

# Douglas County



FINANCIAL STATEMENTS

December 31, 2010

**DOUGLAS COUNTY LIBRARIES**  
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## 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, 2010, 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, 2010, 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 through 14, 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.

*Eide Bailly LLP*

Greenwood Village  
April 11, 2011

**DOUGLAS COUNTY LIBRARIES**  
Management's Discussion and Analysis  
December 31, 2010

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, 2010.

**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

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information presented for *governmental activities* in the government-wide financial statements. By doing so, 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 \$43,703,690 at the end of 2010.

The largest portion of the Library's net assets (53%) reflects its investment in capital assets (e.g., land, buildings, furniture, equipment and library materials). An additional portion of the Library's net assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$20,109,161 (46%) 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 increased in 2010 by \$2,432,376. In 2009, there was 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 2010 by \$2,671,212, reflecting improvement in the Library's financial position.

**Library's Net Assets**

	2010	2009
Current and other assets	\$42,314,482	\$39,244,064
Capital assets	22,947,754	23,186,590
Total assets	65,262,236	62,430,654
Current and other liabilities	20,977,226	20,654,587
Long term liabilities	581,320	504,753
Total liabilities	21,558,546	21,159,340
Net assets:		
Investment in capital assets	22,947,754	23,186,590
Restricted	646,775	622,856
Unrestricted	20,109,161	17,461,868
Total net assets	\$43,703,690	\$41,271,314

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**Governmental activities.** Governmental activities increased net assets by \$2,432,376 during 2010. Expenses as a percentage of total revenues were 89% for 2010 and 100% for 2009.

Revenues increased slightly due to increased assessed property. Secondly, revenues increased from increased charges for services. Partially offsetting these increases are declines in investment earnings from lower interest rates and declines in auto ownership tax collections.

Expenses decreased 9% from the prior year. This is primarily due to efficiency measures implemented in 2010. Also, in 2009, one-time depreciation costs of \$2,122,986 (associated with a change in estimate of the average life of the library collection) were recorded.

**Library's Change in Net Assets**

	2010	2009
Revenues:		
Program revenues:		
Operating contributions and grants	\$171,782	\$323,629
Charges for services	625,571	497,515
General revenues:		
Property taxes	19,494,510	18,725,790
Auto ownership taxes	1,336,482	1,416,399
Investment earnings	102,596	122,174
Gain on sale of capital assets		21,588
Total revenues	21,730,941	21,107,095
Expenses:		
Library operations	19,298,565	21,175,034
Increase (decrease) in net assets	2,432,376	(67,939)
Net assets, beginning of year	41,271,314	41,339,253
Net assets, end of year	\$43,703,690	\$41,271,314

**DOUGLAS COUNTY LIBRARIES**  
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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 \$21,728,256. About 55% constitutes *unreserved, undesignated fund balance*, which represents resources available for spending. Approximately 41% of the total ending fund balance represents *unreserved, designated fund balance* for capital improvements. *Reserved* fund balance of \$646,775 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 63% of total general fund expenditures.

The fund balance of the Library's general fund increased by \$2,432,376 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 9% decrease in total fund expenditures. During 2010 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**

Actual expenditures were significantly lower than budget primarily due to implemented cost-saving measures.

**Capital assets**

The Library's investment in capital assets as of year-end was \$22,947,754, 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 retirement of assets. See the Notes to Financial Statements, page 9, for additional information on the change in capital assets during the year.

**Economic factors and next year's budget and rates**

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Management's Discussion and Analysis  
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The Library derives 96% 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 was the statutory date for the next property reassessment period that created the baseline for the 2011 assessments, which are payable in 2012. The population of Douglas County is expected to increase approximately 1.2% to an estimated 293,500 residents, which is a historically low rate of increase for the County. The unemployment rate for Douglas County at December 31, 2010 was 7.0%, up from 5.9% last year. The unemployment rate for the state is 8.6%, up from 7.3% last year.

For 2010 and continuing into 2011, 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 \$11,936,137 at December 31, 2010 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 four to six years.

**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, 2010

	General - Governmental Fund	Adjustments	Primary Government Statement of Net Assets - Governmental Activities	Component Unit Douglas County Libraries Foundation
<b>ASSETS</b>				
Cash and investments	\$22,321,655	\$ -	\$22,321,655	\$ 339,172
Property taxes receivable, net of allowance for uncollectible accounts of \$88,000	19,829,570	-	19,829,570	-
Due from component unit	5,664	-	5,664	-
Other receivables	7,224	-	7,224	2,542
Prepays	145,344	-	145,344	-
Other assets	5,025	-	5,025	-
Capital assets not being depreciated		1,867,938	1,867,938	-
Capital assets net of accumulated depreciation		21,079,816	21,079,816	-
<b>Total assets</b>	<b>\$42,314,482</b>	<b>22,947,754</b>	<b>65,262,236</b>	<b>341,714</b>
<b>LIABILITIES</b>				
Accounts payable	453,577	-	453,577	2,239
Due to primary government				5,664
Accrued salaries	394,684	-	394,684	-
Deferred property taxes	19,737,965	-	19,737,965	-
Compensated absences:				
Due within one year	-	391,000	391,000	-
Due in more than one year	-	570,160	570,160	-
Deferred rent	-	11,160	11,160	-
<b>Total liabilities</b>	<b>20,586,226</b>	<b>972,320</b>	<b>21,558,546</b>	<b>7,903</b>
<b>FUND BALANCE / NET ASSETS</b>				
Fund Balance:				
Reserved for emergencies	646,775	(646,775)	-	-
Reserved for prepaids	145,344	(145,344)	-	-
Unreserved - designated for capital improvements	9,000,000	(9,000,000)	-	-
Unreserved - undesignated	11,936,137	(11,936,137)	-	-
<b>Total fund balances</b>	<b>21,728,256</b>	<b>(21,728,256)</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$42,314,482</b>			
Net assets:				
Investment in capital assets		22,947,754	22,947,754	-
Restricted for:				
Emergencies		646,775	646,775	-
Donor specified programs		-	-	17,212
Unrestricted		20,109,161	20,109,161	316,599
<b>Total net assets</b>		<b>\$43,703,690</b>	<b>\$43,703,690</b>	<b>\$ 333,811</b>

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, 2010

	General - Governmental Fund	Adjustments	Primary Government Statement of Activities - Governmental Activities	Component Unit Douglas County Libraries Foundation
<b>EXPENDITURES / EXPENSES</b>				
Operating	\$15,150,272	\$ 4,148,293	\$ 19,298,565	\$ 148,049
Capital outlay	3,829,191	(3,829,191)	-	
Total expenditures / expenses	<u>18,979,463</u>	<u>319,102</u>	<u>19,298,565</u>	<u>148,049</u>
<b>PROGRAM REVENUES</b>				
Operating contributions and grants	159,083	12,699	171,782	45,316
Charges for services	625,571	-	625,571	138,725
Total program revenues	<u>784,654</u>	<u>12,699</u>	<u>797,353</u>	<u>184,041</u>
<b>NET PROGRAM EXPENSES</b>			<u>(18,501,212)</u>	
<b>GENERAL REVENUES</b>				
Property taxes	19,494,510	-	19,494,510	
Auto ownership taxes	1,336,482	-	1,336,482	
Investment earnings	102,596	-	102,596	2,820
Gain on sale of capital assets	-	-	-	
Total general revenues	<u>20,933,588</u>	<u>-</u>	<u>20,933,588</u>	<u>2,820</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,738,779	(306,403)	2,432,376	
<b>CHANGE IN NET ASSETS</b>				38,812
<b>FUND BALANCE / NET ASSETS:</b>				
Beginning of year	<u>18,989,477</u>	<u>22,281,837</u>	<u>41,271,314</u>	<u>294,999</u>
End of year	<u>\$21,728,256</u>	<u>\$21,975,434</u>	<u>\$ 43,703,690</u>	<u>\$ 333,811</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, 2010

Fund balance - governmental fund		\$ 21,728,256
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.</p>		
Assets	35,306,575	
Accumulated depreciation	<u>(12,358,821)</u>	22,947,754
<p>Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund.</p>		
		(961,160)
<p>Deferred rent is not due and payable in the current period and therefore is not reported in the governmental fund.</p>		
		<u>(11,160)</u>
Net assets of governmental activities		<u><u>\$ 43,703,690</u></u>

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  
December 31, 2010

Net change in fund balance - governmental fund \$ 2,738,779

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	3,829,192	
Contributions of Capital Assets	12,699	
Depreciation	(4,080,285)	
Loss on Disposal	<u>(442)</u>	(238,836)

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. (59,197)

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. (8,370)

Change in net assets of governmental activities \$ 2,432,376

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

## DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2010

### 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, 2010

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, 2010

#### 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, 2010

#### 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 \$646,775 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, 2010, the Library had invested \$16,389,832 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. Also, the Library had invested \$6,004,466 with Davidson Fixed Income Management, a registered investment adviser. Primary investments are federal agency coupon securities and treasury securities, with the primary objective of safety of principal, liquidity, and yield.

At December 31, 2010, the Library had the following cash and investments:

Cash on hand	\$	12,622
Overdraft		(85,265)
Investments - Colotrust		16,389,832
Investments - Davidson		6,004,466
		<hr/>
	\$	22,321,655
		<hr/>

**DOUGLAS COUNTY LIBRARIES**

Notes to Financial Statements

December 31, 2010

**B. Capitalized assets**

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance 1/1/10	Additions	Deductions	Balance 12/31/10
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital assets not being depreciated:				
Land	\$ 1,722,988	\$ -	\$ -	\$ 1,722,988
Artwork	143,751	1,199	-	144,950
Total capital assets not being depreciated	<u>1,866,739</u>	<u>1,199</u>	<u>-</u>	<u>1,867,938</u>
Capital assets being depreciated:				
Buildings	17,146,313	213,346	-	17,359,659
Computers	3,497,236	301,243	(453,070)	3,345,409
Shelving	869,063	6,879	-	875,942
Furniture	387,720	19,931	-	407,651
Equipment and machinery	709,840	21,615	-	731,455
Library materials	10,664,210	3,277,678	(3,223,367)	10,718,521
Total capital assets being depreciated	<u>33,274,382</u>	<u>3,840,692</u>	<u>(3,676,437)</u>	<u>33,438,637</u>
Accumulated depreciation:				
Buildings	(4,748,568)	(577,524)	-	(5,326,092)
Computers	(2,267,135)	(608,300)	452,628	(2,422,807)
Shelving	(646,581)	(57,369)	-	(703,950)
Furniture	(227,688)	(31,425)	-	(259,113)
Equipment and machinery	(579,337)	(58,085)	-	(637,422)
Library materials	(3,485,222)	(2,747,582)	3,223,367	(3,009,437)
Total accumulated depreciation	<u>(11,954,531)</u>	<u>(4,080,285)</u>	<u>3,675,995</u>	<u>(12,358,821)</u>
Total capital assets being depreciated, net	<u>21,319,851</u>	<u>(239,593)</u>	<u>(442)</u>	<u>21,079,816</u>
Governmental activities capital assets, net	<u>\$ 23,186,590</u>	<u>\$ (238,394)</u>	<u>\$ (442)</u>	<u>\$ 22,947,754</u>

## DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2010

### C. Commitments

#### Operating lease commitments

The Library leases library facilities and equipment under noncancelable operating leases. Total costs for such leases were \$186,754 for the year ended December 31, 2010. The future minimum payments for these leases are as follows:

Year Ending December 31	
2011	\$ 184,495
2012	181,817
2013	166,269
2014	161,515
2015-2020	<u>180,534</u>
	<u>\$ 874,630</u>

### D. Compensated absences

Compensated absences liability for the year ended December 31, 2010 was as follows:

Balances January 1,	\$ 901,963
Additions	439,016
Reductions	<u>(379,819)</u>
Balance December 31,	<u>\$ 961,160</u>
Due within one year	<u>\$ 391,000</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 four fiscal years.

## DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2010

### **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](http://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 13.7% of covered salary to PERA (12.8% during 2009 and 11.9% during 2008). Total Library employer contributions to PERA were \$1,263,891 for 2010, \$1,193,882 for 2009 and \$1,090,179 for 2008, 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 four years ended December 31, 2010, 1.02% of covered salary was allocated to HCTF. No member contributions are required.

## **DOUGLAS COUNTY LIBRARIES**

Notes to Financial Statements

December 31, 2010

### **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, 2010**

	Original Budget	Final Budget	Actual	Variance
<b>REVENUES</b>				
Property taxes	\$ 19,590,097	\$ 19,590,097	\$ 19,495,164	\$ (94,933)
Auto ownership taxes	1,400,000	1,400,000	1,336,482	(63,518)
Abate taxes	(100,000)	(100,000)	(654)	99,346
Operating contributions and grants	221,000	221,000	159,083	(61,917)
Charges for services	453,250	453,250	625,571	172,321
Interest	75,000	75,000	102,596	27,596
Total revenues	<u>21,639,347</u>	<u>21,639,347</u>	<u>21,718,242</u>	<u>78,895</u>
<b>EXPENDITURES</b>				
Salaries and benefits	12,496,786	12,557,540	11,988,236	569,304
Library materials	3,450,000	3,450,000	3,278,699	171,301
Facilities	1,078,750	1,078,750	940,013	138,737
Technology and support services	935,055	1,061,780	942,800	118,980
Programs and outreach	349,020	344,370	229,621	114,749
Administration	1,154,102	1,161,152	1,048,577	112,575
Capital expenditures	952,581	762,702	551,517	211,185
Total expenditures	<u>20,416,294</u>	<u>20,416,294</u>	<u>18,979,463</u>	<u>1,436,831</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,223,053	1,223,053	2,738,779	1,515,726
<b>FUND BALANCE, beginning of year</b>	<u>18,363,429</u>	<u>18,363,429</u>	<u>18,989,477</u>	<u>626,048</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 19,586,482</u>	<u>\$ 19,586,482</u>	<u>\$ 21,728,256</u>	<u>\$ 2,141,774</u>

See the accompanying Independent Auditors' Report

**DOUGLAS COUNTY LIBRARIES**  
Notes to Required Supplementary Information  
December 31, 2010

**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.