

**ESTES VALLEY PUBLIC LIBRARY DISTRICT**  
**FINANCIAL STATEMENTS**

**December 31, 2011**

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Board of Trustees  
Estes Valley Public Library District  
Estes Park, Colorado

#### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Estes Valley Public Library District as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the Estes Valley Public Library District, as listed in the table of contents. These financial statements are the responsibility of the Estes Valley Public Library District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Estes Valley Public Library Foundation, Inc., a discretely presented component unit. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Estes Valley Public Library Foundation, Inc., is based solely on the report of the other auditor.

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 and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Estes Valley Public Library District as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

For the year ended December 31, 2011, the Estes Valley Public Library District adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Estes Valley Public Library District's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Swankus Company LLC*

June 14, 2012

## ESTES VALLEY PUBLIC LIBRARY DISTRICT

### Management's Discussion and Analysis

As management of Estes Valley Public Library District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2011. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

#### Overview of the Financial Statements

This Management's Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements. Comparative data are presented when available.

#### Government-wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

- The *Statement of Net Assets*. This is the government-wide statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of District infrastructure, in addition to the financial information provided in this report.
- The *Statement of Activities* reports how the District's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by property taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general library operations. The District has no business-type activities.

The government-wide financial statements include not only the District itself (known as the primary government), but also a legally separate entity which has a significant operational or financial relationship with the District. This entity, a discretely presented component unit, is the Estes Valley Public Library Foundation, Inc. More information on the functions of this entity can be found in Note 1 to the financial statements.

#### Fund Financial Statements

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

The District has one fund type. *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, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the difference between these two perspectives.

#### Notes to Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's detailed budget presentations. These statements demonstrate compliance with the District's adopted and final revised budget.

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

The following represents condensed financial information taken from the government-wide (accrual basis) financial statements for the year ended December 31, 2011.

	<b>2011</b>	<b>Percent of Total</b>	<b>2010</b>	<b>Percent of Total</b>
<b>ASSETS</b>				
Current assets	\$2,209,016	55.9%	\$2,156,560	55.0%
Capital Assets, net of accumulated depreciation	1,740,949	44.1%	1,764,313	45.0%
<b>Total assets</b>	<b>3,949,965</b>	<b>100.0%</b>	<b>3,920,873</b>	<b>100.0%</b>
<b>LIABILITIES</b>				
Current liabilities	1,348,605	86.5%	1,448,884	82.1%
Long-term liabilities	209,820	13.5%	315,000	17.9%
<b>Total liabilities</b>	<b>1,558,425</b>	<b>100.0%</b>	<b>1,763,884</b>	<b>100.0%</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,560,949	65.3%	1,408,480	65.3%
Restricted	260,991	10.9%	230,530	10.7%
Unrestricted	569,600	23.8%	517,979	24.0%
<b>Total net assets</b>	<b>2,391,540</b>	<b>100.0%</b>	<b>2,156,989</b>	<b>100.0%</b>

## REVENUES

### Program revenues -

Charges for services	14,731	1.0%	14,661	1.0%
Operating grants and contributions	58,920	3.9%	81,935	5.6%
General revenues-				
Taxes	1,421,542	94.9%	1,367,070	93.2%
Loss on disposal of assets	0	0.0%	(178)	0.0%
Investment income	1,415	0.1%	2,544	0.2%
Other revenues	1,160	0.1%	516	0.0%
Total revenues	<u>1,497,768</u>	<u>100.0%</u>	<u>1,466,548</u>	<u>100.0%</u>

## EXPENSES

### Current

Library services	1,243,050	98.4%	1,251,442	97.7%
Debt Service				
Interest and fiscal charges	<u>20,167</u>	<u>1.6%</u>	<u>30,189</u>	<u>2.4%</u>
Total expenses	<u>1,263,217</u>	<u>100.0%</u>	<u>1,281,631</u>	<u>100.0%</u>

CHANGE IN NET ASSETS	<u>234,551</u>	<u>184,917</u>
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The District's net assets increased 10.9% or \$234,551, due primarily to an increase in property tax revenues, coupled with reductions in almost all major expenditure categories. Most of the District's net assets are reflected in the investment in capital assets - 65.3%. Accordingly, these assets are not an available source for payment of future spending. Of the remaining net assets, 3% of the governmental activities annual subject revenue (gross General Fund revenue less private grants and contributions), \$43,000 for 2011, is restricted for use in the event of an emergency.

The District is heavily reliant on property tax revenue to support operations. During 2011, taxes provided 94.9% of the District's total revenues. Also, note that program revenues cover less than 5% of total revenues. Consequently, the general economy and the changes in both residential and commercial property values have a major impact on the District's revenue streams.

For the tax collection years 2000 - 2004, the annual authorized operating mill levy was 2.39, then on November 2, 2004, the voters approved an increase to 3.28 mills for 2005 collection and each year thereafter. Since 1999, the voters allowed the District to collect, keep and expend all revenues (other than excess property tax revenue). It was also exempted from the old law 5.5% property tax revenue limitation. This has prevented the "ratchet-down" effect that the Taxpayer's Bill of Rights used to have on the District's property tax revenue.

The District maintains a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. However, to make this ratio meaningful, we have eliminated the property taxes receivable and the related deferred revenue. After this elimination, governmental current assets are \$893,277 and current liabilities are \$104,388. As a result, the current ratio for the District overall is 8.56 to 1 (7.89 to 1 for 2010).

## Financial Analysis of the Funds

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 financial requirements. In particular, *unrestricted, unassigned fund balance* may serve as a useful measure of the District's net resources that are available for spending at the end of the fiscal year.

The District has two governmental funds: the General Fund and the Debt Service Fund. The General Fund is the chief operating fund of the District, whereas the Debt Service Fund accounts for revenues and spending directly related to debt service. Governmental funds increased \$78,659 in 2011, with ending fund balances totaling \$860,824 (\$657,833 in the General Fund; \$202,991 in the Debt Service Fund).

## **Capital Assets and Long-Term Debt**

During 2011, in addition to the regular book and material inventory additions, the District expended \$59,644 to replace the section of roof covering the Children's Room, re-stained the entire exterior and retrofitted energy-efficient lighting on the 2<sup>nd</sup> floor. Over \$29,000 was spent on numerous Adult Programming initiatives, including "Common Cents Counts," and "One Book / One Valley" signature programs. These programs were largely funded through grant funds.

At the end of 2011, the District had outstanding general obligation bonds totaling \$180,000. During the year, the District called and paid \$135,000 of its general obligation bonds prior to maturity. A total of \$175,000 in principal payments was made during the year.

## **General Fund Budgetary Highlights**

General Fund revenues were \$1,274,567; \$47,390 less than final budget estimates. This was primarily due to less contributions than what were expected; a direct result of the slow economic recovery. Expenditures more than compensated for the revenue shortfall. Library services were \$31,951 under budget, while some capital projects were either eliminated or deferred, thereby saving an additional \$103,856 vs. budget. Overall, the net change in fund balance (+\$55,234) was \$88,417 better than the budgeted \$33,183 loss.

## **Currently Known Facts**

- Members of the District Board of Trustees, staff, Estes Park Public Library Foundation and Friends of Estes Park Library met in May 2006 to formulate a strategic plan that outlined seven goals: 1) building our collections, programs and services; 2) developing our staff to meet the challenges of the future; 3) expanding our use of technology; 4) marketing our message as the community's premier information resource; 5) demonstrating accountable stewardship of our resources; 6) maintaining and updating our facilities, and 7) developing a culture that values results. This strategic plan will drive future budgets. To meet the plan's objectives, the District began outsourcing materials processing, enacted personnel changes and reached out to the Estes Valley community with mailing of the annual report and ongoing programming.
- The strategic plan continues to drive future budgets. To meet the plan's 2010 objective, "A Year of Staff Development", the Library invested in additional in-house trainings and off-site conferences for staff and volunteers. Staff offices were remodeled for greater work efficiency and comfort. 2010 also saw the introduction of branding tools to market the Library's message. We continue to reach out to the Estes Park community with the mailing of the annual report, and an expansion of adult programs.
- In 2011, staff and volunteers are preparing for significant changes in operations, including but not limited to RFID materials handling installation. These automation efficiencies are implemented as the Library significantly expands adult programming options, including the 2<sup>nd</sup> and final year of the "Common Cents Counts" grant-funded financial literacy program series, and the introduction of "One Book/One Valley" signature event, funded by the Library Foundation at \$10,000. The Friends, meanwhile, gave \$10,000 to enhance the ever-popular audio/visual collection, and another \$30,000 for materials, online database and staff support to expand adult programming, per community forum feedback.
- In 2012, the Library plans to replace three 20-year old HVAC units, implement the next phase of RFID, continue offering expanded adult programs and introduce downloadable books.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Estes Valley Public Library District, PO Box 1687, Estes Park, Colorado 80517, or you may call the library director at (970) 586-8116.

## **BASIC FINANCIAL STATEMENTS**

## ESTES VALLEY PUBLIC LIBRARY DISTRICT

STATEMENT OF NET ASSETS

December 31, 2011

	PRIMARY GOVERNMENT ACTIVITIES	COMPONENT UNIT FOUNDATION
<b>ASSETS</b>		
Cash and Investments	\$ 883,629	\$ 1,007,106
Accounts Receivable	7,396	2,665
Property Taxes Receivable	1,315,739	-
Prepaid Expenses	2,252	1,328
Capital Assets, Net of Accumulated Depreciation	<u>1,740,949</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>3,949,965</u></b>	<b><u>1,011,099</u></b>
<b>LIABILITIES</b>		
Accounts Payable	25,095	12,796
Accrued Salaries and Benefits	12,590	-
Deferred Revenues	1,310,507	-
Accrued Interest Payable	413	-
Noncurrent Liabilities		
Due Within One Year	66,290	-
Due in More Than One Year	<u>143,530</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,558,425</u></b>	<b><u>12,796</u></b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,560,949	-
Restricted for Special Needs Materials		
Nonexpendable	15,000	-
Restricted for Debt Service	202,991	-
Restricted for Emergencies	43,000	-
Restricted for Library Programs		
Nonexpendable	-	908,099
Expendable	-	99,646
Unrestricted	<u>569,600</u>	<u>(9,442)</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 2,391,540</u></b>	<b><u>\$ 998,303</u></b>

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

## ESTES VALLEY PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	COMPONENT UNIT
				GOVERNMENTAL ACTIVITIES	FOUNDATION
PRIMARY GOVERNMENT					
<b>Governmental Activities</b>					
Library Services	\$ 1,243,050	\$ 14,731	\$ 34,019	\$ (1,194,300)	\$ -
Interest Expense	20,167	-	-	(20,167)	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 1,263,217</b>	<b>\$ 14,731</b>	<b>\$ 34,019</b>	<b>(1,214,467)</b>	<b>-</b>
<b>Component Unit</b>					
Foundation	\$ 17,309	\$ -	\$ 16,558	-	(751)
	<b>GENERAL REVENUES</b>				
	Property Taxes			1,337,979	-
	Specific Ownership Taxes			83,563	-
	Contributions not Restricted to Specific Programs			24,901	49,653
	Investment Income			1,415	57,522
	Miscellaneous			1,160	-
	<b>TOTAL GENERAL REVENUES</b>			<b>1,449,018</b>	<b>107,175</b>
	<b>CHANGE IN NET ASSETS</b>				
				234,551	106,424
	<b>NET ASSETS, Beginning</b>			<b>2,156,989</b>	<b>891,879</b>
	<b>NET ASSETS, Ending</b>			<b>\$ 2,391,540</b>	<b>\$ 998,303</b>

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2011

	GENERAL	DEBT SERVICE	TOTALS
<b>ASSETS</b>			
Cash and Investments	\$ 680,638	\$ 202,991	\$ 883,629
Accounts Receivable	7,396	-	7,396
Property Taxes Receivable	1,126,313	189,426	1,315,739
Prepaid Items	2,252	-	2,252
<b>TOTAL ASSETS</b>	<b>\$ 1,816,599</b>	<b>\$ 392,417</b>	<b>\$ 2,209,016</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 25,095	\$ -	\$ 25,095
Accrued Salaries and Benefits	12,590	-	12,590
Deferred Revenues	1,121,081	189,426	1,310,507
<b>TOTAL LIABILITIES</b>	<b>1,158,766</b>	<b>189,426</b>	<b>1,348,192</b>
<b>FUND BALANCE</b>			
Nonspendable Cash and Investments for Special Needs Materials	15,000	-	15,000
Nonspendable Prepaid Items	2,252	-	2,252
Restricted for Debt Service	-	202,991	202,991
Restricted for Emergencies	43,000	-	43,000
Unrestricted, Unassigned	597,581	-	597,581
<b>TOTAL FUND BALANCE</b>	<b>657,833</b>	<b>202,991</b>	<b>860,824</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,816,599</b>	<b>\$ 392,417</b>	<b>\$ 2,209,016</b>

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

Total Fund Balance of Governmental Funds	\$ 860,824
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,740,949
Long-term liabilities, including general obligation bonds (\$180,000), accrued compensated absences (\$29,820), and accrued interest payable (\$413), are not due and payable in the current year and, therefore, are not reported in the funds.	(210,233)
Total Net Assets of Governmental Activities	\$ 2,391,540

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

## ESTES VALLEY PUBLIC LIBRARY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

Year Ended December 31, 2011

	GENERAL	DEBT SERVICE	TOTALS
<b>REVENUES</b>			
Property Taxes	\$ 1,128,168	\$ 209,811	\$ 1,337,979
Specific Ownership Taxes	70,459	13,104	83,563
Charges for Services	14,731	-	14,731
Contributions	58,920	-	58,920
Investment Income	1,129	286	1,415
Miscellaneous	1,160	-	1,160
<b>TOTAL REVENUES</b>	<b>1,274,567</b>	<b>223,201</b>	<b>1,497,768</b>
<b>EXPENDITURES</b>			
Current			
Library Services	1,159,689	4,189	1,163,878
Capital Outlay	59,644	-	59,644
Debt Service			
Principal	-	175,000	175,000
Interest and Fiscal Charges	-	20,587	20,587
<b>TOTAL EXPENDITURES</b>	<b>1,219,333</b>	<b>199,776</b>	<b>1,419,109</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>55,234</b>	<b>23,425</b>	<b>78,659</b>
<b>FUND BALANCE, Beginning</b>	<b>602,599</b>	<b>179,566</b>	<b>782,165</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 657,833</b>	<b>\$ 202,991</b>	<b>\$ 860,824</b>

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

Net Change in Fund Balance of Governmental Funds	\$ 78,659
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 assets and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$175,886) and loss on disposal (\$2,247) exceeded capital outlay \$154,769 in the current year.	(23,364)
Payments of long-term debt principal are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	175,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the change in accrued compensated absences \$3,836, and accrued interest payable \$420.	4,256
Change in Net Assets of Governmental Activities	<u>\$ 234,551</u>

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Estes Valley Public Library District (the “District”) was formed on November 8, 1988, by the electorate of Larimer County and the Town of Estes Park. The District is governed by a seven-member Board of Trustees appointed by Larimer County and the Town of Estes Park.

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 the organization provides benefits to, or imposes financial burdens, on the District.

The Estes Valley Public Library Foundation, Inc. (the “Foundation”) is reported as a discretely presented component unit in the financial statements. The Foundation is a non-profit organization incorporated to assist in the promotion, development, and enhancement of the facilities and educational programs of the staff and patrons of the District. Separate financial statements for the Foundation may be obtained by writing to P.O. Box 1470, Estes Park, Colorado 80517.

The Friends of Estes Park Library (“Friends”) is a non-profit organization formed to supplement the resources available to the District. Because the resources of Friends are not significant to the District, the financial activities of Friends are not reported in the financial statements. Separate financial statements for Friends may be obtained by writing to P.O. Box 1687, Estes Park, Colorado 80517.

**Government-wide and Fund Financial Statements**

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

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**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.

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

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

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

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

When both restricted and unrestricted resources are available for 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 funds:

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

The *Debt Service Fund* accounts for a dedicated property tax restricted for payment of the District's general obligation debt.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Cash and Investments* - Investments are reported at fair value.

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

*Prepaid Expenses* - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

*Capital Assets* - Capital assets, which include buildings and improvements, furniture and equipment, and books and audio visual materials, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$1,500 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 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 asset 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 depreciation rate for the group as a whole.

Buildings and Improvements	20 - 40 years
Furniture and Equipment	5 - 10 years
Library Books and Audio Visual Materials	6 years

*Deferred Revenues* - Property taxes earned but levied for a subsequent year are reported as deferred revenues.

*Compensated Absences* - Employees of the District are allowed to accumulate unused vacation time. Upon termination of employment from the District, an employee will be compensated for all accrued vacation time at their current pay rate.

These compensated absences are recognized as expenditures when due in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences, which are expected to be liquidated with revenues of the General Fund.

*Long-Term Obligations* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

*Net Assets/Fund Balances* - In the government-wide and fund financial statements, net assets and fund balances are restricted when constraints placed on the use of resources are externally imposed.

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, the District uses restricted fund balance first.

**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, 2011, follows:

Petty Cash	\$ 185
Deposits	86,738
Investments	<u>796,706</u>
Total	<u><u>\$ 883,629</u></u>

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 2: CASH AND INVESTMENTS** (Continued)

**Deposits**

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

**Investments**

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, concentration and custodial risk criteria in which local governments may invest, which include the following.

- 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 investments to those with specified ratings, as provided by nationally recognized statistical rating organizations, depending on the investment type.

*Local Government Investment Pool* - At December 31, 2011, the District had \$796,706 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAA by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2011, is summarized below.

	Balances 12/31/10	Additions	Deletions	Balances 12/31/11
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 2,199,100	\$ 32,076	\$ -	\$ 2,231,176
Furniture and Equipment	314,115	28,608	46,472	296,251
Library Books and Audio Visual Materials	<u>672,991</u>	<u>94,085</u>	<u>46,381</u>	<u>720,695</u>
Total Capital Assets, Being Depreciated	<u>3,186,206</u>	<u>154,769</u>	<u>92,853</u>	<u>3,248,122</u>
Less Accumulated Depreciation				
Buildings and Improvements	(823,457)	(61,820)	-	(885,277)
Furniture and Equipment	(210,079)	(21,184)	(44,225)	(187,038)
Library Books and Audio Visual Materials	<u>(388,357)</u>	<u>(92,882)</u>	<u>(46,381)</u>	<u>(434,858)</u>
Total Accumulated Depreciation	<u>(1,421,893)</u>	<u>(175,886)</u>	<u>(90,606)</u>	<u>(1,507,173)</u>
Governmental Activities Capital Assets, Net	<u><b>\$ 1,764,313</b></u>	<u><b>\$ (21,117)</b></u>	<u><b>\$ 2,247</b></u>	<u><b>\$ 1,740,949</b></u>

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended December 31, 2011.

	Balance 12/31/10	Additions	Payments	Balance 12/31/11	Due Within One Year
General Obligation Bonds	\$ 355,000	\$ -	\$ 175,000	\$ 180,000	\$ 40,000
Compensated Absences	<u>33,656</u>	<u>29,640</u>	<u>33,476</u>	<u>29,820</u>	<u>26,290</u>
<b>Total</b>	<b><u>\$ 388,656</u></b>	<b><u>\$ 29,640</u></b>	<b><u>\$ 208,476</u></b>	<b><u>\$ 209,820</u></b>	<b><u>\$ 66,290</u></b>

In December, 2000, the District issued \$805,000 General Obligation Bonds to finance the expansion of the District's facilities and to purchase furniture and equipment. During the year ended December 31, 2011, the District called and paid bonds totaling \$135,000 prior to maturity. Interest payments are due semi-annually on June 15 and December 15, at interest rates ranging from 5.35% to 5.65% per annum. Principal payments are due annually on December 15, through 2015. Future debt service requirements are as follows.

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 40,000	\$ 9,915	\$ 49,915
2013	45,000	7,775	52,775
2014	45,000	5,323	50,323
2015	<u>50,000</u>	<u>2,825</u>	<u>52,825</u>
<b>Total</b>	<b><u>\$ 180,000</u></b>	<b><u>\$ 25,838</u></b>	<b><u>\$ 205,838</u></b>

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 5: RETIREMENT COMMITMENTS**

**Defined Benefit Multiple-Employer Pension Plan**

*Plan Description* - The District contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA). The LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained by contacting Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203.

*Funding Policy* - Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of Plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% for the past three years. The District's contribution rates for the years ended December 31, 2011, 2010 and 2009, were 13.7%, 13.7% and 12.8% of covered salaries, respectively. A portion of the District's contribution (1.02% of covered salaries) was allocated to the Health Care Trust Fund (See Note 6). The District's contributions to LGDTF for the years ended December 31, 2011, 2010 and 2009 were \$63,842, \$68,950 and \$69,618, respectively, equal to the required contributions for each year.

**NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

*Funding Policy* - The District was required to contribute at a rate of 1.02% of covered salaries for all PERA members as set by statute. No member contributions were required. The contribution requirements are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's apportionment to the HCTF for the years ended December 30, 2011, 2010 and 2009 were \$4,753, \$5,546 and \$6,028, respectively, equal to the required amounts for each year.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Ground Lease**

On March 1, 1990, the District approved a ground lease with the Town of Estes Park to allow for the construction of a library facility on the site. Lease payments of \$1 are due annually on March 1, through 2089. At the end of the lease term, all title and interest of the District in the site will vest in the Town of Estes Park.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, Article X, Section 20, which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment.

In November 1999, electors within the District authorized the District to collect and keep and expend all revenues received and to continue to levy its operating mill levy of 2.39 mills in 1999 and each year thereafter.

The District has established a reserve for emergencies, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2011, the emergency reserve of \$43,000 was reported as restricted fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

## ESTES VALLEY PUBLIC LIBRARY DISTRICT

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

Year Ended December 31, 2011

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 1,131,507	\$ 1,128,168	\$ (3,339)
Specific Ownership Taxes	65,000	70,459	5,459
Charges for Services	11,975	14,731	2,756
Contributions	111,500	58,920	(52,580)
Investment Income	1,660	1,129	(531)
Miscellaneous	315	1,160	845
<b>TOTAL REVENUES</b>	<b>1,321,957</b>	<b>1,274,567</b>	<b>(47,390)</b>
<b>EXPENDITURES</b>			
Current			
Library Services	1,191,640	1,159,689	31,951
Capital Outlay	163,500	59,644	103,856
<b>TOTAL EXPENDITURES</b>	<b>1,355,140</b>	<b>1,219,333</b>	<b>135,807</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(33,183)</b>	<b>55,234</b>	<b>88,417</b>
<b>FUND BALANCE, Beginning</b>	<b>635,737</b>	<b>602,599</b>	<b>(33,138)</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 602,554</b>	<b>\$ 657,833</b>	<b>\$ 55,279</b>

See the accompanying Independent Auditors' Report.

ESTES VALLEY PUBLIC LIBRARY DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2011

**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Management submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 15, the budget is legally enacted through passage of a resolution.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- All appropriations lapse at year end.

**SUPPLEMENTARY INFORMATION**

## ESTES VALLEY PUBLIC LIBRARY DISTRICT

BUDGETARY COMPARISON SCHEDULEDEBT SERVICE FUND

Year Ended December 31, 2011

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 200,689	\$ 209,811	\$ 9,122
Specific Ownership Taxes	7,500	13,104	5,604
Investment Income	<u>500</u>	<u>286</u>	<u>(214)</u>
<b>TOTAL REVENUES</b>	<b><u>208,689</u></b>	<b><u>223,201</u></b>	<b><u>14,512</u></b>
<b>EXPENDITURES</b>			
Current			
Library Services	4,211	4,189	22
Debt Service			
Principal	175,000	175,000	-
Interest and Fiscal Charges	<u>29,230</u>	<u>20,587</u>	<u>8,643</u>
<b>TOTAL EXPENDITURES</b>	<b><u>208,441</u></b>	<b><u>199,776</u></b>	<b><u>8,665</u></b>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>248</u></b>	<b><u>23,425</u></b>	<b><u>23,177</u></b>
<b>FUND BALANCE, Beginning</b>	<b><u>237,141</u></b>	<b><u>179,566</u></b>	<b><u>(57,575)</u></b>
<b>FUND BALANCE, Ending</b>	<b><u>\$ 237,389</u></b>	<b><u>\$ 202,991</u></b>	<b><u>\$ (34,398)</u></b>

See the accompanying Independent Auditors' Report.