



Report to the Board of Trustees

Poudre River Public Library District

Results of the 2022 Financial Statement Audit, Including Required Communications

December 31, 2022

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Board of Trustees Presentation

Audit Summary

Timing of Our Engagement

Our audit procedures occurred primarily between January 12, 2023 and June 28, 2023.

Our Financial Statement Opinion

We have issued an unmodified opinion as to whether the financial statements of Poudre River Public Library District (the District), as of and for the year ended December 31, 2022, are fairly presented, in all material respects.

Government Auditing Standards

We have also issued our report on internal control over financial reporting and on our tests of compliance in accordance with *Government Auditing Standards* (GAGAS).

Where We Focused Our Efforts

Elements of the Audit	Description of Audit Area
Planning	We worked closely with management, the Board of Trustees, and the City early during the audit, as required by auditing standards, giving the group an overview of the scope and timing.



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Elements of the Audit	Description of Audit Area
Materiality	<p>FORVIS has a materiality methodology that does not simply consider change in net position but focuses on other metrics, such as total net position and fund balance, assets, or revenue or other meaningful metrics, to scope our audit approach, to evaluate actual or potential errors, and to develop audit samples.</p>
Risk Assessment	<p>FORVIS followed standards established by the AICPA that affected the amount and type of information we gathered to perform our audit, including:</p> <ul style="list-style-type: none"> • Obtaining an understanding of your business and business environment, significant risks, and how you mitigate those risks, including examining how you measure and manage financial performance, as well as your internal control over financial reporting • Evaluating where your financial statements might be susceptible to material misstatement due to error or fraud • Considering if internal controls have been implemented and assessed the general controls around your information technology systems • Assessing risks of material misstatement for the most significant financial statement amounts and disclosures <p>We considered your internal controls documentation and asked management to complete various questionnaires for significant areas, such as cash inflows, cash outflows, payroll, investing and financing, and information technology.</p> <p>We interviewed personnel and reviewed prior board meeting minutes as part of our information-gathering process.</p>



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Elements of the Audit

Description of Audit Area

Fieldwork, Testing, & Further Audit Procedures

We designed audit tests to take advantage of strengths in your internal control system, including:

- Performing substantive tests on material account balances
- Evaluating significant unusual transactions
- Asking management to further explore and clarify any potential misstatements we identified
- Evaluating the materiality of those misstatements, if applicable
- Concluding that all identified risks of material misstatement have been addressed
- Holding a formal exit conference with management to share findings and preliminary deliverables

We also performed substantive procedures, such as:

- **Key Item Testing** – Some items within an account may be large enough by themselves to involve significant risk of material misstatement. These key items were audited individually.
- **Sampling** – A detailed audit of representative individual items (a sample) selected from a population
- **Analytical Procedures** – Taking a closer look at a grouping of information by examining it as it relates to other accounts, historical trends, or other measures

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Elements of the Audit	Description of Audit Area
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<p>Areas of Particular Attention</p>	<p>Based on the nature of your activities and the operations during the period, we noted the following areas of special attention:</p> <ul style="list-style-type: none"> • Management Override of Controls is an inherent risk, even in well-designed systems of controls. We evaluate journal entries and financial statement drafting processes among areas where override can often occur. • Related-party Disclosures are typically sensitive areas of consideration and disclosure that demand additional professional skepticism • Implementation of GASB 87, Leases <p>Related to these areas, no matters are reportable.</p>
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Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

The following matters are required communications we must make to you, including these responsibilities:

Overview & Responsibilities

Scope of Our Audit & Inherent Limitations to *Reasonable Assurance*

Your & Our Responsibilities

Extent of Our Communication & Distribution Restriction

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Matter	Discussion
Scope of Our Audit	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none"> • As of and for the year ended December 31, 2022 • Conducted in accordance with our contract dated January 12, 2023
Our Responsibilities	<p>FORVIS is responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
Audit Scope & Inherent Limitations to Reasonable Assurance	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.</p>
Extent of Our Communication	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
Independence	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>



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Matter	Discussion
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"><li data-bbox="506 505 1230 545">• The Board of Trustees and management<li data-bbox="506 558 963 599">• Others within the District<li data-bbox="506 612 1365 652">• Management of the City of Fort Collins, Colorado



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Government Auditing Standards

Matter	Discussion
Additional GAGAS Reporting	We also provided reports as of June 28, 2023, on the following as required by GAGAS: <ul style="list-style-type: none">• Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.



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Other Information Accompanying the Audited Financial Statements

The audited financial statements are presented along with the annual comprehensive financial report. Management, or those charged with governance, is responsible for preparing the annual report.

We were not engaged to audit the information contained in the introductory and statistical sections, and as a result, our opinions do not provide assurance as to the completeness and accuracy of the information contained therein.

As part of our procedures, we read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management's attention and review subsequent revisions.

Auditor Objectives Related to Other Information

Our objectives related to the other information accompanying the audited financial statements were to:

- Consider whether a material inconsistency exists between the other information and the financial statements
- Remain alert for indications that:
 - A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, or
 - A material misstatement of fact exists or the other information is otherwise misleading
- Respond appropriately when we identify that such material inconsistencies appear to exist or when we otherwise become aware that other information appears to be materially misstated. Potential responsive actions would include requesting management to correct the identified inconsistency.
- Include the appropriate communication in our auditor's report, disclosing the procedures performed on the Other Information, as well as the results obtained



Qualitative Aspects of Significant Accounting Policies & Practices

The following matters are detailed in the following pages and included in our assessment:

**Significant Accounting
Policies**

**Unusual Policies or
Methods**

**Management Judgments
& Accounting Estimates**

**Financial Statement
Disclosures**

**Our Judgment About the
Quality of the District's
Accounting Principles**

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Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- GASB 87, *Leases*

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Fair value of investments
- Capital and lease assets, net
- GASB 87, *Leases* discount/incremental borrowing rates





Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Investments
- Classification of net position and fund balance
- Related parties
- GASB 87, *Leases*

Our Judgment About the Quality of the District's Accounting Principles

During the course of the audit, we made the following observations regarding the District's application of accounting principles:

- Adoption of GASB 87, *Leases*

Significant Accounting Policies & Alternative Treatments – Details

GASB 87, Leases

Effective January 1, 2022, the District adopted GASB 87, *Leases*. GASB 87 creates one model for recognizing leases for both lessees and lessors. Substantially all leases are recognized on the lessee's statement of net position.

In the activity statement, lessees no longer report rent expense for the previously classified operating leases but instead report interest expense on the liability and amortization expense related to the asset. Lessors recognize a lease receivable and corresponding deferred inflow of resources. Interest income associated with the receivable are recognized using the effective interest method.

Adoption of GASB 87 required significant time to identify a complete list of lease contracts for consideration of adoption and measure the lease assets and liabilities for recognition. In addition, due to adoption of the standard, the District's key performance indicators related to the statement of net position (such as the current ratio) are likely not comparable to historical results.

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- Adjustment of \$227,005 to properly state beginning balance of capital assets – building improvements as well as reclassification to properly state transfers between buildings and equipment and furnishings



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Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Nature of Uncorrected Misstatements

- No uncorrected misstatements



Other Required Communications

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- No matters are reportable

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Significant Related-party Findings

We would like to communicate the following significant findings or issues that arose during our audit, related to the District's related-party activity:

- No matters are reportable



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Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachment)

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Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Poudre River Public Library District (the District) as of and for the year ended December 31, 2022 in accordance with GAAS and GAGAS, we considered the District's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the District's internal control.

Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

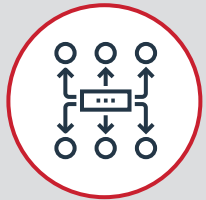
Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Categorizing Deficiencies by Severity

Deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.



Significant Deficiency

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the District's financial statements will not be prevented or detected and corrected on a timely basis.



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Identified Deficiencies

We identified a certain deficiency in internal control that we consider to be a deficiency.

Capital Assets – Audit Adjustments

- An audit adjustment in the amount of approximately \$220,000 was required to properly state the beginning balance of capital assets. Additionally, transfers were originally reported entirely within buildings but should have been presented between buildings and equipment and furnishings. We recommend the District implement procedures to ensure that beginning balances agree to prior year ending balances and that current-year capital asset activity is properly stated. This should include a final review to ensure supporting documentation agrees to the capital asset rollforward.

Future Accounting Pronouncements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (GASB 96)

The standard defines a subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*. This statement requires governments report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this statement are effective for the City's December 31, 2023 reporting period. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation. Governments are permitted—but not required—to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation.





GASB Statement No. 101, Compensated Absences (GASB 101)

GASB 101 updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled. A liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles for financial statements prepared using the current financial resources measurement focus. GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The changes adopted at transition to conform to the provisions of GASB 101 should be reported as a change in accounting principle in accordance with Statement No. 100, *Accounting Changes and Error Corrections*, including the related display and disclosure requirements.

What Makes Us Uniquely FORVIS

We Are FORVIS

OUR PURPOSE

To help those we serve unlock their full potential

MISSION

To build remarkable careers and provide an Unmatched Client Experience™
through an uncommon commitment to excellence

VISION

Our **FORward VISION** is to be known for creating engaging opportunities,
delivering innovative solutions, and building unrivaled relationships

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UNMATCHED CLIENT EXPERIENCE

A key part of the **FORVIS WAY** is our Unmatched Client Experience—the focus for this book. Unmatched Client Experience is how we work with team members and clients to deliver a unique experience. We strive to serve each other and unlock our individual and collective full potential. With all the elements of the FORVIS Way as our foundation, delivering an Unmatched Client Experience becomes real when we do these three things ...

1. LISTEN TO
UNDERSTAND



2. BE
RESPONSIVE



3. CONSULT WITH
PURPOSE TO
DELIVER VALUE



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Sharing Our FORVIS Commitments

FORVIS' commitment to our people, clients, integrity, and culture are critical to achieving quality in our practice.

- The [FORVIS Integrated Report](#) highlights how our mission-focused mindset helps us support clients, establish firm objectives, and achieve success
- Our 2023 [Quality Report](#) supplements the broader Integrated Report by sharing items focused on the quality structure of our audit and attest practice



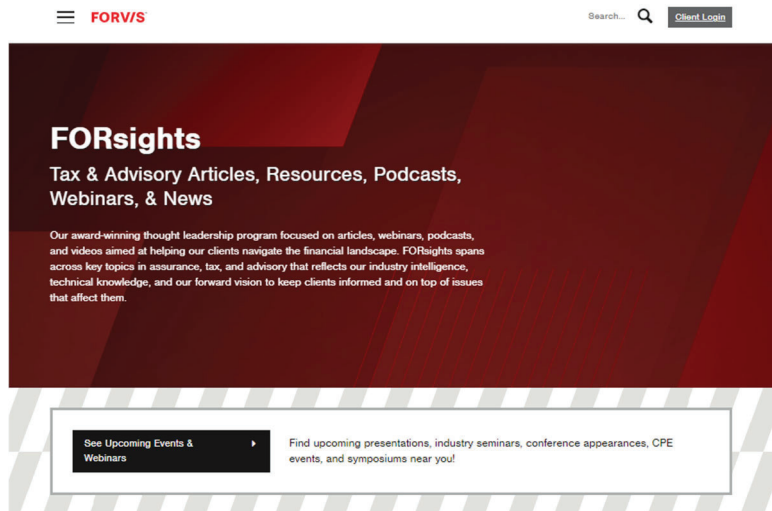
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