

Poudre River Public Library District

Report to the Board of Trustees
June 1, 2015

Preliminary Draft - for Review and Discussion - Subject to Change

June 1, 2015

To the Board of Trustees
Poudre River Public Library District
201 Peterson Street
Fort Collins, Colorado 80524

We are pleased to present this report related to our audit of the basic financial statements of Poudre River Public Library District (the District) for the year ended December 31, 2014. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Poudre River Public Library District.

McGladrey LLP

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Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated December 5, 2014. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.
Accounting Policies and Practices	<p>Preferability of Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.</p> <p>Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.</p>
Audit Adjustments	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Area	Comments
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and the management of the District, including the representation letter provided to us by management, are attached as Exhibit A.

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Summary of Significant Accounting Estimates

Year Ended December 31, 2014

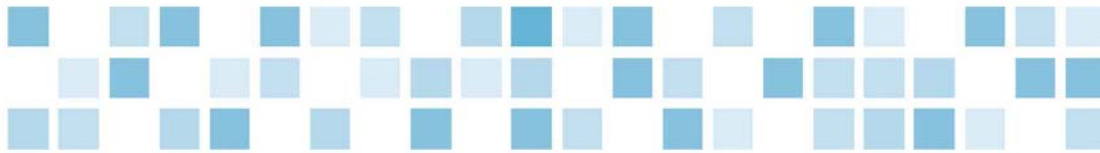
Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the District's December 31, 2014 basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciable Useful Life of Capital Assets	The depreciable useful life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions based on prior experience.	We believe the estimates used by management of the District are reasonable.
Fair Value of Investments	The District records its investments at the estimated fair value.	Investment securities are based on quoted market prices.	We tested the proprietary of information underlying management's estimates. Based on our procedures, we conclude that management's estimate is reasonable.

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Exhibit A—Significant Written Communications between Management and Our Firm

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Cyber Security

For years, experts have warned about increasing risks to business due to cyber attacks, and 2014 was the year the issue exploded into public view after a number of prominent companies reported significant data breaches. Due to this heightened risk, it's more important than ever for companies to evaluate key threats to information security:

- Cyber attacks can be facilitated in part by social engineering in which the attackers trick employees into providing the attackers with information or access, or even unknowingly assist an attacker by downloading malicious software. Annual security awareness training, ongoing security awareness reminders and periodic mock social engineering attacks are the primary means of defending against such attacks.
 - Cyber attackers are not only seeking credit cards and bank accounts, but also intellectual property (IP), which can take many forms including confidential customer information, manufacturing designs, purchasing information, and other trade secrets. It is important to know where IP is stored and who has access to it so that you can design and implement specific security controls.
 - In today's environment, it is common business practice to have trusted vendors that have access to various systems and applications.
- Examples include an HVAC vendor that may need to access systems to monitor their performance, or a contract payroll management provider that accesses the business network for payroll processing information. A rigorous vendor management program is needed to effectively manage third-party access so as to limit the risk that a third party can compromise your systems or data.
- Not too long ago, businesses would focus completely on preventative controls to attempt to prevent cyber attackers from compromising systems. Today it is important to also implement detective controls, such as security monitoring, which is meant to identify potential issues, and corrective controls for use when incidents do occur. Examples of corrective controls include incident response plans and having forensics specialists on retainer. If we plan for a security "failure," we can "fail" gracefully, minimize damage and recover quickly.

McGladrey is available to help if needed in any of the above areas as well as other cyber defense services. The firm has been offering these services since the mid 1990s and continues to provide high-quality innovative security and privacy protection services.

800.274.3978
www.mcgladrey.com

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