

Douglas County



BASIC FINANCIAL STATEMENTS

December 31, 2008

DOUGLAS COUNTY LIBRARIES

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Board of Trustees
Douglas County Libraries
Douglas County, Colorado

INDEPENDENT AUDITORS' REPORT

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, 2008, which collectively comprise the basic financial statements of the Douglas County Libraries, 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 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, 2008, 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 required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Swanhorst & Company LLC

March 5, 2009

DOUGLAS COUNTY LIBRARIES
Management's Discussion and Analysis
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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, 2008.

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.

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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, 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.

Change in Presentation. For the year ended December 31, 2008, the Douglas County Libraries Foundation is presented as a discrete component unit, rather than blended in the Library's financial statements as in past years. This change reflects the Foundation's decision to report its financial statements in accordance with non-profit accounting standards.

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 \$41,339,253 at the end of 2008.

The largest portion of the Library's net assets (63%) 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, \$14,845,343 (36%) 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.

Library's Net Assets

	2008	Restated 2007
Current and other assets	\$36,052,018	\$33,244,850
Capital assets	25,876,118	25,962,179
Total assets	61,928,136	59,207,029
Current and other liabilities	20,138,369	19,484,667
Long term liabilities	450,514	377,804
Total liabilities	20,588,883	19,862,471
Net assets:		
Investment in capital assets	25,876,118	25,962,179
Restricted	617,792	569,640
Unrestricted	14,845,343	12,812,739
Total net assets	\$41,339,253	\$39,344,558

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Management's Discussion and Analysis
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Governmental activities. Governmental activities increased net assets by \$1,994,695 during 2008, an 21% increase from 2007 change in net assets. Expenses as a percentage of total revenues were 90% for 2008 and 91% for 2007.

Revenues increased primarily due to increased assessed property values and a resulting 13% increase in property taxes. Partially offsetting these increases are declines in investment earnings from lower interest rates, a one time asset sale generating a gain during 2007, decreased auto ownership taxes, and a decrease in operating contributions and grants.

Expenses increased 6% from the prior year. This is primarily due to increases from additional staffing and other costs associated with increased service growth.

Library's Change in Net Assets

	2008	Restated 2007
Revenues:		
Program revenues:		
Operating contributions and grants	\$261,971	\$275,995
Charges for services	364,313	364,557
General revenues:		
Property taxes	18,190,726	16,152,215
Auto ownership taxes	1,554,492	1,615,885
Investment earnings	483,546	855,358
Gain on sale of capital assets		130,675
Total revenues	20,855,048	19,394,685
Expenses:		
Library operations	18,860,353	17,746,096
Increase in net assets	1,994,695	1,648,589
Net assets, beginning of year	39,344,558	37,695,969
Net assets, end of year	\$41,339,253	\$39,344,558

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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 \$16,407,649. About 49% of this total amount represents *unreserved, designated fund balance* for capital improvements and 47% constitutes *unreserved, undesignated fund balance*, which represents resources available for spending. *Reserved* fund balance of \$746,733 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 41% of total general fund expenditures.

The fund balance of the Library's general fund increased by \$2,196,466 during the current fiscal year. This increase is due to the continuing growth in property tax and other revenues in excess of increases in staffing, capital outlays and other operating expenses.

General fund budgetary highlights

During the year there were no increases in total appropriations in the general fund between the original and final budget. 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 \$25,876,118, 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 remains essentially unchanged from the prior year. 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 is affected by the current economic decline primarily from potentially declining property values, the slowing of growth in new construction in Douglas County and the impact on property tax revenues.

- Real and personal property values increased 4% over the prior year but are expected to flatten out for 2010 tax collections.
- The population of Douglas County is expected to increase approximately 2% to an estimated 292,000 residents, which is a historically low rate of increase for Douglas County.
- The unemployment rate for Douglas County at December 31, 2008 was 5.1% up from 3.8% last year. The unemployment rate for the state is 5.9% up from 4.3% last year.

These factors were considered in preparing the Library's budget for 2009. The general fund balance that is unreserved and undesignated was \$7.7 million at December 31, 2008 which is sufficient to cover normal operating costs. The general fund balance that is unreserved and designated for capital improvements was \$8.0 million; however this is not sufficient to meet major capital improvement projects, such as new library buildings, that will be required to maintain 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. To better effect a matching between flattening or declining revenues and cost increases, the Library is making concerted efforts to reduce costs through hiring freezes, staff reductions through attrition and operational efficiencies.

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, 2008

	General - Governmental Fund	Adjustments	Primary Government Statement of Net Assets - Governmental Activities	Component Unit Douglas County Libraries Foundation
ASSETS				
Cash and investments	\$ 16,985,962	\$	\$ 16,985,962	\$ 366,804
Property taxes receivable, net of allowance for uncollectible accounts of \$158,000	18,918,127		18,918,127	
Due from component unit	12,474		12,474	
Other receivables	1,489		1,489	3,808
Prepays	128,941		128,941	
Other assets	5,025		5,025	
Capital assets not being depreciated		1,866,739	1,866,739	
Capital assets net of accumulated depreciation		24,009,379	24,009,379	
Total assets	\$ 36,052,018	25,876,118	61,928,136	\$ 370,612
LIABILITIES				
Accounts payable	\$ 501,370		501,370	\$ 523
Due to primary government				12,474
Accrued salaries	344,995		344,995	
Deferred property taxes	18,798,004		18,798,004	
Compensated absences:				
Due within one year		494,000	494,000	
Due in more than one year		450,514	450,514	
Total liabilities	19,644,369	944,514	20,588,883	12,997
FUND BALANCE / NET ASSETS				
Fund Balance:				
Reserved for emergencies	617,792	(617,792)	0	
Reserved for prepaids	128,941	(128,941)	0	
Unreserved - designated for capital improvements	8,000,000	(8,000,000)	0	
Unreserved - undesignated	7,660,916	(7,660,916)	0	
Total fund balances	16,407,649	(16,407,649)	0	
Total liabilities and fund balances	\$ 36,052,018			
Net assets:				
Investment in capital assets		25,876,118	25,876,118	
Restricted for:				
Emergencies		617,792	617,792	
Donor specified programs				93,819
Unrestricted		14,845,343	14,845,343	263,796
Total net assets		\$ 41,339,253	\$ 41,339,253	\$ 357,615

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, 2008

	General - Governmental Fund	Adjustments	Primary Government Statement of Activities - Governmental Activities	Component Unit Douglas County Libraries Foundation
EXPENDITURES / EXPENSES				
Operating	15,088,664	3,771,689	18,860,353	202,457
Capital outlay	3,569,918	(3,569,918)	0	
Total expenditures / expenses	<u>18,658,582</u>	<u>201,771</u>	<u>18,860,353</u>	<u>202,457</u>
PROGRAM REVENUES				
Operating contributions and grants	261,971		261,971	95,383
Charges for services	364,313		364,313	122,173
Total program revenues	<u>626,284</u>	<u>0</u>	<u>626,284</u>	<u>217,556</u>
NET PROGRAM EXPENSES			<u>(18,234,069)</u>	
GENERAL REVENUES				
Property taxes	18,190,726		18,190,726	
Auto ownership taxes	1,554,492		1,554,492	
Investment earnings	483,546		483,546	8,708
Total general revenues	<u>20,228,764</u>	<u>0</u>	<u>20,228,764</u>	<u>8,708</u>
NET CHANGE IN FUND BALANCE	2,196,466	(201,771)		23,807
CHANGE IN NET ASSETS			1,994,695	
FUND BALANCE / NET ASSETS:				
Beginning of year	<u>14,211,183</u>	<u>25,133,375</u>	<u>39,344,558</u>	<u>333,808</u>
End of year	<u>\$ 16,407,649</u>	<u>\$ 24,931,604</u>	<u>\$ 41,339,253</u>	<u>\$ 357,615</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, 2008

Fund balance - governmental fund \$ 16,407,649

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	\$ 34,715,287	
	Accumulated depreciation	<u>(8,839,169)</u>	25,876,118

Compensated absences are not due and payable in the current
 period and therefore are not reported in the governmental
 fund.

(944,514)

Net assets of governmental activities \$ 41,339,253

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

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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, 2008

Net change in fund balance - governmental fund \$ 2,196,466

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	\$ 3,569,918	
Depreciation	(3,655,900)	
Loss on disposal	<u>(79)</u>	(86,061)

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. (115,710)

Change in net assets of governmental activities \$ 1,994,695

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

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2008

I: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Library was established in 1990 as a special 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 appoints the three-member board of directors from its own membership and the Foundation provides services almost exclusively to the Library. In past years the Foundation was *blended* into the Library's financial statements. The change in presentation reflects the Foundation's decision to report its financial statements in accordance with non-profit accounting standards. 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

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Notes to Financial Statements

December 31, 2008

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. However, expenditures related to compensated absences 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

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Notes to Financial Statements

December 31, 2008

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.

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	6

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2008

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.

6. *Fund balance / net assets*

Governmental funds report reservations of fund balance for amounts that are not available for appropriation, 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 \$617,792 for emergency reserves as required by Article X, Section 20 of the Colorado Constitution and has designated \$8,000,000 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, 2008, the Library had invested \$17,131,937 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.

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At December 31, 2008, the Library had the following cash and investments:

Cash on hand	\$	2,369
Deposits		(148,344)
Investments		<u>17,131,937</u>
		<u>\$16,985,962</u>

B. Capitalized assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/08</u>
Capital assets not being depreciated:				
Land	\$1,722,988			\$1,722,988
Artwork	142,751	\$1,000		143,751
Total capital assets not being depreciated	<u>1,865,739</u>	<u>\$1,000</u>		<u>1,866,739</u>
Capital assets being depreciated:				
Buildings	16,895,881			16,895,881
Computers	2,738,936	661,531	\$(37,296)	3,363,171
Shelving	864,165	4,898		869,063
Furniture	331,351	25,372		356,723
Equipment and machinery	692,364	11,665	(9,276)	694,753
Library materials	10,597,396	2,865,452	(2,793,891)	10,668,957
Total capital assets being depreciated	<u>32,120,093</u>	<u>3,568,918</u>	<u>(2,840,463)</u>	<u>32,848,548</u>
Accumulated depreciation:				
Buildings	(3,578,615)	(582,335)		(4,160,950)
Computers	(1,160,491)	(584,069)	37,217	(1,707,343)
Shelving	(511,526)	(70,086)		(581,612)
Furniture	(162,860)	(31,619)		(194,479)
Equipment and machinery	(432,653)	(99,201)	9,276	(522,578)
Library materials	(2,177,508)	(2,288,590)	2,793,891	(1,672,207)
Total accumulated depreciation	<u>(8,023,653)</u>	<u>(3,655,900)</u>	<u>2,840,384</u>	<u>(8,839,169)</u>
Total capital assets being depreciated, net	<u>24,096,440</u>	<u>(86,982)</u>	<u>(79)</u>	<u>24,009,379</u>
Governmental activities capital assets, net	<u>\$25,962,179</u>	<u>(\$85,982)</u>	<u>(\$79)</u>	<u>\$25,876,118</u>

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Notes to Financial Statements

December 31, 2008

C. Commitments

Operating lease commitments

The Library leases library facilities and equipment under noncancelable operating leases. Total costs for such leases were \$174,478 for the year ended December 31, 2008. The future minimum payments for these leases are as follows:

<u>Year Ending Dec. 31</u>	<u>Amount</u>
2009	\$ 169,361
2010	178,762
2011	181,995
2012	190,399
2013	198,712
2014 – 2017	<u>439,606</u>
	<u>\$1,358,835</u>

D. Compensated absences

Compensated absences liability for the year ended December 31, 2008 was as follows:

Balance 12/31/07	\$828,804
Additions	585,963
Reductions	<u>(470,253)</u>
Balance 12/31/08	<u>\$944,514</u>
Due within one year	<u>\$494,000</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.

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Notes to Financial Statements

December 31, 2008

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 11.9% of covered salary to PERA (11% during 2007 and 10.5% during 2006). Total Library employer contributions to PERA were \$1,090,179 for 2008, \$934,767 for 2007 and \$848,171 for 2006, 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, 2008, 1.02% of covered salary was allocated to HCTF. No member contributions are required.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements

December 31, 2008

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, 2008

	Original Budget	Final Budget	Actual	Variance
REVENUES				
Property taxes	\$ 18,344,909	\$ 18,344,909	\$ 18,190,726	\$ (154,183)
Auto ownership taxes	1,500,000	1,500,000	1,554,492	54,492
Operating contributions and grants	172,000	172,000	261,971	89,971
Charges for services	301,550	301,550	364,313	62,763
Investment earnings	790,000	790,000	483,546	(306,454)
Total revenues	<u>21,108,459</u>	<u>21,108,459</u>	<u>20,855,048</u>	<u>(253,411)</u>
EXPENDITURES				
Salaries and benefits	11,787,709	11,787,709	11,593,989	193,720
Library materials	3,100,000	3,100,000	3,096,505	3,495
Facilities	917,400	917,400	924,567	(7,167)
Technology and support services	995,001	1,007,701	812,158	195,543
Programs and outreach	335,520	365,520	326,067	39,453
Administration	1,330,365	1,330,365	1,200,830	129,535
Contingency	14,970,279	14,954,279		14,954,279
Capital expenditures	1,035,635	1,008,935	704,466	304,469
Total expenditures	<u>34,471,909</u>	<u>34,471,909</u>	<u>18,658,582</u>	<u>15,813,327</u>
NET CHANGE IN FUND BALANCE	(13,363,450)	(13,363,450)	2,196,466	15,559,916
FUND BALANCE, beginning of year	<u>13,991,544</u>	<u>13,991,544</u>	<u>14,211,183</u>	<u>219,639</u>
FUND BALANCE, end of year	<u>\$ 628,094</u>	<u>\$ 628,094</u>	<u>\$ 16,407,649</u>	<u>\$ 15,779,555</u>

See the accompanying Independent Auditors' Report

DOUGLAS COUNTY LIBRARIES
Notes to Required Supplementary Information
December 31, 2008

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.