

# **Poudre River Public Library District**

Financial Report  
December 31, 2011



**POUDRE RIVER PUBLIC LIBRARY DISTRICT**

Financial Statements  
For the Year Ended December 31, 2011

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## Independent Auditor's Report

To the Board of Trustees  
Poudre River Public Library District  
Fort Collins, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Poudre River Public Library District (the District) as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Poudre River Public Library District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Poudre River Public Library District as of December 31, 2011, and the respective changes in financial position and the budgetary comparisons for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 2 through 6, 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 operations, 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 response 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying budgetary comparison schedule for the Capital Projects Fund on page 18 is presented for purposes of additional analysis and is 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.

*McGladrey LLP*

Denver, Colorado  
June 4, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

Poudre River Public Library District (the District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2011. In addition to this overview and analysis based on currently known facts, decisions and conditions, the District would encourage readers to consider the information presented in the District's financial statements, which begin on page 7 of this report.

### **Financial Highlights**

- The assets of the District exceeded its liabilities at the end of the fiscal year ended December 31, 2011 by \$26,305,879 (net assets). Of the net asset balance, \$5,629,043 is unrestricted and is available to meet the government's ongoing obligations in accordance with the District's fund designations and fiscal policies.
- The District's net assets increased by \$532,426 in 2011.
- The General Fund, the District's primary operating fund, reported a fund balance increase of \$307,699 on a current financial resource basis. The General Fund had a fund balance as of December 31, 2011 of \$4,326,653.
- A Capital Projects Fund reported a fund balance decrease of \$1,765,364 in 2011. The decrease was due to the purchase of the Webster House Administration Center and beginning an expansion and remodel of Main Library. The Capital Projects Fund had a fund balance as of December 31, 2011 of \$2,614,619.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of the following three components:

- 1) Government-Wide Financial Statements,
- 2) Fund Financial Statements, and
- 3) Notes to the Financial Statements.

**Government-Wide Financial Statements.** The government-wide statements are designed to provide readers with a broad overview of the District's finances using the accrual basis of accounting, the basis of accounting used by most private-sector businesses.

The statement of net assets presents information on all of the District's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, increases and decreases in net assets may provide an indication of whether the District's financial position is improving or deteriorating.

The statement of activities presents information reflecting how the District's net assets have changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District accounts for all of its activities in two Governmental Funds – the General Fund and a Capital Projects Fund.

**Governmental funds.** Governmental funds are used to report those same functions reported as governmental activities in the government - wide financial statements. However, unlike the government-wide statements, the fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and similar long-term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Since the focus of the governmental funds is on near-term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. To facilitate this comparison, reconciliations are provided for both the governmental fund balance sheet and the governmental statement of revenues, expenditures and changes in fund balances.

The District adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the District's two funds – the General Fund and the Capital Projects Fund - to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7-9 of this report.

**Notes to the basic financial statements.** The notes to the basic financial statements are considered an integral part of the basic financial statements since they provide additional information needed to gain a full understanding of the data provided in both the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 10 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of December 31, 2011, assets exceeded liabilities by \$26,305,879.

#### **Statement of Net Assets**

The following table reflects the condensed Statement of Net Assets as of December 31, 2011 compared with 2010

	<u>2011</u>	<u>2010</u>
<b>Current and other assets</b>	\$ 15,457,412	\$ 15,560,270
<b>Capital assets</b>	<u>19,560,485</u>	<u>17,567,817</u>
<b>Total assets</b>	<u>35,017,897</u>	<u>33,128,087</u>
<b>Current liabilities</b>	<u>8,712,018</u>	<u>7,354,634</u>
<b>Net assets:</b>		
<b>Invested in capital assets</b>	19,560,485	17,567,817
<b>Restricted</b>	1,116,351	2,900,757
<b>Unrestricted</b>	<u>5,629,043</u>	<u>5,304,879</u>
<b>Total net assets</b>	<u>\$ 26,305,879</u>	<u>\$ 25,773,453</u>

For more detailed information, see the Statement of Net Assets found on page 7 of this report.

The investment in capital assets (e.g., land, library buildings, the collection of library materials and equipment) is the largest portion of the District's net assets and represents 74% of the District's net assets. The District uses these capital assets to provide library services to citizens; consequently, these assets are not available for future spending.

The District's unrestricted net assets represent 21% of total net assets. The District has committed \$4,145,869 of this balance for capital improvements and for the maintenance of adequate operating reserves.

An additional portion of the District's net assets (5%) represents resources that are subject to external restrictions on how they may be used.

The District's total net assets increased by \$532,426 during the current fiscal year.

### Changes in Net Assets

The following table reflects a condensed summary of activities and changes in net assets.

#### Statement of Activities & Changes in Net Assets Years Ended December 31, 2011 and 2010

	2011	2010
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 263,224	\$ 257,517
Operating grants & contributions	816,947	898,492
Capital grants and contributions	121,217	202,857
<b>General revenues:</b>		
Property and specific ownership taxes	7,345,235	7,464,050
Investment earnings	156,031	143,215
<b>Total Revenues</b>	8,702,654	8,966,131
<b>Expenses:</b>		
Library Services	5,534,900	5,357,345
Administration	1,273,448	1,306,100
Depreciation	1,361,880	1,343,685
<b>Total expenses</b>	8,170,228	8,007,130
<b>Change in net assets</b>	532,426	959,001
<b>Net assets - beginning</b>	25,773,453	24,814,452
<b>Net assets - ending</b>	\$ 26,305,879	\$ 25,773,453

For more detailed information see the Statement of Activities on page 8 of this report.

## Financial Analysis of the District's Governmental Funds

As noted previously, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$6,941,272. This was a decrease of \$1,457,665. \$1,679,052 (24%) of the ending balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The Board of Trustees has committed \$1,672,900 of the unrestricted fund balance as an operating /working capital reserve and \$2,472,969 as a capital improvements reserve. The remainder of fund balance, \$1,116,351 (16%) is restricted to indicate that it is not available for new spending because it must only be spent for externally imposed specific purposes.

## Budgetary Highlights

### Governmental Funds

**General Fund.** Actual expenditures of \$7,504,137 were below the total budgeted expenditures by \$594,913 due to the following:

- Vacancy and other personnel savings resulted in the overall personnel services budgets being underspent by \$320,000.
- Capital Outlay was underspent by \$130,000 primarily due to the timing of improvements being made to the Webster House Administration Center.
- The District budgeted \$100,000 in contingency funds for 2011 that was not needed.

## Capital Assets

The District's investment in capital assets as of December 31, 2011 was \$19,560,485. Capital assets, net of depreciation increased \$1,992,668 in 2011.

### Capital Assets

	2011	2010
<b>Land</b>	\$ 2,256,000	\$ 1,856,000
<b>Buildings &amp; Improvements</b>	11,299,880	11,219,736
<b>Equipment &amp; Furnishings</b>	901,739	1,089,021
<b>Library Materials Collection</b>	3,141,143	3,305,924
<b>Construction in Process</b>	1,961,723	97,136
<b>Total Cost</b>	<u>\$ 19,560,485</u>	<u>\$ 17,567,817</u>

Additional information on the District's capital assets can be found on page 16 of this report.

## **Economic Factors**

The District is dependent on property taxes as its primary source of revenue. While the northern Colorado economy has done well compared to the overall state and the national economy, a slow down in growth and changes in property values has a direct impact on revenue. Because of the annual process of levying and collecting property taxes, the impact is also more on an annual basis rather than the monthly or quarterly impacts of other types of revenue can have on other governments. Property values are reassessed every two years. 2011 was a re-assessment year. Total assessment for 2010 values, which generate property taxes collected in 2011, decreased 1.3%. Because 2011 was a re-assessment year, the assessed valuation for property taxes to be collected in 2012 is expected to be very similar to the current value.

Another significant source of revenue for the District is specific ownership taxes. This is a portion of the fees paid on vehicle licensing. This revenue fluctuates based on the level of new vehicle sales and other factors. For 2011, the District collected 6% (\$28,425) less specific ownership taxes than in 2010.

These and other factors were considered when the District prepared its 2011 and 2012 budgets.

## **Financial Contact**

The District's financial statements are designed to provide users (citizens, taxpayers, customers and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning any of the information presented in this report or requesting additional information should be addressed to the District Finance Officer, 301 E. Olive Street, Fort Collins, CO 80524.

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# **BASIC FINANCIAL STATEMENTS**

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**POUDRE RIVER PUBLIC LIBRARY DISTRICT  
STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2011**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>	<b>Adjustments (Note II)</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 350,718	\$ 311,951	\$ 662,669	\$ -	\$ 662,669
Investments	4,113,502	3,671,795	7,785,297	-	7,785,297
Receivables					
Property taxes	6,911,784	-	6,911,784	-	6,911,784
Accounts	63,865	-	63,865	-	63,865
Accrued interest	18,042	15,755	33,797	-	33,797
Land	-	-	-	2,256,000	2,256,000
Construction in process	-	-	-	1,961,723	1,961,723
Other capital assets, net of accumulated depreciation	-	-	-	15,342,762	15,342,762
<b>Total Assets</b>	<b>\$ 11,457,911</b>	<b>\$ 3,999,501</b>	<b>\$ 15,457,412</b>	<b>\$ 19,560,485</b>	<b>\$ 35,017,897</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 106,908	\$ 1,384,882	\$ 1,491,790	\$ -	\$ 1,491,790
Accrued wages payable	84,942	-	84,942	-	84,942
Accrued compensated absences	-	-	-	195,878	195,878
Unearned revenue	6,939,408	-	6,939,408	-	6,939,408
<b>Total Liabilities</b>	<b>7,131,258</b>	<b>1,384,882</b>	<b>8,516,140</b>	<b>195,878</b>	<b>8,712,018</b>
<b>Fund Balances</b>					
Restricted fund balance	974,701	141,650	1,116,351	(1,116,351)	-
Committed fund balance	1,672,900	2,472,969	4,145,869	(4,145,869)	-
Unassigned fund balance	1,679,052	-	1,679,052	(1,679,052)	-
<b>Total Fund Balances</b>	<b>4,326,653</b>	<b>2,614,619</b>	<b>6,941,272</b>	<b>(6,941,272)</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,457,911</b>	<b>\$ 3,999,501</b>	<b>\$ 15,457,412</b>		
<b>Net Assets:</b>					
Invested in Capital Assets				19,560,485	19,560,485
Restricted for Emergencies				240,900	240,900
Restricted for Capital				166,848	166,848
Restricted for Collection Development				100,056	100,056
Restricted for Library Technology				608,547	608,547
Unrestricted				5,629,043	5,629,043
<b>Total Net Assets</b>				<b>\$ 26,305,879</b>	<b>\$ 26,305,879</b>

The notes to the basic financial statements are an integral part of this statement.

**POUDRE RIVER PUBLIC LIBRARY DISTRICT  
STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUNDS REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund	Capital Projects Fund	Total	Adjustments (Note II)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>					
Current operating					
Personal services	\$ 4,645,921	\$ -	\$ 4,645,921	\$ 2,577	\$ 4,648,498
Contractual services:					
City support services	322,366	-	322,366	-	322,366
Treasurer's fee	144,322	-	144,322	-	144,322
Other contractual	1,137,148	-	1,137,148	-	1,137,148
Commodities					
Collection development	951,323	-	951,323	(651,148)	300,175
Other commodities	254,355	-	254,355	-	254,355
Depreciation	-	-	-	1,361,880	1,361,880
Capital outlay	48,702	2,656,182	2,704,884	(2,703,400)	1,484
Total Expenditures/Expenses	7,504,137	2,656,182	10,160,319	(1,990,091)	8,170,228
<b>PROGRAM REVENUES</b>					
Charges for services	263,225	-	263,225	-	263,225
Operating grants and contributions	816,946	-	816,946	-	816,946
Capital grants and contributions	121,217	-	121,217	-	121,217
Total Program Revenues	1,201,388	-	1,201,388	-	1,201,388
<b>GENERAL REVENUES</b>					
Property taxes	6,894,331	-	6,894,331	-	6,894,331
Specific ownership taxes	450,904	-	450,904	-	450,904
Earnings on investments	88,013	68,018	156,031	-	156,031
<b>TRANSFERS</b>	(822,800)	822,800	-	-	-
Total General Revenues and Transfers	6,610,448	890,818	7,501,266	-	7,501,266
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	307,699	(1,765,364)	(1,457,665)	1,457,665	-
Change in Net Assets				532,426	532,426
<b>FUND BALANCE/NET ASSETS</b>					
Beginning of year	4,018,954	4,379,983	8,398,937	17,374,516	25,773,453
End of year	\$ 4,326,653	\$ 2,614,619	\$ 6,941,272	\$ 19,364,607	\$ 26,305,879

The notes to the basic financial statements are an integral part of this statement.

**POUDRE RIVER PUBLIC LIBRARY DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Actual	Budget (Original)	Budget (Final)	Variance- Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 6,886,320	\$ 6,832,500	\$ 6,832,500	\$ 53,820
Specific ownership taxes	450,904	475,000	475,000	(24,096)
Property tax interest	8,011	-	-	8,011
Intergovernmental	773,657	744,000	744,000	29,657
Fees and charges for services	18,102	25,000	25,000	(6,898)
Fines	205,755	175,000	175,000	30,755
Earnings on investments	88,013	75,000	75,000	13,013
Donations	164,506	94,800	165,300	(794)
Misellaneous	39,368	-	-	39,368
<b>Total Revenues</b>	<b>8,634,636</b>	<b>8,421,300</b>	<b>8,491,800</b>	<b>142,836</b>
<b>EXPENDITURES/EXPENSES</b>				
Library District administration	1,273,448	1,294,950	1,306,450	33,002
Systems administration	538,054	560,000	560,000	21,946
Collection services	626,826	605,650	630,650	3,824
Collection development	953,323	935,000	970,000	16,677
Programming	134,757	134,900	139,900	5,143
Facilities	297,555	376,700	336,700	39,145
Combined operations	40,867	84,100	54,100	13,233
Main Library operations	168,732	191,950	184,450	15,718
Main Library public service	891,189	1,045,470	961,470	70,281
Main Library circulation	638,867	738,900	703,900	65,033
Harmony Library operations	106,152	115,100	113,100	6,948
Harmony Library public service	468,912	484,080	484,080	15,168
Harmony Library circulation	447,022	375,600	460,600	13,578
Council Tree Library operations	250,537	253,740	243,740	(6,797)
Council Tree Library public service	315,644	413,420	350,420	34,776
Council Tree Library circulation	303,550	210,990	320,990	17,440
Capital outlay	48,702	75,000	178,500	129,798
Contingency	-	100,000	100,000	100,000
<b>Total Expenditures/Expenses</b>	<b>7,504,137</b>	<b>7,995,550</b>	<b>8,099,050</b>	<b>594,913</b>
Excess of Revenues Over Expenditures/Expenses	1,130,499	425,750	392,750	737,749
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(822,800)	(252,800)	(652,800)	(170,000)
<b>Net Change in Fund Balances</b>	<b>307,699</b>	<b>172,950</b>	<b>(260,050)</b>	<b>567,749</b>
Fund Balance - January 1	4,018,954	3,600,000	3,600,000	418,954
<b>Fund Balances--December 31</b>	<b>\$ 4,326,653</b>	<b>\$ 3,772,950</b>	<b>\$ 3,339,950</b>	<b>\$ 986,703</b>

The notes to the basic financial statements are an integral part of this statement.

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# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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## **NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

The Poudre River Public Library District (the District) was created in 2007 as the Fort Collins Regional Library District under the provisions of Article 90 of Title 24 of the Colorado Revised Statutes after a successful election in 2006 to authorize the District formation. The District name was changed to the Poudre River Public Library District in January 2009.

The District is administered by a governing board of seven members who are appointed by the City of Fort Collins and Larimer County. The accompanying financial statements present all of the financial activity for which the District is financially accountable.

The District is considered a stand-alone government for financial reporting purposes. As such, it follows the same principles as if it were a primary government as defined by Governmental Accounting Standards Board Statements No. 14 and 39.

The reporting entity of the District consists of its own legal entity and those organizations for which it is financially accountable. Entities for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are included in the reporting entity. As of December 31, 2011, there are no legal entities that meet this criterion.

### **B. Government-Wide Financial Statements**

The District reports as a special purpose government engaged in a single governmental program. The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of government. Governmental activities are supported by taxes and intergovernmental revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly associated with a specific function or program. 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 program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Investment earnings and other items not properly included among program revenues are reported instead as general revenues.

### **C. Measurement Focus and Basis of Accounting**

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 a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. As under accrual accounting, expenditures are generally recorded when a liability is incurred. However, compensated absences and incurred claims and judgments, are recorded only when payment is due.

Charges for services, amounts due from other governments and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual. Other revenue items such as fines are considered to be measurable and available only when the cash is received by the District, as a result they are not susceptible to accrual.

**D. Financial Statement Presentation**

The accounts of the District are organized and operated 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 balances, revenues and expenditures.

The District reports all of its financial activity in two Governmental Funds – the General Fund and a Capital Projects Fund. The Capital Projects Fund is holding resources that are restricted or committed for either land acquisition or facility design, and for the accumulation of a capital reserve established by the Board of Trustees. All other financial activity and resources are accounted for in the General Fund.

When both restricted, committed and unrestricted resources are available for use, it is the District’s policy to use restricted and committed resources first, then unrestricted resources as they are needed.

**E. Assets, Liabilities and Fund Equity**

Cash and Investments

The District has stated certain investments at fair value in accordance with GASB No. 31. Fair value is determined utilizing the third party custodian’s statements, Wall Street Journal, Bloomberg, and other recognized pricing services.

The District’s cash and investments are held in the name of and managed by the City of Fort Collins. Whenever possible, cash is pooled from the District’s funds to enhance investment capabilities and maximize investment income. Investments are made taking into consideration cash flow needs, market conditions and contingency plans. On behalf of the District, the City’s investment policies prescribe eligible investments, investment diversification, and maturity and liquidity guidance, which are utilized in managing the investment portfolio.

Capital Assets

Capital assets, which are acquired or constructed, are reported at historical cost or estimated historical cost in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of five years or greater. In addition, materials added annually to the library materials collection are capitalized in the aggregate. Once fully depreciated, an annual addition to the collection is deleted. Donated capital assets are recorded at estimated fair market value at 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 other than land, construction-in-progress and impaired assets are depreciated. Depreciation is computed using the straight-line method with estimated useful lives as follows:

- Buildings.....30-50 years
- Furnishings and equipment ..... 5-15 years
- Library materials collection.....7 years

Compensated Absences

The District allows employees to accumulate unused vacation pay and to defer overtime pay by accumulating compensatory leave up to maximum limits. Unused sick pay is not recognized as a liability because it does not meet the criteria for accrual. The liability associated with these benefits is reported in the government-wide financial statements.

## Fund Balance

In the fund financial statements, fund balances of the District's governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable* fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Board of Trustees has established, by resolution, a reserve for working capital equal to 20% of annual revenue and a capital reserve to accumulate by setting aside 3%-5% of annual revenue. The working capital reserve is to be maintained in the General Fund to provide for the cash flow needs of the District. These are reported as committed fund balance and will continue until Board action is taken to change these amounts.

The District has adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The detail for the District's fund balances is as follows:

<b>Fund Balances:</b>	General	Capital Projects	Total
<b>Restricted:</b>			
Emergencies	\$ 240,900	\$ -	\$ 240,900
Donations	100,056	-	100,056
Library technology	608,547	-	608,547
Land and design services	-	141,650	141,650
Capital projects	25,198	-	25,198
<b>Total restricted</b>	<b>974,701</b>	<b>141,650</b>	<b>1,116,351</b>
<b>Committed:</b>			
Working capital	1,672,900	-	1,672,900
Capital projects	-	2,472,969	2,472,969
Total committed	1,672,900	2,472,969	4,145,869
<b>Unassigned</b>	<b>1,679,052</b>	<b>-</b>	<b>1,679,052</b>
<b>Total Fund Balance</b>	<b>\$ 4,326,653</b>	<b>\$ 2,614,619</b>	<b>\$ 6,941,272</b>

## Property Taxes Receivable

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in the subsequent year in two installments on February 28 and June 15, or in total on April 30. Property taxes are billed and collected by Larimer County, Colorado. Taxes for the following year are levied no later than December 15 and are recorded as a receivable with a corresponding offset to unearned revenue.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Fund balances per Balance Sheet	\$ 6,941,272
Inclusion of Capital Assets which are not financial resources and therefore not reported in the Funds	19,560,485
Inclusion of liability for compensated absences budgeted in the fund in future years	<u>(195,878)</u>
Net Assets per Statement of Net Assets	<u>\$ 26,305,879</u>
Net change in Fund Balances per Statement of Revenue, Expenditures and Change in Fund Balance	\$ (1,457,665)
Capitalization of current year addition to the library materials collection	651,148
Capitalization of other capital outlay	2,703,400
Current depreciation of capital assets	(1,361,880)
Inclusion of liability for compensated absences	<u>(2,577)</u>
Change in Net Assets per Statement of Activities	<u>\$ 532,426</u>

**NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Budgetary Accounting and Control

The budget for the General Fund is adopted on a basis which is consistent with generally accepted accounting principles (GAAP).

Legal Level of Control

The legal level of budgetary control is at the individual fund level.

Lapsing Appropriations

All appropriations unexpended or unencumbered lapse at the end of the year. Appropriations which are encumbered at year end are carried over to the ensuing year at which time they are matched with their corresponding expenditures.

### Budgetary Procedures

The District's budget is approved by the governing board prior to the commencement of the fiscal year. The District's management may transfer any unused budgeted amount or portion thereof from one budget category to any other budget category at the legal level of budgetary control without approval of the Board. Other budget amendments must be approved in the form of a resolution by the Board.

One supplemental budget appropriation for the General Fund of \$503,500 was approved in 2011 to increase the transfer to the Capital Projects Fund and to increase capital outlay for improvements made to the Webster House Administration Center. Supplemental budgets were also approved in the Capital Projects Fund totaling \$3,750,000 for the purchase of the Webster House Administration Center and to approve the contractor for the Main Library expansion and remodel.

### Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Open purchase orders and other commitments at year end will be charged to the subsequent year's budget when completed. Therefore, no restriction of fund balance has been recorded.

## **NOTE IV. DETAILED FUND NOTES**

### **A. Deposits and Investments**

The District's deposits and investments are held in the name of and managed by the City of Fort Collins. As such, they are not evidenced by accounts or securities in the District's name that exist in physical or book entry form. The District has adopted the same investment policy as the City. The following deposit and investment disclosures are for the District's share of the City's pooled cash and investments.

#### Custodial Credit Risk – Deposits

For deposits, custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be returned. Due to the federal deposit insurance and the collateral, no deposits for the District were exposed to custodial credit risk. The bank balance of the District's deposits as of December 31, 2011 was \$779,802.

#### Investments

Investment policies are governed by Colorado statute and the District's own investment policies and procedures. Investments of the District may include:

- Obligations of the United States such as T-bills, notes and bonds.
- Bonds or other interest-bearing obligations of which the principal and interest are unconditionally guaranteed by the United States government, such as GNMA bonds, GNMA participation certificates and GNMA pass throughs.
- Debentures or similar obligations issued by a federal intermediate credit bank or by a bank for cooperatives.
- Notes or bonds secured by mortgages or trust deeds insured pursuant to Title II of the "National Housing Act" (the Act), obligations of national mortgage associations or similar credit institutions organized under Title III of the Act and debentures issued by the Federal Housing Administration under Section 204-A of the Act.
- Repurchase agreements of any marketable security, where the market value of such security is at all times at least equal to the moneys involved and there is assignment of such security to the District or its agent.

In accordance with GASB Statement No. 40, the District's investments are subject to interest rate risk, credit risk, concentration of credit risk and custodial credit risk as described below:

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits at least 80 percent of the District's investment portfolio to maturities of less than five years and at least five percent of the District's operating investment portfolio to maturities of 120 days or less. Based on the current rate environment, the District assumes that all callable securities will be called on the first call date.

Credit Risk

The District's investment policy limits investments to the top three ratings issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2011, the City's investments on behalf of the District were rated AA+ or better by Standard & Poor's and Aaa or better by Moody's Investors Service. The District's investment policy also allows for the District to invest in local government investment pools.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the City, on behalf of the District, may invest in any one issuer. At the end of 2011, the District had 92% of the investments in Federal Home Loan Bank (FHLB) agency securities.

Custodial Credit Risk for Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy restrict holding of securities by counterparties.

As of December 31, 2011, the District had the following investments:

<u>Investment Type</u>	<u>Credit Risk Rating</u> <u>S&amp;P/Moody's</u>	<u>Fair</u> <u>Value</u>	<u>Investment Maturities</u>		
			<u>Up to</u> <u>120 days</u>	<u>121 days</u> <u>to 5 years</u>	<u>More than</u> <u>5 years</u>
Instrumentality					
Federal Home Loan Bank (FHLB)	AA+/AAA	\$7,177,296	\$ -	\$6,961,977	\$ 215,319
Certificates of Deposit		608,001	97,280	510,721	-
Total Investments Controlled by the City					
on Behalf of the District		<u>\$7,785,297</u>	<u>\$ 97,280</u>	<u>\$7,472,698</u>	<u>\$ 215,319</u>
Percent of Total			1%	96%	3%

The carrying amounts of deposits and investments are reflected in the accompanying government-wide statement of net assets as:

Cash and cash equivalents	\$ 662,669
Investments	<u>7,785,297</u>
Total	<u>\$8,447,966</u>

The City, on behalf of the District, invests in FHLBs and other mortgage-backed securities. Mortgage-backed securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. If interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

In addition to investments held by the Library District, the Community Foundation of Northern Colorado has a Library Fund which holds donations made directly to the Foundation to benefit the Library District. Five percent of the balance is available for distribution annually or can accumulate for future distributions. In 2011, a distribution of \$72,417 was made to the Library District from the Foundation for improvements to Webster House Administration Center. As of December 31, 2011, the balance in the Library Fund was \$200,307 and all distributable funds had been remitted to the Library District.

## B. Capital Assets

A summary of changes in capital assets for the year follows:

	Beginning of Year	Additions	Deletions	End of Year
Capital assets, not being depreciated				
Land	\$ 1,856,000	\$ 400,000	\$ -	\$ 2,256,000
Construction in process	<u>97,136</u>	<u>1,864,587</u>	<u>-</u>	<u>1,961,723</u>
Total Capital assets, not being depreciated	<u>1,953,136</u>	<u>2,264,587</u>	<u>-</u>	<u>4,217,723</u>
Capital assets, being depreciated				
Buildings	11,717,395	419,940	-	12,137,335
Equipment and furnishings	1,520,785	18,873	-	1,539,658
Library Materials Collection	<u>5,012,152</u>	<u>651,148</u>	<u>270,617</u>	<u>5,392,683</u>
Total Capital Assets, being depreciated	<u>18,250,332</u>	<u>1,089,961</u>	<u>270,617</u>	<u>19,069,676</u>
Less accumulated depreciation				
Buildings	497,659	339,796	-	837,455
Equipment and furnishings	431,763	206,156	-	637,919
Library Materials Collection	<u>1,706,229</u>	<u>815,928</u>	<u>270,617</u>	<u>2,251,540</u>
Total Accumulated Depreciation	<u>2,635,651</u>	<u>1,361,880</u>	<u>270,617</u>	<u>3,726,914</u>
Total capital assets being depreciated, net	<u>15,614,681</u>	<u>271,919</u>	<u>-</u>	<u>15,342,762</u>
Capital Assets, net	<u>\$ 17,567,817</u>	<u>\$ 1,992,668</u>	<u>\$ -</u>	<u>\$ 19,560,485</u>

## C. Long-Term Liabilities

A summary of changes in Long-Term Liabilities for the year follows:

	Beginning of Year	Additions	Deletions	End of Year	Due Within One Year
Compensated absences	<u>\$ 193,301</u>	<u>\$ 205,143</u>	<u>\$ 202,566</u>	<u>\$ 195,878</u>	<u>\$ 195,878</u>

Compensated absences are generally liquidated by the General Fund.

## **NOTE V. OTHER INFORMATION**

### **A. Risk Management**

#### Property, Liability, and Workers Compensation

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and injuries to employees and natural disasters.

The District purchases commercial insurance for risks of loss in excess of deductible amounts. Settlements did not exceed insurance coverage in 2011.

The District participates in the City of Fort Collins' self-insured health program.

### **B. Retirement Commitment**

#### Money Purchase Plan 401(a)

The District offers its employees a defined contribution money purchase plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months from the date of employment. The plan requires both employer contributions of 6.5% and employee contributions of 3% of base salary each pay period. Contributions made by the District are not taxable to the employee until they are withdrawn. Employee contributions are made with pre-tax or after tax dollars, and the earnings on District and employee contributions are not taxed until withdrawn. Employees are fully vested upon initial participation in the plan. Plan provisions and contribution requirements are established and may be amended by District's Board of Trustees. District and employee contributions to the plan were \$194,236 and \$78,214, respectively during 2011.

### **C. Related Party Transactions**

Pursuant to an intergovernmental agreement with the City of Fort Collins, the District contracts for support services including accounting, budgeting, treasury management, accounts payable, payroll, facility maintenance, human resources, purchasing, information technology and risk management. In 2011, the District paid the City \$322,338 for these services. The City also provides employee benefits to the District's employees through the City's Human Resources Department. The District and its employees pay the same benefit premiums as the City and its employees.

In prior years, the citizens of Fort Collins have approved sales taxes specifically for library technology as part of the Building on Basics (BOB) initiative. Annually through 2015, the City will be transferring \$744,000 to the District as BOB funds. In 2011, the District spent \$611,266 of those funds. The District is reporting the unspent balance of these sales tax initiatives as Restricted for Library Technology in the General Fund.

### **D. Legal Matters**

#### Tax, Spending, and Debt Limitations

Article X, Section 20, of the State Constitution has several limitations, including those for revenues, expenditures, property taxes and issuance of debt. The Amendment is complex and subject to judicial interpretation. As part of the ballot language that formed the District, permission was given to retain all revenue generated by the current mill levy and other operating revenues. The District is required to comply with all other aspects of this amendment including needing voter approval to increase tax rates or issue debt.

### **E. Construction Commitments**

The District had commitments of approximately \$2,557,000 for capital projects at December 31, 2011. Future expenditures related to these commitments are expected to be financed through available resources and future revenues.

## SUPPLEMENTARY INFORMATION

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**POUDRE RIVER PUBLIC LIBRARY DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Actual</u>	<u>Budget (Original)</u>	<u>Budget (Final)</u>	<u>Variance- Positive (Negative)</u>
<b>REVENUES</b>				
Earnings on investments	\$ 68,018	\$ -	\$ -	\$ 68,018
<b>EXPENDITURES</b>				
Capital Outlay				
Main Library Expansion and Remodel	1,864,587	-	2,950,000	1,085,413
Webster House Administration Center	791,595	-	800,000	8,405
Total Capital Outlay	<u>2,656,182</u>	<u>-</u>	<u>3,750,000</u>	<u>1,093,818</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,588,164)	-	(3,750,000)	1,161,836
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>822,800</u>	<u>255,800</u>	<u>652,800</u>	<u>170,000</u>
<b>Net Change in Fund Balances</b>	(1,765,364)	255,800	(3,097,200)	1,331,836
Fund Balance - January 1	<u>4,379,983</u>	<u>4,379,983</u>	<u>4,379,983</u>	<u>-</u>
<b>Fund Balances--December 31</b>	<u><u>\$ 2,614,619</u></u>	<u><u>\$ 4,635,783</u></u>	<u><u>\$ 1,282,783</u></u>	<u><u>\$ 1,331,836</u></u>

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