

**NEDERLAND COMMUNITY
LIBRARY DISTRICT**

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2022

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Nederland Community Library District
Nederland, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of Nederland Community 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Nederland Community Library District as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows, and the budgetary comparison schedule for the General Fund 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). 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 Nederland Community Library District and to meet our 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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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 required budgetary on page 15 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 (GASB) 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.

John Luthr & Associates, LLC

July 31, 2023

NEDERLAND COMMUNITY LIBRARY DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of Nederland Community Library District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements which begin on page 1.

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 statement consists of three components: 1) the government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains 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, 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 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 reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes). The government-wide financial statements detail functions of the District that are principally supported by tax revenues (governmental activities), grants and charges for services. The governmental activity of the District is general library services.

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.

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. The governmental fund financial statements can be found on pages 3 through 5 of this report. The District adopted an annual appropriated budget for the General Fund. A budgetary comparison statement for the General Fund is on page 15 of this report.

Notes to 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 6 through 14 of this report.

**Nederland Community Library District
Condensed Statement of Net Position
December 31, 2022**

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Assets		
Current assets	954,391	923,285
Capital assets	1,457,917	1,495,301
Total Assets	2,412,308	2,418,586
 Deferred Outflows of Resources		
Liabilities		
Current liabilities	106,500	104,100
Long-term liabilities	1,076,900	1,183,400
Total Liabilities	1,183,400	1,287,500
 Deferred Inflows of Resources	593,553	596,176
 Net Position		
Invested in capital assets, net of related debt	274,517	207,801
Restricted	17,000	14,926
Unrestricted	343,791	312,181
Total Net Position	635,308	534,908

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$635,308 at the close of the most recent fiscal year.

The District's net position reflect its investment in capital assets (e.g. land, buildings and improvements, equipment and vehicles) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

From 2021 to 2022, the District's total assets decreased \$6,274. The decrease is attributable to normal operation of the District and depreciation of capital assets. Total liabilities decreased \$ 104,100, primarily due to reduction of long term debt. The Statement of Net Position can be found on page 1.

Nederland Community Library District
Condensed Statement of Activities
December 31, 2022

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Revenues		
Program Revenues		
Grants and donations	26,624	17,125
General Revenues		
Taxes	562,977	496,302
Investment Earnings		
Interest	38	37
Other	114	36
Total General Revenues	563,129	496,375
Total Revenues	589,753	513,500
Expenses		
General government	218,194	146,446
Library	241,018	266,532
Interest on long term debt	30,141	32,490
Total expenses	489,353	412,978
Change in Net Position	100,400	68,032
Net Position, Beginning	534,908	466,876
Net Position, Ending	635,308	534,908

The District's overall financial position, as measured by net position, increased \$ 100,400 during 2022, due to a increase in revenues.

Financial Analysis of the District's Funds

As mentioned previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A discussion of the District's governmental funds follows.

Government Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and the balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Fund balances are detailed on page 3 of this report.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$407,710.

Of this fund balance, \$96,998 is restricted or nonspendable, meaning it is not available for new spending, because it has already been committed for emergencies under Taxpayers' Bill of Rights (TABOR), debt service, and capital outlay. The \$310,712 remainder of the fund balance is unreserved and undesignated.

General Fund Budgetary Highlights

Budget Variances: The budget to actual comparison details can be seen on page 15 of the financial statements. General fund revenues were less than budgeted by \$6,609 due to less of a 2020 Carryover than expected (increase in payroll costs and preventative maintenance work. Actual expenditures were under budget by \$5,633 primarily due to lower personnel costs.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets at December 31, 2022 amounted to \$1,457,917 (net of accumulated depreciation/amortization). The analysis of changes in capital assets is as follows:

Capital Assets (Net of Depreciation)

	<u>2022</u>	<u>Change</u>	<u>2021</u>
Land	100,000	0	100,000
Construction in progress	0	0	0
Buildings	1,357,917	(37,384)	1,395,301
Vehicles	0		0
Total	<u>1,457,917</u>	<u>(37,384)</u>	<u>1,495,301</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Obligations: At the end of the current fiscal year, the District had total outstanding long term debt of \$1,183,400. The analysis of changes in long term debt is as follows:

Long Term Obligations

	<u>2022</u>	<u>Change</u>	<u>2021</u>
Series G.O. Bonds	\$1,183,400	\$ 104,100	\$1,389,200

During 2022, the District made the scheduled principal and interest payments on the bond obligation. Additional information on the District's long-term obligations can be found in Note 5 of this report.

Economic Factors and Next Year's Budgets and Rates

With Colorado Proposition HH on the ballot in November 2023, there is some future uncertainty to the degree of change for the District's property tax revenues in 2024 and beyond, but we anticipate enough grant funding and Library Foundation funding to keep operations stable.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those interested in the government's finances. Questions concerning any of the information provided in the report or additional financial information should be addressed to: Nederland Community Library District, P.O. Box 836, Nederland, Colorado 80466.

BASIC FINANCIAL STATEMENTS

NEDERLAND COMMUNITY LIBRARY DISTRICT

STATEMENT OF NET POSITION

As of December 31, 2022

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Investments	\$ 327,759	\$ 295,504
Property Taxes Receivable	546,634	544,567
Inventory	79,998	83,214
Capital Assets, Not Depreciated	100,000	100,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>1,357,917</u>	<u>1,395,301</u>
 TOTAL ASSETS	 <u>2,412,308</u>	 <u>2,418,586</u>
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Noncurrent Liabilities		
Due within One Year	106,500	104,100
Due in More Than One Year	<u>1,076,900</u>	<u>1,183,400</u>
 TOTAL LIABILITIES	 <u>1,183,400</u>	 <u>1,287,500</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Property Taxes	546,634	544,567
Gain on Refunding	<u>46,919</u>	<u>51,611</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>593,553</u>	 <u>596,178</u>
 NET POSITION		
Net Investment in Capital Assets	274,517	207,801
Restricted for Emergencies	17,000	14,926
Unrestricted	<u>343,791</u>	<u>312,181</u>
 TOTAL NET POSITION	 <u>\$ 635,308</u>	 <u>\$ 534,908</u>

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

NEDERLAND COMMUNITY LIBRARY DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2022	2021
Governmental Activities						
General Government	\$ 218,194	\$ -	\$ -	\$ -	\$ (218,194)	\$ (146,446)
Library	241,018	3,785	22,839	-	(214,394)	(249,407)
Interest and Other Fiscal Charges	30,141	-	-	-	(30,141)	(32,490)
 Total Governmental Activities	 \$ 459,212	 \$ 3,785	 \$ 22,839	 \$ -	 (462,729)	 (428,343)
GENERAL REVENUES						
Property Taxes					537,901	471,545
Specific Ownership Taxes					25,076	24,757
Interest					38	37
Other					114	36
 TOTAL GENERAL REVENUES					 563,129	 496,375
 CHANGE IN NET POSITION					 100,400	 68,032
 NET POSITION, Beginning					 534,908	 466,876
 NET POSITION, Ending					 \$ 635,308	 \$ 534,908

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

NEDERLAND COMMUNITY LIBRARY DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022

	GENERAL FUND	
	2022	2021
ASSETS		
Cash and Investments	\$ 327,759	\$ 295,504
Property Taxes Receivable	546,634	544,567
Inventory	79,998	83,214
	<u>954,391</u>	<u>923,285</u>
TOTAL ASSETS	<u>\$ 954,391</u>	<u>\$ 923,285</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
LIABILITIES		
Accrued Expenses	\$ 47	\$ -
	<u>47</u>	<u>-</u>
TOTAL LIABILITIES	<u>47</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax Revenue	546,634	544,567
	<u>546,634</u>	<u>544,567</u>
FUND BALANCES		
Nonspendable	79,998	83,214
Restricted for Emergencies	17,000	14,926
Unassigned	310,712	280,578
	<u>407,710</u>	<u>378,718</u>
TOTAL FUND BALANCES	407,710	378,718
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	1,457,917	1,495,301
Long-term liabilities are not due and payable in the current period and are not reported in the funds. This amount is for bonds payable \$1,183,400 and deferred gain on refunding \$46,919.	<u>(1,230,319)</u>	<u>(1,339,111)</u>
Net position of governmental activities	<u>\$ 635,308</u>	<u>\$ 534,908</u>

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

NEDERLAND COMMUNITY LIBRARY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2022

	GENERAL FUND	
	2022	2021
REVENUES		
Taxes	\$ 562,977	\$ 496,302
Charges for Services	3,785	1,153
Interest	38	37
Other	22,953	16,008
TOTAL REVENUES	<u>589,753</u>	<u>513,500</u>
EXPENDITURES		
Current		
General Government	185,502	151,138
Library	241,018	229,148
Debt Service		
Principal	104,100	101,700
Interest	30,141	32,490
TOTAL EXPENDITURES	<u>560,761</u>	<u>514,476</u>
NET CHANGE IN FUND BALANCE	28,992	(976)
FUND BALANCE, Beginning	<u>378,718</u>	<u>379,694</u>
FUND BALANCE, Ending	<u>\$ 407,710</u>	<u>\$ 378,718</u>

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

NEDERLAND COMMUNITY LIBRARY DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 28,992
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of the depreciation expense for the year.	(37,384)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include payments on bonds payable \$104,100 and the amortization of the deferred gain on refunding of \$4,692.	<u>108,792</u>
Change in Net Position of Governmental Activities	<u><u>\$ 100,400</u></u>

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

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Nederland Community Library District (the “District”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Following is a summary of the more significant policies:

Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any 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 the organization provided benefits to, or imposes financial burdens on the District.

Based upon the application of these criteria, no organizations are includable within the District’s reporting entity.

Government-Wide and Fund Financial Statements

The District financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments 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 patrons or others 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. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the District. Governmental activities normally are supported by taxes and intergovernmental revenues.

The government-wide financial statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, and infrastructure assets, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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. Available means collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The District reports the following major governmental fund:

General Fund – This is the District's operating fund. It accounts for all activities of the government.

Assets, Liabilities and Fund Equity

Cash – Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the District's cash.

Accounts Receivable – Receivables consist of amounts due from other governments. An allowance for doubtful accounts is not necessary as they have been fully collected in the succeeding year.

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

Inventories – Inventories consist of books and magazines and are carried at cost using the first-in, first-out method.

Capital Assets – Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

Long Term Obligations - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Net Position/Fund Balance Classification

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 not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District has classified inventory as nonspendable for the year ended December 31, 2022.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, 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 as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or 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.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental 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.

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied on or before December 15 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

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

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

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- Revisions that alter the total expenditures of any fund must be approved by the Board of Directors. Budgeted amounts reported in the accompanying financial statements are as originally adopted and amended by the Board of Directors.

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At December 31, 2022, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has a formal policy that limits their exposure to custodial credit risk. This policy limits deposits only to accounts managed in accordance with the Colorado Public Deposit Protection Act (PDPA).

At December 31, 2022, the District had deposits with financial institutions with a carrying amount of \$327,759. The bank balances with the financial institutions were \$328,425. Of these balances \$250,000 were covered by federal depository insurance and \$78,425 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 3: CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The District had no investments requiring categorization as of December 31, 2022.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022 is summarized below:

	Balances <u>12/31/21</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/22</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital Assets, depreciated				
Buildings	1,732,311	-	-	1,732,311
Building Improvements	52,573	-	-	52,573
Furniture & Fixtures	<u>1,089</u>	<u>-</u>	<u>-</u>	<u>1,089</u>
Total Capital Assets, depreciated	<u>1,785,973</u>	<u>-</u>	<u>-</u>	<u>1,785,973</u>
Less Accumulated Depreciation				
Buildings	384,978	34,646	-	419,624
Building Improvements	5,258	2,629	-	7,887
Furniture & Fixtures	<u>436</u>	<u>109</u>	<u>-</u>	<u>545</u>
Total Accumulated Depreciation	<u>390,672</u>	<u>37,384</u>	<u>-</u>	<u>428,056</u>
Total Capital Assets, depreciated, net	<u>1,395,301</u>	<u>(37,384)</u>	<u>-</u>	<u>1,357,917</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,495,301</u>	<u>\$ (37,384)</u>	<u>\$ -</u>	<u>\$ 1,457,917</u>

Depreciation expense was charged to the Library activity.

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2022.

	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/22</u>	<u>Due In</u> <u>One Year</u>
2018 G.O. Refunding Notes	<u>\$1,287,500</u>	<u>\$ -</u>	<u>\$ 104,100</u>	<u>\$ 1,183,400</u>	<u>\$ 106,500</u>

2018 G.O. Refunding Notes

The District issued 2018 General Obligation (G.O.) Refunding Notes, dated August 21, 2018, with principal and interest payments due semi-annually on June 1 and December 1, through 2032. Interest accrues at a rate of 2.31%. The Notes were issued for the purpose of refunding the outstanding 2009 G.O. Bonds. The Notes are subject to redemption prior to maturity at the option of the District, in whole or in part, on any date after December 1, 2018, at a redemption price of 100%, plus accrued interest to the date of redemption.

Annual debt service requirements for the bonds at December 31, 2022 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 106,500	\$ 27,337	\$ 133,837
2024	108,900	24,876	133,776
2025	111,500	22,361	133,861
2026	114,000	19,785	133,785
2027	116,700	17,152	133,852
2028-2032	<u>506,400</u>	<u>43,278</u>	<u>669,078</u>
Totals	<u>\$ 1,183,400</u>	<u>\$ 154,789</u>	<u>\$ 1,338,189</u>

NOTE 6: COMMITMENTS AND CONTINGENCIES

Tabor Amendment – In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and growth. On November 2005, voters within the District approved the collection, retention and expenditure of property taxes, specific ownership taxes, interest income and any other income of the District. The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2022, the emergency reserve of \$17,000 was recorded in the General Fund.

NEDERLAND COMMUNITY LIBRARY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carried commercial insurance for these risks of loss. Settled claims have not exceeded insured amounts in the last three years.

NOTE 8: SUBSEQUENT EVENTS

Potential subsequent events were considered through July 31, 2023. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

NEDERLAND COMMUNITY LIBRARY DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2022

	2022		VARIANCE Positive (Negative)	2021 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Property Taxes	\$ 544,567	\$ 537,901	\$ (6,666)	\$ 471,545
Specific Ownership Taxes	15,000	25,076	10,076	24,757
Grants and Donations	11,000	22,839	11,839	15,972
Charges for Services	2,100	3,785	1,685	1,153
Interest	200	38	(162)	37
Miscellaneous	16,365	114	(16,251)	36
TOTAL REVENUES	<u>589,232</u>	<u>589,753</u>	<u>521</u>	<u>513,500</u>
EXPENDITURES				
General Government				
Salaries and Benefits	150,167	120,959	29,208	105,236
Supplies	4,500	7,577	(3,077)	5,480
Insurance	11,000	7,360	3,640	8,090
Advertising	11,000	13,663	(2,663)	9,235
Professional Fees	19,000	11,754	7,246	5,989
Small Equipment	10,500	15,301	(4,801)	10,013
Miscellaneous	6,200	8,888	(2,688)	7,095
Debt Service				
Principal	104,100	104,100	-	101,700
Interest and Other Charges	29,691	30,141	(450)	32,490
Total General Government	<u>346,158</u>	<u>319,743</u>	<u>26,415</u>	<u>285,328</u>
Library				
Salaries and Benefits	134,662	150,049	(15,387)	132,131
Books and Materials	54,396	43,350	11,046	44,184
Computer System	-	-	-	5,958
Program Development	20,200	15,599	4,601	17,063
Maintenance	29,700	18,846	10,854	21,187
Utilities	12,700	13,174	(474)	8,625
Reserves	16,366	-	16,366	-
Total Library	<u>268,024</u>	<u>241,018</u>	<u>27,006</u>	<u>229,148</u>
TOTAL EXPENDITURES	<u>614,182</u>	<u>560,761</u>	<u>53,421</u>	<u>514,476</u>
NET CHANGE IN FUND BALANCE	(24,950)	28,992	53,942	(976)
FUND BALANCE, Beginning	<u>15,024</u>	<u>378,718</u>	<u>363,694</u>	<u>379,694</u>
FUND BALANCE, Ending	<u>\$ (9,926)</u>	<u>\$ 407,710</u>	<u>\$ 417,636</u>	<u>\$ 378,718</u>

See the accompanying independent auditors' report.