

**GARFIELD COUNTY  
PUBLIC LIBRARY DISTRICT**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2012

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor’s Report</b>	1
<b>Management’s Discussion and Analysis</b>	3
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Reconciliation of the Governmental Fund Balance Sheet to the Governmental Fund Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balance – Governmental Funds	13
Reconciliation of the Governmental Fund Statement of Revenue Expenditures, and Changes in Fund Balances to the Statement of Activities	14
<b>Notes to Basic Financial Statements</b>	15
<b>Required Supplemental Information</b>	
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	25
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Improvement Fund	26

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**Independent Auditor's Report**

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To the Board of Trustees  
Garfield County Public Library District  
Rifle, Colorado

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Garfield County Public Library District (the District), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the remaining fund information of the District as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The budgetary comparison information on pages 25 and 26 are not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board.

The budgetary comparison information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 budgetary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Dalby Wendland & Co, P.C.*

DALBY, WENDLAND & CO., P.C.  
Grand Junction, Colorado

August 2, 2013

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## Management's Discussion and Analysis

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## GARFIELD COUNTY PUBLIC LIBRARY DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2012

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The financial managers of Garfield County Public Library District (the District) present the following discussion and analysis of the District's financial performance to provide an overview of the District's financial activities for the fiscal year ended December 31, 2012. The District encourage readers to consider the information presented here in conjunction with the information furnished in the basic financial statements to better understand the financial position of the District.

#### **Financial Highlights**

- 2012 financials show another difficult year for the District. The sales tax had shown a slow but steady increase until August, when it began to decline. Additionally, the 2011 State of Colorado sales tax refund continues to be an issue for the District. The sales tax refund was not completed by the fall of 2012 as predicted, and the refund will continue into 2013. The District had \$220,077 reduced from its 2012 sales tax collection to pay for the refund. Over the past two years there has been a total of \$924,269 refund deducted from the District's sales tax collection, although Garfield County gave the District a grant of \$487,500 to offset the loss. The District continues to operate with only a slightly reduced staff and has not cut hours of operations.
- Property tax collections remained steady for 2012.
- The Board of Trustees voted to use Capital Improvement Funds to support operations of the new facilities as allowed by the voters. The District transferred \$700,000 from the Capital Improvement Fund to the General Fund.
- The total revenues from both funds were \$6.8 million in 2012 compared to \$6.1 million for 2011. This revenue increase can be attributed to the sales tax refund from the State of Colorado not refunded in 2012 as predicted.
- District expenditures increased from 2011 to 2012. Total expenditures in 2012 were \$14.6 million, compared to \$9.1 million in 2011, or a 60% increase. Operations (or General Fund) increased at a modest 3% but the Capital Improvement Fund expenditures increased by 95% because of the 4 projects under construction in 2012. The New Castle and Silt Branch Libraries were completed in 2012, and the Glenwood and Carbondale libraries were under construction and are expected to complete in 2013.
- The New Castle Branch Library remodel was completed in April, 2012. The total cost of the redesigned 10,000 square feet facility was \$2.7 million, which includes Furniture, Fixtures & Equipment (FF&E) and opening day collections. The project was funded by the balance of the 2009 COPS and property tax.
- The Silt Branch Library project was completed in October, 2012. The cost of the 7500 square foot new building was \$2.2 million including FF&E and opening day collections. The project was funded solely by property tax.
- The new Carbondale Branch Library broke ground in May, 2012. A team was hired to incorporate artistic features in the new building and the District formed a committee to actively raise funds to pay for the art. This facility is expected to open in July, 2013. The total budget for this project is \$5.4

million, which includes design, construction, FF&E and other soft costs, and will be mostly funded by the proceeds of the 2010 COPS.

- The Glenwood Branch Library started by breaking ground in April, 2012. There is a parking structure for Colorado Mountain College (CMC) below street level, the library on the ground floor, and the second floor will be shared by CMC and the library. The project is on budget and the total cost is \$6.3 million including FF&E and other soft costs. This project is mostly funded by 2010 COPS.
- The General Fund reported a fund balance at December 31 of \$1.9 million (2012), \$1.9 million (2011) and \$2.3 million (2010).
- The Capital Improvement Fund reported a fund balance at December 31 of \$9.0 million (2012), \$16.7 million (2011) and \$19.2 million (2010). As the building projects are completed the Capital Improvement fund balance will continue to drop.

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

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

Because of the nature and significance of the relationship between the District and Garfield County Public Library Foundation (the Foundation), the Foundation is determined to be a discretely presented component within the financial statements of the District for 2012.

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

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. They are prepared using the full accrual basis of accounting.

The Statement of Net Position presents information on all of the District's assets and liabilities (both short-term and long-term, if any), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities shows how the District's net position changed during the most recent fiscal year by listing the revenues collected and expenses incurred. Revenues and expenses are recorded on an accrual basis; some of these items may incur related cash flow in future periods.

The government activity of the District is library services. There are currently no business-type activities of the District. The government-wide statements can be found on pages 9 and 10.

As noted earlier, net position may serve, over time, as a useful indicator of the governmental entity's financial position. The District assets exceeded liabilities and deferred inflows at December 31, by \$16,926,768 (2012), \$15,921,725 (2011), and \$13,974,796 (2010).



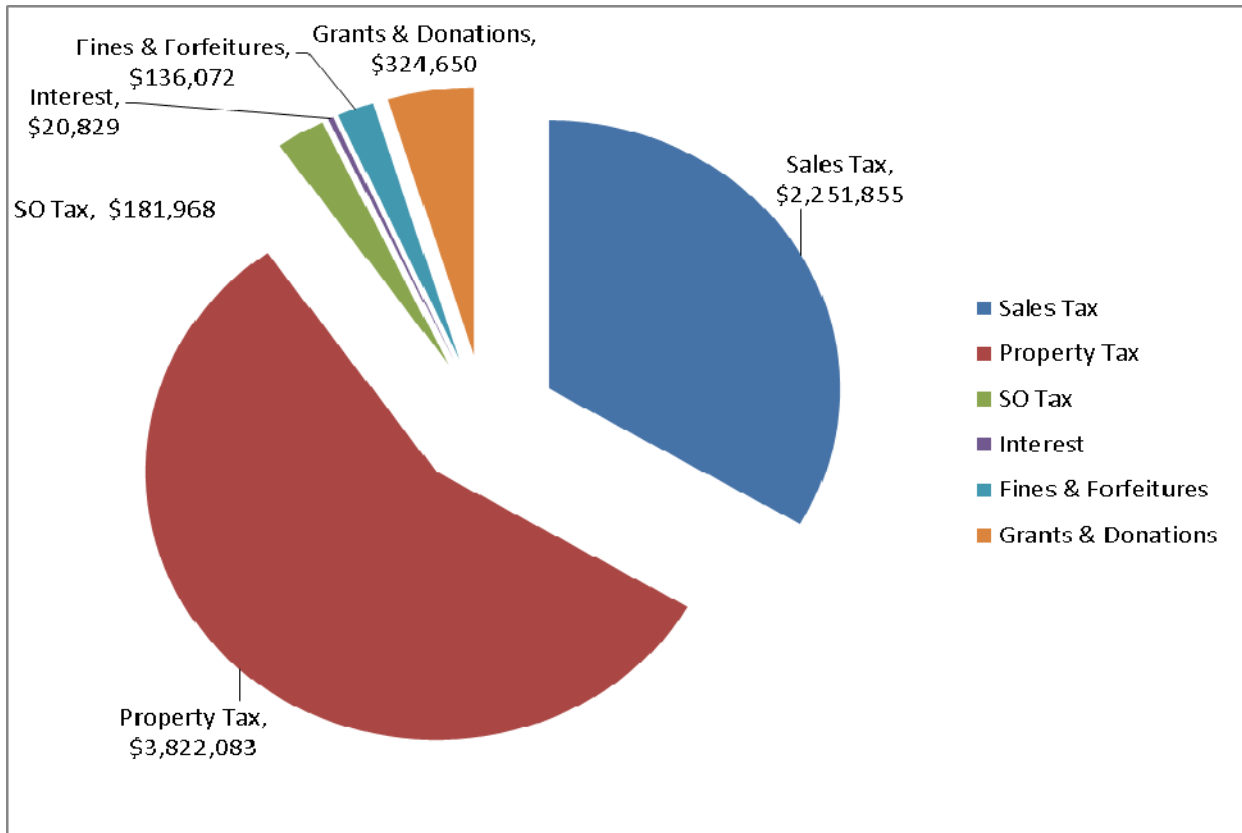
The following summarized the District's Statement of Net Position at December 31:

	2012	2011
<b>Assets</b>		
Current and other assets	\$ 17,020,185	\$ 23,926,380
Capital assets, net	25,797,407	17,763,117
<i>Total Assets</i>	<u>42,817,592</u>	<u>41,689,497</u>
<b>Liabilities</b>		
Certificates of participation	20,505,000	21,490,000
Accounts payable and other liabilities	1,502,886	528,780
<i>Total Liabilities</i>	<u>22,007,886</u>	<u>22,018,780</u>
<b>Deferred Inflows of Resources</b>		
Deferred revenue	3,927,613	3,748,992
<i>Total Deferred Inflows of Resources</i>	<u>3,927,613</u>	<u>3,748,992</u>
<b>Net Position</b>		
Invested in capital assets, net	5,868,258	(1,325,538)
Restricted for emergencies	101,100	101,100
Restricted for capital projects	8,986,601	16,667,460
Unrestricted	1,926,134	478,703
<i>Total Net Position</i>	<u>\$ 16,882,093</u>	<u>\$ 15,921,725</u>

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

	2012	2011
<b>Revenue</b>		
Program Revenue:		
Gifts and donations	\$ 10,900	\$ 73,115
Fines and forfeitures	136,072	117,569
Grants	70,000	110,390
General Revenue:		
Sales taxes, net	2,251,855	2,019,511
Property taxes levied for capital improvements, net	3,822,083	3,415,026
Intergovernmental revenue	243,750	243,750
Loss on disposal of assets	(353,484)	(715,336)
Specific ownership tax	181,968	154,391
Amortization on premium and discount	4,604	4,605
Interest	20,829	92,395
<i>Total Revenue</i>	<u>6,388,577</u>	<u>5,515,416</u>
<b>Expenses</b>		
Library services	4,141,664	4,193,040
General government	1,286,545	1,158,422
<i>Total Expenses</i>	<u>5,428,209</u>	<u>5,351,462</u>
<i>Change in Net Position</i>	<u>960,368</u>	<u>163,954</u>
<b>Net Position - beginning of the year</b>	<u>15,921,725</u>	<u>15,757,771</u>
<b>Net Position - end of the year</b>	<u>\$ 16,882,093</u>	<u>\$ 15,921,725</u>

Almost all of the District's revenue, 92.9%, was from sales tax, property tax and specific ownership tax. Operating revenue, which includes fines on overdue materials, fees for use of equipment, interest income, reimbursement to the District by patrons for lost library materials, and other miscellaneous revenue, accounted for 2.1%, and gifts, grants and support from Garfield County generated 5% of District's revenue.



**Fund Financial Statements**

The fund financial statements are designed to provide readers with an overview of the recent fiscal activities of the District and are reported using a modified-accrual basis of accounting. 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 currently has two governmental funds: the General Fund, which is the District’s primary operating fund that accounts for all financial resources of the District, and the Capital Improvement Fund, which is the fund that accounts for capital outlays for the District. The Foundation is not presented on the fund financial statements.

Governmental funds are essentially used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental entity’s near-term financing decisions. Both the General Fund balance sheet and statements of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District’s governmental fund financials can be found on pages 11 through 14.

**Financial Analysis of the Governmental Funds**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental funds is to provide information on near-term inflows, outflows and

balances of spendable resources. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The District currently has two governmental funds: the General Fund, which is the District's primary operating fund that accounts for all financial resources of the District, and the Capital Improvement Fund, which is the fund that accounts for capital outlays for the District. The Foundation is a discretely presented entity of the Library District.

The General Fund had a fund balance at December 31, of \$1,909,528 (2012), \$1,964,799 (2011) and \$2,357,525 (2010).

The Capital Improvement Fund balance at December 31 was \$8,986,601 (2012), \$16,751,702 (2011) and \$19,238,125 (2010). The entire fund is reserved for capital projects.

Collection of Specific Ownership tax for 2012 was \$181,968, an increase of \$27,577 from 2011 collections of \$154,391. The Specific Ownership tax is being set aside to provide each new facility with an opening day collection of new library materials and to add emerging technologies to the District.

The District's fund balance was reduced from 2011 to 2012. This reduction was mostly due to the State of Colorado sales tax refund and the expenditures for the final four projects. The District completed two projects and started construction on two more projects in 2012. The District continues to be very conservative in all its financial decisions and is continuing to do long range planning (15-20 years).

### **Notes to the Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 15 through 24.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplemental information for the District's budget. An annually-appropriated budget is adopted for the General Fund and the Capital Improvement Fund. Budgetary comparison statements can be found on pages 25 and 26.

## **BUDGETARY HIGHLIGHTS**

Significant budget variances were as follows:

### **Revenue Variances**

#### **General Fund**

The District received net sales tax very close to the budget of \$2.3 million. Sales tax was under budget but the refund was under budget also. The refund is expected to continue into 2013.

#### **Capital Improvement Fund**

In the Capital Improvement Fund, the property tax revenue was over budget by \$122,082 due to collection of delinquent property tax. Interest is down because of lower rates and the reduction in cash balances.

## **Expenditure Variances**

### **General Fund**

The District continued to be as conservative as possible with expenditures for operations and met the budget within a few dollars for 2012. Overall, the line items were just slightly over budget. Total expenses for 2012 were \$3,438,089 and the revised budget was \$3,424,310, or expenses were over budget by \$13,779.

### **Capital Improvement Fund**

Capital outlay was approximately \$1,686,000 under budget due to some delay with the Carbondale project and the Silt and Glenwood projects coming in under budget.

### **Information Technology and Automation**

In 2012, the District changed vendors for the e-mail system to provide staff with easier access. A Digital Services Librarian was added to completely redesign the District's website with an expected finish in the fall of 2013. Over 50 public and staff computers were added/changed with the finishing of the Silt and New Castle projects, in addition to e-readers added at each branch. Training on all new technologies was offered to staff with the goal of them being able to assist more patrons with their electronic devices.

### **Economic Factors and Future Budgeting**

The District's General Fund has \$1,909,528 fund balance beginning January 1, 2013 and provides the ability to support the economic outlook for future potential considerations in sustaining materials, programming and capital improvements.

Some of the municipalities have shown an increase in sales tax over the past few months, but the overall picture is static. There have been indications that there is an increase of jobs and houses are selling and there is an overall positive feeling that things are getting better.

The District's Capital Improvement Fund balance is \$8,986,601 beginning January 1, 2013, and this provides a strong fund to complete the current building projects.

The final 2 projects (Glenwood and Carbondale) are expected to cost an additional \$4.5 million to complete and property tax revenues will make the COP payments and support for operations.

### **Request 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 District's finances. Questions concerning any of the information provided in this report or requests for additional information, including those pertaining to the Foundation, should be addressed to: Garfield County Public Library District, PO Box 832, Rifle, CO 81650, or you may call (970) 625-4270.

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**Government-Wide Financial Statements**

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**GARFIELD COUNTY PUBLIC LIBRARY DISTRICT**

STATEMENT OF NET POSITION

December 31, 2012

	Primary Government	Component Unit
<b>ASSETS</b>		
Cash	\$ 8,884,251	\$ 80,056
Investments	2,540,566	9,618
Taxes receivable	4,286,796	-
Due from component unit	9,031	-
Other receivables	309,465	-
Prepaid items	39,009	-
Long-term lease	951,067	-
Capital assets, net of accumulated depreciation, where applicable:		
Buildings and improvements	14,364,758	-
Land and land improvements	777,331	-
Library materials	3,303,441	-
Furniture and equipment	1,036,403	-
Construction-in-progress	6,315,474	-
	<i>Capital Assets, net</i>	-
	<i>Total Assets</i>	89,674
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,344,783	-
Accrued compensated absences	89,892	-
Due to primary government	-	9,031
Original issue premium, net	68,211	-
Certificates of participation:		
Due within one year	1,005,000	-
Due after one year	19,500,000	-
	<i>Total Liabilities</i>	9,031
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue	3,927,613	35,968
	<i>Total Deferred Inflows of Resources</i>	35,968
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	5,868,258	-
Restricted for emergencies	101,100	-
Restricted for capital projects	8,986,601	-
Unrestricted	1,926,134	44,675
	<i>Total Net Position</i>	\$ 44,675

See accompanying notes.

**GARFIELD COUNTY PUBLIC LIBRARY DISTRICT**

STATEMENT OF ACTIVITIES

For the year ended December 31, 2012

	Primary Government	Component Unit
<b>PROGRAM EXPENSES</b>		
<b>Library services:</b>		
Personnel	\$ 2,385,437	\$ -
Programming and library services	802,568	187,189
Property and equipment maintenance	683,563	-
Purchased services and consulting	270,096	-
<b>General government:</b>		
Administrative	434,429	-
Interest	837,583	-
Printing and advertising	12,348	-
Miscellaneous	2,185	-
<i>Total Program Expenses</i>	5,428,209	187,189
<b>PROGRAM REVENUES</b>		
Fines, fees and other revenue	136,072	35,098
Grants	70,000	118,686
Gifts and donations	10,900	30,924
<i>Net Program Expenses</i>	5,211,237	2,481
<b>GENERAL REVENUES</b>		
Property taxes levied for capital improvements, net	3,822,083	-
Sales tax revenue, net of \$220,077 refund	2,251,855	-
Intergovernmental revenue	243,750	-
Specific ownership taxes	181,968	-
Loss on disposal of assets	(353,484)	-
Interest	20,829	54
Amortization on premium and discount	4,604	-
<i>Total General Revenues</i>	6,171,605	54
<i>Change in Net Position</i>	960,368	(2,427)
<b>Net Position</b> - beginning of the year	15,921,725	47,102
<b>Net Position</b> - end of the year	<b>\$ 16,882,093</b>	<b>\$ 44,675</b>

See accompanying notes.

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**Fund Financial Statements**

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**GARFIELD COUNTY PUBLIC LIBRARY DISTRICT**

**BALANCE SHEET –  
GOVERNMENTAL FUNDS**

December 31, 2012

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 291,797	\$ 8,592,454	\$ 8,884,251
Investments	1,079,967	1,460,599	2,540,566
Sales tax receivable	359,183	-	359,183
Property tax receivable	-	3,927,613	3,927,613
Other receivables	27,818	281,647	309,465
Prepaid items	39,009	-	39,009
Due from component unit	9,031	-	9,031
Due (to)/from other funds	415,027	(415,027)	-
	<u>2,221,832</u>	<u>13,847,286</u>	<u>16,069,118</u>
<i>Total Assets</i>			
<b>LIABILITIES</b>			
Accounts payable, accrued payroll and employee benefits	104,706	933,072	1,037,778
	<u>104,706</u>	<u>933,072</u>	<u>1,037,778</u>
<i>Total Liabilities</i>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred sales tax revenue	207,598	-	207,598
Deferred property tax revenue	-	3,927,613	3,927,613
	<u>207,598</u>	<u>3,927,613</u>	<u>4,135,211</u>
<i>Total Deferred Inflows of Resources</i>			
<b>FUND BALANCE</b>			
Restricted	101,100	-	101,100
Committed	-	8,986,601	8,986,601
Unassigned	1,808,428	-	1,808,428
	<u>1,909,528</u>	<u>8,986,601</u>	<u>10,896,129</u>
<i>Total Fund Balance</i>			
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 2,221,832</u>	<u>\$ 13,847,286</u>	<u>\$ 16,069,118</u>

See accompanying notes.

**GARFIELD COUNTY PUBLIC LIBRARY DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

For the year ended December 31, 2012

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**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

<b>Total Fund Balance - Governmental Funds</b>	\$	10,896,129
Accrued compensated absences payable are not due and payable in the current year and, therefore, are not reported in the Fund.		(89,892)
Retainage payable is not due and payable in the current period and, therefore, is not reported as a liability in the Fund.		(307,005)
Long-term debt obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the Fund.		(20,505,000)
Original issue net premium is reported as financing sources in the Fund when first issued, but deferred and amortized in the Statement of Net Assets.		(68,211)
Deferred sales tax revenue is recognized in the current period in the Statement of Activities, but deferred in the Fund.		207,598
Long-term assets in governmental activities are not current financial resources and, therefore, are not reported in the Fund.		951,067
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund:		
Add capital assets not reported above		29,519,511
Less accumulated depreciation not reported above		(3,722,104)
		<u>25,797,407</u>
<b>Net Position</b>	<b>\$</b>	<b><u>16,882,093</u></b>

See accompanying notes.

**GARFIELD COUNTY PUBLIC LIBRARY DISTRICT**

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS

For the year ended December 31, 2012

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ -	\$ 3,822,083	\$ 3,822,083
Sales taxes, net of \$220,077 refund	2,300,604	-	2,300,604
Intergovernmental revenue	243,750	-	243,750
Specific ownership taxes	-	181,968	181,968
Grants	-	70,000	70,000
Gifts and donations	-	10,900	10,900
Fine, fees and other revenue	136,072	-	136,072
Interest	2,392	18,437	20,829
<i>Total Revenues</i>	<u>2,682,818</u>	<u>4,103,388</u>	<u>6,786,206</u>
<b>EXPENDITURES</b>			
Personnel	2,395,302	-	2,395,302
Programming and library services	509,547	-	509,547
Purchased services and consulting	255,021	15,075	270,096
Capital outlay	174,590	8,763,950	8,938,540
Administrative	62,656	184,468	247,124
Property and equipment maintenance	26,440	382,413	408,853
Advertising and printing	12,348	-	12,348
Miscellaneous	2,185	-	2,185
Debt service			
Principal	-	985,000	985,000
Interest	-	837,583	837,583
<i>Total Expenditures</i>	<u>3,438,089</u>	<u>11,168,489</u>	<u>14,606,578</u>
<i>Deficiency of Revenues Under Expenditures</i>	<u>(755,271)</u>	<u>(7,065,101)</u>	<u>(7,820,372)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers to/from other funds	700,000	(700,000)	-
<i>Net Change in Fund Balance</i>	<u>(55,271)</u>	<u>(7,765,101)</u>	<u>(7,820,372)</u>
<b>Fund Balance</b> - beginning of the year	1,964,799	16,751,702	18,716,501
<b>Fund Balance</b> - end of the year	<u><u>\$ 1,909,528</u></u>	<u><u>\$ 8,986,601</u></u>	<u><u>\$ 10,896,129</u></u>

See accompanying notes.

**GARFIELD COUNTY PUBLIC LIBRARY DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUE,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2012

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**Net Change in Fund Balance - Total Governmental Funds** \$ (7,820,372)

Some revenues reported in the Statement of Activities are recognized when earned and therefore are not reported as revenues in governmental funds:

Deferred sales tax revenue recognized in current period	207,598	
Deferred sales tax revenue recognized in prior period	<u>(256,347)</u>	(48,749)

Capital outlays are reported as expenditures in the Fund; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful life as depreciation expense:

Capital outlay	8,938,540	
Depreciation expense	(755,037)	
Capital assets written off, net of accumulated depreciation	<u>(353,481)</u>	7,830,022

Principal payment on long-term debt is an expense in the fund statements and a reduction to a liability in the Statement of Net Position.		985,000
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Amortization of premium and discount of certificates of participation are recorded in the Statement of Activities, but not on the Fund.		4,602
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Compensated absences are recognized as an expenditure in the governmental fund when they are determined to be payable from current financial resources. In the Statement of Activities, compensated absences are recognized as an expenditure when earned:

December 31, 2011	99,757	
December 31, 2012	<u>(89,892)</u>	<u>9,865</u>

		<u><b>\$ 960,368</b></u>
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*Change in Net Assets of Governmental Activities*

See accompanying notes.

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**Notes to Basic Financial Statements**

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# GARFIELD COUNTY PUBLIC LIBRARY DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2012

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Garfield County Public Library District (the District) was established January 1, 2007, as a political subdivision of the State of Colorado to provide library services throughout Garfield County. The District is governed by a seven (7) member board of trustees (the Board) appointed by the Garfield County Commissioners (the Commissioners). The Commissioners' accountability for the District does not extend beyond making appointments to the Board.

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

The District implemented GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* during the year ended December 31, 2012.

The District's significant accounting policies are described below.

#### **Reporting Entity**

The financial statements of the District include all of the integral parts of the District's operations. In accordance with GASB Statement No. 61, *The Financial Reporting Entity* (GASB 61), management has determined that Garfield County Public Library Foundation (the Foundation) meets the criteria to be included in the District's financial statements as a discretely presented component unit. The Foundation is a legally separate entity and the District does not appoint the board of directors. The District is not financially responsible for the Foundation; nor does the District have any legal obligation to provide any funding; or to pay any debts. Therefore the Foundation does not meet the financial benefit or burden relationship. However, the District believes it would be misleading to exclude the Foundation from the statements of the District since the Foundation provides funding directly to the District and no one else; and therefore has included the Foundation as a discretely presented component unit. Additional financial information pertaining to the Foundation may be obtained from the Foundation, P.O. Box 832, Rifle, CO, 81650.

#### **Government-wide and Fund Financial Statements**

##### *Government-wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government.

The statement of activities demonstrates the degree to which the program expenses of a given function or segment, are offset by program revenue. *Program expenses* are those that are clearly identifiable with a specific function or segment. *Program 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 revenue are reported, instead, as *general revenues*.

### *Fund Financial Statements*

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

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

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

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

Governmental activities in the government-wide financial statements use the economic resources measurement focus and are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements use the current financial resources measurement focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. Revenue is considered available if received within 60 days following year-end.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **Investments**

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

### **Sales Taxes**

Sales tax is collected by businesses throughout Garfield County and remitted to the State of Colorado, Department of Revenue, by the 20<sup>th</sup> of each month after receipt. The State of Colorado then remits Garfield County's portion of sales tax collected to the Garfield County Treasurer. The Garfield County Treasurer then allocates the District's portion of sales tax and transfers it to the District on the 10<sup>th</sup> of the month following receipt from the State. Sales taxes received by the District are reported as revenue when received except at year-end. Amounts due to the District at December 31 and received within 60 days are reported as a receivable and as revenue in the current year. Amounts not received within 60 days after year-end are recorded as a receivable and as a deferred inflow of resources.

## Property Taxes

Property taxes for the current year are levied and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes are reported as a receivable and as a deferred inflow of resources at December 31. The deferred taxes are reported as revenue in the year in which the lien attaches and they are available and collected.

## Due to and Due from Other Funds

Inter-fund receivables and payables arise from inter-fund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that inter-fund reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

## Accrued Compensated Absences

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

## Capital Assets

Capital assets built or acquired by the District are recorded at historical cost, including ancillary costs necessary to place the assets in their intended location and condition of use. Ancillary costs include freight charges, site preparation, appraisal fees, and legal claims directly attributable to the asset's acquisition. Donated capital assets are recorded at the estimated fair value of the assets at the time of donation.

For the purchase or construction of new assets, the following capitalization thresholds are used.

<u>Type of Asset</u>	<u>Capitalization Threshold</u>
Land	All purchases are capitalized, regardless of cost
Buildings, land improvements and leasehold improvements	\$50,000
Library materials	All purchases are capitalized, regardless of cost
Furniture, fixtures, equipment, software, vehicles	\$ 5,000
Works of art and historical treasures	\$ 5,000 per item/collection

For expenditures related to repair, remodeling or expansion of an existing capital asset, the District must determine if the expenditure increased the capacity or operating efficiency, or extended the useful life of the asset. The thresholds identified above shall be used to capitalize repair, remodeling or expansion expenditures. Expenditures that only serve to restore a capital asset to a working condition or do not enhance or extend the useful life should be recorded as repairs and maintenance and not be capitalized.

Capital assets are depreciated using the straight-line method based on estimated useful lives as follows:

<u>Capital Asset</u>	<u>Estimated Useful Life</u>
Buildings	
A. Fireproof construction	40 years
B. External masonry wall construction	27.5 years
Building improvements	20 years
Leasehold improvements	Lesser of the estimated life or the term of the lease
Furniture, fixtures, equipment, software, vehicles	3 to 10 years
Library materials	Variable



## **Deferred Inflows**

The District implemented GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended December 31, 2012. GASB No. 63 implements a new presentation of certain assets as deferred outflows, certain liabilities as deferred inflows, and also replaces the term net assets with net position. The effect of implementation of GASB No. 63 for the District was a reclassification of deferred revenues to deferred inflows of resources.

## **Fund Balance Classification**

The District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, (GASB 54), effective January 1, 2011. In accordance with GASB 54, the governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified the TABOR emergency reserves as being restricted because its use is restricted by State Statute.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified the fund balance in the capital projects fund as committed resources as of December 31, 2012.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District executive director through the budgetary process. The District did not have any assigned resources as of December 31, 2012.
- **Unassigned:** This classification includes the residual fund balance for the General Fund.

The District would typically use committed resources first and then assigned resources as appropriate opportunities arise, but the District reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

## **NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING**

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

- A.** Budgets are required by state law for all governmental funds.
- B.** The budget officer is required to submit a proposed budget to the Board by October 15.

- C. Public hearings are conducted by the Board to obtain taxpayer comments.
- D. Certification of the mill levies to the Board of County Commissioners and adoptions of the budget and appropriations are required by December 15.
- E. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the budget.
- F. Budget appropriations lapse at the end of each year.
- G. The District adopts budgets on a modified accrual basis.

Expenditures of the General Fund exceed budgeted amounts by \$13,779 prior to a transfer in from the Capital Improvement Fund of \$700,000.

**NOTE 3 - TAX, SPENDING AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (Amendment One), which provides for certain limitations in revenue raising, spending abilities and other specific requirements of state and local government units. Amendment One also requires a 3% reserve of the District’s fiscal year spending, excluding bonded debt services. A portion of the District’s General Fund balance (\$101,100) is classified as restricted for an emergency reserve as required (see Note 1).

Amendment One requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rates, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Fiscal year spending and revenue limits are determined based on prior year spending, adjusted for inflation and local growth. Revenue in excess of the limit must be refunded, unless the voters approve retention of the revenue.

Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. In effect, it has been generally interpreted that fiscal year spending approximates non-exempt revenue or receipts. “Spending,” as defined by Taxpayer’s Bill of Rights (TABOR), excludes spending from certain revenue and financial sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves. The District uses the same basis of accounting for the calculation of fiscal year spending as is used in the preparation of these financial statements.

Amendment One is complex and subject to judicial interpretation. For 2012, the District believes it is in compliance with applicable requirements of Amendment One.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Deposits

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

Custodial credit risk is the risk that in the event of a bank failure, the District would not be able to recover its deposits. The District's deposits are not deemed to be subject to custodial credit risk as they are covered by federal depository insurance or are collateralized under the Colorado Public Deposit Protection Act (PDPA).

At year-end, the carrying amount of the District's deposits consisted of the following:

	Bank Balance	Carrying Amount
Cash in checking	\$ 173,193	\$ 290,722
Cash on hand	-	1,075
Money market	8,946,983	8,592,454
	<u>\$ 9,120,176</u>	<u>\$ 8,884,251</u>

At year-end \$500,000 was covered by depositor's insurance; \$8,620,176 was collateralized under PDPA requirements.

The Foundation's deposits consisted of a checking account with a bank balance of \$80,056 at December 31, 2012 which was 100% insured by depositor's insurance.

#### Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including: obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools, written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts.

At December 31, 2012, the District had funds in a local government investment pools (ColoTrust). The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Pool investments include U.S. Treasury and Agency securities, the highest rated commercial paper and repurchase agreements collateralized by U.S. Treasury and Agency securities. Financial statements for ColoTrust may be obtained on their website [www.colotrust.com](http://www.colotrust.com).

Custodial credit risk for investments is the risk that in the event of bank or investment pool failure the District would not be able to recover the value of its investments. The District's investments are not deemed to be exposed to custodial credit risk as they are held by the District, or the District's custody agent in the District's name.

ColoTrust is rated AAAM by Standard and Poor's at December 31, 2012. The District held U.S. Treasury Notes at Wells Fargo Bank that are rated AAA/AA+ at December 31, 2012. Based on the ratings of the investments held, the District is not exposed to credit risk for its investments.

	Cost	Market Value
U.S. Treasury Notes	\$ 1,374,384	\$ 1,424,186
ColoTrust	1,116,380	1,116,380
Total District Investments	<u>\$ 2,490,764</u>	<u>\$ 2,540,566</u>
Foundation Certificates of Deposit	<u>\$ 9,618</u>	<u>\$ 9,618</u>

#### Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District holds no certificates with maturities greater than 6-months. The District's investments are not deemed to be exposed to interest rate risk.

Concentrations of Credit Risk – Deposits and Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer or institution. The District holds 14% of its cash deposits in one financial institution and 86% in a second institution. The District holds 56% of its investments in one financial institution and 44% in a second institution.

**NOTE 5 - LONG-TERM LEASE**

The District has a 99-year lease agreement with the City of Rifle (the City) for use of a parking structure adjacent to the District’s library in the City.

**NOTE 6 - CAPITAL ASSETS**

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Capital assets not being depreciated:				
Land	\$ 777,331	\$ -	\$ -	\$ 777,331
Construction-in-progress	2,386,971	5,885,354	(1,956,851)	6,315,474
<i>Non-Depreciated Capital Assets</i>	<u>3,164,302</u>	<u>5,885,354</u>	<u>(1,956,851)</u>	<u>7,092,805</u>
Capital assets being depreciated:				
Building and improvements	11,856,436	4,429,473	(785,853)	15,500,056
Library materials	5,429,938	311,578	(191,780)	5,549,736
Furniture and equipment	903,607	473,307	-	1,376,914
<i>Depreciated Capital Assets</i>	<u>18,189,981</u>	<u>5,214,358</u>	<u>(977,633)</u>	<u>22,426,706</u>
<i>Total Capital Assets</i>	<u>21,354,283</u>	<u>11,099,712</u>	<u>(2,934,484)</u>	<u>29,519,511</u>
Less accumulated depreciation:				
Building and improvements	1,292,907	274,710	(432,319)	1,135,298
Library materials	2,145,053	293,022	(191,780)	2,246,295
Furniture and equipment	153,206	187,305	-	340,511
<i>Total Accumulated Depreciation</i>	<u>3,591,166</u>	<u>755,037</u>	<u>(624,099)</u>	<u>3,722,104</u>
<i>Capital Assets, Net</i>	<u>\$ 17,763,117</u>	<u>\$ 10,344,675</u>	<u>\$ (2,310,385)</u>	<u>\$ 25,797,407</u>

Total depreciation expense for 2012 was \$755,037 of which \$187,305 was charged to the administrative function, \$274,710 was charged to the property and equipment maintenance and upkeep function, and \$293,022 charged to the programming and library services function.

**NOTE 7 - COMPENSATED ABSENCES**

The District had \$89,892 in compensated absences as of December 31, 2012, comprised of vacation pay, with certain limitations, that will be due if employees terminate their employment with the District.

	Beginning Balance	Additions	Payments	Ending Balance
Total Accrued compensated absences	<u>\$ 99,757</u>	<u>\$ 96,300</u>	<u>\$ (106,165)</u>	<u>\$ 89,892</u>

**NOTE 8 - CERTIFICATES OF PARTICIPATION**

Series 2009, Certificates of Participation, dated September 2, 2009, with interest at 2.0% to 5.375% are certificates which mature in varying amounts through 2027. Interest is payable semiannually.

Series 2010, Certificates of Participation, dated October 21, 2010, with interest at 2.0% to 4.5% are certificates which mature in varying amounts through 2027. Interest is payable semiannually.

Changes in Certificates of Participation for the year ended December 31, 2012 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Certificates of participation	\$ 21,490,000	\$ -	\$ (985,000)	\$ 20,505,000
Original issue discount	(83,894)	-	5,335	(78,559)
Original issue premium	156,707	-	(9,937)	146,770
Total proceeds	<u>\$ 21,562,813</u>	<u>\$ -</u>	<u>\$ (989,603)</u>	<u>\$ 20,573,211</u>

In compliance with the terms of the Certificate of Participation agreement, the District must appropriate funds each year to make the required payments. Appropriation is made through a resolution of the District’s Board. The appropriation is included in the next year’s budget after Board approval.

The District’s Certificates of Participation will mature as follows:

	Principal	Interest	Total
2013	\$ 1,005,000	\$ 825,916	\$ 1,830,916
2014	1,030,000	803,041	1,833,041
2015	1,055,000	776,741	1,831,741
2016	1,080,000	748,617	1,828,617
2017	1,110,000	717,836	1,827,836
2018 - 2022	6,200,000	2,955,891	9,155,891
2023 - 2027	9,025,000	1,507,857	10,532,857
	<u>\$ 20,505,000</u>	<u>\$ 8,335,899</u>	<u>\$ 28,840,899</u>

**NOTE 9 - OPERATING LEASES**

During the year ended December 31, 2012, the District leased office equipment under three non-cancelable operating leases at \$2,601 per month, which expired between September 2014 and October 2016. For the year ended December 31, 2012, total rental payments under operating leases was \$43,211.

Minimum rental payments for the years ending December 31 under operating leases with a remaining lease term in excess of twelve months are as follows:

	Office Equipment
2013	\$ 31,211
2014	26,171
2015	15,423
2016	10,866
<i>Total</i>	<u>\$ 83,671</u>

The District leases space for its branch libraries under operating leases. The lease terms vary depending on the location and are summarized below.

Branch	Lease Termination Date	Lease Rental Amounts	Prepaid Through	Other Terms
Carbondale	12/31/2013	\$30 annually	2013	Three additional ten-year renewal options
Glenwood Springs	3/1/2081	\$1 annually	2013	
Parachute	2/28/2032	\$10 annually	2032	
Rifle	3/1/2082	\$1 annually	2083	

**NOTE 10 - RETIREMENT PLAN**

The District provides a retirement plan for eligible District employees in the Colorado County Officials and Employees Retirement Association (CCOERA) (the Plan). The Plan is a defined contribution money purchase plan. Employees participate in the Plan immediately upon employment. The employees and the District each contribute 5% of gross wages. The District’s contributions for each employee plus earnings are fully vested after five years of continuous service. District contributions and related interest forfeited by employees who leave employment before fully vesting are returned to the Plan to reduce future retirement requirements. The District contributed \$34,976 to the Plan in 2012.

**Deferred Compensation Plan**

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

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

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

**Risk**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; volunteer injuries; natural disasters; and employee health, dental, vision and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in 2012.

**Commitments**

The District had a signed contract relating to an ongoing construction project and new construction occurring in 2013. The signed contract follows:

Construction services	Carbondale library	\$ 3,752,000
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**Contingencies**

The District acts as a custodian for funds of Friends of the Library (Friends) as Friends operates under the District's 501(c)(3) designation. The District does not have Friends' assets available to them; however, loss of such assets could result in a request for reimbursement. The District currently holds approximately \$130,000 in cash and CDs that are related to the Friends' assets. This amount has been netted against the respective liability on the balance sheet as of December 31, 2012.

**NOTE 12 - SUBSEQUENT EVENTS**

The District has evaluated subsequent events through August 2, 2013, the date at which the financial statements were available to be issued.

Effective January 1, 2013, the District and Literacy Outreach reached an agreement to separate. As part of the agreement the two entities signed a memorandum of understanding detailing support the District will continue to provide to Literacy Outreach. Support to Literacy Outreach will include, but is not limited to, accounting services through December 31, 2013, and payroll and annual IRS tax filing services through April 2014. The memorandum calls for an annual negotiated payment of \$18,000, payable in four equal installments. The District may terminate the agreement upon ninety days' notice it is deemed by the District that Literacy Outreach is not fulfilling the intent of the agreement.

In April 2013, Garfield County Treasurer informed the District that they will not be receiving any sales tax revenue for the month of March 2013. The estimated loss in sales tax revenue for March 2013 is approximately \$190,000.

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**Required Supplemental Information**

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**GARFIELD COUNTY PUBLIC LIBRARY DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND**

For the year ended December 31, 2012

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Sales taxes, gross	\$ 2,900,000	\$ 2,900,000	\$ 2,520,681	\$ (379,319)
Sales tax refund	(600,000)	(600,000)	(220,077)	379,923
Intergovernmental revenue	243,750	243,750	243,750	-
Fines, fees and other revenue	100,000	100,000	136,072	36,072
Interest	9,000	2,000	2,392	392
<i>Total Revenues</i>	<u>2,652,750</u>	<u>2,645,750</u>	<u>2,682,818</u>	<u>37,068</u>
<b>EXPENDITURES</b>				
Personnel	2,350,232	2,382,878	2,395,302	(12,424)
Programs and library services	493,927	459,677	509,547	(49,870)
Purchased services and consulting	225,851	282,960	255,021	27,939
Capital outlay	182,000	191,495	174,590	16,905
Administrative	73,000	73,000	62,656	10,344
Property and equipment maintenance	24,800	24,800	26,440	(1,640)
Advertising and printing	9,500	9,500	12,348	(2,848)
Miscellaneous	-	-	2,185	(2,185)
<i>Total Expenditures</i>	<u>3,359,310</u>	<u>3,424,310</u>	<u>3,438,089</u>	<u>(13,779)</u>
<i>Deficiency of Revenues Under Expenditures</i>	(706,560)	(778,560)	(755,271)	23,289
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	700,000	700,000	700,000	-
<i>Net Change in Fund Balance</i>	<u>\$ (6,560)</u>	<u>\$ (78,560)</u>	<u>(55,271)</u>	<u>\$ 23,289</u>
<b>Fund Balance - beginning of the year</b>			<u>1,964,799</u>	
<b>Fund Balance - end of the year</b>			<u>\$ 1,909,528</u>	

**GARFIELD COUNTY PUBLIC LIBRARY DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – CAPITAL IMPROVEMENT FUND**

For the year ended December 31, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
<b>REVENUES</b>				
Property taxes	\$ 3,000,000	\$ 3,700,000	\$ 3,822,083	\$ 122,083
Specific ownership taxes	150,000	150,000	181,968	31,968
Grants	-	85,000	70,000	(15,000)
Gifts and donations	-	-	10,900	10,900
Interest	40,000	40,000	18,437	(21,563)
<i>Total Revenues</i>	<u>3,190,000</u>	<u>3,975,000</u>	<u>4,103,388</u>	<u>128,388</u>
<b>EXPENDITURES</b>				
Administrative	434,500	108,500	184,468	(75,968)
Purchased services and consulting	62,500	62,500	15,075	47,425
Property and equipment maintenance	3,000	3,000	382,413	(379,413)
Capital outlay	9,620,500	10,831,000	8,763,950	2,067,050
Debt service				
Principal	985,000	985,000	985,000	-
Interest	865,000	865,000	837,583	27,417
<i>Total Expenditures</i>	<u>11,970,500</u>	<u>12,855,000</u>	<u>11,168,489</u>	<u>1,686,511</u>
<i>Deficiency of Revenues Under Expenditures</i>	<u>(8,780,500)</u>	<u>(8,880,000)</u>	<u>(7,065,101)</u>	<u>1,814,899</u>
<b>OTHER FINANCING USES</b>				
Transfers to other funds	<u>(557,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u><u>\$ (9,337,500)</u></u>	<u><u>\$ (9,580,000)</u></u>	<u><u>(7,765,101)</u></u>	<u><u>\$ 1,814,899</u></u>
<b>Fund Balance - beginning of the year</b>			<u>16,751,702</u>	
<b>Fund Balance - end of the year</b>			<u><u>\$ 8,986,601</u></u>	