

FINANCIAL STATEMENTS

For the year ended December 31, 2008

Pueblo City-County Library District Finance Office 100 E. Abriendo Avenue Pueblo, CO 81004

PUEBLO CITY-COUNTY LIBRARY DISTRICT COLORADO

Finance Office 100 E. Abriendo Avenue Pueblo, Colorado 81004

FINANCIAL STATEMENTS

For the fiscal year ended December 31, 2008

Board of Trustees

Philip Mancha, President
Jim Stuart, Vice President
Sherri L. Baca, Member
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Katherine Frank, Member
Gil Trujillo, Member
Frances Terrazas-Alexander, Member
Jane Carlsen, Secretary to the Board

Executive DirectorJon Walker

Prepared by:

Chris Brogan, C.G.F.O. Chief Financial Officer

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Pueblo City-County Library District, Colorado Financial Statements For The Year Ended December 31, 2008

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100 E. Abriendo Avenue Pueblo, CO 81004-4232

(719) 562-5600 (719) 562-5610 Fax

www.pueblolibrary.org

Robert Hoag Rawlings Library Barkman Library Lamb Library White Library

Community Satellite Libraries:

Avondale Elementary
Beulah School
Craver Middle School
Cesar Chavez Academy
North Mesa Elementary
Risley Middle School
Rye Elementary
South Mesa Elementary
Vineland Elementary

May 28, 2009

Board of Trustees Pueblo City-County Library District 100 E. Abriendo Avenue Pueblo, CO 81004

Dear Trustees:

I am pleased to submit to you the Financial Statements of the Pueblo City-County Library District for the year ended December 31, 2008.

This is the first year that the compilation and production of these statements has been done completely in-house, by the staff of the Finance Office. In previous years this process has been completed by the independent auditing firm selected to audit the financial records of the District. We feel that segregating the audit process from the preparation of the financial statements is a necessary and prudent step to take in maintaining the independence and integrity of our financial statements.

It is also important to note that the District issued a Request for Proposal for Audit Services in 2008. Prior to issuing this RFP, the audit policy was updated, an audit committee was formed, and a process was put in place to solicit bids. That process resulted in a change in audit firms, and the 2008 audit was performed by Swanhorst & Co.

Thank you for your review of this document and for your continuing support and guidance.

Sincerely,

Jon Walker

Executive Director

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PUEBLO CITY-COUNTY LIBRARY Ideas Imagination Information

100 E. Abriendo Avenue Pueblo, CO 81004-4232

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Robert Hoag Rawlings Library Barkman Library Lamb Library White Library

Community Satellite Libraries:

Avondale

Elementary

Beulah School

Craver Middle School May 28, 2009

Members of the Board of Trustees Pueblo City-County Library District 100 E. Abriendo Avenue Pueblo, Colorado 81004

Dear Board Members:

I am pleased to submit to you the Financial Statements of Pueblo City-County Library District (the District) for the year ended December 31, 2008. This report was prepared by the Finance Office to provide citizens, investors, grantor agencies and other interested parties with information on the financial condition of the District. It has been prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board (GASB), and meets the requirements of the State of Colorado Auditor's Office.

To the best of our knowledge, the enclosed information is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the District. The accuracy of the District financial statements and completeness and fairness of their presentation is the responsibility of District management. The District maintains a system of internal accounting controls to insure that assets are safeguarded against loss, and that financial records are properly maintained and can be relied upon to produce accurate financial statements.

Colorado State Statutes require an annual audit by independent certified public accountants. This requirement is being met through engagement of the firm of Swanhorst & Company LLC, to audit the 2008 financial statements of the District. The independent auditors' examination is conducted in accordance with generally accepted auditing standards and provides an independent assessment that helps assure fair presentation of the District's financial position and results of operations. The auditors' report on the basic financial statements is included in the financial section.

The Financial Statement report includes the following components:

- ➤ Letters of transmittal from the Executive Director and the CFO, summarizing the fiscal operations of the District.
- Organizational chart and listing of board members and administrative managers.
- Report of the independent certified public accountants
- Management's Discussion and Analysis
- Combined financial statements
- Notes to the basic financial statements
- Supplemental information

PROFILE OF THE GOVERNMENT

Governmental Structure

The District, established on July 15, 1968, by joint resolution of the Pueblo City Council and the Pueblo Board of County Commissioners, is considered to be a "Library District" which is a separate legal entity, and was created through Colorado State Statute (C.R.S. 24-90-110). The District is not considered to be a component unit of either the City of Pueblo or of Pueblo County, Colorado, and is financially, managerially and operationally independent, and meets the guidelines of GASB Statement No. 14, as amended by GASB Statement 39, *The Financial Reporting Entity*. The District does not currently recognize any dependent component units for inclusion in these financial statements. Pueblo City-County Library District provides library service to all residents of the City and County of Pueblo.

There are four library buildings in the District service area, which covers approximately 2,414 square miles. Three of these buildings are branch libraries: Frank & Marie Barkman Library, Frank I. Lamb Library, and Pueblo West Library. The main library, Robert Hoag Rawlings Library, is located downtown in a facility of approximately 109,000 square feet. The fourth floor of the Rawlings Library houses a news museum, the InfoZone, which is operated by District staff. The District also has an Outreach Services department which oversees nine satellite locations in schools throughout the county. The Satellite program was implemented in 1987 to replace the bookmobile concept. Two satellites are in the metro area, three are in mountain communities, and the remaining four are in communities on the St. Charles Mesa. All are managed through contractual agreements with the schools. Administrative and support departments, including the Executive Director's office, Human Resources, Community Relations, Finance, Technical Services, Information Technology, Facilities and InfoZone, are all housed together in the Rawlings Library.

The District's Board of Trustees consists of seven members. The members are appointed to five-year terms of office by the Board of Pueblo County Commissioners and the City Council of Pueblo. Each term is renewable; there are no term limits. The District's Board convenes at monthly meetings, monthly work sessions, and at any special meetings when they are necessary. Although Board members are prohibited by law from receiving compensation for their services as trustees, they may be reimbursed for necessary travel, training or miscellaneous expenses.

Motto, Mission, Vision, Goals and Objectives

MOTTO

Ideas, Imagination & Information

MISSION

We serve as a foundation for our community by offering welcoming, well equipped and maintained facilities, outstanding collections, and well-trained employees who provide expert service encouraging the joy of reading, supporting lifelong learning and presenting access to information from around the world.

VISION

Books and Beyond

GOALS

- Build on our winning workplace
- Increase circulation of library materials
- Improve services for targeted populations
- Provide for the Library District's capital needs

In 2005, the Library embarked on a Strategic Plan – *Roadmap to the Future* – which detailed the plans of the District to meet the goals identified above through a series of objectives to be undertaken in the ensuing years. That plan has been used extensively in the past four years to guide the District in its provision of service to the public. Many of the goals in that document were accomplished; some were modified; some were postponed or restructured.

In 2009 the District will thoroughly analyze and update the Strategic Plan in order to meet the ever-changing needs of our public in an economic environment that has become increasingly challenging.

During the year 2008, a number of objectives were completed – the most significant of those objectives are highlighted in the following narrative.

Major Initiatives

In October 2007, the District issued \$6 million in Certificates of Participation to fund the renovation and expansion of the White Branch Library. Design was completed and construction commenced in early 2008, with an anticipated completion date of December 2008. Although that date was pushed into the first quarter of 2009, most of the exterior construction was completed during 2008. The building grew from 5,000 square feet to 28,000 square feet and was renamed the Pueblo West Library, in recognition of the donation of land by the Pueblo West Metropolitan District. Circulation and facility use statistics for that branch had seen remarkable increases, deeming it the most in need of expansion. The original building remained open during the preliminary construction phase of the expansion, but closed to the public in August, when it was completely demolished inside and redesigned into a meeting room center adjacent to the new, greatly expanded public use areas.

The Technology Plan established in 2007 continued into the 2008 budget year, meeting several goals to improve and expand equipment and services. All of the public PCs were replaced, along with most of the staff PCs. Network infrastructure was completely updated with the installation of a fiber network and increased band width for all facilities. As a result of this commitment to improved technology, computers are faster and customers have the ability to download bigger multi-media files and web sites. Software upgrades for both the catalog system and the Microsoft Office 2007 system were implemented, and focused training was provided for staff.

The District received a grant from the National Endowment for the Arts, supporting the fourth annual All Pueblo Reads project featuring *The Joy Luck Club* by Amy Tan. More than 9,500 Puebloans participated in the project - a 277 percent increase over 2007. The highlights of the project were two events held at the library with the author herself. The first was the Booklovers' Blacktie Ball, a fund raiser dinner with Amy Tan, and the second was a public talk and book signing the following afternoon.

Nuestra Biblioteca Hispanic Resource Center at Rawlings Library celebrated its second year of operation. Many partnerships were formed with organizations including Catholic Charities, Salt Creek Mothers' Club, Los Pobres, La Gente and others. The largest event was the second annual car show, a collaboration with Sweet Dreams Car Club and Nuestra Biblioteca, a celebration in September. Nearly 1,600 attended the day-long event.

The District, along with community partners, took great strides to make the Rawlings Library more accessible. The project, called Accessible Avenues, included the implementation of new equipment for the hearing and sight impaired. Accessibility Awareness Day was held on April 5, 2008.

The Board of Trustees approved an enhancement to the 401k benefit program for employees, consisting of a 1% employer match of funds invested by employees. Employee training opportunities were also identified and prioritized, with a supervisory certification program progressing throughout the year. This program will conclude in 2009.

The last major initiative that was undertaken in 2008 was preliminary planning to renovate and upgrade the InfoZone News Museum on the fourth floor of the Rawlings Library. An experienced museum specialist was hired to manage the process; a \$100,000 grant from the Rawlings Foundation was received to redesign the current exhibition; and plans were initiated to facilitate the redesign. Work on this initiative will continue into 2009.

Plans for the future

Complete construction and open the new Pueblo West Library.

The YMCA anticipates a 2009 opening date for a new recreation facility being constructed on the west side of town. Current plans show a small library presence in that facility, and the District is anticipating providing staffing, furniture and fixtures, and collections. Funds have been budgeted for two 20/hour/week employees, with an anticipated schedule of 35 open hours per week. The opening of this library has been moved back from an original date of April, to a currently anticipated date of August.

A new Outreach program was approved and budgeted for implementation in 2009, requiring purchase of a van, which will be shared by the Facilities Department. The program has been titled "Books A La Cart", and is a delivery service of books on carts to targeted populations that have difficulty accessing our traditional library facilities.

Limited funds have been allocated in the 2009 Budget to study possibilities for future library locations. Although the current economy inhibits our ability to secure funding for capital project building in the immediate future, we continue to recognize the need for library services on the St. Charles Mesa, as well as in our mountain communities. These areas are currently served by Satellite libraries located in schools, but would be better served by actual public libraries. We will continue to evaluate possibilities and opportunities as the economy recovers or other funding sources are identified.

In addition to plans to improve facilities and delivery systems, our 2009 Annual Plan identifies a number of goals for the District. These are based on the four major goals as identified above, with the inclusion of a fifth goal - plan for the future of library services.

Each goal is supported by specific objectives and budgeted initiatives developed with input from the Board of Trustees, supervisors and managers, and the Employee Steering Committee, and annual planning and budgeting requests submitted by individual branch and department teams.

Objectives that constitute new initiatives for the year in support of the five goals include:

- ✓ Complete development of a career progression program to build staff skills and improve understandings of how to move up within the organization.
- ✓ Create a formal wellness program for employees.
- ✓ Improve the finance function with staff training events on financial policies and procedures, and implement improved internal control and fixed asset policies and procedures to ensure compliance with current auditing standards.

- ✓ Insure solutions used by PCCLD offer the best value and suit library requirements by using a Request for Proposal process to update contracts for photocopier, auditing and janitorial services.
- ✓ Update the PCCLD compensation plan to ensure competitiveness in salary position in competing labor markets and in 2009 provide a 2.5% merit pay allowance.
- ✓ Enhance access to a broad selection of new titles available to add to the PCCLD collection by developing procedures to buy books from the Ingram Book Group, the world's largest wholesale distributor of books.
- ✓ Improve interlibrary loan services by implementing procedures for updating and maintaining current PCCLD holdings in the OCLC national union catalog.
- ✓ Increase access to high-demand materials by implementing a "rapid read" program whereby some copies of popular materials cannot be reserved but when returned go back onto the shelf, and whereby checkout periods for popular materials are shorter in duration so more individuals can check them out in a shorter timeframe.
- ✓ Increase staffing levels at the new Pueblo West and YMCA libraries sufficient to assist with the public service requirements at these locations, and provide suitable opening day collections.
- ✓ Institute a new Collection Development office within Technical Services with oversight of new material selection and budgeting to better provide the library materials customers seek.
- ✓ Provide access to downloadable audio books via the library's website
- ✓ Review and update PCCLD service policies
- ✓ Keep current with the latest Integrated Library System (ILS) technology by upgrading the PCCLD SirsiDynix platform from Unicorn/Workflows to the recently-released Symphony software.
- ✓ Add technology such as laptops with wireless service and a public address system to enhance the *Books in the Park* program.
- ✓ Continue the District's signature Summer Reading and All Pueblo Reads events building upon the new summer reading program for babies and parents, and the 2nd annual Booklovers' Blacktie Ball during All Pueblo Reads.
- ✓ Develop a *Roving Reference* model of service at the Pueblo West Library to more efficiently and effectively assist customers at a busy place.
- ✓ Investigate the feasibility of implementing a Literacy Program
- ✓ Provide a new *Books A La Cart* program to reach out into neighborhood areas to deliver books in a van to areas such as day cares and nursing facilities
- ✓ Use a grant from the Watts Foundation to establish a business and vocational center at the Pueblo West Library to better meet the needs of those seeking to improve their economic standing.
- ✓ Continue the comprehensive project to improve the District's technology infrastructure by implementing the IT security policy, replacing outdated PCs and upgrading the telephone system.
- ✓ Use a planning grant from the Rawlings Foundation to complete development and commence updating of the InfoZone Museum.
- ✓ Update the library's strategic plan.

ECONOMIC CONDITION

The District has established a 20-year Library Equipment Replacement Plan, as well as a 10-Year Financial Projection spreadsheet, to demonstrate use of available funding to provide the collections, facilities, staffing, and technology needs that have been identified. The Library Equipment Replacement Plan is budgeted in the Capital Project Fund, which is funded through annual transfers from the General Fund. In 2008 the transfer of funds was not made, and no transfer is budgeted in 2009. Careful analysis will continue to be made to ensure the stability of the Replacement Plan, and to maintain sufficient resources for future repairs and replacement. The current economic downturn has necessitated the re-evaluation of all District resources, which we will continue to do in order to protect the resources of the District while recognizing our commitment to provide excellent service to the constituents of our District.

Since its inception in 1968, the Pueblo City-County Library District has requested only one increase in its mill levy to increase revenues. This request was approved by the voters, which implied their confidence in our ability to provide materials and services in a responsible, accountable manner. We forecast revenues and expenditures in our Ten-Year Financial Projection spreadsheet, and update our assumptions and projections several times each year.

Management's Discussion and Analysis

Specific details of the overall economy for the Pueblo County are highlighted in the Management's Discussion and Analysis section of this document. A narrative of specific financial outcomes, discussion of governmental and business activities, debt and capital assessment statistics, economic conditions and information about how to contact the District's financial management can be found in this presentation.

Risk Management

The District is covered for workers' compensation insurance through the state insurance carrier, Pinnacol Insurance. The firm of HUB International/SCA Insurance represents the District as our agent for this account, as well as for all risk property insurance, liability, automobile, boiler and machinery, crime, and Officers' and Director's liability insurance, covered through CHUBB Insurance Groups. HUB/SCA is also our consultant for employee health insurance.

Internal Controls

The District has a number of policies and procedures which govern the operations of the District to ensure effective cash management, compliance with governmental accounting regulations, and good business practice. The objectives of these policies and procedures are commensurate with our District-wide goals to effectively manage the current assets and resources of the District. The oversight responsibilities for the financial operations of the District rest with the Board of Trustees. Each month the Board is provided detailed financial information, prepared by the Finance staff, including financial statements,

balance sheets, summary information and disbursements reports for each fund. The financial report is an agenda item, presented by the Chief Financial Officer, and subject to a vote for approval. The Board is responsible for all budgetary resolutions and approvals, and for setting the mill levy annually. The Board is also responsible for approval of any real estate transactions, bonded debt, borrowing of funds, and major contracts.

The Executive Director has the authority to negotiate and sign regular operational contracts, and to approve expenditure of funds.

Segregation of duties is a guiding principle in the Finance Office. For example, the staff members who count the cash and prepare the deposit slips do not take the deposits to the bank, nor are they authorized to record the deposits in the accounting system. Only the Chief Financial Officer and the Executive Director are authorized to effect wire transfers or banking transactions.

The Chief Financial Officer approves payment of invoices and journal entries. The accounting system is carefully set up to allow rights for certain functions to the appropriate staff members only. Bank reconciliations are processed by the Finance Accountant, but must be reviewed and approved by the Chief Financial Officer.

One of the operational tactics for 2009 is to implement a cash audit process at all cash collection points, with reports submitted to managers advising of any discrepancies in cash or procedures. We believe that the cash management procedures in place are thorough and comprehensive, providing an effective environment of safety and good stewardship of the taxpayers' trust.

ACKNOWLEDGMENT

I would like to express my appreciation to the Library District Finance Office staff, Ruth Mondragon, Accountant, and Darla Diaz, Accounting Specialist, who consistently and accurately contribute to the efficient operation of this office. Thanks to the Community Relations staff, Midori Clark and Tabitha Davis, for their assistance in compiling the final document. I would also like to extend special thanks to the dedicated professionals at Swanhorst & Co. LLC, our external auditing firm.

Finally, I wish to thank Jon Walker, Executive Director, and the members of the Board of Trustees for their leadership and support. As the new CFO for the District, I have been welcomed with generosity, respect, encouragement and integrity, and I am honored to be a member of the Pueblo City-County Library organization.

Respectfully submitted,

Chris Brogan, C.G.F.O. Chief Financial Officer

Pueblo City-County Library District

ADMINISTRATIVE TEAM

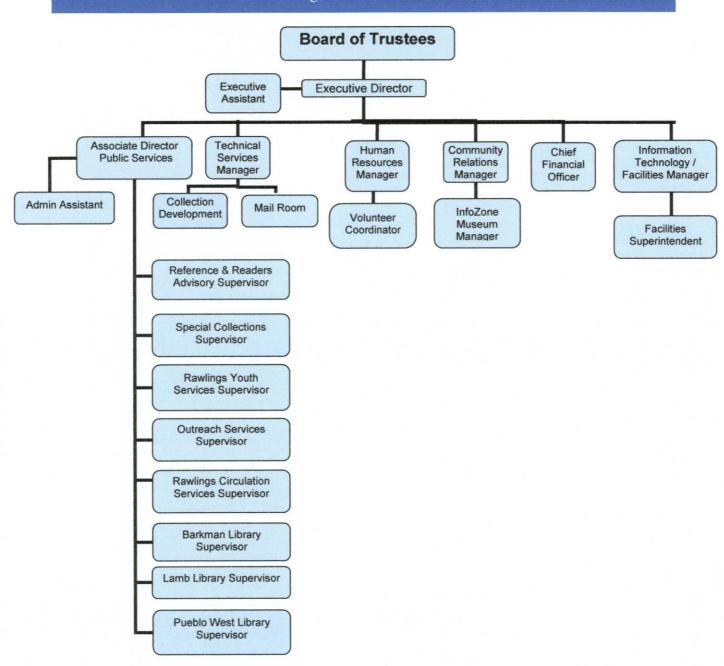
Jon Walker	Executive Director
Kathy Knox	
Chris Brogan	
Midori Clark	
Desmond Grant	
Sara Rose	
Teresa Valenti	

SUPERVISORS

Carol Rooney	Pueblo West Library Supervisor
Amy Phillips	Barkman Library Supervisor
Diann Logie	Lamb Library Supervisor
Barbara Brown	
Maria Sanchez-Kennedy	InfoZone Supervisor
Michael Cox	
Al Perea	Facilities Supervisor
Rebecca Atkinson	Reference/Readers Advisory Supervisor
Noreen Riffe	Special Collections Supervisor
Lorraine Chacon	



Organizational Chart





Board of Trustees Pueblo City-County Library District Pueblo, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pueblo City-County Library District, as of and for the year ended December 31, 2008, which collectively comprise the basic financial statements of the Pueblo City-County Library District, as listed in the table of contents. These financial statements are the responsibility of the Pueblo City-County Library District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pueblo City-County Library District as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pueblo City-County Library District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Swanbrut & Caupany Ul

June 16, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Pueblo City-County Library District (the District) annual financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the calendar year ended December 31, 2008. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The District's assets exceeded its liabilities by \$31,919,430 (net assets) for the calendar year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$27,117,600 include property, materials and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$220,785 are restricted by constraints imposed from outside the District such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$4,581,045 represent the portion available to maintain the District's continuing obligations to citizens and creditors.
- The District's general fund reported total ending fund balance of \$2,876,000 this year. This compares to the prior year ending fund balance of \$2,721,912 showing an increase of \$154,088 during the current year.
- At the end of the current calendar year, unreserved fund balance for the General Fund was \$2,478,802, or 33% of total general fund expenditures including transfers.
- Overall, the District continues to maintain a strong financial position, in spite of the current economic downturn.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of Library District infrastructure, in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the District's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when the District receives or pays cash. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by property taxes. Governmental activities include general library operations.

The government-wide financial statements are presented immediately following this analysis.

Fund Financial Statements

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

The District has the following fund types:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

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

The basic governmental fund financial statements are presented on pages 29 - 32 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide statements because those resources are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for the government-wide statements.

The basic fiduciary fund financial statements can be found on pages 33 and 34 of this report.

Notes To The Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 35 of this report.

Required Supplementary Information

On page 57, the budget to actual comparison for the general fund is presented as required supplementary information.

Supplementary Information

As discussed, the District reports major funds in the basic financial statements. The budgetary comparisons for general fund expenditures and the capital projects fund are presented in a supplementary information section of this report beginning on page 61.

Financial Analysis of the District as a Whole

The District's net assets at 12/31/2008 are \$31,919,430. The following table provides a summary of the District's net assets:

Summary of Net Assets December 31,

	Government Activities								
	20	08	20	07					
	Amount	Percentage of Total	Amount	Percentage of Total					
Assets:									
Current assets Non-current assets	\$ 13,047,562	28.0%	\$ 15,796,669	39.2%					
(excluding capital)	230,584	0.5%	240,279	0.6%					
Capital assets	33,384,432	71.5%	24,260,381	60.2%					
Total assets	46,662,578	100.0%	40,297,329	100.0%					
Liabilities:									
Current liabilities	8,278,694	56.2%	6,835,102	52.1%					
Long-term liabilities	6,464,454	43.8%	6,278,051	47.9%					
Total liabilities	14,743,148	100.0%	13,113,153	100.0%					
Net as sets:									
Invested in capital assets,									
net of debt	27,117,600	85.0%	23,980,233	88.2%					
Restricted	220,785	0.7%	344,674	1.3%					
Unrestricted	4,581,045	14.4%	2,859,269	10.5%					
Total net assets	\$ 31,919,430	100.0%	\$ 27,184,176	100.0%					

The District continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. As a result, the current ratio for the District overall is 1.5 to 1. This ratio compares to 2.31 to 1 at December 31, 2007.

To make the ratio more meaningful, property taxes receivable and the deferred revenue can be eliminated for an identical amount for governmental activities. After this elimination, governmental current assets are \$6,435,289 and current liabilities are \$1,666,421. As a result, the current ratio for the District overall is 3.9 to 1 at December 31, 2008 compared with 7.4 to 1 at December 31, 2007. The ratio at the end of 2007 was very positive, and the ratio at the end of 2008 remains strong, although somewhat diminished from 2007.

The District reported positive balances in net assets for both governmental activities. Net assets increased \$4,735,254 for governmental activities. The District's overall financial position increased during calendar year 2008 by 17%.

Approximately 86% of the District's net assets are represented by capital assets at December 31, 2008 compared to 88% at December 31, 2007. The District uses these capital assets to provide services to its citizens.

The following table provides a summary of the District's changes in governmental activity's net assets:

Summary of Changes in Net Assets

	Government Activities							
		200	08		200	7		
			Percentage			Percentage		
		Amount	of Total	_	Amount	of Total		
Revenues:								
Program:								
Charges for services	\$	144,332	1.9%	\$	142,987	1.9%		
Operating grants		48,577	0.6%		149,100	2.0%		
Capital grants		274,755	3.5%		-	0.0%		
General:								
Taxes		7,060,911	91.1%		6,386,217	85.9%		
Other	_	224,121	2.9%		752,977	10.1%		
Total revenues		7,752,696	100.0%		7,431,281	100.0%		
Program Expenses:								
Public Services		7,184,449	95.6%		7,618,044	99.0%		
Interest on long-term debt	_	331,064	4.4%		75,163	1.0%		
Total expenses		7,515,513	100.0%		7,693,207	100.0%		
Change in net assets		237,184			(261,926)			
Prior period adjustment		4,498,070						
Beginning net assets		27,184,176			27,446,102			
Ending net assets	\$	31,919,430		\$	27,184,176			

GOVERNMENTAL REVENUES

The District is heavily reliant on taxes to support governmental operations. Taxes provided 91% of the District's total revenues in 2008 as compared to 86% in 2007. Revenues increased in 2008 from 2007 by \$321,415, due to increases in property tax revenue of \$674,694, offset primarily by decreases in specific ownership tax and interest income.

Also, note that program revenues cover only 6% of governmental operating expenses. This means that the government's taxpayers and the District's other general revenues fund 94% of the governmental activities. As a result, the general economy and the changes in both residential and commercial property values have a major impact on the District's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

As a single-purpose governmental entity, there is really only one function of the Pueblo City-County Library District, and all internal departments serve to support that function – library service to the public. The only functional category segregated for purposes of the Statement of Activities is that of the debt service for repayment of the Certificates of Participation. Until the year 2012, the annual payment is for interest only, as presented on the Statement of Activities.

The 2008 interest on long-term debt amounted to 4.4% of the total District expenses. Approximately \$1,241,439 of depreciation expense on the District's buildings, equipment and materials is included in total expenses.

Financial Analysis of the District's Funds

Governmental funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$5,005,484. Of this year-end total, \$377,115 is unreserved and undesignated, indicating availability for continuing District service requirements. The fund balance at the end of 2007 was \$9,424,157, which included bond funding to complete the Pueblo West Library. Most of that funding has been expended, resulting in a decrease in fund balance of \$4,418,673.

Reserve fund balances include \$220,785 emergency reserve requirement pursuant to the TABOR constitutional amendment and \$176,413 available only for the prepaid items. Designated fund balances include the entire balance in the Capital Project Fund, which holds capital improvement funding to complete the current building project at Pueblo West, as well as Replacement Plan fund for future building, equipment and technology upgrades and improvements. Designated fund balances also include the entire fund balance for Nonmajor Special Revenue Fund, as well as \$1,101,687 set aside for future operating expenses, and \$1,000,000 identified as designated per bond requirements.

General Fund

The general fund is the District's primary operating fund and the largest source of day-to-day service delivery. The general fund's fund balance at December 31, 2008 is \$2,876,000, an increase of \$154,088 from the previous year. The fund balance represents 38% of annual General Fund expenditures, an amount considered adequate.

Expenditures show an increase of \$577,377 or 8.3% over the prior year. This increase relates primarily to the addition of a debt service interest payment, as well as maintaining services, programs and operational expense at a sustenance level.

Budgetary Highlights - General Fund

Actual revenues were \$283,386 less than budgeted. Property taxes were under budget by \$14,083 or .2%. Specific ownership tax was also under budget by \$5,768, or .8%. This tax is based on the licensing tax collected for vehicles, and is always a difficult revenue item to project. Determining the exact amount of specific ownership taxes, however, is ultimately dependent upon how many automobiles are purchased and licensed in Pueblo County, something of a crystal ball endeavor.

Two other revenue streams also came in less than budgeted. Investment earnings reflects only 41% collection from what was budgeted, due to the rapid decline of interest yield during most of 2008. Miscellaneous contracts and grants was only 27% collected, reflecting a significant decrease in grant income from prior years, another indicator of the decline of the economy.

All appropriated expenditures were under-spent by a total of \$405,225, or 5.4% of the budget. More detailed information about budget to actual comparisons can be found following the notes to the financial statements, in the section entitled REQUIRED SUPPLEMENTARY INFORMATION, beginning on page 55.

The excess of revenues over expenditures for 2008 was \$ (147,901). We anticipated a negative revenue over expenditure situation, however, and transferred \$302,000 from the Capital Project Fund into the General Fund to accommodate this shortage. After the transfer, the net change in fund balance was \$154,099.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets, net of accumulated depreciation, for governmental as of December 31, 2008, was \$33,384,432. See Note 2D for additional information about changes in capital assets during the calendar year and outstanding at the end of the year.

The following table provides a summary of capital asset activity:

Capital Assets

	_	Government	Percentage of Total			
New descriptions		2008		2007	2008	2007
Non-depreciable assets:		1 2 2 2 2 2				
Land	\$	1,842,043	\$	1,680,543	27%	81%
Construction in progress		4,837,682		322,828	72%	16%
Artwork and Collectibles		72,000		72,000	1%	3%
Total non-depreciable		6,751,725		2,075,371	100%	100%
Depreciable assets:						
Buildings		24,250,239		24,250,239	72%	73%
Furniture and fixtures		676,125		656,194	2%	2%
Vehicles		82,347		82,347	0%	0%
Computer equipment		601,941		161,174	2%	0%
Other equipment		82,456		79,961	0%	0%
Computer software		39,836			0%	0%
Library books and audio visual materials		8,111,016		7,838,244	24%	24%
Total depreciable assets		33,843,960		33,068,159	100%	100%
Less accumulated depreciation		7,211,253		6,385,079		
Book value - depreciable assets		26,632,707	_	26,683,080		
Percentage depreciated		21%		19%		
Book value - all assets	\$	33,384,432	\$	28,758,451		

At December 31, 2008, the depreciable capital assets for governmental activities were 21%, which is a slight increase over 19% depreciated at December 31, 2007. A restatement of assets was generated at December 31, 2007 to reflect the addition of books and audio visual collection materials, as well as depreciation of those items, to comply with current auditing standards. (Note 3F) Some items in the capital asset account group were also reclassified to more accurately define those assets. For example, artwork and collectibles were previously listed in furniture and fixtures, but that's a non-depreciating class which should be reflected in non-depreciable assets.

Long-Term Debt

On October 10, 2007, the District issued \$6,000,000 in Certificates of Participation with interest rates of 5.0% and 5.25%. The proceeds from the sale of the 2007 certificates are being used to finance the Pueblo West Library renovation and addition. Total interest cost on the debt service is \$5,109,443. Details of this obligation and the retirement of other long-term debt obligations of the District are included in Note 2E of the notes to financial statements.

Economic Conditions Affecting the District

Information included in this section was compiled from several sources, including the Bureau of Labor Statistics, the Colorado Department of Labor and Employment, the Colorado Department of Local Affairs, and the Pueblo County GIS Department.

The population of Pueblo County was 141,472 in the year 2000 according to the U.S. Census Bureau; it is projected to increase to 164,982 in 2010. The population in 2008 was 156,781, an increase of .7% from prior year. Most of the recent growth in population in Pueblo County has occurred in the Pueblo West geographical area, which has increased from 4,613 people in 1990 to an unofficial estimate of more than 30,000 people currently. This is an increase of more than 550%.

In 2007, the unemployment rate in Pueblo County was 4.9%, but the average unemployment rate for 2008 increased to 6.2%, which was higher than both the Colorado and the national rate. The average unemployment rate for Colorado was 4.9%, lower than the national rate of 5.8%. These statistics are consistent with prior years in that the unemployment rate in Pueblo County is typically slightly higher than both state and national averages. The civilian labor force totaled 73,712 people, with 69,155 employed and 4,557 unemployed. It is anticipated that in the current economy the unemployment rate will continue to rise for several months into 2009.

The median household income in 2008 was \$42,758, compared with \$62,469 in Colorado, and \$54,749 nationally. The median household income in Pueblo County has increased by 30% since 2000, and is projected to increase another 18% in the next five years. Average household size remains at a level consistent with prior years, at 2.51, which is lower than both Colorado and national levels, which were at 2.56 and 2.59 respectively.

The most negative economic indicator in 2008 was the recession, although the negative effects of unemployment and drastic decreases in sales tax revenue have not impacted the District as severely as other entities in our area. Since the District is funded primarily by property tax revenues, we won't feel the effects of decreases in property values for another two years, when assessments are updated on properties in our county. The foreclosure rates on homes in the Pueblo area is significantly lower than other areas of the state, and those numbers have decreased in the past year. 1,029 foreclosure sales were recorded in 2007, while that number had dropped by 26% in 2008 to 757. Economic development continues to grow in Pueblo County, with a new windmill production plant expected to be completed in 2009, ultimately bringing up to 450 new jobs to the county.

Overall, the economic health of Pueblo County is relatively stable. Perhaps the biggest indicator for Pueblo City-County Library District is the confidence and encouragement of our patrons, who continue to acknowledge and appreciate the services provided to them by our District.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District's Finance Office at 100 E. Abriendo Avenue, Pueblo, Colorado 81004.

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Pueblo City-County Library District, Colorado Statement of Net Assets December 31, 2008

Assets	Governmental Activities
Current Assets	Activities
Cash and investments (Note 2A)	\$ 6,252,402
Receivables: (Note 2B)	0,232,102
Accounts	6,474
Property taxes	6,612,273
Prepaid expenses	176,413
Total Current Assets	13,047,562
V	
Non-Current Assets	
Deferred debt issuance costs	230,584
Capital assets: (Note 2D)	
Nondepreciable	6,751,725
Depreciable, net	26,632,707
Total Capital Assets	33,384,432
Total Non-Current Assets	33,615,016
Total Assets	46,662,578
Liabilities	
Current Liabilities	
Accounts payable	1,475,730
Accrued interest	38,994
Unearned revenue	6,566,348
Compensated absences payable (Note 2E)	197,622
Total Current Liabilities	8,278,694
Long-Term Liabilities (net of current portion) (Note 2E)	
Compensated absences payable	100.000
Certificates of participation	197,622
certificates of participation	6,266,832
Total Long-term Liabilities	6,464,454
Total Liabilities	14,743,148
Net Assets	
Invested in capital assets, net of related debt (Note 2H)	27 117 600
Restricted for Tabor Amendment (Note 3C)	27,117,600 220,785
Unrestricted	4,581,045
Total Net Assets	\$ 31,919,430

Pueblo City-County Library District, Colorado Statement of Activities For the Year Ended December 31, 2008

					Prog	ram Revenues				xpense) Revenue and ges in Net Assets
Functions		Expenses	Ser	harges for vices, Sales nd Fines	-	ating Grants,		Capital Grants, and Contributions		overnmental Activities
Primary Government Governmental Activities Library services Interest on long-term debt	\$	7,344,448 331,064	\$	144,332	\$	48,577	\$	434,755	\$	(6,716,784) (331,064)
Total Governmental Activities	_\$	7,675,512	\$	144,332	\$	48,577	\$	434,755		(7,047,848)
			Proper Specif	ral Revenues rty taxes levied ic ownership ment earnings	taxes	rary purposes			-	6,341,679 719,232 224,121
			Total	General Rev	enues					7,285,032
			Chang	ge in Net Asse	ets					237,184
			Net As	ssets Beginnii	ng of Ye	ear, as restate	d (Note	3F)		31,682,246
			Net As	ssets End of Y	ear				\$	31,919,430

Pueblo City-County Library District, Colorado Balance Sheet Governmental Funds December 31, 2008

Assets	_	General	_	Capital Projects		ionmajor Special Revenue	G	Total overnmental Funds
Cash and investments	\$	2,927,291	\$	3,263,703	\$	(1.400	•	(252 102
Receivables:	J.	2,927,291	Ф	3,203,703	3	61,408	\$	6,252,402
Accounts		6,474						ć 454
Property taxes		6,612,273		-		-		6,474
Prepaid items		176,413		-		-		6,612,273
	-	170,413	_				_	176,413
Total Assets	\$	9,722,451	\$	3,263,703	\$	61,408	\$	13,047,562
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$	167,779	\$	763,493	\$		\$	931,272
Retainage payable		-		432,134	Ψ		Φ	432,134
Accrued payroll		112,324		.02,10				112,324
Deferred revenue		6,566,348	_	-		-		6,566,348
Total Liabilities		6,846,451		1,195,627		-		8,042,078
Fund Balances								
Reserved for:								
Prepaid items		176,413						176,413
Tabor Amendment		220,785		_				220,785
Unreserved:		,,,,,,,						220,763
Designated:								
For subsequent year's expenditures		1,101,687		_		61,408		1,163,095
For capital		1,000,000		2,068,076		-		3,068,076
Undesignated, reported in:		,		_,,,,,,,,				5,008,070
General fund		377,115		-				377,115
Total Fund Balances		2,876,000		2,068,076		61,408		5,005,484
Total Liabilities and Fund Balances	\$	9,722,451	\$	3,263,703	\$	61,408	\$	13,047,562

Pueblo City-County Library District, Colorado Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets December 31, 2008

Total Governmental Fund Balances		\$ 5,005,484
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported at the fund financial reporting level.		
Cost Less accumulated depreciation	\$ 40,595,685 7,211,253	33,384,432
Deferred debt issue costs are not financial resources and therefore are not reported in the funds		230,584
Liabilities, including compensated absences, long-term liabilities, debt issue premium and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds		
Accrued interest payable Compensated absences and related benefits Certificates of participation Debt issue premium	\$ (38,994) (395,244) (6,000,000) (266,832)	(6,701,070)
Net Assets of Governmental Activities		\$ 31,919,430

Pueblo City-County Library District, Colorado Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Year Ended December 31, 2008

	General	Capital Projects	Nonmajor Special Revenue	Total Governmental Funds
Revenues				
Property taxes	\$ 6,341,	579 \$ -	\$ -	\$ 6,341,679
Specific ownership taxes	719,3	232 -		719,232
Miscellaneous contracts, grants	48,	577 -		48,577
Gifts and donations	3,	163 165,177	109,578	277,918
Fines	78,	514 -	-	78,514
Investment earnings	92,	706 130,554	861	224,121
Miscellaneous	62,	555 -		62,655
Total Revenues	7,346,	526 295,731	110,439	7,752,696
Expenditures				
Current:				
Library support	7,138,	295 -	104,763	7,243,058
Capital outlay		4,572,168	-	4,572,168
Debt Service:				-
Interest	356,		-	356,143
Total Expenditures	7,494,	4,572,168	104,763	12,171,369
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(147,	(4,276,437)	5,676	(4,418,673)
Other Financing Sources (Uses)				
Transfers in	302,0	- 000	-	302,000
Transfers out		(302,000)		(302,000)
Total Other Financing Sources (Uses)	302,0	000 (302,000)		
Net Change in Fund Balances	154,0	088 (4,578,437)	5,676	(4,418,673)
Fund Balances Beginning of Year	2,721,9	012 6,646,513	55,732	9,424,157
Fund Balances End of Year	\$ 2,876,0	900 \$ 2,068,076	\$ 61,408	\$ 5,005,484

Pueblo City-County Library District, Colorado Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities For the Year Ended December 31, 2008

Net Changes in Fund Balances - Total Governmental Funds		\$ (4,418,673)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures on the governmental fund type operating statement. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Depreciation expense Capital outlay that was capitalized Donated land	\$ (1,241,439) 5,707,420 160,000	4,625,981
Compensated absences reported in the statement of activities do not require the use of current	100,000	4,023,981
financial activities and therefore are not reported as expenditures in governmental funds.		(7,946)
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences in the treatment of long-term debt and related items.		
Amortization of issuance costs	(9,695)	
Amortization of premium	11,219	1,524
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore accrued interest expense is not reported as expenditures in governmental funds.		
and the content of the reported as experiorities in governmental funds.		 36,298
Change In Net Assets of Governmental Activities		\$ 237,184

Pueblo City-County Library District, Colorado Statement of Fiduciary Net Assets J.T. Nesbitt Employee Nonexpendable Trust Fund December 31, 2008

ASSETS		
Cash on hand Cash in bank Investments	\$	682 4,560
Local government investment pool		4,121
Total Assets	\$	9,363
LIABILITIES AND NET ASSE	ETS	
Liabilities		
Net Assets		
Restricted		
Nonexpendable	\$	3,000
Expendable		6,363
Total Net Assets		9,363
Total liabilities and net assets	\$	9,363

Pueblo City-County Library District, Colorado Statement of Changes in Fiduciary Net Assets J.T. Nesbitt Employee Nonexpendable Trust Fund For the Year Ended December 31, 2008

ADDITIONS		
Fund raising	\$	7,490
Interest		115
Total additions		7,605
DEDUCTIONS		
Employee activities		7,851
CHANGE IN NET ASSETS		(246)
NET ASSETS, Beginning of Year		9,609
NET ASSETS, End of Year	\$	9,363

Pueblo City-County Library District, Colorado Notes to the Basic Financial Statements For the Year Ended December 31, 2008

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The Pueblo City-County Library District (the District) was established January 27, 1969, through a joint resolution of the City of Pueblo and the Pueblo Board of County Commissioners. Prior to this time, the City of Pueblo, Colorado was maintaining and operating a public library. This resolution transferred use of the land, building, plants, equipment, facilities, books, periodicals and other library materials to the District. Members of the Board of Trustees of the District are appointed by the City Council and the Pueblo Board of County Commissioners. The Board of Trustees is comprised of seven members. Each year, the Board of Trustees certifies the mill levy to the Pueblo Board of County Commissioners, who then levy taxes upon the area encompassed by the District.

The mission of the District is to serve as a foundation for our community by offering welcoming, well equipped and maintained facilities, outstanding collections and well-trained employees who provide expert service encouraging the joy of reading, supporting lifelong learning and presenting access to information from around the world.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities at the government-wide financial reporting level provided they do not conflict with or contradict GASB pronouncements.

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

1-A. Reporting Entity

The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. Although the Pueblo County Commissioners and the Pueblo City Council appoint the District Board of Trustees, neither entity is financially accountable for the District; therefore the District is not a component unit of either the City or the County. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organizations; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the District in that the District approves the budget, levies their taxes or issues their debt.

There are currently no entities which are recognized as component units of the District.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole. Individual funds are not displayed.

The statement of net assets presents the financial position of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The District does not allocate indirect expenses to functions in the statement of activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the District's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which functions the revenues are *restricted*.

Taxes and other revenue sources not properly included with program revenues are reported as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. Fund financial statements are provided for governmental funds.

The major individual governmental funds are reported in separate columns.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Accounting - The District uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District uses one category of funds, governmental.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The District reports the difference between governmental fund assets and liabilities as fund balance. The following are the District's major governmental funds:

General Fund - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado.

Capital Project Fund – The capital project fund is used to account for financial resources to be used for the acquisition, renovation or construction of major capital facilities, as well as the acquisition of capital assets.

Special Revenue Fund – The District reports non-major grant and gift revenue and expense in a special revenue fund.

Fiduciary Funds – Fiduciary Funds account for assets held by the District in a trustee capacity for individuals, private organizations, other governments and other funds. The District's fiduciary fund is a private purpose trust fund that reports a trust arrangement that benefits the District's employees. The employees of the District were given \$3,000 by a library patron. The donor stipulated that the contributions be invested and that the earnings only be used for employee social activities.

1-C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities reports revenues and expenses.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared, which utilize the economic resources measurement focus. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements. The trust fund is prepared using the economic resources measurement focus.

1-D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The trust fund is also prepared using the accrual method of accounting. At the fund reporting level, governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions - Non-exchange transactions in which the District receives value without directly giving equal value in return, include property taxes, specific ownership taxes, grants, and donations. On an accrual basis, revenue from property taxes and specific ownership taxes is recognized in the fiscal year for which the taxes are levied. (Note 3-C) Property taxes are assessed in one year for the subsequent years' budget. Recognition for the levy made in 2008 is revenue for the 2008 budget year. Therefore, a property tax receivable and a liability of an equal amount are reported as "unearned revenue" on the government-wide statement of net assets.

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue from grants and contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days of year-end) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, specific ownership taxes, investment earnings and federal and state grants.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Deferred/Unearned Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (i.e., on the modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (i.e., they are measurable but not available) rather than as revenue.

Property taxes receivable not collected within 60 days of year-end have been recorded as deferred revenue. Since property taxes are levied in December (i.e., there is a legal claim) for the next calendar year's operations, the total levy is reported as taxes receivable and deferred revenue as December 31, 2008.

Grants and entitlements received before the eligibility requirements are met (e.g., cash advances) also are recorded as deferred revenue.

Deferred revenue is reclassified as "unearned revenue" on the government-wide statement of net assets.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E. Assets, Liabilities and Fund Equity

1-E-1 Cash and Investments

Investments are stated at fair value based on quoted market prices.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-E-2 Receivables

All receivables are reported net of an allowance for uncollectibles, where applicable.

1-E-3 Prepaid Items

Payments made to vendors for services that will benefit periods (e.g., insurance, rents, library services from other libraries) beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reserved, as this amount is not available for general appropriation.

1-E-4 Capital Assets

General capital assets are those assets that result from expenditures in governmental funds. The District reports these assets in the governmental activities column of the government-wide statement of net assets but does not report these assets in the governmental fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars except for library books and audio visual materials, which are all capitalized regardless of cost. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed.

All reported capital assets are depreciated except for land, construction in progress, and art and collectibles. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method except for library books and audio visual materials that use the group method over the following useful lives:

Description	Estimated Lives
Buildings	40 years
Vehicles	4 years
Computer equipment	4 years
Other equipment	5 years
Furniture and fixtures	10 years
Library books and audio visual	
materials	5 years
Computer software	3 years

The District capitalizes library books and audio visual materials. Annually, purchased additions are capitalized at cost and damaged and lost materials are deleted from the inventory, using average cost.

Note 1 - Summary of Significant Accounting Policies (Continued)

1-E-5 Compensated Absences

It is the District's policy to permit all employees to accumulate a limited amount of earned but unused sick leave benefits, payable to employees upon termination. Sick leave benefits can be carried over up to a maximum of 120 days. Vacation leave benefits are earned during the current year and up to 336 hours can be carried over. Any accumulation over this amount is lost. Sick and vacation leaves are earned based on years of service and job classification.

The total compensated absence liability is reported on the government-wide financial statements. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

1-E-6 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Certificates of participation are recognized as a liability in the governmental fund financial statements "when due."

1-E-7 Debt Premiums, Discounts and Issuance Costs

On the government-wide statement of net assets, debt premiums and discounts are netted against debts payable and debt issuance costs are reported as deferred charges. On the government-wide statement of activities, debt premiums and discounts and debt issuance costs are deferred and amortized over the life of the debt using the straight-line method.

At the government fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debts issued. Debt issuance costs are reported as an expenditure.

1-E-8 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net assets."

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management's intent to set aside these resources for specific services.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted.

1-E-9 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

1-E-10 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - Detailed Notes on All Funds

2-A. Deposits and Investments

Deposits

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

Note 2 - Detailed Notes on All Funds (continued)

Investments

Investments of the District may include:

- U.S. Treasury Obligations (bills, notes, and bonds)
- U.S. Government Agency Securities
- SEC Registered Money Market Mutual Funds
- Bankers' Acceptances of certain banks
- Commercial Paper limited to securities with highest rating category by at least two nationally recognized rating agency at time of purchase
- Written Repurchase Agreements collateralized by certain authorized securities
- Certificates of Deposit in FDIC Insured Colorado Commercial Banks and Savings and Loan Associations with 102% collateral under PDPA over the \$250,000 FDIC insurance level
- Local Government Investment Pools regulated under CRS 24-75-701

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST). This investment vehicle was established for local government entities in Colorado to pool surplus funds for investment purposes by state statute. These funds operate similarly to a money market fund and each share is equal in value to \$1.00. The investment pool is under the authority and in conformity with Part 6 of Article 75 of Title 24 of the Colorado State Revised Statutes. The pool is regulated by the Colorado Division of Securities.

The District's investments are subject to risk as described below:

Credit risk

Repurchase agreements must be collateralized at 102% with securities allowed by State statutes. State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSRO"). State statutes limit investments in U.S. Agency securities to the highest rating issued by two or more NRSROs. The amount invested in repurchase agreements at December 31, 2008 was \$954,961, and the agreement matures on January 2, 2009.

In order to limit exposure to fair value losses arising from rising interest rates, the District's investments are managed through a local government investment pool, ColoTrust, which is rated AAAm by Standard & Poor's. The portfolio is analyzed monthly to confirm compliance with policy and ensure appropriate investment management. Total investments held at ColoTrust on December 31, 2008 were \$ 5,537,780.

Interest rate risk

State statutes generally limit investments to an original maturity of five years. The governing body of the District does not authorize investments to exceed that period.

Note 2 - Detailed Notes on All Funds (continued)

Concentration of credit risk

The District's investment in VectraBank repurchase agreements represents 15% of total investments.

Cash and Investment Reconciliation

Fund Reporting Level: Government Activities Fiduciary Fund	\$ 6,252,402 9,363
Total	\$ 6,261,765
Per Note Disclosure Above:	
Cash on hand	2,095
Deposits	(233,071)
Investments	6,492,741
Primary Government Total	\$ 6,261,765

2-B. Receivables

Receivables at December 31, 2008, consisted of taxes and accounts receivable.

2-C. Property Taxes

Annual property taxes are levied by the Pueblo County Assessor's offices on assessed valuation as of January 1, and attached as an enforceable lien on the property at that time. Generally, property taxes are levied on December 15 for the subsequent year's operations. Taxpayers may pay property taxes in two equal installments. One-half of the taxes due will become delinquent March 1, after which date interest will be added as provided by law.

The remaining half will become delinquent June 16. If the entire annual tax is paid on or before April 30, no interest is added.

2-D. Capital Assets

Capital asset activity for the year ended December 31, 2008 is summarized on the following page.

Note 2 - Detailed Notes on All Funds (Continued)

		Balance 12/31/2007		A dditi		D. L		Balance
Governmental activities:	_	12/31/2007		Additions		Deletions		12/31/2008
Capital assets not being depreciated:								
Land	\$	1,680,543	\$	161,500	\$		•	1.042.04
Art and collectibles		72,000	Ψ	101,500	Ф	-	\$	1,842,04
Construction in progress	_	322,828		4,514,854		-		72,00 4,837,68
Total capital assets not being depreciated:		2,075,371		4,676,354		-		6,751,72
Capital assets being depreciated:								
Buildings		24,250,239						21250
Furniture and fixtures		656,194		19,931		-		24,250,23
Vehicles		82,347		19,931		-		676,12
Computer equipment		161,174		440,767				82,34
Other equipment		79,961		2,495				601,94
Computer Software		75,501		39,836		-		82,45
Library books and audio visual materials		7,838,244		688,037		415,265		39,83 8,111,01
Total capital assets being depreciated		33,068,159		1,191,066		415,265		33,843,96
Total capital assets		35,143,530		5,867,420		415,265		40,595,68
Accumulated depreciation:								
Buildings		2,628,162		489,127				3,117,289
Furniture and fixtures		263,056		66,012		_		
Vehicles		54,001		8,165		-		329,06
Computer equipment		70,389		38,043		i=		62,16
Other equipment		17,810		13,535		-		108,432
Computer Software		-		1,107				31,345
Library books and audio visual materials		3,351,661		625,450		415,265		1,10° 3,561,846
Total accumulated depreciation		6,385,079		1,241,439		415,265		7,211,253
Total capital assets being depreciated, net		26,683,080		(50,373)		-		26,632,707
overnmental activities capital assets, net	\$	28,758,451	\$	4,625,981	\$	-	\$	33,384,432

Note 2 - Detailed Notes on All Funds (Continued)

2-E. Long-Term Debt

Governmental Certificates of Participation - The following is a summary of the outstanding long-term debt issues at December 31, 2008:

Year Issued	Purpose	Interest Rate (%)	Interest Due Dates	Issue Date	Maturity Date	Authorized and Issued	
2007	Certificates of Participation	5.00-5.25	5/15, 11/15	10/2/2007	11/15/2031	\$6,000,000	

Pueblo West Library Building

On October 10, 2007, the Pueblo City-County Library District issued \$6,000,000 in Certificates of Participation (COPS) with interest rates of 5.0% and 5.25%. The proceeds from the sale of the certificates are being used to finance a portion of the construction of an addition to the Pueblo West Library and pay a portion of the costs of issuance. American National Bank is serving as Trustee. The final debt service payment is scheduled for November 15, 2031.

Annual debt service requirements to amortize all obligations outstanding, as of December 31, 2008 follow:

Year	Principal	Interest		Total
2009	\$ -	\$ 311,950	\$	311,950
2010	-	311,950	,	311,950
2011	-	311,950		311,950
2012	180,000	311,950		491,950
2013	190,000	302,950		492,950
2014 - 2018	1,090,000	1,364,000		2,454,000
2019 - 2023	1,400,000	1,052,626		2,452,626
2024 - 2028	1,810,000	643,912		2,453,912
2029 - 2031	 1,330,000	142,012		1,472,012
	\$ 6,000,000	\$ 4,753,300	\$	10,753,300

Note 2 - Detailed Notes on All Funds (Continued)

Changes in Long-term Debt - Changes in the District's long-term obligations consisted of the following for the year ended December 31, 2008:

Governmental Activities:	utstanding 2/31/2007	A	dditions	Re	eductions	Outstanding 12/31/2008	nounts Due One Year
Compensated absences 2007 certificates of participation Premium	\$ 387,298 6,000,000 278,051	\$	7,946	\$	- - 11,219	\$ 395,244 6,000,000 266,832	\$ 197,622
Total	\$ 6,665,349	\$	7,946	\$	11,219	\$ 6,662,076	\$ 197,622

All certificates of participation will be paid through future general fund expendable available financial sources as they become due. The compensated absences liability will be paid from the fund from which the employees' salaries are paid (i.e., currently the general fund).

2-F. Operating Leases

The District has a lease for the Barkman Branch site for a term of ninety-nine years from April 1, 1990 to March 31, 2089, with a full rental of \$99 which was paid in 1990.

The lease for the White Branch, which was renovated and renamed the Pueblo West Branch in 2008, had a ninety-nine year term from November 25, 1996 to November 25, 2095, with a full rental of \$99 which was paid in 1996. However, in 2008, the property was donated by the Pueblo West Metropolitan District and deeded to the Pueblo City-County Library District for a value of \$160,000.

The District leases storage space under an agreement which is classified as an operating lease. This lease has an initial period of ten years from November 1, 2001 to October 31, 2011, and is renewable for an additional five-year term. Rent expense for 2008 was \$23,988. Future minimum lease payments under this agreement are:

Year Ending		
December 31,		
2009	\$	24,710
2010		25,448
2011		21,740
TO	OTAL \$	71,898

Note 2 - Detailed Notes on All Funds (Continued)

2-G. Pensions

The District contributes to the Local Government Division Trust Fund (LGDTF), a cost sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). LGDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of LGDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, Colorado, 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the District is 11.9% of covered salary in 2008. The contribution rate in 2006 was 10.5%; in 2007 it was 11%. A portion of the District's contribution (1.02% of covered salary for 2008, 2007 and 2006) is allocated for the Health Care Trust Fund. The District's contributions to LGDTF for the years ending December 31, 2008, 2007, and 2006 were \$391,667, \$344,591, and \$309,493 respectively, equal to the required contributions for each year.

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer post employment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HTCF Benefit provisions to the State Legislature.

PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained from PERA of Colorado at the address or telephone numbers referred to in the first paragraph of this footnote.

The District is required to contribute to the HCTF at a variable rate (see above) of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The District's contribution to the HCTF for the years ended December 31, 2008, 2007, and 2006 were \$ 33,193, \$32,825, and \$30,065, respectively, equal to their required contribution for each year.

Note 2 - Detailed Notes on All Funds (Continued)

Employees of the District who are members of the LGDTF may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), and Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 614 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

The 401(k) Plan is funded by voluntary contributions of up to a maximum limit set by the Internal Revenue Service (\$15,000 in 2006, \$15,500 in 2007 and 2008).

In 2008, through resolution of the Board of Trustees, a plan was established through PERA to contribute matching funds of up to 1% for each employee who is eligible to participate, to the 401K defined contribution plan. The District contributed \$11,362 in 2008 for employees participating in the 401K plan during the year. The authority for establishing and amending this plan and the related contributions rests with the District Board of Trustees.

The District maintains no control over the plan. PERA provides administration for the plan.

2-H. Invested in Capital Assets, Net of Related Debt:

The "invested in capital assets, net of related debt" amounts reported on the government-wide statement of net assets as of December 31, 2008 are as follows:

Not assets invested in a vital	Governmental Activities				
Net assets invested in capital assets: Cost of capital assets Less accumulated depreciation	\$	40,595,685 7,211,253			
Book value Capital related debt		33,384,432 6,266,832			
Net assets invested in capital assets, net of related debt	\$	27,117,600			

Note 2 - Detailed Notes on All Funds (Continued)

2-I. Interfund transfer

A transfer was made in 2008 from the capital project fund to the general fund in the amount of \$302,000. The general fund budget was revised in February 2008 to reflect expense for debt service payment on the COP debt issue. Additional revenues were necessary to provide funds for this payment, so upon careful analysis of available funds in the capital project fund, the budget was revised and funds transferred in 2008.

Note 3 - Other Notes

3-A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for the risks of loss, including worker's compensation and employee accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Limits of insurance coverage remain unchanged in the past three years.

The District is covered under a partially self-funded employee benefit plan administered by an insurance company. The plan holds a \$ 22,000 deposit of the District's funds that would be applied to their termination liability if they should ever discontinue the plan with that company.

3-B. Contingent Liabilities

The District has an existing lawsuit which is being vigorously contested. An additional threatened litigation is also outstanding, but the District believes that it is without merit.

3-C. Tabor Amendment

In 1992, a constitutional amendment (commonly referred to as TABOR) was passed, limiting powers of public entities to borrow, tax and spend without a public vote. In November 1995, the voters in the District approved a mill levy increase for the District, effective in the 1996 budget year. The mill levy was increased from 3.5 mills to 5.25 mills. As part of the tax and revenue ballot question, public approval also was given to remove the revenues of the District from the spending and growth provisions set forth in the TABOR amendment.

Note 3 - Other Notes (continued)

It is the opinion of the District's attorneys that the spending revenue limitations of the TABOR amendment do not apply to the District as a result of the passage of the ballot issue listed above. However, the District has reserved 3% of its General Fund

The District reserved 3% of its annual general fund revenues to comply with provisions of TABOR's emergency reserve requirements.

3-D. Certificates of Participation debt compliance

Per requirement of the Certificates of Participation issue in October 2007, the District is required to maintain a minimum fund balance of \$1,000,000, as reported in the general fund at December 31, 2008.

3-E. Tax-Exempt Status

The Internal Revenue Service has determined the District to be a not-for-profit organization exempt from income taxes under Code Section 501(c)(3).

3-F. Restatement of capital assets

The District has not historically capitalized or depreciated books and collection materials. However, with the implementation of Governmental Accounting Standards Board (GASB) Statement 34, it has been determined that these items, when held by a public library, are subject to capitalization and depreciation. Therefore, the District has calculated the total value and accumulated depreciation of both books and audio visual materials, added those items to the District Capital Asset Policy, and included them as capital assets in the financial statements.

Also, a new asset accounting and inventory system was installed in 2008, and a complete physical inventory undertaken. As a result of this major update, certain categories of capital assets have been reclassified to present a more comprehensive reporting level commensurate with the estimated lives for those assets. The category previously defined as *furniture and equipment* has been subdivided into six separate categories: Furniture and fixtures, Vehicles, Computer equipment, Other equipment, Computer software and Art & collectibles.

The following restatement incorporates these adjustments and reclassifications:

Net Assets, 12/31/07, as restated	\$	31,682,246
Reclassifications Library books and materials	<u> </u>	11,487 4,486,583
Net Assets, Dec. 31, 2007, as originally stated	\$	27,184,176

Note 3 - Other Notes (continued)

3-G. Consolidation of Special Revenue funds

In previous years the District has maintained numerous Special Revenue Funds, but very few of these actually met the criteria for that classification. Most have been eliminated and included in the General Fund, with only one remaining as non-major special revenue fund.

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REQUIRED SUPPLEMENTARY INFORMATION

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Pueblo City-County Library District, Colorado Schedule of Revenues, Expenditures and Changes In Fund Balances - Budget and Actual General Fund For the Year Ended December 31, 2008

Revenues	_	Original Budget		Final Budget		Actual		Variance with Final Budget
Property taxes	\$	6,372,512	\$	6,355,762	\$	6,341,679	\$	(14.092)
Specific ownership taxes		800,000	Ψ	725,000	Ψ	719,232	Ф	(14,083) (5,768)
Miscellaneous Contracts, Grants		180,000		180,000		48,577		(131,423)
Gifts and donations		10,000		10,000		3,163		(6,837)
Fines		81,000		81,000		78,514		(2,486)
Investment earnings		225,000		225,000		92,706		(132,294)
Miscellaneous	_	53,150		53,150		62,655		9,505
Total Revenues		7,721,662		7,629,912		7,346,526		(283,386)
Expenditures Current:								
Library support Debt Service:		7,589,109		7,543,509		7,138,295		405,214
Interest		•		356,143		356,143		_
Total Expenditures		7,589,109		7,899,652		7,494,438		405,214
Excess (Deficiency) of Revenues Over (Under) Expenditures		132,553		(269,740)		(147,912)		121,828
Other Financing Sources (Uses) Transfer from capital projects fund				302,000		302,000		-
Total Other Financing Sources		-		302,000		302,000		_
Net Change in Fund Balance	\$	132,553	\$	32,260		154,088	\$	121,828
Fund Balance Beginning of Year						2,721,912		
Fund Balance End of Year					\$	2,876,000		

See the accompanying independent auditors' report

Pueblo City-County Library District, Colorado Notes to Required Supplementary Information For the Year Ended December 31, 2008

Note 1 - Budgetary Information

The District adopts an annual operating budget for the general fund and the capital projects fund. The budgets are adopted on a basis consistent with GAAP.

The budget calendar is driven by Colorado State Statute (29-1-108(4),C.R.S.), as well as internal planning for completion of every phase. Typically the budget process begins in July, with analysis and updates to the Annual Plan to set objectives, goals, strategies and budgetary impact for all libraries and departments. This information becomes an intrinsic part of the overall budget process.

On or before October 15th the proposed budget is submitted to the Board of Trustees, a "Notice of Budget" is published in the newspaper, and copies of the proposed budget are distributed to the four public libraries so that the budget is available for public inspection and comment.

In November a public hearing is held, at a time and place identified in the published notice. The public is invited to provide budgetary comment until the December board meeting, at which time the budget will be formally adopted, funds appropriated, and the mill levy resolution passed. The December meeting is not scheduled until the final assessed valuation figures are received from the county assessor. The deadline for receipt of this information is December 10th. The deadline for certification of mill levy is due to county commissioners by December 15th.

No later than 30 days following the start of the fiscal year, a certified copy of the adopted budget must be filed with the Division of Local Government.

The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the individual fund level. Any change in the total budget for each fund requires approval of the Board of Trustees. Management is authorized to make transfers between line items within a fund.

All unexpended annual appropriations lapse at year-end.

SUPPLEMENTARY INFORMATION

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Pueblo City-County Library District Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Capital Projects Fund

For the Year Ended December 31, 2008

Revenues	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Gifts and Donations	\$ 150.000	250,000		
Replacement Plan			\$ 165,177	\$ (84,823)
Interest Income	452,286 100,000	1371077	130,554	(465,000) (26,446)
Total Revenues	702,286	872,000	295,731	(576,269)
Expenditures				
Architect	332,500	332,500	102,013	230,487
Construction	4,897,500	5,646,000	4,398,561	1,247,439
Professional Services	20,000	20,000	17,959	2,041
Furniture, Fixtures, Equipment Land		-	11,098	(11,098)
Replacement Plan	-	1,500	1,500	-
Infozone Expense	551,000	551,000	9,524	541,476
iniozone Expense			31,513	(31,513)
Total Expenditures	5,801,000	6,551,000	4,572,168	1,978,832
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(5,098,714	(5,679,000)	(4,276,437)	1,402,563
Other Financing Sources (Uses) Transfer to general fund		(302,000)	(302,000)	-
Net Change in Fund Balance	\$ (5,098,714)	\$ (5,981,000)	(4,578,437)	\$ 1,402,563
Fund Balance Beginning of Year			6,646,513	
Fund Balance End of Year			\$ 2,068,076	

See the accompanying independent auditors' report

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Pueblo City-County Library District, Colorado Schedule of Expenditures - Budget and Actual General Fund For the Year Ended December 31, 2008

	2008							
		Original Budget		Final Budget		Actual		Variance with Final Budget
Current								
Salaries and wages	\$	3,369,341	\$	3,369,341	\$	3,393,100	\$	(23,759)
PERA		400,952		400,951		398,849		2,102
Employee benefits		543,053		549,054		515,401		33,653
Books, periodicals, non-print, processing		1,042,322		1,043,539		879,593		163,946
Operating leases		59,350		81,538		85,990		(4,452)
Contractual library services		283,041		259,753		219,795		39.958
Treasurers' fees		95,600		95,600		95,175		425
Office supplies; miscellaneous		97,975		96,758		90,653		6,105
Utilities and insurance		386,300		386,300		347,234		39,066
Building maintenance		361,000		361,000		359,185		1,815
Vehicle maintenance		10,800		10,800		9.002		1,798
Public relations, printing		46,000		46,000		40,309		5,691
Postage and shipping		46,120		46,120		20,561		25,559
Courier service		2,950		2,950		3,100		(150)
Information services		498,150		473,705		467,027		6,678
Debt Service				,		107,027		0,076
Interest		_		356,143		356,143		
Capital Outlay - general		346,155		320,100		213,321		106,779
Total Expenditures	\$	7,589,109	\$	7,899,652	\$	7,494,438	\$	405,214

See the accompanying independent auditors' report