

MESA COUNTY PUBLIC LIBRARY DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2019

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**INDEPENDENT AUDITOR'S REPORT**

June 25, 2020

The Board of Trustees
Mesa County Public Library District

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Mesa County Public Library District as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and each major fund of the Mesa County Public Library District, as of December 31, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Trustees
Page Two

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mesa County Public Library District's basic financial statements. The Capital Project Funds budgetary schedule and component unit schedule of cash flows are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

Within this section of the Mesa County Public Library District (the District) annual financial report, the District's management is pleased to present the following discussion and analysis of the District's financial performance and to provide an overview of the District's financial activities for the fiscal year ended December 31, 2019. Readers are encouraged to consider the information presented here in conjunction with the additional information furnished in the District's basic financial statements and in the notes to financial statements to get a better understanding of the District's financial position.

Financial Highlights

- The District's net position of \$18,858,112 exceeded its liabilities and deferred inflows of \$7,160,762 by \$11,865,694 for the year ending 2019.
- Total net position is comprised of the following:
 - Net Investment in Capital Assets of \$11,244,992 includes property and equipment, net of accumulated depreciation.
 - Net position of \$215,866 is restricted by constraints imposed from outside the District, such as gifts, grantors, laws and regulations.
 - Unrestricted net position of \$7,397,254 represents the portion available to maintain the District's continuing obligations to citizens.
- Total revenue for the District increased by 9%, or \$594,755, from the year ending 2018. Of this increase, \$370,527 is attributed to an increase in property tax revenue, \$34,120 to Specific Ownership Tax and \$190,108 to an increase in the District's other revenue areas. During 2018, revenue had decreased by 1.5%, or \$103,435, from the year ending 2017.
- During 2019, the District's net position increased by \$320,458 and decreased by \$113,883 in 2018.
- Total expenditures in 2019 were \$6,351,131 and total expenditures in 2018 were \$6,092,221, an increase of \$258,910 or 4.2%.
- The District reported total fund balance of \$7,766,911 at December 31, 2019, for all governmental funds. This represents an increase of \$844,405 in fund balance for the year.
- The District continues to maintain a healthy financial position.

The above financial highlights are explained in more detail in the "Financial Analysis of the District as a Whole" section of this document.

Overview of the Financial Statements

This Management Discussion and Analysis document is intended to serve as an introduction to the District's basic financial statements, which are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains other required supplemental information in addition to the basic financial statements.

Because of the nature and significance of the relationship between the Mesa County Public Library District and Mesa County Libraries Foundation (the Foundation), the Foundation is determined to be a component unit of the District. Therefore, the Foundation's financial information is presented discretely within the financial statements of the District.

The government-wide financial statements, fund financial statement, and notes to the financial statements are discussed below.

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 private-sector business. These statements are prepared using the accrual basis of accounting.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

The Statement of Net Position presents information on all of the District's assets and liabilities (both short-term and long-term), 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 declining. Evaluation of the overall health of the District would extend to other nonfinancial considerations such as the taxpayer base or the condition of the Library District infrastructure, in addition to the financial information provided in the report.

The Statement of Activities reports how the District's net position changed during the most recent fiscal year. All current revenues and expenses are included regardless of when the District receives or pays cash. Revenues and expenses are recorded on an accrual basis; some of these items may incur related cash flow in future periods. An important purpose in the design of the Statement of Activities is to show the financial reliance and relationship to the District's distinct activities and/or functions on the revenue.

Both government-wide financial statements, as mentioned above, distinguish governmental activities of the District that are principally supported by property tax revenue. The government activity of the District is library services. There are currently no business-type activities of the District.

The government-wide financial statements can be found on pages 10 and 11.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses recognized fund categories to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's fund.

Governmental funds are reported in the fund financial statements and encompass 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.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, comparison of the information may provide insight into the long-term impact of short-term financing decisions. Both the Governmental Fund balance sheet and statements of revenues, expenditures and changes in fund balance provide a reconciliation to assist in understanding the comparison between governmental funds and governmental activities. The District's governmental fund financial statements can be found on pages 12 through 15.

An annually appropriated budget is adopted for the General Fund and the Capital Project Fund. Budgetary comparison statements can be found on pages 18 and 33 for each of these funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements 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 basic financial statements can be found on pages 19 through 31.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplemental information for the Mesa County Libraries Foundation. This information can be found on page 32 in the Statement of Cash Flows for the Foundation.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

Financial Analysis of the District as a Whole

The District's assets exceeded liabilities by \$18,858,112 at December 31, 2019, and by \$18,537,654 at December 31, 2018.

The following table summarizes the District's governmental net position at December 31:

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|---|----------------------|
| Assets | | |
| Current and other assets | \$ 14,773,882 | \$ 13,005,899 |
| Capital assets, net | 11,244,992 | 11,814,911 |
| | <i>Total Assets</i> | <i>24,820,810</i> |
| | <u>26,018,874</u> | <u>24,820,810</u> |
| Liabilities | | |
| Current liabilities | 556,584 | 509,976 |
| Deferred inflows | 6,604,178 | 5,773,180 |
| | <i>Total Liabilities and Deferred Inflows</i> | <i>6,283,156</i> |
| | <u>7,160,762</u> | <u>6,283,156</u> |
| Net Position | | |
| Net investment in capital assets | 11,244,992 | 11,814,911 |
| Restricted | 215,866 | 198,023 |
| Unrestricted | 7,397,254 | 6,524,720 |
| | <i>Total Net Position</i> | <i>\$ 18,537,654</i> |
| | <u>\$ 18,858,112</u> | <u>\$ 18,537,654</u> |

A large portion of the District's assets are reflected in the investment in capital assets (i.e., land, buildings, library materials, furniture, fixtures, and equipment, construction in progress, etc.). As of December 31, 2019 capital assets account for 43.6% of the total assets. The District uses these capital assets to provide library services and materials to the citizens of Mesa County.

The following table summarizes the change in the District's governmental net position for the year ended December 31:

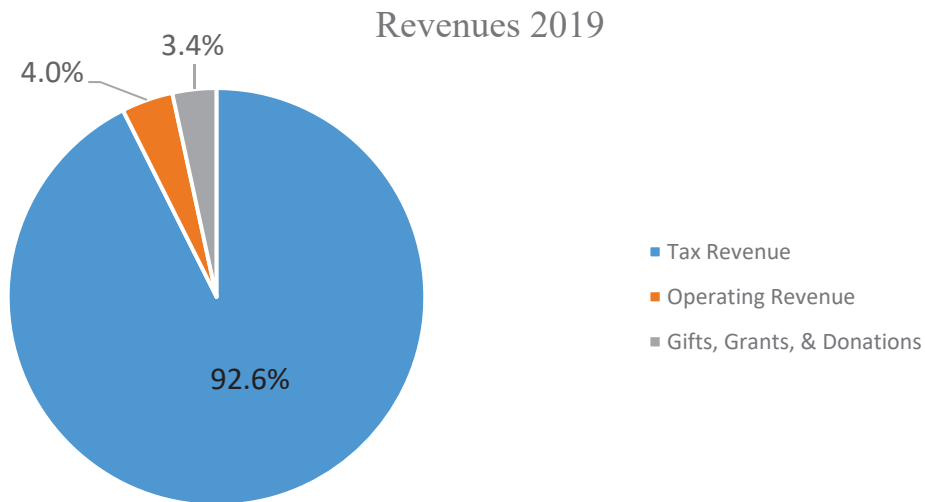
| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-------------------------------|----------------------|
| Revenue | | |
| Program Revenue: | | |
| Gifts, grants and donations | \$ 243,987 | \$ 114,063 |
| Fines and forfeitures | 65,358 | 83,617 |
| Other revenue | 76,474 | 74,904 |
| General Revenue: | | |
| Property taxes | 5,806,649 | 5,436,122 |
| Specific ownership taxes | 858,930 | 824,810 |
| Interest and investment earnings | 144,138 | 67,265 |
| | <i>Total Revenue</i> | <i>6,600,781</i> |
| | <u>7,195,536</u> | <u>6,600,781</u> |
| Expenses | | |
| Personnel | 3,938,194 | 3,822,334 |
| Library services and programming | 191,380 | 380,703 |
| Other expenses | 2,745,504 | 2,511,628 |
| | <i>Total Expenses</i> | <i>6,714,664</i> |
| | <u>6,875,078</u> | <u>6,714,664</u> |
| | <i>Change in Net Position</i> | <i>(113,883)</i> |
| | <u>320,458</u> | <u>(113,883)</u> |
| Net Position – beginning of year | 18,537,654 | 18,651,539 |
| Net Position – end of year | <u>\$18,858,112</u> | <u>\$ 18,537,654</u> |

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

The District is heavily reliant on property and ownership taxes to support governmental operations. Property Tax and Specific Ownership Taxes comprised 92.6% of the District's revenue in 2019. Operating revenue, which includes fines on overdue materials, charges for services, interest income, reimbursement to the District by patrons for lost library materials, and other miscellaneous revenue items, accounted for 4.0%. Gifts, grants, and donations generated 3.4% of the District's revenue.

Also, note that during 2019, program revenues covered only 5.8% of governmental program expenses for the District. Therefore, taxpayers and the District's other general revenues fund 94.2% of the activities. As a result, the general economy and the changes in property values have a major impact on the District's revenue streams.



Financial Analysis of the District's Fund

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The District currently has two governmental funds: The General fund, which is the District's primary operating fund and accounts for the day-to-day operation of the District; and the Capital Project Fund, which is the fund that accounts for capital outlays of the District.

The Foundation is a discretely presented component unit of the District.

Fund balance of all governmental funds at December 31, 2019, was \$7,766,911 and \$6,922,506 at December 31, 2018, an increase of \$844,405. Of the 2019 balance, \$215,866 is an emergency reserve requirement pursuant to the TABOR constitutional amendment, \$1,653,018 is assigned to future capital projects and \$83,730 is non-spendable. The remaining amount of the fund balance is \$5,814,297 and is available for spending.

During 2019, the District experienced an increase in property tax revenue due to an increase in assessed valuations. During the 2019 year, property tax revenue increased by \$370,527 or 6.8% from the previous year.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

The District's total expenditures for 2019 were \$6,351,131, which includes \$6,249,429 from the General Fund for daily operations and \$101,702 from the Capital Project Fund in expenditures related to capital outlay of the District. This represents an overall increase in expenditures of \$258,910 or 4.2% from the prior year.

Budgetary Highlights

Revenue Variances: General Fund

Total revenues were \$253,756 more than budgeted. Of this amount, \$13,537 is attributed to an increase in Property Taxes and an increase of \$128,862 in Specific Ownership Tax. Specific Ownership Tax is based on the tax collected for licensed and tagged properties. Projecting an accurate amount of Specific Ownership Taxes is dependent upon the number of items purchased and licensed in the county during that year and is a difficult revenue item to predict. Collectively all other revenues for the District were above budget by \$111,357.

Expenditure Variances: General Fund

General fund expenditures were under budget by \$531,476.

Personnel costs were under budget by \$277,253 and administrative expenditures were under budget by \$12,630. All other operational costs were collectively under budget by \$241,593. This decrease is attributed to staffing adjustments, overall conservative spending, streamlining of existing services, and thoughtful planning by District management.

Revenue Variances: Capital Project Fund

The Capital Project Fund expenditures were under budget by \$532,333. This savings was due to the District needing to delay some significant capital improvements as the employment of a new director became the focus.

Expenditure Variances: Capital Project Fund

The Capital Project Fund included anticipated expenditures of \$634,035. At year-end a favorable variance of \$532,333 occurred in the fund, which is attributed to the delay of capital outlay costs related to a capital project at the new Clifton branch location.

In December of 2017, the District secured a piece of vacant land. This vacant land gives the District the consideration for the construction of and transfer of the Clifton branch location. This improvement would allow expansion of services and programming to citizens in a growing residential area. Additionally this opportunity would allow the District to move closer to its goal of owning all of its locations. The District is in a position to consider expanding the scope of its services to an area that has shown significant interest in services, programming, and library materials.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2019, was \$11,244,992.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

The following table provides a summary of Governmental capital asset activity as of December 31:

| | 2019 | 2018 |
|---------------------------------|---------------------|----------------------|
| Land | \$ 1,762,063 | \$ 1,762,063 |
| Artwork | 76,029 | 76,029 |
| Buildings and improvements, net | 7,758,719 | 8,254,992 |
| Library materials, net | 1,471,380 | 1,520,839 |
| Intangibles, net | 38,188 | 40,115 |
| Furniture and equipment, net | 107,994 | 137,720 |
| Vehicles, net | 30,619 | 23,153 |
| | <u>\$11,244,992</u> | <u>\$ 11,814,911</u> |

Debt Administration

The District has been able to maintain and improve its infrastructure and services without accruing any debt burdens.

Economic Factors and Future Budgeting

Thoughtful and careful spending has resulted in an overall fund balance of \$7,766,911 on December 31, 2019, providing a positive outlook for meeting the future growth needs of the District and Mesa County citizens. The District continues to look for ways to grow and improve patron services and access to materials and resources.

The District's Capital Project Fund had an assigned fund balance of \$1,653,018 ending December 31, 2019, which allowed for consideration of capital improvements throughout the District.

In March 2020, prior to the issuance of these financial statements, the State of Colorado began to experience a public health emergency in conjunction with the COVID-19 Virus. In conjunction with that health emergency, and in compliance with State of Colorado, Mesa County, and public health department directives, the District closed all of its library facilities on March 15, 2020 until further notice.

Upon closure, many of the Districts staff began working on a remote, virtual basis. The closure did not affect the Districts' ability to continue to serve its patrons thru the Districts' digital collections. The library has pursued new initiatives to streamline the issuance of library cards, expand its digital collections offerings, and investigate making a "virtual" library experience available to its patrons.

In addition, the District began collaborations with Mesa County and community partners to assist the community in dealing with the health emergency. Although the District is not able to predict when the health emergency will subside, the District is prepared to rapidly resume normal operations when so made possible by the governing authorities.

Plans for the Future

The District's main focus continues to be; providing exceptional services to the public and in providing library materials that meet the ever changing needs and demands of Mesa County citizens.

The District continues to be mindful of all financial decisions and engages in long-range planning.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2019

Component Unit

The following summarizes the Foundation's financial position at December 31:

| | 2019 | 2018 |
|---|--------------|--------------|
| Assets | \$ 1,865,077 | \$ 1,085,984 |
| Liabilities | 0 | 0 |
| Net Assets | | |
| Net Assets Without Donor Restriction | 619,689 | 544,667 |
| Net Assets With Donor Restriction | 1,245,388 | 541,317 |
| <i>Total Net Assets</i> | 1,865,077 | 1,085,984 |
| <i>Total Liabilities and Net Assets</i> | 1,865,077 | \$ 1,085,984 |

The Foundation's changes in financial position is summarized as follows:

| | 2019 | 2018 |
|---|-----------|-------------|
| Contributions | \$ 5,633 | \$ 892 |
| Investment Income | 77,852 | (37,227) |
| Other revenue | 0 | 0 |
| <i>Total Unrestricted Revenue</i> | 83,485 | (36,335) |
| Net assets released from restriction | 111,661 | 88,513 |
| <i>Total Unrestricted Revenue and Other Support</i> | 195,146 | 52,178 |
| Expenses | (120,124) | (96,653) |
| <i>Increase (Decrease) in Net Assets without Donor Restrictions</i> | 75,022 | (44,475) |
| <i>Increase (Decrease) in Net Assets with Donor Restrictions</i> | 704,071 | (10,288) |
| <i>Increase (Decrease) in Net Assets</i> | \$779,093 | \$ (54,763) |

Request for Information

This financial report is designed to provide a general overview of the Library District's finances for all those with an interest, comply with finance-related laws and regulations, and demonstrate the Library District's commitment to public accountability and transparency. Questions concerning any of the information provided in this report or requests for additional information, including those pertaining to the Foundation, should be addressed to the District's Finance Office at Mesa County Public Library District, 443 N. 6th Street, Grand Junction, CO 81501.

MESA COUNTY PUBLIC LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

| | | |
|--|---|----------------------|
| Assets | | |
| Cash and cash equivalents | | \$ 3,598,518 |
| Investments | | 4,407,684 |
| Property taxes receivable | | 6,604,178 |
| Other receivables | | 77,908 |
| Prepaid expenses | | 85,594 |
| | Total current assets | <u>14,773,882</u> |
| Capital assets (net of accumulated depreciation) | | |
| Land | | 1,762,063 |
| Art work | | 76,029 |
| Construction in progress | | 48,848 |
| Buildings and building improvements | | 7,709,871 |
| Intangible assets | | 38,188 |
| Library materials | | 1,471,380 |
| Furniture and equipment | | 107,994 |
| Vehicles | | 30,619 |
| | Total capital assets | <u>11,244,992</u> |
| | Total assets | <u>\$ 26,018,874</u> |
| Liabilities, Deferred Inflows and Net Position | | |
| Liabilities | | |
| Accounts payable | | \$ 236,112 |
| Accrued liabilities | | 166,681 |
| Accrued compensated absences | | 153,791 |
| | Total liabilities | <u>556,584</u> |
| Deferred Inflows | | |
| Property taxes | | 6,604,178 |
| | Total deferred inflows of resources | <u>6,604,178</u> |
| Net Position | | |
| Net investment in capital assets | | 11,244,992 |
| Restricted for emergencies | | 215,866 |
| Unrestricted | | 7,397,254 |
| | Total net position | <u>18,858,112</u> |
| | Total liabilities, deferred inflows, and net position | <u>\$ 26,018,874</u> |

The footnotes are an integral part of these financial statements.

MESA COUNTY PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

| Function/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|-----------------------------|---------------------|----------------------|------------------------------------|---|-------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| Government Activities | | | | | | |
| Library services | \$ 6,875,078 | \$ 100,551 | \$ 243,987 | \$ - | \$ (6,530,540) | \$ (6,530,540) |
| Total government activities | 6,875,078 | 100,551 | 243,987 | - | (6,530,540) | (6,530,540) |
| Total primary government | <u>\$ 6,875,078</u> | <u>\$ 100,551</u> | <u>\$ 243,987</u> | <u>\$ -</u> | <u>(6,530,540)</u> | <u>(6,530,540)</u> |
| General Revenues: | | | | | | |
| | | | | | 5,806,649 | 5,806,649 |
| | | | | | 858,930 | 858,930 |
| | | | | | 41,281 | 41,281 |
| | | | | | 144,138 | 144,138 |
| | | | | | <u>6,850,998</u> | <u>6,850,998</u> |
| | | | | | 320,458 | 320,458 |
| | | | | | 18,537,654 | 18,537,654 |
| | | | | | <u>\$ 18,858,112</u> | <u>\$ 18,858,112</u> |

The footnotes are an integral part of these financial statements.

MESA COUNTY PUBLIC LIBRARY DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2019

| | General Fund | Capital Fund | Total |
|---|----------------------|---------------------|----------------------|
| Assets | | | |
| Cash | \$ 3,598,518 | \$ - | \$ 3,598,518 |
| Investments | 4,407,684 | - | 4,407,684 |
| Property taxes receivable | 6,604,178 | - | 6,604,178 |
| Other receivables | 77,908 | - | 77,908 |
| Prepaid expense | 83,730 | - | 83,730 |
| Due from other funds | - | 1,653,018 | 1,653,018 |
| Other assets | 1,864 | - | 1,864 |
| Total assets | <u>14,773,882</u> | <u>1,653,018</u> | <u>16,426,900</u> |
| Liabilities | | | |
| Accounts payable | 236,112 | - | 236,112 |
| Accrued liabilities | 166,681 | - | 166,681 |
| Due to other funds | 1,653,018 | - | 1,653,018 |
| Total liabilities | <u>2,055,811</u> | <u>-</u> | <u>2,055,811</u> |
| Deferred Inflows of Resources | | | |
| Deferred property tax revenue | 6,604,178 | - | 6,604,178 |
| Total deferred inflows of resources | <u>6,604,178</u> | <u>-</u> | <u>6,604,178</u> |
| Fund Balance | | | |
| Non-spendable | 83,730 | - | 83,730 |
| Restricted for emergencies | 215,866 | - | 215,866 |
| Assigned to capital projects | - | 1,653,018 | 1,653,018 |
| Unassigned | 5,814,297 | - | 5,814,297 |
| Total fund balance | <u>6,113,893</u> | <u>1,653,018</u> | <u>7,766,911</u> |
| Total liabilities, deferred inflows, and fund balance | <u>\$ 14,773,882</u> | <u>\$ 1,653,018</u> | <u>\$ 16,426,900</u> |

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

MESA COUNTY PUBLIC LIBRARY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

December 31, 2019

| | |
|--|-----------------------------|
| Total fund balance, governmental funds | \$ 7,766,911 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, but are recognized as assets in the statement of net position. | 11,244,992 |
| Accrued compensated absences are not due and payable in the current year and, therefore, are not reported in the funds but are reported as liabilities in the statement of net position. | <u>(153,791)</u> |
| Total net position | <u><u>\$ 18,858,112</u></u> |

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

MESA COUNTY PUBLIC LIBRARY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2019

| | General Fund | Capital Fund | Total |
|------------------------------------|---------------------|---------------------|---------------------|
| Revenues | | | |
| Property taxes | \$ 5,806,649 | \$ - | \$ 5,806,649 |
| Specific ownership taxes | 858,930 | - | 858,930 |
| Fines and forfeitures | 65,358 | - | 65,358 |
| Gifts and donations | 243,987 | - | 243,987 |
| Charges for services | 35,193 | - | 35,193 |
| Interest | 98,439 | - | 98,439 |
| Unrealized gain on investments | 45,699 | - | 45,699 |
| Miscellaneous revenues | 41,281 | - | 41,281 |
| Total revenues | <u>7,195,536</u> | - | <u>7,195,536</u> |
| Expenditures | | | |
| Personnel | 3,938,194 | - | 3,938,194 |
| Administrative | 437,150 | - | 437,150 |
| Capital outlay | 154,614 | 101,702 | 256,316 |
| Purchased services and consulting | 312,510 | - | 312,510 |
| Property and equipment maintenance | 376,943 | - | 376,943 |
| Programming and library services | 191,380 | - | 191,380 |
| Printing and advertising | 65,291 | - | 65,291 |
| Library materials | 773,347 | - | 773,347 |
| Total expenditures | <u>6,249,429</u> | <u>101,702</u> | <u>6,351,131</u> |
| Net change in fund balance | 946,107 | (101,702) | 844,405 |
| Fund balance, beginning of year | <u>5,167,786</u> | <u>1,754,720</u> | <u>6,922,506</u> |
| Fund balance, end of year | <u>\$ 6,113,893</u> | <u>\$ 1,653,018</u> | <u>\$ 7,766,911</u> |

The accompanying notes are an integral part of these statements.

MESA COUNTY PUBLIC LIBRARY DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2019

| | | |
|---|----|---------|
| Net change in fund balance - governmental funds | \$ | 844,405 |
|---|----|---------|

Capital outlay are reported as expenditures in the funds, however, in the statement of activities, the cost of capital assets is allocated over their estimated useful life as depreciation expense. The is the amount by which depreciation expense exceeded capital expense:

| | | | |
|-------------------------|----|----------------|-----------|
| Depreciation expense | \$ | 1,193,375 | |
| Capital asset additions | | <u>623,455</u> | (569,920) |

Compensated absences are recognized as expenditures in the governmental funds when they are determined to be payable from current financial resources. In the statement of activities, compensated absences are recognized as an expenditures when the benefits are earned.

| | | |
|---|----------------|--------------------------|
| December 31, 2018 | 199,764 | |
| December 31, 2019 | <u>153,791</u> | <u>45,973</u> |
| Change in net position of governmental activities | | <u><u>\$ 320,458</u></u> |

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

MESA COUNTY PUBLIC LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2019

| | |
|---------------------------------------|---------------------|
| Assets | |
| Cash and cash equivalents | \$ 759,608 |
| Investments | 586,884 |
| Restricted investments | 518,585 |
| Total assets | <u>\$ 1,865,077</u> |
| Net assets | |
| Net assets without donor restrictions | \$ 619,689 |
| Net assets with donor restrictions | 1,245,388 |
| Total net assets | <u>\$ 1,865,077</u> |

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

MESA COUNTY PUBLIC LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

Year ended December 31, 2019

| | |
|--|---------------------|
| Change in net assets without donor restrictions | |
| Revenues | |
| Contributions | \$ 5,633 |
| Investment income (including \$77,683 in unrealized gains) | 77,852 |
| Total revenue and gains without donor restrictions | <u>83,485</u> |
| Net assets released from restriction | <u>111,661</u> |
| Total revenues, gains, and other support without donor restrictions | <u>195,146</u> |
| Expenses | |
| Contributions to the Mesa County Public Library District | 111,661 |
| Investment expense | 7,679 |
| Special events | 384 |
| Office expense | 400 |
| Total expense | <u>120,124</u> |
| Increase in net assets without donor restricts | <u>75,022</u> |
| Change in net assets with donor restrictions | |
| Restricted contributions | 564,069 |
| Grants | 160,454 |
| Investment income (including \$69,404 in unrealized gains) | 91,209 |
| Net asset released from restrictions | <u>(111,661)</u> |
| Increase (decrease) in net assets with donor restrictions | <u>704,071</u> |
| Increase in net assets | 779,093 |
| Net assets - beginning of year | <u>1,085,984</u> |
| Net assets - end of year | <u>\$ 1,865,077</u> |

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

MESA COUNTY PUBLIC LIBRARY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2019

| | Original Budget | Final Budget | Actual | Variance Over (Under) Budget |
|---|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Property taxes | \$ 5,773,180 | \$ 5,773,180 | \$ 5,806,649 | \$ 33,469 |
| Specific ownership taxes | 750,000 | 750,000 | 858,930 | 108,930 |
| Fines and forfeitures | 80,000 | 80,000 | 65,358 | (14,642) |
| Gifts and donations | 207,600 | 207,600 | 243,987 | 36,387 |
| Charges for services | 31,000 | 31,000 | 35,193 | 4,193 |
| Interest | 50,000 | 50,000 | 98,439 | 48,439 |
| Net increase in fair value of investments | 5,000 | 5,000 | 45,699 | 40,699 |
| Miscellaneous revenue | 45,000 | 45,000 | 41,281 | (3,719) |
| Total revenue | <u>6,941,780</u> | <u>6,941,780</u> | <u>7,195,536</u> | <u>253,756</u> |
| Expenditures | | | | |
| Personnel | 4,215,447 | 4,215,447 | 3,938,194 | (277,253) |
| Administrative | 449,780 | 449,780 | 437,150 | (12,630) |
| Capital outlay | - | - | 154,614 | 154,614 |
| Purchased services and consulting | 548,600 | 548,600 | 312,510 | (236,090) |
| Property and equipment maintenance | 398,710 | 398,710 | 376,943 | (21,767) |
| Programming and library services | 259,868 | 259,868 | 191,380 | (68,488) |
| Printing and advertising | 81,000 | 81,000 | 65,291 | (15,709) |
| Library materials | 777,500 | 777,500 | 773,347 | (4,153) |
| Contingency | 50,000 | 50,000 | - | (50,000) |
| Total expenditures | <u>6,780,905</u> | <u>6,780,905</u> | <u>6,249,429</u> | <u>(531,476)</u> |
| Revenues over (under) expenditures | <u>160,875</u> | <u>160,875</u> | <u>946,107</u> | <u>785,232</u> |
| Fund balance, beginning of year | 4,959,649 | 4,959,649 | 5,167,786 | 208,137 |
| Fund balance, end of year | <u>\$ 5,120,524</u> | <u>\$ 5,120,524</u> | <u>\$ 6,113,893</u> | <u>\$ 993,369</u> |

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

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mesa County Public Library District (the District) was established January 1, 1992, as a political subdivision of the State of Colorado to provide library services throughout Mesa County. The District is governed by a seven (7) member board of trustees (the Board) appointed by the Mesa County Commissioners (the Commissioners). The Commissioners' accountability for the District does not extend beyond making appointments to the board. Each year the Board of Trustees certifies the mill levy to the Mesa County Board of County Commissioners, who then levy taxes upon the properties.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial report principles.

The more significant of the District's accounting policies are described below.

Reporting Entity

Although the Mesa County Commissioners appoint the Board of Trustees, the District is not financially accountable to Mesa County; therefore the District is not a component unit of the County. The financial statements of the District include all of the integral parts of the District's operations. The District applied GASB Statement No. 61, The Financial Reporting Entity, criteria to determine that the Mesa County Library Foundation (the Foundation) should be included in the District's financial statements as a discretely presented component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB 39.

The Foundation is a non-profit corporation under Internal Revenue Code Section 501(c) (3) formed to provide funds to support the Mesa County Public Library District, its services, programs, and capital needs. The District is not financially responsible for the Foundation. There is no legal obligation for the District to provide any funding; nor pay any debts. Therefore, the Foundation does not meet the financial benefit or burden relationship. However, the District believes it would be misleading to exclude the Foundation from the statements of the District since the Foundation provides funding directly to the District and no one else; and therefore, has included the Foundation as a discretely presented component unit in its financial statements at December 31, 2019.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the State of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the government. The primary government and the discretely presented component unit are presented separately within the financial statements with the focus on the primary government. The District does not have any business-type activities.

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

The District's statement of net position presents the financial position of the governmental activities of the District at year-end. The Foundation's statement of financial position presents the financial position of the Foundation at year-end using not-for-profit accounting and financial reporting principles.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or segment are offset by program revenue. Program expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 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 revenue are reported, instead, as general revenues. The Foundation's statement of activities presents the activities of the Foundation using not-for-profit accounting and financial reporting principles.

Fund Financial Statements

Fund financial statements are designed to present financial information for the District in more detail. Fund financial statements are provided for governmental funds.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue and expenditures. Governmental resources are allocated to and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District has two funds, the *General Fund*, which is the District's primary operating fund and accounts for all financial resources of the District; and the *Capital Project Fund*, which is the fund that accounts for capital outlays of the District.

Measurement Focus and Basis of Accounting

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

Governmental activities in the government-wide financial statements use the economic resources measurement focus and are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

The governmental fund financial statements use the current financial resources measurement focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting,

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

revenue is recorded when susceptible to accrual; i.e., both measurable and available. Revenue is considered available if received within sixty days following year end. The governmental fund financial statements include reconciliation to better identify the relationship between the government-wide and government fund statements.

Foundation's Basis of Presentation

The Foundation's net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Effective January 1, 2018, the Foundation adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As a result of this change, the Foundation implemented the following modification to the presentation of its Net Assets. Net assets previously reported as temporarily restricted or permanently restricted are now reported as net assets with donor restrictions. Likewise, net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

Use of Estimates

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the end of the year are recorded as prepaid items using the consumption method, whereby the District recognizes an asset for the prepaid amount and reflects the expenditure/expense in the year which services will be consumed. At the fund

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

reporting level, an equal amount of fund balance is classified as non-spendable, as the amount is not available for general spending. The District had \$83,730 is prepaid items as of December 31, 2019.

Investments

Investments are stated at fair value based on quoted market values with the exception of money market funds and external investment pools which are stated at cost which is equal to fair value. Unrealized gains and losses are included in the change in net assets. Fair values are determined using quoted markets.

Contributions

Contributions including unconditional promises to give are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. If restrictions of donor-restricted contributions are met in the same reporting period, the contribution is reported as unrestricted. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Property Taxes

Property taxes for the current year are levied 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 are reported as receivable and deferred inflows of resources in the year they are assessed.

Due to and Due from Other Funds

Flow of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that inter-fund reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Accrued Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be used after year end, or paid upon separation from District service. In the government-wide financial statements, the cost of compensated absences is reported as an accrued liability. In governmental fund financial statements, the cost of compensated absences is recognized when payments are made to employees.

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Capital Assets

Capital assets are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as all library materials and other capital assets with an initial or combined cost of more than \$5,000. Replacements which improve or extend the lives of property are capitalized. Interest incurred during construction is not capitalized on capital assets. Maintenance, repairs, and equipment replacements of a routine nature are charged to expenditures as incurred and are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|---------------------------|-------------|
| Building and improvements | 20-40 years |
| Library materials | 6 years |
| Furniture and equipment | 3-10 years |
| Vehicles | 5 years |

Fund Balance Classifications

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements, the following classifications describe the relative strength of the spending constraints.

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expense), or is legally or contractually required to be maintained intact.

Restricted fund balance – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision-making authority, the Board of Trustees, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Trustees.

Assigned fund balance – The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Trustees or other individuals authorized to assign funds to be used for a specific purpose.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance.

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned. The District reserves the right to selectively spend unassigned resources first to defer the use of other classified funds.

New Accounting Pronouncement

Effective January 1, 2013, the District implemented the provisions of GASB No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets or liabilities. Property tax

revenue reported as assets before the period for which they are levied and certain assets recorded in governmental fund financial statements before the revenue is available are now reported as deferred inflows of resources. Adoption of GASB 65 had no effect on the District's beginning net position/fund balance or change in net position/fund balance.

NOTE B – BUDGETS AND BUDGETARY ACCOUNTING

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

1. Budgets are required by state law for all governmental funds.
2. The budget officer is required to submit a proposed budget to the Board by October 15.
3. Public hearings are conducted by the Board to obtain taxpayer comments.
4. Certification of the mill levies to the Board of County Commissioners and adoptions of the budget and appropriations are required by December 15.
5. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget.
6. Budget appropriations lapse at the end of each year.
7. The District adopts budgets on a modified accrual basis.

NOTE C – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (Amendment One) which provides for certain limitations in revenue raising, spending abilities and other specific requirements of state and local government units. Amendment One also requires a 3% reserve of the District's fiscal year spending, excluding bonded debt services. A portion of the District's General Fund balance is classified as restricted for an emergency reserve as required.

Mesa County, Colorado voters passed a referendum on November 4, 1997, that exempts the District from certain provisions of Amendment One. The District is allowed to retain any excess revenue in future years.

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Amendment One is complex and subject to judicial interpretation. The District believes it is in compliance with applicable requirements of Amendment One at December 31, 2019.

NOTE D – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

The Colorado Public Deposit Protection Act (PDPA) governs the District’s deposits. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal deposits insurance (FDIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to 102% of the uninsured deposits. The Colorado Division of Banking for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At year-end, the carrying amount of the District’s deposits and investments consisted of the following:

| | Bank Balance | Carrying Amount |
|----------------------------------|-----------------|--------------------|
| Cash on hand | \$ - | \$ 1,458 |
| General checking | 309,458 | 283,149 |
| Payroll | 251,457 | 244,875 |
| Healthcare reimbursement account | 5,279 | 5,279 |
| Merchant account | 84,566 | 84,566 |
| Money market account | 2,979,191 | 2,979,191 |
| Total cash and cash equivalents | \$ 3,629,951 | \$ 3,598,518 |
| Total investments | | \$ 4,407,684 |

As of December 31, 2019, \$250,000 was covered by depositor’s insurance; \$3,379,951 was collateralized under PDPA requirements.

Custodial Credit Risk

Colorado statues specify investment instruments meeting defined rating risk criteria in which local government entities may invest including: obligations of the United States and certain U.S. local 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.

Interest Rate Risk

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

The District does not have a formal policy limiting investment maturities, other than that established by state statute of five years, which would help manage its exposure to fair value losses from increasing interest rates.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the District's investments were level 2 investments at December 31, 2019 and were comprised of the following.

The district's investments were comprised of the following at December 31, 2019:

| | Moody's Credit Rating | Fair Value |
|---------------------------------------|--------------------------|--------------|
| Federated Government Obligations Fund | Aaa-mf | \$ 2,686,098 |
| US Government Agency Obligations | Aaa | 1,721,586 |
| | | \$ 4,407,684 |

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

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

The Foundation's investments are considered to be Level 1 investments as defined in ASC 820. As such, the following investments have been valued using quoted market prices in active markets for identical assets.

The Foundations investments include \$183,983 that is held for the Virginia Reed Moore Endowment and \$334,602 that is held for the Nelson Legacy Endowment. These funds are shown as restricted investments on the Statement of Financial Position. There is also an unrestricted investment fund held by the Foundation in the amount of \$586,884.

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

The Foundation's investments are allocated as follows:

| | 2019 | |
|----------------------------------|--------------|--------------|
| | Cost | Fair Value |
| Money market funds | \$ 29,879 | \$ 29,879 |
| Mutual funds, fixed income | 417,867 | 431,405 |
| Mutual funds, equity | 522,742 | 606,530 |
| Alternative assets, mutual funds | 35,798 | 37,655 |
| | \$ 1,006,286 | \$ 1,105,469 |

Foundation investment returns are summarized as follows:

| | Cost | Market | Change |
|--------------------------------|--------------|--------------|--------------|
| Balance at beginning of year | \$ 990,318 | \$ 941,314 | \$ (49,004) |
| Balance at end of year | 1,006,285 | 1,105,469 | 99,184 |
| Current year unrealized (gain) | \$ 1,996,603 | \$ 2,046,783 | \$ (148,188) |

At December 31, 2019, the carrying amount of the Foundation's cash deposits was \$754,563 and the bank balances were \$754,563. Of that amount, \$250,000 was covered by federal depository insurance and \$504,563 is uninsured. The Foundation had \$5,045 in un-deposited funds at December 31, 2019.

NOTE F – ENDOWMENT

Endowment

The Foundation's endowment consists of funds received from two individual donors. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

For one of these endowments, the Library Foundation is required to reserve all earnings each year to be added to the corpus until the endowment reaches a minimum of \$200,000. Thereafter, the Library may spend or reserve the income on the endowment as it determines to be appropriate. Income from the endowment may be used to further the goals of the Mesa County Public Library, including improving the literacy and the intellectual development of the community.

The second endowment requires that \$250,000 to remain as the corpus and the earnings are to be temporarily restricted for capital building expenses.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

balance of the funds remains in net assets with donor restrictions until which time they are expended in conformity with the endowment.

The Foundation has adopted investment and spending policies by the Board of Directors. The general investment objectives are: (a) preservation of the principal as the primary objective with growth as a secondary objective, and (b) achieve the best possible long-term rate of return while taking into consideration market interest rates. For the Endowment Fund, the Foundation seeks to achieve a growth-balanced approach with income as a secondary objective. Liquidity will not be an issue with this Fund. The time horizon for this investment is a minimum of ten years.

Activity in the first endowment was as follows for the year ended December 31, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------------|-------------------------------|----------------------------|-------------------|
| Endowment net assets, beginning | \$ - | \$ 157,045 | \$ 157,045 |
| Investment return, net | - | 3,468 | 3,468 |
| Contributions | - | - | - |
| Net gain or (loss) on investment | - | 23,470 | 23,470 |
| Appropriation of endowment assets | - | - | - |
| | <u>\$ -</u> | <u>\$ 183,983</u> | <u>\$ 183,983</u> |

Detail of the second endowment received during the year ended December 31, 2019 is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-----------------------------------|-------------------------------|----------------------------|-------------------|
| Endowment net assets, beginning | \$ - | \$ 284,914 | \$ 284,914 |
| Investment return, net | - | 3,664 | 3,664 |
| Contributions | - | - | - |
| Net gain or (loss) on investment | - | 46,024 | 46,024 |
| Appropriation of endowment assets | - | - | - |
| | <u>\$ -</u> | <u>\$ 334,602</u> | <u>\$ 334,602</u> |

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS - FOUNDATION

The Foundation’s net assets with donor restrictions were restricted for the following at December 31, 2019:

| | |
|------------------------------------|---------------------|
| Capital projects | \$ 574,334 |
| Library programs | 152,469 |
| Endowments | 518,585 |
| Net assets with donor restrictions | <u>\$ 1,245,388</u> |

NOTE H – FUNCTIONAL EXPENSES

The breakdown of the Foundation’s functional expenses at December 31, 2019 is as follows:

| | |
|----------------------------|-------------------|
| Program | \$ 111,661 |
| General and administrative | 8,079 |
| Fundraising | 384 |
| Total expenses | <u>\$ 120,124</u> |

NOTE I – LEASES

The District leases spaces to provide two branch library locations under operating leases. The first lease term is through April 2019 and the second lease term is through September 2020.

Minimum annual lease payments are as follows:

| | |
|------|------------------|
| 2020 | <u>\$ 18,334</u> |
|------|------------------|

Lease expenditures for 2019 were \$86,255.

In 2009 the Mesa County Public Library District entered into an intergovernmental agreement with the City of Fruita to build a library facility in the Fruita Recreation center. The Mesa County Public Library District paid for the construction costs of the new facility and entered into a lease agreement with the City to occupy the premises for a period of 99 years for consideration of construction costs already paid and \$1 per year. The City may terminate the lease with at least 365 days’ notice and a refund of construction costs as a percentage of the remaining time left on the lease.

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE J – CAPITAL ASSETS

| | January 1, 2019 | Additions | Disposals | December 31, 2019 |
|--------------------------------------|-----------------|--------------|-----------|-------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 1,762,063 | \$ - | \$ - | \$ 1,762,063 |
| Art work | 76,029 | - | - | 76,029 |
| Construction in progress | - | 48,848 | - | 48,848 |
| Total nondepreciable capital assets | 1,838,092 | 48,848 | - | 1,886,940 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 13,316,153 | - | - | 13,316,153 |
| Library Materials | 3,932,267 | 558,633 | (409,255) | 4,081,645 |
| Intangible library material | 48,257 | - | - | 48,257 |
| Furniture and equipment | 708,524 | - | (21,257) | 687,267 |
| Vehicles | 91,104 | 15,974 | - | 107,078 |
| Total depreciable capital assets | 18,096,305 | 574,607 | (430,512) | 18,240,400 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (5,061,160) | (545,122) | - | (5,606,282) |
| Library materials | (2,411,428) | (608,092) | 409,255 | (2,610,265) |
| Intangible library materials | (8,142) | (1,927) | - | (10,069) |
| Furniture and equipment | (570,804) | (29,726) | 21,257 | (579,273) |
| Vehicles | (67,951) | (8,508) | - | (76,459) |
| Total accumulated depreciation | (8,119,485) | (1,193,375) | 430,512 | (8,882,348) |
| Net depreciable capital assets | 9,976,820 | (618,768) | - | 9,358,052 |
| Total capital assets | \$ 11,814,912 | \$ (569,920) | \$ - | \$ 11,244,992 |

Total depreciation/amortization expense for 2019 was \$1,193,375.

NOTE K – COMPENSATED ABSENCES

The District had \$153,791 in compensated absences as of December 31, 2019, comprised of vacation pay and sick pay, both with certain limitations, that will be due if employees are terminated.

| | Beginning Balance | Additions | Payments | Ending Balance |
|------------------------------|----------------------|-----------|-------------|-------------------|
| Accrued compensated absences | \$ 199,763 | \$ - | \$ (45,972) | \$ 153,791 |

Mesa County Public Library District
NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE L – RETIREMENT PLAN

The District provides a retirement plan for eligible District employees in the Colorado County Officials and Employees Retirement Association (CRA) Retirement Plan (the Retirement Plan). The Retirement Plan is a defined contribution money purchase plan. It is mandatory that the employees participate in the Retirement Plan on the first day of the month after 28 days of employment. The employees and the District each contribute 5% of gross wages. The District's contributions for each employee (and earnings allocated to the employee's account) are fully vested after four years of continuous service. District contributions and related interest forfeited by employees who leave employment before fully vesting are returned to the Retirement Plan to reduce future retirement requirements.

The District's total payroll expense in 2019 was \$3,143,543. Covered wages were approximately \$2,337,712. Non-elective contributions to the Retirement Plan for 2019 were \$116,886 (by the District) and \$118,356 (by employees).

Deferred Compensation Plan

The District has a deferred compensation plan (the Plan), administered by CCOERA, and created in accordance with Internal Revenue Code Section 457. The Plan permits the District's employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation in the Plan is optional.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) held for the exclusive benefit of the participants or their beneficiaries. The District has no ownership interest in the Plan nor is the District liable for any losses under the Plan.

NOTE M - COMMITMENTS AND CONTINGENCIES

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; volunteer injuries; natural disasters; and employee health, dental, vision, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE N – SUBSEQUENT EVENTS

On March 11, 2020, a pandemic was declared for the COVID-19 virus. As a result, shutdown orders were issued for individuals and non-essential businesses across the United States, which had a significant impact on the local and national economy including historic drops in the stock market. The full extent and length of this impact is unknown at the date that these financial statements were issued.

MESA COUNTY PUBLIC LIBRARY FOUNDATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2019

| | |
|--|--------------------------|
| Cash flows from operating activities | |
| Cash received from donations | \$ 730,156 |
| Cash paid to Library District | (111,661) |
| Cash paid to suppliers | (8,463) |
| Net cash provided by (used in) operating activities | <u>610,032</u> |
| Cash flows from investing activities | |
| Investment income received | 22,446 |
| Purchase of investments | (479,819) |
| Proceeds from sale of investments | 464,590 |
| Net cash provided by (used in) investing activities | <u>7,217</u> |
| Net increase (decrease) in cash | 617,249 |
| Cash at beginning of year | 142,359 |
| Cash at end of year | <u><u>\$ 759,608</u></u> |
| Reconciliation of change in net assets to cash provided by (used in) operations | |
| Change in net assets | \$ 779,093 |
| Unrealized (gain) loss on investments | (146,615) |
| Investment income | (22,446) |
| Net cash provided by (used in operations) | <u><u>\$ 610,032</u></u> |

MESA COUNTY PUBLIC LIBRARY DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

Year ended December 31, 2019

| | Original Budget | Final Budget | Actual | Variance Over (Under) Budget |
|---------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| Gifts and donations | \$ 100,000 | \$ 100,000 | \$ - | \$ (100,000) |
| Total revenue | 100,000 | 100,000 | - | (100,000) |
| Expenditures | | | | |
| Capital outlay | 591,035 | 591,035 | 101,702 | (489,333) |
| Contingency | 43,000 | 43,000 | - | (43,000) |
| Total expenditures | 634,035 | 634,035 | 101,702 | (532,333) |
| Net change in fund balance | (534,035) | (534,035) | (101,702) | 432,333 |
| Fund balance, beginning of year | 1,750,619 | 1,750,619 | 1,754,720 | 4,101 |
| Fund balance, end of year | <u>\$ 1,216,584</u> | <u>\$ 1,216,584</u> | <u>\$ 1,653,018</u> | <u>\$ 436,434</u> |