Projects and Programs                  | 127,500                         | 724,331             | (596,831)                          |
| Equipment                              | 53,000                          | 110,538             | (57,538)                           |
| Professional Development               | 33,500                          | 36,438              | (2,938)                            |
| Contingency                            | 75,000                          | -                   | 75,000                             |
| <b>Total Expenditures</b>              | <u>2,845,500</u>                | <u>3,576,019</u>    | <u>(730,519)</u>                   |
| <b>Net Change in Fund Balance</b>      | <u>\$ (12,500)</u>              | (380,472)           | <u>\$ (367,972)</u>                |
| <b>Fund Balance, Beginning of Year</b> |                                 | <u>1,449,586</u>    |                                    |
| <b>Fund Balance, End of Year</b>       |                                 | <u>\$ 1,069,114</u> |                                    |

**Montrose Regional Library District**  
Notes to Required Supplementary Information  
December 31, 2022

**Note 1: Stewardship, Compliance and Accountability**

**Budgets and Budgetary Accounting**

State statutes require that all funds have legally adopted budgets and appropriations. Total expenditures may not exceed the amounts appropriated at the fund level. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The District follows these procedures to establish the budgetary information reflected in the financial statements:

- Management submits to the Board of Trustees a proposed budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Prior to December 31, the budget is adopted, and appropriations are authorized by resolution at the fund level for all funds. The legal level of budgeting control is at the individual fund level for all funds.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- All appropriations lapse at year-end.