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Berthoud Community Library District
Berthoud, Colorado

Financial Statements
with Independent Auditor's Report

December 31, 2022

Berthoud Community Library District
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Independent Auditor's Report

Board of Trustees
Berthoud Community Library District
Berthoud, Colorado

Report on the Audit of the Financial Statements

Opinions

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Englewood, Colorado
(Date)

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Basic Financial Statements

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Berthoud Community Library District
Statement of Net Position
December 31, 2022

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and Investments	\$ 681,939
Property Taxes Receivable	709,274
Capital Assets, Not Being Depreciated	43,530
Capital Assets, Net of Accumulated Depreciation	<u>313,371</u>
Total Assets	<u>1,748,114</u>
Liabilities	
Accrued Liabilities	1,948
Accrued Salaries	11,076
Total Liabilities	<u>13,024</u>
Deferred Inflows of Resources	
Property Taxes	<u>709,274</u>
Total Deferred Inflows of Resources	<u>709,274</u>
Net Position	
Net Investment in Capital Assets	356,901
Restricted	30,000
Unrestricted	<u>638,915</u>
Total Net Position	<u>\$ 1,025,816</u>

Berthoud Community Library District
Statement of Activities
 For the Year Ended December 31, 2022

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Functions/Programs	Expenses	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position in Net Position Governmental Activities</u>
<u>Primary Government</u>		Charges for Services	Operating Grant and Contributions	
<i>Governmental Activities</i>				
Library Services	\$ 527,413	\$ 2,351	\$ 17,951	\$ (507,111)
Total Primary Government	<u>\$ 527,413</u>	<u>\$ 2,351</u>	<u>\$ 17,951</u>	<u>\$ (507,111)</u>
		General Revenues		
		Taxes		\$ 746,406
		Interest Income		<u>71</u>
		Total General Revenues and Special Item		<u>746,477</u>
		Change in Net Position		239,366
		Net Position, Beginning of Year		<u>786,450</u>
		Net Position, End of Year		<u>\$ 1,025,816</u>

Berthoud Community Library District Balance Sheet Governmental Funds December 31, 2022

	General
Assets	
Cash and Investments	\$ 681,939
Property Taxes Receivable	709,274
 Total Assets	 1,391,213
Liabilities	
Accrued Liabilities	1,948
Accrued Salaries	11,076
 Total Liabilities	 13,024
Deferred Inflows of Resources	
Property Taxes	709,274
Fund Balance	
Restricted for:	
Emergencies	30,000
Committed:	
Building Fund	13,108
Literacy Fund	12,807
Unrestricted, Unassigned	613,000
 Total Fund Balance	 668,915
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 \$ 1,391,213
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
 Total Fund Balance of Governmental Funds	 \$ 668,915
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	 356,901
 Total Net Position of Governmental Activities	 \$ 1,025,816

Berthoud Community Library District
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Funds
 For the Year Ended December 31, 2022

	General
Revenues	
Property Taxes	\$ 696,586
Specific Ownership Taxes	49,820
Charges for Services	2,351
Grants	17,951
Investment Income	71
	766,779
Total Revenues	766,779
Expenditures	
Current	
Library Services	530,963
Capital Outlay	53,307
	584,270
Total Expenditures	584,270
Net Change in Fund Balance	182,509
Fund Balance, Beginning of Year	486,406
Fund Balance, End of Year	\$ 668,915
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of Governmental Funds	\$ 182,509
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.	
Depreciation Expense	(32,945)
Capital Outlays	89,802
	56,857
Change in Net Position of Governmental Activities	\$ 239,366

Berthoud Community Library District
Notes to Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies

The Berthoud Community Library District (the District) was formed in November 8, 2008, by a ballot inc. Prior to the formation, the library was considered part of the Town of Berthoud. The District is governed by a seven-member Board of Trustees appointed in accordance with the by-laws of District. At the time of the formation, the District's building was donated at a fair market value of \$60,000.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Reporting Entity

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

The District Friends and Foundation (the Foundation) is a non-profit organization with the purpose to assist in the promotion, development and enhancement of the facilities and educational programs of the District. The Foundation is reported as a discretely presented component unit in the District's financial statements. Separate financial statements for the Foundation may be obtained by writing to ~~720 3rd Street, Windsor, Colorado 80550.~~
PO Box 964, Berthoud, CO 80513

Government-wide and Fund Financial Statements

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

Berthoud Community Library District
Notes to Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

The District has a public foundation, The Friends of The Berthoud Community Library (The Foundation), that is registered with the Internal Revenue Service as a 501(c)(3) organization that collects tax deductible donations for the benefit of the District. The annual contributions to the Foundation is less than \$20,000 per year.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues, and investment income associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Berthoud Community Library District
Notes to Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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

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

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

Assets, Liabilities and Net Position/Fund Balance

Receivables - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Capital assets, which include buildings and improvements, furniture and equipment, and books and audio-visual materials, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$3,000 or more and an estimated useful life in excess of one year, except for library books and audio-visual materials, which are capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Library books and audio-visual materials are depreciated using a composite rate on a first-in, first-out basis.

Buildings and Improvements	40 years
Library Books and Audio-Visual Materials	10 years

Deferred Inflows of Resources - Deferred inflows of resources include property taxes earned but levied for a subsequent fiscal year.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Trustees is authorized to commit fund balance through passage of a resolution and has assigned fund balances to specific purposes using the budget message.

Berthoud Community Library District
Notes to Financial Statements
December 31, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned and unassigned fund balances.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and collected in the subsequent calendar year. 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.

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District purchases commercial insurance for these risks of loss.

Note 2: Cash and Investments

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

Petty Cash	\$	100
Deposits		668,320
Certificate of Deposit		<u>13,519</u>
Total	\$	<u>681,939</u>

Deposits

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

Berthoud Community Library District
Notes to Financial Statements
December 31, 2022

Note 2: Cash and Investments (Continued)

Investments

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

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in one issuer, except for corporate securities.

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

Berthoud Community Library District
Notes to Financial Statements
December 31, 2022

Note 3: Capital Assets

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

	Balance 12/31/21	Additions	Deletions	Balance 12/31/22
<i>Capital Assets, not being depreciated</i>				
Construction in Progress	\$ -	\$ 43,530	\$ -	\$ 43,530
Total Capital Assets, <i>not being depreciated</i>	<u>-</u>	<u>43,530</u>	<u>-</u>	<u>43,530</u>
<i>Capital Assets, being depreciation</i>				
Building	\$ 60,000	\$ -	\$ -	\$ 60,000
Building Improvements	156,261	-	-	156,261
Books	250,693	46,272	(25,069)	271,896
Total Capital Assets, <i>being depreciation</i>	<u>466,954</u>	<u>46,272</u>	<u>(25,069)</u>	<u>488,157</u>
Less Accumulated Depreciation:				
Building	(27,000)	(2,000)	-	(29,000)
Building Improvements	(53,125)	(6,250)	-	(59,375)
Books	(86,785)	(24,695)	25,069	(86,411)
Total Accumulated Depreciation	<u>(166,910)</u>	<u>(32,945)</u>	<u>25,069</u>	<u>(174,786)</u>
Total Capital Assets, <i>being depreciated</i>	<u>300,044</u>	<u>13,327</u>	<u>-</u>	<u>313,371</u>
Capital Assets, Net	<u>\$ 300,044</u>	<u>\$ 56,857</u>	<u>\$ -</u>	<u>\$ 356,901</u>

Note 4: Defined Contribution Plan

The District sponsors a Simplified Employee Retirement Plan (SEP) for all full-time employees. All full-time employees are eligible upon hiring. The District contributes 5% of wages as the employer contributions. Eligible employees may contribute voluntary contributions, but are not required. The annual employer's contribution for the year ended 2022 was \$9,001.

Note 5: Commitments and Contingencies

TABOR Amendment

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

The District has established a reserve for emergencies, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2022, the emergency reserve of \$173,000 was reported as restricted fund balance in the General Fund.

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Required Supplementary Information

Berthoud Community Library District
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property Taxes	\$ 696,418	\$ 696,586	\$ 168
Specific Ownership Taxes	40,000	49,820	9,820
Grant Revenue	15,500	17,951	2,451
Charges for Services	2,500	2,351	(149)
Investment Income	2,500	71	(2,429)
	<hr/>	<hr/>	<hr/>
Total Revenues	756,918	766,779	9,861
	<hr/>	<hr/>	<hr/>
Expenditures			
Current			
Salaries	270,000	290,612	(20,612)
Benefits	66,000	59,316	6,684
Insurance	7,700	7,580	120
Purchased Services	48,000	31,939	16,061
Donations	15,500	18,125	(2,625)
Repairs & Maintenance	58,200	34,743	23,457
Materials and Supplies	99,550	61,765	37,785
Staff Development	9,500	9,781	(281)
Utilities	13,700	17,102	(3,402)
Capital Outlay	151,000	53,307	97,693
	<hr/>	<hr/>	<hr/>
Total Expenditures	739,150	584,270	154,880
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ <u>17,768</u>	182,509	\$ <u>164,741</u>
Fund Balance, Beginning of Year		<hr/> 486,406	
Fund Balance, End of Year		\$ <u>668,915</u>	

Berthoud Community Library District
Notes to Required Supplementary Information
December 31, 2022

Note 1: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

The District adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Governing Board a proposed budget for the fiscal year commencing the following October 15. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Governing Board.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Governing Board.
- All appropriations lapse at fiscal year-end.

