

Douglas County



GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2003

Clifton Gunderson LLP
Certified Public Accountants & Consultants
Greenwood Village, CO 80111

DOUGLAS COUNTY LIBRARIES

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**Clifton
Gunderson LLP**
Certified Public Accountants & Consultants

Independent Auditor's Report

Board of Trustees
Douglas County Libraries
Douglas County, Colorado

We have audited the accompanying general purpose financial statements of Douglas County Libraries as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Douglas County Libraries' management. Our responsibility is to express an opinion on these general purpose 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 general purpose 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Douglas County Libraries as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Clifton Gunderson LLP

Greenwood Village, Colorado
March 4, 2004

DOUGLAS COUNTY LIBRARIES
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2003

	Governmental Fund Types		Account Group	Total (Memorandum Only)
	General	Special Revenue	General Fixed Assets	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 8,484,165	\$ 217,333	\$	\$ 8,701,498
Property taxes receivable, net of allowance for uncollectable accounts of \$167,000	13,122,449			13,122,449
Accounts receivable	6,917			6,917
Prepaid expenditures	95,353			95,353
Property and equipment			20,292,110	20,292,110
 Total assets	 <u>\$ 21,708,884</u>	 <u>\$ 217,333</u>	 <u>\$ 20,292,110</u>	 <u>\$ 42,218,327</u>
<u>LIABILITIES AND EQUITY</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 880,244	\$ 6,798	\$	\$ 887,042
Accrued salaries and benefits	632,370			632,370
Deferred property taxes, net of reserve of \$167,000	12,980,553			12,980,553
Total liabilities	<u>14,493,167</u>	<u>6,798</u>		<u>14,499,965</u>
<u>EQUITY</u>				
Investment in general fixed assets			20,292,110	20,292,110
Fund balances				
Reserved	510,341	21,719		532,060
Unreserved - designated	6,705,376			6,705,376
Unreserved - undesignated		188,816		188,816
Total equity	<u>7,215,717</u>	<u>210,535</u>	<u>20,292,110</u>	<u>27,718,362</u>
Total liabilities and equity	<u>\$ 21,708,884</u>	<u>\$ 217,333</u>	<u>\$ 20,292,110</u>	<u>\$ 42,218,327</u>

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

DOUGLAS COUNTY LIBRARIES
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
REVENUES			
Property taxes	\$ 13,537,344	\$	\$ 13,537,344
Contributions and grants	250,000	95,768	345,768
Fines	140,639		140,639
Interest	103,042	2,322	105,364
Miscellaneous	51,901	56,464	108,365
Total revenues	<u>14,082,926</u>	<u>154,554</u>	<u>14,237,480</u>
EXPENDITURES			
Current:			
Salaries and benefits	6,956,579		6,956,579
Library materials	1,667,312	3,261	1,670,573
Facilities	516,708	1,937	518,645
Technology and support services	493,295		493,295
Programs and outreach	259,330	25,128	284,458
Administration	914,597	14,974	929,571
Capital expenditures	3,967,950	75,361	4,043,311
Total expenditures	<u>14,775,771</u>	<u>120,661</u>	<u>14,896,432</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	(692,845)	33,893	(658,952)
OTHER FINANCING SOURCES			
Sale of building	<u>2,000,000</u>		<u>2,000,000</u>
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES OVER			
EXPENDITURES	1,307,155	33,893	1,341,048
FUND BALANCE, December 31, 2002			
	<u>5,908,562</u>	<u>176,642</u>	<u>6,085,204</u>
FUND BALANCE, December 31, 2003			
	<u>\$ 7,215,717</u>	<u>\$ 210,535</u>	<u>\$ 7,426,252</u>

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

DOUGLAS COUNTY LIBRARIES
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 13,195,244	\$ 13,537,344	\$ 342,100
Contributions and grants	130,000	250,000	120,000
Fines	124,200	140,639	16,439
Interest	92,000	103,042	11,042
Miscellaneous	46,000	51,901	5,901
Total revenues	<u>13,587,444</u>	<u>14,082,926</u>	<u>495,482</u>
EXPENDITURES			
Current:			
Salaries and benefits	7,265,215	6,956,579	308,636
Library materials	1,900,000	1,667,312	232,688
Facilities	661,980	516,708	145,272
Technology and support services	648,553	493,295	155,258
Programs and outreach	289,480	259,330	30,150
Administration	1,071,272	914,597	156,675
Contingency	4,039,107		4,039,107
Capital expenditures	4,823,166	3,967,950	855,216
Total expenditures	<u>20,698,773</u>	<u>14,775,771</u>	<u>5,923,002</u>
EXCESS REVENUES OVER (UNDER)			
EXPENDITURES	(7,111,329)	(692,845)	6,418,484
OTHER FINANCING SOURCES			
Sale of building	<u>2,000,000</u>	<u>2,000,000</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES OVER			
(UNDER) EXPENDITURES	(5,111,329)	1,307,155	6,418,484
FUND BALANCE, December 31, 2002	<u>5,575,052</u>	<u>5,908,562</u>	<u>333,510</u>
FUND BALANCE, December 31, 2003	<u>\$ 463,723</u>	<u>\$ 7,215,717</u>	<u>\$ 6,751,994</u>

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

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 1 Organization

Douglas County Libraries (the "Library"), formerly known as the Douglas Public Library District, was organized on November 29, 1990 under the provisions of Title 24, Article 90 of the Colorado Revised Statutes (CRS) and a resolution by the Board of County Commissioners of Douglas County. The Library was established to provide library services within Douglas County, Colorado.

The Library follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

Financial Reporting Entity

A seven-member board of trustees, appointed by the Douglas County Commissioners, governs the Library. As required by generally accepted accounting principles, these financial statements present the Library (the primary government) and its component unit. The component unit discussed below is included in the Library's reporting entity because of the significance of its financial relationship with the Library.

Individual Component Unit Disclosures

The Douglas Public Library 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. A three-member board of directors, appointed by the board of trustees of the Library, governs the Foundation. Because all activities of the Foundation exclusively benefit the Library, generally accepted accounting principles require that the Foundation's financial information be included with that of the Library. The Foundation's activities are reported as a special revenue fund within these general purpose financial statements.

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 2 Summary of Significant Accounting Policies

A. Fund Accounting

The accounts of the Library are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. Fund types and account groups used by the Library are described below.

General Fund

The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Fund

The Special Revenue Fund is used to account for the operations of the Foundation.

Account Group

In governmental fund type operations fixed assets are accounted for in the General Fixed Asset Account Group. The account group is not a fund. It measures financial position, not operations.

B. Basis of Accounting

All funds use the modified accrual basis of accounting. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The major sources of revenue which are susceptible to accrual are property taxes. Expenditures are recorded when the liability is incurred.

C. Budgets

In accordance with the State Budget Law, 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

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 2 Summary of Significant Accounting Policies - (continued)

C. Budgets – (continued)

lapses at year-end. The Library's Board of Trustees can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The budget is prepared on the modified accrual basis of accounting.

A budget is not adopted for the Foundation as it is a 501(c)(3) nonprofit organization and not required to adopt an annual budget.

D. Property and Equipment

General Fixed Asset Account Group

Property and equipment are stated at cost except for those assets contributed, which are stated at estimated fair market value at the date of contribution. No depreciation is provided on general fixed assets.

E. Property Taxes

Property taxes are levied by the Library Board of Trustees. The levy is based on assessed valuations determined by the County Assessor and certified to the County Commissioners by December 15. The County places a tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. The County Treasurer remits the taxes collected monthly to the Library.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. Deferred property tax revenue is recorded as revenue in the year it is available or collected.

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 2 Summary of Significant Accounting Policies - (continued)

F. Accrued Compensated Absences

The Library's policy allows employees to accumulate unused personal time off benefits up to certain maximum hours. Accumulated benefits are accrued when earned.

G. Fund Equity

Portions of fund balances have been reserved due to legal and other restrictions.

The Library considers all unreserved fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 9).

Reserved Fund Balance

Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). The Library has reserved \$414,988 of the fund balance in compliance with this requirement.

An amount of \$95,353 for prepaid expenditures is reserved to indicate that prepaid expenditures do not constitute spendable resources even though the prepaid expenditures are a component of net assets.

A portion of the fund balance in the Special Revenue fund has been reserved based on donor restrictions.

Unreserved – Designated Fund Balance

The unreserved designated fund balance represents the amount appropriated for use in the budget for the year ending December 31, 2004.

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 2 Summary of Significant Accounting Policies - (continued)

H. Total (Memorandum Only)

Total columns on the combined statements are captioned "(Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

I. Encumbrances

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the Library for budget or financial reporting purposes.

Note 3 Cash, Cash Equivalents 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 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, 2003, the carrying amount of the Library's bank deposits was \$277,286 and the bank balance was \$419,705. Of the bank balance, \$216,268 was covered by federal depository insurance and \$203,437 was collateralized in a single pool.

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 3 Cash, Cash Equivalents and Investments – (continued)

The Library invests in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Cash deposits of the Trust are subject to PDPA and are insured or collateralized. The Trust is monitored by the State Regulatory Commission and is exempt from registration with the Securities and Exchange Commission.

The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, certain approved obligations of agencies of the U.S. government, and written repurchase agreements collateralized by U.S. Treasury securities, or certain approved obligations of U.S. government agencies. COLOTRUST PLUS+ may also invest in commercial paper rated in the highest rating category. A designated custodial bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Both portfolios operate like money market mutual funds with each share valued at \$1.00. The securities in the pool, other than repurchase agreements, are valued at market value, which is established from the most recent bid price for the securities. Repurchase agreements are recorded at cost, which approximates market value. As of December 31, 2003, the Library had \$8,424,212 invested in COLOTRUST PLUS+.

Investments are categorized to give an indication of the level of credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name. The investment of \$8,424,212 in COLOTRUST PLUS+ is not categorized because it is not evidenced by securities that exist in physical or book entry form.

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 4 Property and Equipment

An analysis of the changes in property and equipment for the year ended December 31, 2003 follows:

<u>By Classification</u>	Balance January 1, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	Balance December 31, <u>2003</u>
Buildings and land	\$13,330,293	\$ 6,394	\$2,285,499	\$6,981,060	\$18,032,248
Construction in progress	3,597,081	3,383,979		(6,981,060)	
Computers	678,239	318,277	58,093		938,423
Shelving	518,265	169,049			687,314
Furniture and artwork	242,949	58,654			301,603
Equipment and machinery	<u>221,013</u>	<u>119,458</u>	<u>7,949</u>	<u> </u>	<u>332,522</u>
	<u>\$18,587,840</u>	<u>\$4,055,811</u>	<u>\$2,351,541</u>	<u>\$ </u>	<u>\$20,292,110</u>

Note 5 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 customerservice@copera.org. All employees of the Library are members of PERA.

Defined Benefit Pension Plan

The Library contributes to the Municipal Division Trust Fund (MDTF), one of the cost-sharing multiple-employer defined benefit plans administered by PERA. MDTF provides benefits to members at retirement or disability, or to their beneficiaries in the event of death. 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 9.6% of covered salary to PERA (9.19% of covered salary for 2002 and 9.43% for 2001). Total Library employer contributions to PERA were \$534,969 for 2003, \$435,558 for 2002 and \$363,651 for 2001, equal to required contributions for each respective year. Portions of the Library's contribution are allocated by PERA to the HCTF and the 401(k) plan (see below).

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 5 Public Employees' Retirement Association of Colorado (PERA) - (continued)

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 to the HCTF pursuant to Title 24, Article 51, Section 208 of the CRS, as amended. For 2003, 1.69% of covered salary was allocated to HCTF (2.31% for 2002 and 1.96% for 2001). The Library's contributions allocated to HCTF were \$94,177 for 2003, \$109,482 for 2002 and \$75,586 for 2001. No member contributions are required.

401(k) Defined Contribution Pension Plan

The 401(k) plan administered by PERA provides benefits at retirement to PERA members. Plan participation is voluntary and contributions are separate from the defined benefit contributions made to PERA. Members may contribute up to 100 percent of gross salary less the 8% PERA contribution, to a maximum of \$12,000 for 2003. The contribution requirements are established under Title 24, Article 51, Section 1402 of the CRS, as amended. Beginning January 1, 2003 the employer match is 100 percent of a member's voluntary contributions up to 2 percent of covered salary. A portion of the employer's contribution to PERA (see above) is allocated to the employer match, which, for 2003, was \$69,448. Member contributions for 2003 were \$383,819.

Note 6 Deferred Compensation Plan

Library employees may voluntarily contribute to the Deferred Compensation Plan, an Internal Revenue Code Section 457 defined contribution plan administered by Nationwide Solutions. Plan participation is voluntary and member contributions are separate from all other plans. The Deferred Compensation Plan is funded by voluntary member contributions to a maximum limit set by the IRS of \$12,000. Member contributions for 2003 were \$530. Plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the Library or its creditors.

DOUGLAS COUNTY LIBRARIES
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 7 Risk Management

The Library is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The Library maintains commercial insurance for these risks of loss, including workers compensation and employee health and accident insurance. Settled claims have not exceeded coverage in the past three fiscal years.

Note 8 Commitments

Operating Leases Commitments

The Library leases equipment, office and storage space under operating leases. Rent expense for the above leases was \$20,217 for the year ended December 31, 2003.

Future minimum payments required under the lease agreements at December 31, 2003 are \$9,000 for 2004.

Construction Commitments

As of December 31, 2003, the Library had an unexpended construction related contract commitment of \$374,666.

Note 9 Tax, Spending, and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly referred to as the Taxpayer's Bill of Rights (TABOR) 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 TABOR 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.