

Douglas County



BASIC FINANCIAL STATEMENTS

December 31, 2009

DOUGLAS COUNTY LIBRARIES
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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Douglas County Libraries
Castle Rock, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the discretely presented component unit of the Douglas County Libraries as of and for the year ended December 31, 2009, which collectively comprise the Libraries' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Douglas County Libraries 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Douglas County Libraries' internal control over financial reporting. Accordingly, we express no such opinion. 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 discretely presented component unit of the Douglas County Libraries, as of December 31, 2009, 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 budgetary comparison information on pages II through VII and 13, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Greenwood Village
March 12, 2010

DOUGLAS COUNTY LIBRARIES
Management's Discussion and Analysis
December 31, 2009

As management of the Douglas County Libraries (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2009.

Overview of the financial statements

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements 2) fund financial statements and 3) notes to the financial statements. Government-wide financial statements and fund financial statements are presented in a combined format. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two 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 Library is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused personal time off).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Library has one *governmental fund*.

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

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental fund* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so,

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readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund's balance sheet and the governmental fund's statement of revenues, expenditures and change in fund balance provide a reconciliation to facilitate this comparison between *governmental fund* and *governmental activities*.

The combined statements of the basic governmental fund and government-wide financial statements can be found beginning on page 1 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 5 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The Library adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided on page 13 for the general fund to demonstrate compliance with the budget.

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Government-wide financial analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$41,271,314 at the end of 2009.

The largest portion of the Library's net assets (56%) reflects its investment in capital assets (e.g., land, buildings, furniture, equipment and library materials). An additional portion of the Library's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$17,461,868 (42%) may be used to meet the Library's ongoing obligations. The Library has maintained positive balances in all categories of net assets for both the current and prior year. Net assets decreased in 2009 by \$67,939 due to a decline of \$2,689,528 in investment in capital assets primarily as a result of a change in estimate of the useful life of library materials and the one time recognition of additional depreciation of \$2,122,986. Restricted and unrestricted assets increased during 2009 by \$2,621,589, reflecting improvement in the Library's financial position.

Library's Net Assets

	2009	2008
Current and other assets	\$39,244,064	\$36,052,018
Capital assets	23,186,590	25,876,118
Total assets	62,430,654	61,928,136
Current and other liabilities	20,654,587	20,138,369
Long term liabilities	504,753	450,514
Total liabilities	21,159,340	20,588,883
Net assets:		
Investment in capital assets	23,186,590	25,876,118
Restricted	622,856	617,792
Unrestricted	17,461,868	14,845,343
Total net assets	\$41,271,314	\$41,339,253

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Management's Discussion and Analysis
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Governmental activities. Governmental activities decreased net assets by \$67,939 during 2009, a 103% decrease from 2008 change in net assets. Expenses as a percentage of total revenues were 100% for 2009 and 90% for 2008.

Revenues increased primarily due to increased assessed property values and a resulting 3% increase in property taxes and secondarily from increased charges for services as well as increased Foundation funding. Partially offsetting these increases are declines in investment earnings from lower interest rates and declines in auto ownership tax collections.

Expenses increased 12% from the prior year. This is primarily due to increased depreciation costs of \$2,122,986 associated with a change in estimate of the average life of the library collection.

Library's Change in Net Assets

	2009	2008
Revenues:		
Program revenues:		
Operating contributions and grants	\$323,629	\$261,971
Charges for services	497,515	364,313
General revenues:		
Property taxes	18,725,790	18,190,726
Auto ownership taxes	1,416,399	1,554,492
Investment earnings	122,174	483,546
Gain on sale of capital assets	21,588	
Total revenues	21,107,095	20,855,048
Expenses:		
Library operations	21,175,034	18,860,353
Increase (decrease) in net assets	(67,939)	1,994,695
Net assets, beginning of year	41,339,253	39,344,558
Net assets, end of year	\$41,271,314	\$41,339,253

DOUGLAS COUNTY LIBRARIES
Management's Discussion and Analysis
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Financial analysis of the governmental fund

The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Library's one governmental fund, its general fund, reported total ending fund balance of \$18,989,477. About 49% constitutes *unreserved, undesignated fund balance*, which represents resources available for spending. Approximately 47% of the total ending fund balance represents *unreserved, designated fund balance* for capital improvements. *Reserved* fund balance of \$622,856 is not available for new spending or is legally restricted for emergency reserves.

As a measure of the general fund's liquidity, it may be useful to compare total unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 50% of total general fund expenditures.

The fund balance of the Library's general fund increased by \$2,581,828 during the current fiscal year. This increase is due to the continuing growth in property taxes, charges for services and Foundation funding in excess of revenue declines in investment earnings due to lower interest rates and declines in auto ownership taxes. In addition the increase in fund balance is due to an overall 1% decrease in total fund expenditures. During 2009 the Library implemented various cost containment measures in expectation of slowing future revenue growth as a result of current economic conditions.

General fund budgetary highlights

During the year total appropriations in the general fund were adjusted downward from the original budget due to estimates of lower revenues, principally from declining investment earnings. Actual expenditures were significantly lower than budget primarily due to the budget for contingencies that was not required to be spent.

Capital assets

The Library's investment in capital assets as of year-end was \$23,186,590, net of accumulated depreciation. This investment in capital assets includes land, buildings, furniture, equipment and library materials. The Library's investment in capital assets for the current year declined from the prior year primarily due to increased depreciation costs associated with a change in accounting estimate of the average life of the Library collection. See the Notes to Financial Statements, page 9, for additional information on the change in capital assets during the year.

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Management's Discussion and Analysis
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Economic factors and next year's budget and rates

The Library derives 95% of its revenues from property and vehicle taxes. Colorado and Douglas County have been affected by the recent economic recession, albeit weathering the storm more favorably than the nation overall. The recession has contributed to the leveling off of property assessments and to the slowing of growth in new construction and consequently to the slowing of revenues derived from taxes. Real and personal property values increased 3% over the prior year resulting in increased tax revenues for 2010. However, values are expected to decline for the next reassessment period; June 30, 2010 is the statutory date for the next property reassessment period that will create the baseline for the 2011 assessments, which are payable in 2012. The population of Douglas County is expected to increase approximately 1% to an estimated 294,000 residents, which is a historically low rate of increase for the County. The unemployment rate for Douglas County at December 31, 2009 was 5.9%, up from 5.1% last year. The unemployment rate for the state is 7.3%, up from 5.9% last year.

For 2009 and continuing into 2010, the Library has taken steps to implement various cost containment measures, especially in personnel costs which utilize 58% of revenues. These measures include hiring freezes, staff reductions through attrition and use of time saving technologies.

The Library continues to fund reserves for slowing economic times and for future building projects. The general fund balance that is unreserved and undesignated was \$9,227,391 at December 31, 2009 which is sufficient to cover normal operating costs for six months. The general fund balance that is unreserved and designated for capital improvements was \$9,000,000; however, this is not sufficient to fund major capital improvement projects, such as new library buildings and their operating costs, that will be required to maintain patron service levels over the next three to five years. During both 2007 and 2008 the Library submitted proposed mill levy increases to the voters, both of which failed to pass.

Requests for information

This financial report is designed to provide a general overview of the Library's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Douglas County Libraries, 100 South Wilcox Street, Castle Rock, CO 80104.

DOUGLAS COUNTY LIBRARIES
Balance Sheet Governmental Fund /
Statement of Net Assets
December 31, 2009

	General - Governmental Fund	Adjustments	Primary Government Statement of Net Assets - Governmental Activities	Component Unit Douglas County Libraries Foundation
ASSETS				
Cash and investments	\$ 19,567,912	\$	\$ 19,567,912	\$ 392,616
Property taxes receivable, net of allowance for uncollectible accounts of \$302,000	19,430,104		19,430,104	
Due from component unit	99,104		99,104	
Other receivables	2,689		2,689	2,487
Prepays	139,230		139,230	
Other assets	5,025		5,025	
Capital assets not being depreciated		1,866,739	1,866,739	
Capital assets net of accumulated depreciation		21,319,851	21,319,851	
Total assets	<u>\$ 39,244,064</u>	<u>23,186,590</u>	<u>62,430,654</u>	<u>395,103</u>
LIABILITIES				
Accounts payable	\$ 594,730		594,730	1,000
Due to primary government				99,104
Accrued salaries	371,760		371,760	
Deferred property taxes	19,288,097		19,288,097	
Compensated absences:				
Due within one year		400,000	400,000	
Due in more than one year		501,963	501,963	
Deferred rent		2,790	2,790	
Total liabilities	<u>20,254,587</u>	<u>904,753</u>	<u>21,159,340</u>	<u>100,104</u>
FUND BALANCE / NET ASSETS				
Fund Balance:				
Reserved for emergencies	622,856	(622,856)	-	
Reserved for prepays	139,230	(139,230)	-	
Unreserved - designated for capital improvements	9,000,000	(9,000,000)	-	
Unreserved - undesignated	9,227,391	(9,227,391)	-	
Total fund balances	<u>18,989,477</u>	<u>(18,989,477)</u>	<u>-</u>	
Total liabilities and fund balances	<u>\$ 39,244,064</u>			
Net assets:				
Investment in capital assets		23,186,590	23,186,590	
Restricted for:				
Emergencies		622,856	622,856	
Donor specified programs				10,255
Unrestricted		17,461,868	17,461,868	284,744
Total net assets		<u>\$ 41,271,314</u>	<u>\$ 41,271,314</u>	<u>\$ 294,999</u>

The Notes to Financial Statements are an integral part of these statements.

DOUGLAS COUNTY LIBRARIES
Statement of Revenues, Expenditures and
Change in Fund Balance Governmental Fund /
Statement of Activities
For the Year Ended December 31, 2009

	General - Governmental Fund	Adjustments	Primary Government Statement of Activities - Governmental Activities	Component Unit Douglas County Libraries Foundation
EXPENDITURES / EXPENSES				
Operating	\$ 15,235,870	\$ 5,939,164	\$ 21,175,034	\$ 338,821
Capital outlay	3,292,809	(3,292,809)	-	
Total expenditures / expenses	<u>18,528,679</u>	<u>2,646,355</u>	<u>21,175,034</u>	<u>338,821</u>
PROGRAM REVENUES				
Operating contributions and grants	323,629		323,629	152,523
Charges for services	497,515		497,515	119,217
Total program revenues	<u>821,144</u>	<u>-</u>	<u>821,144</u>	<u>271,740</u>
NET PROGRAM EXPENSES			<u>(20,353,890)</u>	
GENERAL REVENUES				
Property taxes	18,725,790		18,725,790	
Auto ownership taxes	1,416,399		1,416,399	
Investment earnings	122,174		122,174	4,465
Gain on sale of capital assets	25,000	(3,412)	21,588	
Total general revenues	<u>20,289,363</u>	<u>(3,412)</u>	<u>20,285,951</u>	<u>4,465</u>
NET CHANGE IN FUND BALANCE	2,581,828	(2,649,767)	(67,939)	
CHANGE IN NET ASSETS				(62,616)
FUND BALANCE / NET ASSETS:				
Beginning of year	<u>16,407,649</u>	<u>24,931,604</u>	<u>41,339,253</u>	<u>357,615</u>
End of year	<u>\$ 18,989,477</u>	<u>\$ 22,281,837</u>	<u>\$ 41,271,314</u>	<u>\$ 294,999</u>

The Notes to Financial Statements are an integral part of these statements.

DOUGLAS COUNTY LIBRARIES
 Reconciliation of the Balance Sheet Governmental Fund
 to the Statement of Net Assets
 December 31, 2009

Fund balance - governmental fund \$ 18,989,477

Amounts reported for governmental activities in the statement
 of net assets are different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the governmental
 fund.

Assets	\$ 35,141,121	
Accumulated depreciation	<u>(11,954,531)</u>	23,186,590

Compensated absences are not due and payable in the current
 period and therefore are not reported in the governmental
 fund. (901,963)

Deferred rent is not due and payable in the current period
 and therefore is not reported in the governmental fund. (2,790)

Net assets of governmental activities \$ 41,271,314

The Notes to Financial Statements are an integral part of these statements.

DOUGLAS COUNTY LIBRARIES

Reconciliation of the Statement of Revenues, Expenditures and Change in
Fund Balance Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2009

Net change in fund balance - governmental fund \$ 2,581,828

Amounts reported for governmental activities in the statement
of activities are different because:

Governmental fund reports capital outlays as expenditures.
However, in the statement of activities the cost of those assets
is allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which capital
outlays exceeded depreciation.

Capital asset additions	\$	3,292,809	
Depreciation		(5,978,925)	
Gain on disposal		<u>(3,412)</u>	(2,689,528)

Compensated absences in the statement of activities do not
require the use of current financial resources and therefore are
not reported as expenditures in the governmental fund. 42,551

Deferred rent in the statement of activities does not require
the use of current financial resources and therefore is not
reported as an expenditure in the governmental fund. (2,790)

Change in net assets of governmental activities \$ (67,939)

The Notes to Financial Statements are an integral part of these statements.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2009

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Library was established in 1990 as a library district to provide library services within Douglas County, Colorado. A seven-member board of trustees, appointed by the Douglas County Commissioners, governs the Library.

The accompanying financial statements present the Library, the primary government, and its component unit. A component unit is a legally separate organization for which the Library is considered to be financially accountable.

Discretely Presented Component Unit. The Douglas County Libraries Foundation (the "Foundation") is a nonprofit organization whose sole purpose is to support the Library by funding opportunities above and beyond the Library's normal operating budget. The Library board elects the three-member board of directors from its own membership and the Foundation provides services almost exclusively to the Library. Separately issued financial statements of the Foundation may be obtained by contacting the Foundation's offices at 100 S. Wilcox Street, Castle Rock, CO 80104.

B. Government-wide and fund financial statements

Basic financial statements are presented in a combined format for both the fund and government-wide level. These include the Balance Sheet Governmental Fund / Statement of Net Assets and the Statement of Revenues, Expenditures and Change in Fund Balance Governmental Fund / Statement of Activities.

The Statement of Activities demonstrates the degree to which the expenses of the Library are offset by program revenues. Program revenues include 1) operating contributions and grants and 2) charges to users of the Library's services.

C. Measurement focus, basis of accounting, and financial statement presentation

Governmental fund statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue that are susceptible to accrual are property taxes and investment earnings. All other revenue items are considered to be measurable and available only when cash is received by the Library. Expenditures generally are recorded when an obligation is incurred, as under accrual accounting.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2009

However, expenditures related to compensated absences and deferred rent are recorded only when payment is due.

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The general operating fund is the Library's only fund and it accounts for all financial resources of the Library.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities and net assets

1. Cash and investments

The Library's cash and investments are cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Library to invest in certain obligations of the U.S. Treasury and U. S. agencies, commercial paper, repurchase agreements, qualified investment pools and other specified investments. Investments are reported at fair market value. The Library's policy is to follow state statutes regarding investments. The Library generally limits investment market maturities to five years or less. State statutes generally do not limit the amount the Library may invest in one issuer.

2. Property taxes receivable

Property tax receivables are shown net of an allowance for uncollectables. Property values are assessed and a lien placed on the property as of January 1. Property taxes are levied no later than December 22. Taxes are payable in the following year, either in full by April 30, or in two equal installments due February 28 and June 15. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31. Property taxes are reported as deferred revenue and recognized as revenue upon collection.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2009

3. *Prepays*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both governmental fund and government-wide financial statements.

4. *Capital assets*

Capital assets, which include land, buildings, furniture, equipment and library materials, are reported in the government-wide financial statements. In the governmental fund financial statements, capital assets are charged to expenditures when purchased. Capital assets, which are defined as assets with an initial, individual cost of \$1,000 or more, with the exception of library materials capitalized regardless of cost, and an estimated useful life of more than one year, are recorded at historical cost or estimated historical cost if historical cost is not available. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the Library values these capital assets at the estimated fair value of the item at the date of donation.

Capital assets of the Library are depreciated using the straight-line method. The composite method is used in the depreciation of library materials. These assets are depreciated over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	30
Computers	4
Shelving	10
Furniture	10
Equipment and machinery	5
Library materials	4

5. *Compensated absences*

It is the Library's policy to permit employees to accumulate earned but unused personal time off (PTO). All PTO is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds statements only if they are due, for example as a result of employee resignations and retirements.

There is no liability for unpaid accumulated extended illness leave since the Library's policy is to not pay any amounts when employees separate from service with the Library.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2009

6. Fund balance / net assets

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by law for emergency reserves. In the government-wide financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. The Library has reserved \$622,856 for emergency reserves as required by Article X, Section 20 of the Colorado Constitution and has designated \$9,000,000 for capital improvements.

II: Detailed notes

A. Cash and investments

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by the depository. The eligible collateral is determined by the PDPA. PDPA allows the eligible depository to create a single collateral pool for all public funds. The pool is to be maintained by another depository or held in trust for all amounts of local government deposits in excess of federal insurance levels as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2009, the Library had invested \$19,595,494 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state regulations governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The trust is rated AAA by Standard and Poor's.

At December 31, 2009, the Library had the following cash and investments:

Cash on hand	\$ 2,548
Overdraft	(30,130)
Investments	19,595,494
	<u>\$ 19,567,912</u>

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2009

B. Capitalized assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>12/31/09</u>
Capital assets not being depreciated:				
Land	\$1,722,988			\$1,722,988
Artwork	143,751			143,751
Total capital assets not being depreciated	<u>1,866,739</u>			<u>1,866,739</u>
Capital assets being depreciated:				
Buildings	16,895,881	\$250,432		17,146,313
Computers	3,363,171	214,367	(\$80,302)	3,497,236
Shelving	869,063			869,063
Furniture	356,723	30,997		387,720
Equipment and machinery	694,753	45,437	(30,350)	709,840
Library materials	10,668,957	2,751,576	(2,756,323)	10,664,210
Total capital assets being depreciated	<u>32,848,548</u>	<u>3,292,809</u>	<u>(2,866,975)</u>	<u>33,274,382</u>
Accumulated depreciation:				
Buildings	(4,160,950)	(587,618)		(4,748,568)
Computers	(1,707,343)	(639,615)	79,823	(2,267,135)
Shelving	(581,612)	(64,969)		(646,581)
Furniture	(194,479)	(33,209)		(227,688)
Equipment and machinery	(522,578)	(84,176)	27,417	(579,337)
Library materials	(1,672,207)	(4,569,338)	2,756,323	(3,485,222)
Total accumulated depreciation	<u>(8,839,169)</u>	<u>(5,978,925)</u>	<u>2,863,563</u>	<u>(11,954,531)</u>
Total capital assets being depreciated, net	<u>24,009,379</u>	<u>(2,686,116)</u>	<u>(3,412)</u>	<u>21,319,851</u>
Governmental activities capital assets, net	<u>\$25,876,118</u>	<u>(\$2,686,116)</u>	<u>(\$3,412)</u>	<u>\$23,186,590</u>

During 2009 the estimate of the useful life of library materials was changed from 6 years to 4 years, resulting in the recognition of an additional \$2,122,986 in depreciation expense, bringing the total charged to operations from depreciation to \$5,978,925.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2009

C. Commitments

Operating lease commitments

The Library leases library facilities and equipment under noncancelable operating leases. Total costs for such leases were \$163,757 for the year ended December 31, 2009. The future minimum payments for these leases are as follows:

Year Ending Dec. 31	Amount
2010	\$ 168,370
2011	170,995
2012	168,317
2013	155,019
2014	161,515
2015 - 2020	180,534
	<u>\$ 1,004,750</u>

D. Compensated absences

Compensated absences liability for the year ended December 31, 2009 was as follows:

Balances 12/31/08	\$ 944,514
Additions	345,343
Reductions	<u>(387,894)</u>
Balance 12/31/09	<u>\$ 901,963</u>
Due within one year	<u>\$ 400,000</u>

The general fund is used to liquidate compensated absences.

III: Other information

A. Risk management

The Library is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors or omissions; injuries to employees and natural disasters for which the Library carries commercial and worker's compensation insurance. Settled claims have not exceeded coverage in the past three fiscal years.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2009

B. Employee retirement plans

The Library provides retirement plans through the Public Employees' Retirement Association of Colorado (PERA). PERA was established pursuant to Title 24, Article 51 of the CRS, which assigns the authority to establish and amend public employee benefit plan provisions to the state legislature. PERA administers cost-sharing multiple-employer defined benefit plans, a cost-sharing multiple-employer post-employment healthcare plan (Health Care Trust Fund -- HCTF) and a multiple-employer Internal Revenue Code Section 401(k) defined contribution plan (401(k) plan). PERA issues a publicly available annual financial report which may be obtained by writing to PERA of Colorado, 1300 Logan Street, Denver, CO 80203 or by calling PERA at (303) 832-9550 or (800) 759-7372 or by visiting PERA's website at www.copera.org. All employees of the Library are members of PERA.

1. Defined Benefit Pension Plan

The Library contributes to the Local Government Division Trust Fund (LGDTF), one of the cost-sharing multiple-employer defined benefit plans administered by PERA. The LGDTF provides retirement and disability, annual increases, and death benefits to members or their beneficiaries.

Plan members and employers are required to contribute to PERA at a rate established under Title 24, Article 51, Part 4 of the CRS, as amended. Members are required to contribute 8% of covered salary to PERA. The Library is required to contribute 12.8% of covered salary to PERA (11.9% during 2008 and 11% during 2007). Total Library employer contributions to PERA were \$1,193,882 for 2009, \$1,090,179 for 2008 and \$934,767 for 2007, equal to required contributions for each respective year. Portions of the Library's contribution are allocated by PERA to the HCTF (see below).

2. Post-Employment Healthcare Plan

The HCTF provides a health care premium subsidy to participating PERA benefit recipients and their eligible beneficiaries who choose to enroll in the plan. A portion of the employer's contribution to PERA (see above) is allocated by PERA to the HCTF pursuant to Title 24, Article 51, Section 208 of the CRS, as amended. For the three years ended December 31, 2009, 1.02% of covered salary was allocated to HCTF. No member contributions are required.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2009

C. Tax, spending, and debt limitations

Article X, Section 20 of the Colorado Constitution contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments. In 1996, the voters of the County approved an increased mill levy and authorized the Library to collect and spend or retain all revenue without regard to any limitations under this article or any other Colorado law. A Colorado Attorney General's Opinion issued in 1999 affirms the ability of a Library that holds a vote pursuant to statute to obtain such voter approval.

DOUGLAS COUNTY LIBRARIES
REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule – General Fund
For the Year Ended December 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property taxes	\$ 18,813,004	\$ 18,813,004	\$ 18,725,790	\$ (87,214)
Auto ownership taxes	1,500,000	1,500,000	1,416,399	(83,601)
Operating contributions and grants	140,000	223,100	323,629	100,529
Charges for services	383,175	383,175	497,515	114,340
Investment earnings	415,000	165,000	122,174	(42,826)
Gain on sale of capital asset			25,000	25,000
Total revenues	<u>21,251,179</u>	<u>21,084,279</u>	<u>21,110,507</u>	<u>26,228</u>
EXPENDITURES				
Salaries and benefits	12,788,637	12,091,674	11,893,892	197,782
Library materials	3,475,000	3,250,000	3,023,582	226,418
Facilities	1,103,800	1,005,350	866,646	138,704
Technology and support services	847,869	1,135,869	911,423	224,446
Programs and outreach	373,369	337,469	264,046	73,423
Administration	1,118,075	1,095,375	1,027,857	67,518
Contingency	15,360,365	16,827,278		16,827,278
Capital expenditures	1,485,488	642,688	541,233	101,455
Total expenditures	<u>36,552,603</u>	<u>36,385,703</u>	<u>18,528,679</u>	<u>17,857,024</u>
NET CHANGE IN FUND BALANCE	(15,301,424)	(15,301,424)	2,581,828	17,883,252
FUND BALANCE, beginning of year	<u>15,934,759</u>	<u>15,934,759</u>	<u>16,407,649</u>	<u>472,890</u>
FUND BALANCE, end of year	<u>\$ 633,335</u>	<u>\$ 633,335</u>	<u>\$ 18,989,477</u>	<u>\$ 18,356,142</u>

See the accompanying Independent Auditors' Report

DOUGLAS COUNTY LIBRARIES
Notes to Required Supplementary Information
December 31, 2009

I: Stewardship, compliance and accountability

An annual budget for the general fund is adopted on a basis consistent with state budget law and generally accepted accounting principles. The Library's Board of Trustees holds a public hearing in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is for total fund expenditures and lapses at year-end.

Any increases or decreases to the adopted and appropriated budget requires that an amended or supplemental budget appropriation be approved by the Board of Trustees through formal resolution at a public meeting, with prior published notice of the proposed changes.