



MESA COUNTY PUBLIC LIBRARY DISTRICT

FINANCIAL STATEMENTS
&
INDEPENDENT AUDITOR'S REPORT

December 31, 2013

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INDEPENDENT AUDITOR'S REPORT



June 25, 2014

The Board of Trustees
Mesa County Public Library District

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and each major fund of the Mesa County Public Library District as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and each major fund of the Mesa County Public Library District, as of December 31, 2013, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Trustees
Mesa County Public Library District
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Other Matters*Required Supplementary Information*

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

Supplementary Information

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013

Within this section of the Mesa County Public Library District (the District) annual financial report, the District's management is pleased to present the following discussion and analysis of the District's financial performance and to provide an overview of the District's financial activities for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

Financial Highlights

- The District's net position of \$17,619,336 exceeded its liabilities and deferred inflows of \$5,747,485 by \$11,871,851 for the year ending 2013.
- Total revenue for the District increased by 18.9%, or \$1,306,602 from year ending 2012. Of this amount \$877,823 is attributed to Gifts and Donations and \$421,095 to the sale of excess property. During 2012, revenue decreased by 12.2%, or \$958,239 from 2011.
- District capital assets increase by \$3,604,854 (net of accumulated depreciation).
- Total expenditures in 2013 were \$10,617,227 and total expenditures in 2012 were \$6,953,818, a \$3,663,409 or 52% increase. Of that increase, \$5,278,667 was expended from the Capital Project Fund for the renovation of the Central Library.
- The District reported total fund balance of \$4,936,337 at December 31, 2013, for all governmental funds. This represents a decrease of \$2,400,486 from December 31, 2012.
- The Board of Trustees voted to use funds that had been saved to support an extensive remodel and renovation of the Central Library. The project was completed in the spring of 2013 at a total cost of \$7,248,572.
- The District continues to maintain a healthy financial position.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. They are prepared using the 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), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining. Evaluation of the overall health of the District would extend to other nonfinancial considerations such as the taxpayer base or the condition of the Library District infrastructure, in addition to the financial information provided in the report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013

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

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

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

Fund Financial Statements

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

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

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

An annually-appropriated budget is adopted for the General Fund and the Capital Project Fund. Budgetary comparison statements can be found on pages 18 and 31.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 29.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplemental information for the Mesa County Public Library Foundation. This information can be found on page 30 in the Schedule of Cash Flows for the Foundation.

Financial Analysis of the District as a Whole

The District's assets exceeded liabilities by \$17,619,336 at December 31, 2013, and by \$16,407,949 at December 31, 2012.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013

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

| | 2013 | 2012 |
|---|----------------------|----------------------|
| Assets | | |
| Current and other assets | \$ 10,535,228 | \$ 14,006,046 |
| Capital assets, net | 12,831,593 | 9,226,734 |
| <i>Total Assets</i> | <u>23,366,821</u> | <u>23,232,780</u> |
| Liabilities | | |
| Current liabilities | 309,665 | 817,314 |
| Deferred inflows | 5,437,820 | 6,007,517 |
| <i>Total Liabilities and Deferred Inflows</i> | <u>5,747,485</u> | <u>6,824,831</u> |
| Net Position | | |
| Net investment in capital assets | 12,831,593 | 9,226,734 |
| Restricted | 206,761 | 4,728,400 |
| Unrestricted | 4,580,982 | 2,452,815 |
| <i>Total Net Position</i> | <u>\$ 17,619,336</u> | <u>\$ 16,407,949</u> |

A large portion of the District's assets are reflected in the investment in capital assets (i.e., land, buildings, library materials, furniture, fixtures, and equipment, construction in progress, etc.). As of December 31, 2013 capital assets account for 54.9% of the total assets. The District uses these capital assets to provide library services and materials to the citizens of Mesa County.

The District completed an extensive remodel and renovation of the Central Library in 2013.

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

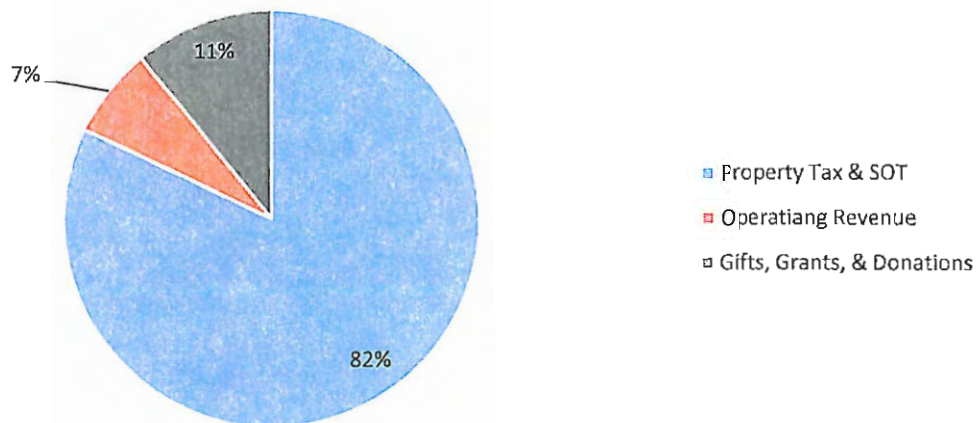
| | 2013 | 2012 |
|-----------------------------------|---------------------|----------------------|
| Revenue | | |
| Program Revenue: | | |
| Gifts and donations | \$ 877,823 | \$ 25,433 |
| Fines and forfeitures | 67,831 | 68,324 |
| Other revenue | 505,329 | 66,034 |
| General Revenue: | | |
| Deferred inflows | 6,019,808 | 5,989,969 |
| Specific ownership taxes | 732,152 | 739,449 |
| Interest and investment earnings | 13,798 | 20,929 |
| <i>Total Revenue</i> | <u>8,216,741</u> | <u>6,910,138</u> |
| Expenses | | |
| Personnel | 3,459,517 | 3,341,278 |
| Library services and programming | 308,000 | 301,714 |
| Other expenses | 3,237,837 | 2,275,554 |
| <i>Total Expenses</i> | <u>7,005,354</u> | <u>5,918,546</u> |
| <i>Change in Net Position</i> | 1,211,387 | 991,592 |
| Net Position -- beginning of year | <u>16,407,947</u> | <u>15,416,355</u> |
| Net Position -- end of year | <u>\$17,619,336</u> | <u>\$ 16,407,947</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013

The District is heavily reliant on property taxes to support governmental operations. Property Tax and Specific Ownership Taxes comprised 82% of the District's revenue in 2013. Operating revenue, which includes fines on overdue materials, charges for services, interest income, reimbursement to the District by patrons for lost library materials, and other miscellaneous revenue, accounted for 7%. Gifts, grants, and donations generated 11% of the District's revenue and include contributions from the Foundation in the amount of \$864,509, funds which had been raised specifically for the remodel and renovation of the Central Library.

Also, note that during 2013 program revenues covered only 21% of governmental operating expenses for the District. Therefore, taxpayers and the District's other general revenues fund 79% of the activities. As a result, the general economy and the changes in property values have a major impact on the District's revenue streams.

Revenues 2013



Financial Analysis of the District's Fund

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

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

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

Fund balance of all governmental funds at December 31, 2013, was \$4,936,337 and \$7,336,823 at December 31, 2012, a decrease of \$2,400,486. Of the 2013 balance, \$206,761 is an emergency reserve requirement pursuant to the TABOR constitutional amendment, \$528,032 is assigned to future capital expenditures and \$23,856 is non-spendable. The remaining amount of the fund balance is \$4,177,688 and is available for spending.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013

The District experienced a decrease in tax revenue in 2012 due to decreased assessed valuations. During the 2012 year, property tax revenue decreased by \$878,072 or 12.8%. During 2013, Specific Ownership Tax decreased by \$7,297 from 2012.

The District's total expenditures for 2013 were \$10,617,227 which includes \$5,338,560 from the General Fund for daily operations and \$5,278,667 from the Capital Project Fund in expenditures related to capital outlay of the District. This represents an overall increase in expenditures of \$3,663,409 or 52.7% from the prior year. This increase is attributed to increased capital outlay spending for the Central Library remodel and renovation.

Budgetary Highlights

Revenue Variances: General Fund

Total revenues were \$39,120 more than budgeted. Of this amount, \$12,291 is attributed to Property Taxes and \$32,152 to Specific Ownership Taxes. Specific Ownership Tax is based on the tax collected for licensed and tagged properties. Projecting an accurate amount of Specific Ownership Taxes is dependent upon the number of items purchased and licensed in the county during that year and is a difficult revenue item to predict. Other combines revenues for the District were under budget by \$5,323.

Expenditure Variances: General Fund

General fund expenditures were under budget by \$368,972.

Personnel costs were under budget by \$110,822 and administrative expenditures were under budget by \$175,647. All other operations costs were collectively under budget by \$82,503. This decrease can be attributed to overall conservative spending, streamlining of existing services and thoughtful planning by District management.

Revenue Variances: Capital Project Fund

The Capital Project Fund budget was amended during the year to include an increase of revenue in the amount of \$364,509 in Gifts and Donations related to funds raised for the Central Library renovation and \$421,095 for the sale of excess property approved by the board to be assigned to future capital projects.

Expenditure Variances: Capital Project Fund

The amended budget for the Capital Project Fund included anticipated expenditures of \$5,446,780, an increase of \$3,151,926 from original budget. At year end a favorable variance of \$168,113 was realized in the Capital Project Fund, to be attributed to savings in a combination of various line items related to the Central Library remodel and renovation.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, as of December 31, 2013, was \$12,831,593.

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

| | 2013 | 2012 |
|---------------------------------|---------------------|---------------------|
| Land | \$ 1,517,977 | \$ 2,387,477 |
| Construction in progress | 0 | 1,527,092 |
| Art Work | 45,679 | 4,675 |
| Buildings and improvements, net | 9,395,142 | 3,590,205 |
| Library materials, net | 1,490,358 | 1,522,556 |
| Intangibles, net | 1,352 | 1,659 |
| Furniture and equipment, net | 381,085 | 187,448 |
| Vehicles, net | 0 | 5,627 |
| | <u>\$12,831,593</u> | <u>\$ 9,226,739</u> |

Debt Administration

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

Economic Factors and Future Budgeting

Conservative spending by the District in previous years resulted in an overall fund balance of \$4,936,337 on December 31, 2013, and provided a positive outlook for meeting the future growth needs of the District. This allows the District to look for ways to grow and improve patron services and access to materials.

The District's Capital Project Fund had an assigned fund balance of \$528,032 ending December 31, 2013, which provided consideration for future capital improvements at branch locations.

Plans for the Future

The District's main focus is on providing exceptional services to the public and in continuing to meet the future needs of Mesa County citizens.

The District is proceeding cautiously with a plan to create a digital repository of unique Mesa County assets. This begins in 2014 with a launch of fine arts digitization and video production of educational and historical content in conjunction with the Museum of Western Colorado. The catalyst will be a production studio in 2015 in the downtown area for the express purpose of housing and creating this content, which will focus on fine arts, local music, videography, local and regional history, and educational material. Initial positive feedback of this project indicates an opportunity for fundraising.

The District anticipates these activities to expand the scope of services and its patron base significantly, as new materials are produced and digitized to be catalogued and made available to the public.

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

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2013

Component Unit

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

| | 2013 | 2012 |
|---|---------------------|---------------------|
| Assets | \$ 1,388,093 | \$ 1,174,964 |
| Liabilities | 0 | 0 |
| Net Assets | | |
| Unrestricted | 640,998 | 595,144 |
| Temporarily restricted | 359,596 | 476,541 |
| Permanently restricted | 387,499 | 103,279 |
| <i>Total Net Position</i> | <u>1,478,093</u> | <u>1,174,964</u> |
| <i>Total Liabilities and Net Position</i> | <u>\$ 1,388,093</u> | <u>\$ 1,174,964</u> |

The Foundation's changes in net position can be summarized as follows:

| | 2013 | 2012 |
|--------------------------------------|---|-------------------|
| Contributions | \$15,606 | \$ 17,140 |
| Investment Income | 34,133 | 28,896 |
| Other revenue | 3,885 | 32,038 |
| | <i>Total Unrestricted Revenue</i> | <u>78,074</u> |
| Net assets released from restriction | 868,537 | 5,148 |
| | <i>Total Unrestricted Revenue and Other Support</i> | <u>83,222</u> |
| Expenses | (876,307) | (8,313) |
| | <i>Increase (Decrease) in Unrestricted Net Position</i> | <u>74,909</u> |
| | <i>Increase (Decrease) in Temporarily Restricted Net Position</i> | <u>388,910</u> |
| | <i>Increase (Decrease) in Permanently Restricted Net Position</i> | <u>385</u> |
| | <i>Increase (Decrease) in Net Position</i> | <u>\$ 464,204</u> |

Request for Information

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

MESA COUNTY PUBLIC LIBRARY DISTRICT

STATEMENT OF NET POSITION

December 31, 2013

| | <u>Primary Government</u> |
|--|--|
| ASSETS | |
| Cash & Equivalents | \$ 633,665 |
| Investments | 4,372,805 |
| Property Taxes Receivable | 5,437,820 |
| Other Receivables | 67,082 |
| Prepaid Items | <u>23,856</u> |
| | 10,535,228 |
| Capital Assets (net of accumulated depreciation, where applicable) | |
| Land | 1,517,977 |
| Art Work | 45,679 |
| Buildings & Improvements | 9,395,142 |
| Intangibles | 1,352 |
| Library Materials | 1,490,358 |
| Furniture & Equipment | 381,085 |
| Vehicles | - |
| Construction in Progress | <u>-</u> |
| | <i>Total Capital Assets, net</i> 12,831,593 |
| | <i>Total Assets</i> \$ <u>23,366,821</u> |
| LIABILITIES, DEFERRED INFLOWS and NET POSITION | |
| Liabilities | |
| Accounts Payable | \$ 76,544 |
| Accrued Liabilities | 84,527 |
| Accrued Compensated Absences | <u>148,594</u> |
| | <i>Total Liabilities</i> 309,665 |
| Deferred Inflows | |
| Deferred Property Tax Revenue | <u>5,437,820</u> |
| | <i>Total Deferred Inflows of Resources</i> 5,437,820 |
| Net Position | |
| Net Investment in Capital Assets | 12,831,593 |
| Restricted for Emergencies | 206,761 |
| Unrestricted | <u>4,580,982</u> |
| | <i>Net Position</i> 17,619,336 |
| | <i>Total Liabilities, Deferred Inflows and Net Position</i> \$ <u>23,366,821</u> |

MESA COUNTY PUBLIC LIBRARY DISTRICT

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

| | <u>Primary Government</u> |
|---------------------------------------|-------------------------------|
| PROGRAM EXPENSES | |
| Library Services: | |
| Personnel | \$ 3,459,517 |
| Programming and Library Services | 308,000 |
| Property and Equipment Maintenance | 30,989 |
| Purchased Services and Consulting | 255,005 |
| Administrative | 602,830 |
| Printing and Advertising | 61,431 |
| Depreciation Expense | 1,232,829 |
| Loss on Disposal of Assets | 601,423 |
| Miscellaneous | 32,229 |
| | <u>6,584,253</u> |
| | <i>Total Program Expenses</i> |
| PROGRAM REVENUES | |
| Charges for Services, Sales and Fines | 152,065 |
| Operating Grants and Contributions | 13,308 |
| Capital Grants and Contributions | 864,509 |
| | <u>1,029,882</u> |
| | <i>Net Program Expenses</i> |
| | <u>\$ (5,554,371)</u> |
| GENERAL REVENUES | |
| Property Taxes Levied | 6,019,808 |
| Specific Ownership Tax | 732,152 |
| Interest | 10,715 |
| Gain on Investment | 3,083 |
| | <u>6,765,758</u> |
| | <i>Total General Revenues</i> |
| | <u>1,211,387</u> |
| | <i>Change in Net Position</i> |
| Net Position - beginning of the year | <u>16,407,949</u> |
| Net Position - end of the year | <u>\$ 17,619,336</u> |

MESA COUNTY PUBLIC LIBRARY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2013

| | General Fund | Capital Project Fund | Total Governmental Funds |
|---|----------------------|-------------------------|--------------------------------|
| ASSETS | | | |
| Cash | \$ 633,665 | \$ - | \$ 633,665 |
| Investments | 3,844,773 | 528,032 | 4,372,805 |
| Property Tax Receivable (less allowance) | 5,437,820 | - | 5,437,820 |
| Other Receivables | 67,082 | - | 67,082 |
| Prepaid Items | 23,856 | - | 23,856 |
| <i>Total Assets</i> | <u>\$ 10,007,196</u> | <u>\$ 528,032</u> | <u>\$ 10,535,228</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 76,544 | \$ - | \$ 76,544 |
| Accrued Liabilities | 84,527 | - | 84,527 |
| <i>Total Liabilities</i> | <u>161,071</u> | <u>-</u> | <u>161,071</u> |
| DEFERRED INFLOWS of RESOURCES | | | |
| Deferred Property Tax Revenue (less allowance) | 5,437,820 | - | 5,437,820 |
| <i>Total Deferred Inflows of Resources</i> | <u>5,437,820</u> | <u>-</u> | <u>5,437,820</u> |
| <i>Total Liabilities and Deferred Inflows</i> | <u>5,598,891</u> | <u>-</u> | <u>5,598,891</u> |
| FUND BALANCE | | | |
| Non-Spendable | 23,856 | - | 23,856 |
| Restricted for Emergencies | 206,761 | - | 206,761 |
| Committed | - | - | - |
| Assigned to Future Operations | - | 528,032 | 528,032 |
| Unassigned | 4,177,688 | - | 4,177,688 |
| <i>Total Fund Balance</i> | <u>4,408,305</u> | <u>528,032</u> | <u>4,936,337</u> |
| <i>Total Liabilities, Deferred Inflows and Fund Balance</i> | <u>\$ 10,007,196</u> | <u>\$ 528,032</u> | <u>\$ 10,535,228</u> |

MESA COUNTY PUBLIC LIBRARY DISTRICT
RECONCILIATION of the GOVERNMENTAL FUND BALANCE SHEET
to the STATEMENT of NET POSITION
For the Year Ended December 31, 2013

RECONCILIATION of the GOVERNMENTAL FUND BALANCE SHEET
to the STATEMENT of NET POSITION

| | |
|---|----------------------|
| Total Fund Balance - Governmental Funds | \$ 4,936,337 |
| Accrued compensated absences payable are not due and payable in the current year and, therefore, are not reported in the Fund. | (148,594) |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the Fund. | <u>12,831,593</u> |
| <i>Net Position</i> | <u>\$ 17,619,336</u> |

MESA COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT of REVENUE, EXPENDITURES, and CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2013

| | General Fund | Capital Project Fund | Total Governmental Funds |
|---|---------------------|-------------------------|--------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 6,019,808 | \$ - | \$ 6,019,808 |
| Specific Ownership Taxes | 732,152 | - | 732,152 |
| Fines and Forfeitures | 67,831 | - | 67,831 |
| Gifts and Donations | 13,314 | 864,509 | 877,823 |
| Charges for Services | 20,057 | - | 20,057 |
| Interest | 10,715 | - | 10,715 |
| Gain on Investment | 3,083 | - | 3,083 |
| Miscellaneous Revenues | 64,177 | - | 64,177 |
| <i>Total Revenues</i> | <u>6,931,137</u> | <u>864,509</u> | <u>7,795,646</u> |
| EXPENDITURES | | | |
| Personnel | 3,431,200 | 35,336 | 3,466,536 |
| Administrative | 522,903 | 79,927 | 602,830 |
| Capital Outlay | 138,178 | 5,004,870 | 5,143,048 |
| Purchased Services and Consulting | 106,038 | 124,799 | 230,837 |
| Property and Equipment Maintenance | 30,828 | 161 | 30,989 |
| Programming and Library Services | 308,000 | - | 308,000 |
| Printing and Advertising | 60,086 | 1,345 | 61,431 |
| Library Materials | 741,327 | - | 741,327 |
| Miscellaneous | - | 32,229 | 32,229 |
| <i>Total Expenditures</i> | <u>5,338,560</u> | <u>5,278,667</u> | <u>10,617,227</u> |
| <i>Excess of Revenues over Expenditures</i> | <u>1,592,577</u> | <u>(4,414,158)</u> | <u>(2,821,581)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of captial assets | - | 421,095 | 421,095 |
| Transfer (to)/from other funds | (1,200,000) | 1,200,000 | - |
| <i>Total Other Financing Sources (Uses)</i> | <u>(1,200,000)</u> | <u>1,621,095</u> | <u>-</u> |
| <i>Net Change in Fund Balance</i> | <u>392,577</u> | <u>(2,793,063)</u> | <u>(2,821,581)</u> |
| Fund Balance - beginning of the year | 4,015,728 | 3,321,095 | 7,336,823 |
| Fund Balance - end of the year | <u>\$ 4,408,305</u> | <u>\$ 528,032</u> | <u>\$ 4,515,242</u> |

MESA 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, 2013

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 \$(2,400,486)

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:

| | | |
|---|------------------|-----------|
| Asset Additions | 5,439,106 | |
| Depreciation/Amortization Expense | (1,232,829) | |
| Capital Assets Written Off, Net of Accumulated Depreciation | <u>(601,423)</u> | 3,604,854 |

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, 2012 | 155,613 | |
| December 31, 2013 | <u>(148,594)</u> | <u>7,019</u> |

Change in Net Position of Governmental Activities \$ 1,211,387

MESA COUNTY PUBLIC LIBRARY FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2013

| | |
|---------------------------|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 273,661 |
| Investments | 910,752 |
| Pledges receivable | 132,500 |
| In-kind contributions | 30,000 |
| Restricted investments | <u>41,180</u> |
| Total Assets | <u>\$ 1,388,093</u> |
| NET ASSETS | |
| Unrestricted | \$ 640,998 |
| Temporarily restricted | 359,596 |
| Permanently restricted | <u>387,499</u> |
| Total Net Assets | <u>\$ 1,388,093</u> |

MESA COUNTY PUBLIC LIBRARY FOUNDATION

STATEMENT OF ACTIVITIES

Year ended December 31, 2013

| | |
|---|---------------------|
| Change in unrestricted net assets | |
| Revenue | |
| Contributions | \$ 15,606 |
| Investment income (including \$309 in unrealized losses) | 34,133 |
| Other income | 3,885 |
| Total unrestricted revenue | <u>53,624</u> |
| Net assets released from restriction | |
| Satisfaction of restrictions | 868,537 |
| Total unrestricted revenue and other support | <u>922,161</u> |
| Expenses | |
| Contributions to the Mesa County Public Library District | 864,509 |
| One Book Program | 346 |
| Investment expenses | 5,479 |
| Office expense | 2,279 |
| Advertising expense, in-kind | 2,964 |
| Reclassification to permanently restricted net assets | 730 |
| Total expenses | <u>876,307</u> |
| Increase (decrease) in unrestricted net assets | 45,854 |
| Change in temporarily restricted net assets | |
| Restricted contributions | 768,202 |
| Satisfaction of permanent restriction | 1,672 |
| Reclassification to permanently restricted net assets | (19,000) |
| Net assets released from restriction | <u>(867,819)</u> |
| Increase (decrease) in temporarily restricted net assets | (116,945) |
| Change in permanently restricted net assets | |
| Restricted contributions | 252,882 |
| Reclassification to permanently restricted net assets | 19,730 |
| Investment income (including \$9,097 in unrealized gains) | 13,998 |
| Net assets released from restriction | <u>(2,390)</u> |
| Increase (decrease) in permanently restricted net assets | <u>284,220</u> |
| Increase (decrease) in net assets | 213,129 |
| Net Assets – beginning of the year | <u>1,174,964</u> |
| Net Assets – end of the year | <u>\$ 1,388,093</u> |

MESA COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT of REVENUE, EXPENDITURES, and CHANGES in FUND BALANCE
BUDGET and ACTUAL - GENERAL FUND

Year Ended December 31, 2013

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------|---------------------|---------------------|--|
| REVENUES | | | | |
| Property Taxes | \$ 6,007,517 | \$ 6,007,517 | \$ 6,019,808 | \$ 12,291 |
| Specific Ownership Taxes | 700,000 | 700,000 | 732,152 | 32,152 |
| Fine and Forfeits | 68,000 | 68,000 | 67,831 | (169) |
| Gift and Donations | 33,500 | 33,500 | 13,314 | (20,186) |
| Charges for Services | 43,000 | 43,000 | 20,057 | (22,943) |
| Interest | 20,000 | 20,000 | 10,715 | (9,285) |
| Net increase in the fair value of investments | - | - | 3,083 | 3,083 |
| Miscellaneous Revenue | 20,000 | 20,000 | 64,177 | 44,177 |
| <i>Total Revenue</i> | <u>6,892,017</u> | <u>6,892,017</u> | <u>6,931,137</u> | <u>39,120</u> |
| EXPENDITURES | | | | |
| Personnel | 3,542,022 | 3,542,022 | 3,431,200 | 110,822 |
| Administrative | 698,550 | 698,550 | 522,903 | 175,647 |
| Capital Outlay | 108,300 | 108,300 | 138,178 | (29,878) |
| Purchased Services and Consulting | 116,810 | 116,810 | 106,038 | 10,772 |
| Property and Equipment Maintenance | 55,000 | 55,000 | 30,828 | 24,172 |
| Programming and Library Services | 317,150 | 317,150 | 308,000 | 9,150 |
| Printing and Advertising | 79,500 | 79,500 | 60,086 | 19,414 |
| Library Materials | 790,200 | 790,200 | 741,327 | 48,873 |
| <i>Total Expenditures</i> | <u>5,707,532</u> | <u>5,707,532</u> | <u>5,338,560</u> | <u>368,972</u> |
| <i>Change in Fund Balance</i> | <u>1,184,485</u> | <u>1,184,485</u> | <u>1,592,577</u> | <u>408,092</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer (to)/from other funds | (1,200,000) | (1,200,000) | (1,200,000) | - |
| <i>Net Change in Fund Balance</i> | <u>(15,515)</u> | <u>(15,515)</u> | <u>392,577</u> | <u>408,092</u> |
| Fund Balance - beginning of the year | 4,015,728 | 4,015,728 | 4,015,728 | - |
| Fund Balance - end of the year | <u>\$ 4,000,213</u> | <u>\$ 4,000,213</u> | <u>\$ 4,408,305</u> | <u>\$ 408,092</u> |

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Reporting Entity

The financial statements of the District include all of the integral parts of the District's operations. The District applied GASB Statement No. 61, The Financial Reporting Entity, criteria to determine that the Mesa County Library Foundation (the Foundation) should be included in the District's financial statements as a discretely presented component unit. Since the component unit uses a different reporting model (FASB Non-Profit), the required financial data is discretely presented on separate pages as allowed by GASB 39.

The Foundation is a separate non-profit corporation under Internal Revenue Code Section 501(c) (3) formed to provide funds to support to the Mesa County Public Library District, its services, programs, and capital needs. The District is not financially responsible for the Foundation. There is no legal obligation for the District to provide any funding; nor pay any debts. Therefore, the Foundation does not meet the financial benefit or burden relationship. However, the District believes it would be misleading to exclude the Foundation from the statements of the District since the Foundation provides funding directly to the District and no one else; and therefore, has included the Foundation as a discretely presented component unit. Additional financial information pertaining to the Foundation may be obtained from the Foundation, 443 N. 6th Street, Grand Junction, CO 81501.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the State of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the government.

The Statement of Activities demonstrates the degree to which the program expenses of a given function or segment are offset by program revenue. Program expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported, instead, as general revenues.

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 and accounts for all financial resources of the District; and the *Capital Project Fund*, which is the fund that accounts for capital outlays for the District.

Measurement Focus and Basis of Accounting

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

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

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

Foundation's Basis of Presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may, or will be met, by actions of the Foundation and/or the passage of time. Temporarily restricted net assets are reclassified to unrestricted as their time and/or purpose requirements are met.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 assets. Fair values are determined using quoted markets.

Contributions

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

Property Taxes

Property taxes for the current year are levied and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes are reported as receivable and deferred inflows of resources in the year they are assessed.

Due to and Due from Other Funds

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

Accrued Compensated Absences

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

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

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

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

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

Fund Balance Classifications

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE B – BUDGETS AND BUDGETARY ACCOUNTING

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

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

NOTE C – TAX, SPENDING AND DEBT LIMITATIONS

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

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

Amendment One is complex and subject to judicial interpretation. For 2013, the District believes it is in compliance with applicable requirements of Amendment One.

NOTE D – CASH

Custodial Credit Risk – Deposits

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

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE D – CASH (CONTINUED)

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

| | Bank Balance | Carrying Balance |
|-----------------------------------|---------------------|---------------------|
| General checking account | \$ 295,195 | \$ 253,454 |
| Cash on Hand | 0 | 512 |
| Money market account | 303,010 | 303,010 |
| Investment account | 4,371,637 | 4,371,637 |
| Payroll account | 49,561 | 39,959 |
| Merchant account | 33,610 | 33,780 |
| Health care reimbursement account | 2,950 | 2,950 |
| | <u>\$ 5,055,963</u> | <u>\$ 5,005,302</u> |

As of December 31, 2013, \$250,000 was covered by depositor's insurance; \$4,805,963 was collateralized under PDPA requirements.

NOTE E – INVESTMENTS

Custodial Credit Risk

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

Interest Rate Risk

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

The district's investments were comprised of the following at December 31, 2013:

| | Credit Rating | Fair Value |
|--|---------------|---------------------|
| Federated Prime Obligation Fund Money Market | AAAm | \$ 1,365,480 |
| US Govt. Agency Obligations | AAAm | 3,006,157 |
| Colorado Surplus Asset Fund (C-Safe) | AAAm | 1,168 |
| | | <u>\$ 4,372,805</u> |

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE E – INVESTMENTS (CONTINUED)

Foundation investment returns are summarized as follows:

| | Cost | Market | Change |
|------------------------------|------------|------------|-----------------|
| Balance at end of year | \$ 896,061 | \$ 949,886 | \$ 53,825 |
| Balance at beginning of year | 588,235 | 633,272 | 45,037 |
| | | | <u>\$ 8,788</u> |

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

| | 2013 | |
|---------------------------|-------------------|-------------------|
| | Cost | Fair Value |
| Money Market Funds | \$ 178,991 | \$ 178,991 |
| Mutual Funds, taxable | 386,355 | 391,089 |
| Mutual Funds, non-taxable | 64,960 | 65,171 |
| Mutual Funds, equity | 168,339 | 218,349 |
| Alternative Assets | 97,416 | 96,286 |
| Stocks | 2,046 | 2,046 |
| | <u>\$ 898,107</u> | <u>\$ 951,932</u> |

The Foundation's investments include \$41,180 that is being held by the Foundation for the Friends of the Library to provide funding for the Library District's programs. These funds are shown as restricted investments on the Statement of Financial Position.

NOTE F – ENDOWMENT

Endowment

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

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

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

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE F – ENDOWMENT (CONTINUED)

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

Endowment Net Asset Composition by Type of Fund at year end is as follows:

Donor-Restricted Endowment Funds:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Endowment Net Assets |
|----------------------------------|--------------|---------------------------|---------------------------|-------------------------|
| Endowment net assets - beginning | \$ 1,847 | \$ 19,000 | \$ 103,279 | \$ 124,126 |
| Contributions | - | - | 2,521 | 2,521 |
| Investment income | - | - | 3,813 | 3,813 |
| Net appreciation (depreciation) | - | - | 8,156 | 8,156 |
| Transfer | (730) | (19,000) | 19,730 | - |
| Expenses | (1,117) | - | - | (1,117) |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 137,499</u> | <u>\$ 137,499</u> |

Endowment Net Asset Composition by Type of Fund at year end is as follows:

Donor-Restricted Endowment Funds:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Endowment Net Assets |
|--------------------------------------|---------------|---------------------------|---------------------------|-------------------------|
| Endowment net assets - beginning | \$ - | \$ - | \$ - | \$ - |
| Contributions | - | - | 250,361 | 250,361 |
| Investment income | - | - | 1,088 | 1,088 |
| Net appreciation (depreciation) | - | - | 941 | 941 |
| Expenses | (718) | - | - | (718) |
| Net assets released from restriction | | | | |
| Amounts appropriated for expenditure | 718 | 1,672 | (2,390) | - |
| Endowment net assets – ending | <u>\$ 718</u> | <u>\$ 1,672</u> | <u>\$ 250,000</u> | <u>\$251,672</u> |

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE G – TEMPORARILY RESTRICTED NET ASSETS – FOUNDATION

The Foundation's temporarily restricted net assets were restricted for the following at December 31, 2013:

| | |
|---|-------------------|
| Pledges receivable, capital project | \$ 276,095 |
| Capital projects | 83,501 |
| Total temporarily restricted net assets | <u>\$ 359,596</u> |

NOTE H – FOUNDATION PROMISES TO GIVE

In 2011, the Foundation initiated a capital campaign soliciting funds for the remodel of the Library District's central library.

Promises to give resulted from the campaign, which were temporarily restricted for the construction project. The promises are each for a period of four to five years payable in equal installments over that period. Both promises are from foundations located in Colorado. Both promises to give are considered fully collectible at December 31, 2013.

NOTE H – FOUNDATION PROMISES TO GIVE (CONTINUED)

A summary of the promises to give at December 31, 2013, and expected years of completion follows:

| | |
|--------------------------------------|-------------------|
| Receivable in less than one year | \$ 52,500 |
| Receivable in one to five years | 80,000 |
| Total unconditional promises to give | <u>\$ 132,500</u> |

NOTE I – LEASES

The District leases spaces to provide two branch library locations under operating leases. The first lease term is through September 2018 and the second lease term is through April 2019.

Minimum annual lease payments are as follows;

| | |
|-------|-------------------|
| 2014 | \$ 80,104 |
| 2015 | 85,150 |
| 2016 | 85,150 |
| 2017 | 85,150 |
| 2018 | 77,613 |
| 2019 | 18,333 |
| Total | <u>\$ 431,500</u> |

Lease expenditures for 2013 were \$131,165.

This amount includes a temporary location at 655 N. 1st Street, Grand Junction, CO 81501. This space served as the temporary location for the Central Library during the remodel and renovation.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE I – LEASES – CONTINUED

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

NOTE J – CAPITAL ASSETS

| | January 1, 2013 | Additions | Deletions | December 31, 2013 |
|--------------------------------------|-----------------|--------------|---------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 2,387,477 | \$ - | \$ (869,500) | \$ 1,517,977 |
| Art work | 4,675 | 41,004 | - | 45,679 |
| Construction in progress | 1,527,092 | - | (1,527,092) | - |
| Non-depreciated capital assets | 3,919,244 | 41,004 | (2,396,592) | 1,563,656 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 5,314,196 | 6,431,289 | (240,126) | 11,505,359 |
| Library materials | 4,630,448 | 621,323 | (681,368) | 4,570,403 |
| Intangibles | 1,991 | 30 | - | 2,021 |
| Furniture and equipment | 414,076 | 293,653 | (69,237) | 638,492 |
| Vehicles | 59,962 | - | - | 59,962 |
| Depreciated capital assets | 10,420,673 | 7,346,295 | (990,731) | 16,776,237 |
| Total capital assets | 14,339,917 | 7,387,299 | (3,387,323) | 18,339,893 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | (1,723,996) | (473,329) | 87,108 | (2,110,217) |
| Library materials | (3,107,892) | (653,521) | 681,368 | (3,080,045) |
| Intangibles | (332) | (337) | - | (669) |
| Furniture and equipment | (226,628) | (100,015) | 69,236 | (257,407) |
| Vehicles | (54,335) | (5,627) | - | (59,962) |
| Total accumulated depreciation | (5,113,183) | (1,232,829) | 837,712 | (5,508,300) |
| Capital assets, net | \$ 9,226,734 | \$ 6,154,470 | \$(2,549,611) | \$ 12,831,593 |

Total depreciation expense for 2013 was \$1,232,829.

NOTE K – COMPENSATED ABSENCES

The District had \$148,594 in compensated absences as of December 31, 2013, comprised of vacation pay and sick pay, both with certain limitations, that will be due if employees are terminated.

| | Beginning Balance | Additions | Payments | Ending Balance |
|------------------------------|----------------------|------------|------------|-------------------|
| Accrued compensated absences | \$ 155,613 | \$ 150,645 | \$ 157,664 | \$ 148,594 |
| | \$ 155,613 | \$ 150,645 | \$ 157,664 | \$ 148,594 |

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE L – RETIREMENT PLAN

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

The District's total payroll expense in 2013 was \$2,702,557. Covered wages were approximately \$2,224,300. Non-elective contributions to the Retirement Plan for 2013 were \$111,215 (by the District) and \$111,215 (by employees).

Deferred Compensation Plan

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

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

NOTE M – COMMITMENTS AND CONTINGENCIES

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 any of the three preceding years.

NOTE N – IN-KIND CONTRIBUTIONS

The Foundation received in-kind contributions of art work and advertising services total \$32,964 during the year ended December 31, 2013. The art work, valued at \$30,000, is held as an asset and included in temporarily restricted net assets at December 31, 2013.

MESA COUNTY PUBLIC LIBRARY DISTRICT
Grand Junction, Colorado

NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2013

NOTE O – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 25, 2014, the date at which the financial statements were available to be issued, and determined that no events have occurred that required additional disclosure. Disclosures and/or adjustments identified by management, as applicable, are included in the financial statements.

SUPPLEMENTAL INFORMATION

MESA COUNTY PUBLIC LIBRARY FOUNDATION

SCHEDULE OF CASH FLOWS

Year ended December 31, 2013

| | |
|--|--------------|
| <hr/> | |
| Cash flows from operating activities | |
| Cash received from donations | \$ 1,069,637 |
| Other Income | 3,885 |
| Cash paid to Library District | (864,855) |
| Cash paid to suppliers | (10,722) |
| | <hr/> |
| Net cash provided by (used in) operating activities | 197,945 |
| | |
| Cash flows from investing activities | |
| Investment income received | 39,343 |
| Purchase of investments | (354,440) |
| Proceeds from sale of investments | 53,724 |
| | <hr/> |
| Net cash provided by (used in) investing activities | (261,373) |
| | |
| Net increase (decrease) in cash | (63,428) |
| Cash at beginning of year | 337,089 |
| | <hr/> |
| Cash at end of year | \$ 273,661 |
| | <hr/> |
| Reconciliation of change in net assets to net cash provided by (used in) operations | |
| | |
| Change in net assets | \$ 213,129 |
| | |
| (Increase) decrease in pledges receivable | 65,000 |
| Unrealized (gain) loss on investments | (8,788) |
| Stock contributions | (2,053) |
| Non-cash asset additions | (30,000) |
| Investment income | (39,343) |
| | <hr/> |
| | \$ (15,184) |
| | |
| Net cash provided by (used in) operating activities | \$ 197,945 |
| | <hr/> |
| | |
| Non-cash donation of assets as part of capital campaign | \$ 30,000 |

MESA COUNTY PUBLIC LIBRARY DISTRICT
 SCHEDULE of REVENUE, EXPENDITURES, and CHANGES in FUND BALANCE
 BUDGET and ACTUAL - CAPITAL PROJECT FUND

Year Ended December 31, 2013

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------|--------------------|--------------|-------------|--|
| REVENUES | | | | |
| Gift and Donations | \$ 500,000 | \$ 864,509 | \$ 864,509 | \$ - |
| <i>Total Revenue</i> | 500,000 | 864,509 | 864,509 | - |
| EXPENDITURES | | | | |
| Personnel | - | - | 35,336 | (35,336) |
| Administrative | - | - | 79,927 | (79,927) |
| Capital Outlay | 2,294,854 | 4,828,258 | 5,004,870 | (176,612) |
| Purchased Services and Consulting | - | 468,522 | 124,799 | 343,723 |
| Property and Equipment Maintenance | - | - | 161 | (161) |
| Printing and Advertising | - | - | 1,345 | (1,345) |
| Micellaneous Expenditures | - | 150,000 | 32,229 | 117,771 |
| <i>Total Expenditures</i> | 2,294,854 | 5,446,780 | 5,278,667 | 168,113 |
| <i>Change in Fund Balance</i> | (1,794,854) | (4,582,271) | (4,414,158) | 168,113 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of captial assets | - | 421,095 | 421,095 | - |
| Transfer (to)/from other funds | 1,200,000 | 1,200,000 | 1,200,000 | - |
| <i>Net Change in Fund Balance</i> | (594,854) | (2,961,176) | (2,793,063) | 168,113 |
| Fund Balance - beginning of the year | 594,854 | 3,321,095 | 3,321,095 | - |
| Fund Balance - end of the year | \$ 263,000 | \$ 359,919 | \$ 528,032 | \$ 168,113 |