
DOUGLAS COUNTY LIBRARIES

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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Independent Auditors' Report

Board of Trustees
Douglas County Libraries
Castle Rock, Colorado

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and the major fund of the Douglas County Libraries (the Library) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and the major fund of the Library as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Notes 1 and 12, the Library adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective for the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the district's proportionate share of the net pension liability, schedule of the district's contributions to the pension plan and notes to the required supplementary information on pages i through ix and 24 through 27, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The summary of revenues, expenditures and changes in fund balance – general fund, history of assessed valuations, history of mill levies and property tax collections are presented for purposed of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

RubinBrown LLP

May 24, 2016

DOUGLAS COUNTY LIBRARIES

Management's Discussion and Analysis December 31, 2015

Financial results for Douglas County Libraries (the District) for the year ended December 31, 2015 reflect several material transactions that occurred during the year including:

- Donation of land valued at \$2.388 million by the cities of Castle Pines, Lone Tree and Parker for the construction of new libraries
- Spending of \$14.032 million related to the construction of new libraries
- Issuance of 2015 Series Certificates of Participation in the amount of \$20.655 million at a premium of \$2.571 million
- Adoption of Governmental Accounting Standards Board Statement No. 68 "Accounting and Financial Reporting for Pensions"
- Changes to the Libraries policy for paid time-off

The impact of these transactions on the financial position of the District is best illustrated by a year over year comparison of the statement of net position for governmental activities which are maintained on the accrual basis of accounting. A comparison of these statements is presented on page ii below.

Statement of Net Position – Governmental Activities

Pursuant to the terms of intergovernmental agreements with the City of Castle Pines, the City of Lone Tree and Lincoln Commons South and the Town of Parker three parcels of land collectively valued at \$2.388 million were donated to the District for the construction of new libraries.

During 2014, the Libraries Board of Trustees approved a budget of \$33.5 million for the construction of new facilities in Castle Pines, Lone Tree and Parker, which was increased to \$35.0 million in 2015. Planning and design activities were completed in early 2015 and expenditures totaling \$14.032 million were made in 2015, resulting in an increase in the District's investment in capital assets. Construction of the Castle Pines library was completed in March 2016 and the libraries in Lone Tree and Parker are expected to be completed in the second and third quarter of 2016, respectively.

In October 2015, the District issued \$20.655 million in 2015 Series Certificates of Participation (the 2015 COP's) and received proceeds of \$23.226 million which included a premium of \$2.571 million. The 2015 COP's, which mature in 2030, carry an average coupon rate of 2.545%, and maximum annual debt service is \$2.013 million. The first principal payment on the 2015 COP's is payable in December 2017.

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Statement of Net Position - Governmental Activities

	2015	2014
Assets		
Current Assets		
Cash and investments	\$ 19,163,055	\$ 16,950,165
Restricted cash	9,782,487	
Property taxes receivable, net of allowance	22,415,886	19,032,428
Prepays and other assets	537,098	373,055
Receivable from component unit	48,683	6,091
Other receivables	44,439	29,095
Total Current Assets	51,991,648	36,390,834
Long-term assets		
Investments	9,410,151	9,313,366
Capital assets, net of accumulated depreciation	17,238,494	18,107,117
Capital assets not being depreciated	19,418,310	2,997,638
Total long-term assets	46,066,955	30,418,121
Total Assets	\$ 98,058,603	\$ 66,808,955
Deferred Outflows Of Resources		
Deferred Outflows - Pension liability	2,121,728	—
Total Deferred Outflows Of Resources	2,121,728	—
Liabilities		
Current Liabilities		
Accounts payable	3,038,156	829,795
Accrued salaries and benefits	684,093	308,851
Funds held for others	13,234	—
Compensated absences	470,000	412,000
Total Current Liabilities	4,205,483	1,550,646
Long-Term Liabilities		
Compensated absences	392,049	618,408
Pension liability	15,770,396	—
Certificates of Participation	23,225,902	—
Total long-term liabilities	39,388,347	618,408
Total Liabilities	43,593,830	2,169,054
Deferred Inflows Of Resources		
Pension liability	71,390	—
Property tax revenue	22,244,942	18,877,907
Total Deferred Inflows Of Resources	22,316,332	18,877,907
Net Position		
Net investment in capital assets	23,080,060	21,104,755
Restricted	788,309	633,672
Unrestricted	10,401,800	24,023,567
Total Net Position	\$ 34,270,169	\$ 45,761,994

The 2015 COP's were issued pursuant to the terms of a Site and Improvement Lease dated as of October 29, 2015 whereby the District leased the Phillip S Miller and James H LaRue branches to Zions First National Bank , acting as trustee. Concurrent with the execution of the Site and Improvement Lease, the trustee leased these same properties back to the District pursuant to the terms of an annually renewable Lease Purchase Agreement dated as of October 29, 2015. The District owns fee title to these leased properties and the trustee maintains a leasehold interest in the same properties.

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As described in Note 7 to the attached financial statements, the District contributes to a cost-sharing multiple-employer defined benefit plan administered by the Public Employees' Retirement Association (PERA). During 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 67*" (GASB Statement No. 68), which requires employers to record their proportionate share of the plan's net unfunded pension liability.

As a result of the adoption of GASB Statement No. 68, the District recorded a net pension liability of \$15.770 million in addition to the related deferred outflows and inflows noted on the above statement of net position and more fully described in Note 7 to the financial statements. The District has no legal obligation to fund this shortfall, nor does it have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined benefit pension plan.

During 2015, the District modified its paid time-off policy eliminating the option to rollover unused balances to the District's 401k plan effective January 1, 2016. In addition, the District reduced accrual rates and the maximum amount of unused accrued vacation employees with fifteen or more years of service can carry-over. The revised policy also requires employees to use fifty percent of earned paid time-off in the period accrued. Unused paid time-off up to the fifty percent limit can be used in a subsequent period in the event of a qualifying extended illness, however these balances will no longer be paid out at termination or retirement. During 2015, employees with fifteen or more years of service were allowed to transfer balances to the District's 401k plan, and paid time off increased versus the prior year.

As a result of these changes, the District's compensated absences liability decreased to \$0.862 million at December 31, 2015 from \$1.030 million at December 31, 2014.

Change in Net Position

The increase in investment in fixed assets from \$21.104 million at December 31, 2014 to \$23.080 million at December 31, 2015 is primarily due to \$14.032 million in capital spending and \$2.388 million in land contributions both related to the construction of new libraries, net of the 2015 COP proceeds of \$23.226 million issued to finance construction of the new libraries less the remaining proceeds of \$9.649 million from the issuance of the 2015 CoP's.

Restricted net position reported at December 31 2014 and 2015 represents contingency reserves the District is required to maintain under Article X, Section 20, of the Colorado Constitution. In addition, restricted net position reported at December 31, 2015 also includes, \$120,095 in grants and contributions for the construction of new libraries in Castle Pines, Lone Tree and Parker, and agency funds of \$13,234 held on behalf of Volunteer Connect Douglas County as described in Note 3 to the financial statements.

The decrease in unrestricted fund balance from \$24.023 million as of December 31, 2014 to \$10.402 million at December 31, 2015 is primarily attributable to the adoption of GASB 68 and the related pension liability recorded during 2015 of \$15.770 million, partially offset by the change in net position reported for the year ended December 31, 2015 of \$1.900 million.

See the discussion regarding Fund Balance – Governmental Fund on page vi and vii for an analysis of the District's spendable resources available at the end of the year and near-term inflows and outflows of spendable resources.

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Statement of Net Activities – Governmental Activities

The transactions noted above also had a material impact on the Statement of Net Activities presented for the year ended December 31, 2015. For purposes of comparison, the table below illustrates what the District's Statement of Net Activities would have been on an adjusted basis excluding the impact of these transactions and as reported in the attached financial statements for the year ended December 31, 2015.

Statement of Net Activities - Governmental Activities

	<u>2015</u>	<u>2014</u>
Expenditures/Expenses		
Operating	\$ 20,549,419	\$ 20,169,772
Pension expense	1,455,077	1,244,631
Total Expenditures/Expenses	<u>22,004,496</u>	<u>21,414,403</u>
Program Revenues		
Operating contributions and grants	409,377	853,922
Charges for services	633,202	581,959
Total Program Revenues	<u>1,042,579</u>	<u>1,435,881</u>
Net Program Expenses	<u>(20,961,917)</u>	<u>(19,978,522)</u>
General Revenues		
Property taxes	19,151,234	18,670,817
Auto ownership taxes	1,853,168	1,695,121
Investment earnings	195,064	174,515
Loss on disposal of fixed assets	(102,642)	(770)
Total General Revenues	<u>21,096,824</u>	<u>20,539,683</u>
Change In Net Position - Adjusted basis	134,907	561,161
Pension Expense	(328,067)	—
Debt issuance costs	(220,633)	—
Interest expense	(74,205)	—
Contributed Capital	2,388,163	—
Change In Net Position - As Reported	<u>\$ 1,900,165</u>	<u>\$ 561,161</u>

On an adjusted basis the District's change in net position decreased by \$0.426 million from \$0.561 million for the year ended December 31, 2014 to \$0.135 million for the year ended December 31, 2015. Increased expenditures of \$0.590 million were almost fully offset by increased general revenues of \$0.557 million; however operating contribution and grants decreased \$0.393 million over the prior year resulting in a decrease in change in net position of \$0.426 million.

The increase in expenditures of \$0.590 million is due primarily to increases in salaries and benefits of \$0.906 million including the increase in pension contributions to PERA as well as increased spending in facility maintenance of \$0.175 million and programming of \$0.037 million. These increases in operating expenditures were partially offset by a \$0.276 million decline in depreciation expense and a

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\$0.168 million reduction in compensated absences expense attributable to changes in the District's paid time off policy.

The District realized increased property tax revenues and auto ownership taxes of \$0.638 million in 2015 versus 2014 attributable to increases in construction activity and a strengthening economy. These increases in tax revenues were partially offset by a loss on disposal of fixed assets as the District wrote off previously capitalized electronic books due to concerns regarding ownership and transferability of these electronic files.

During the years ended December 31, 2014 and 2015, the Douglas County Libraries Foundation granted monies to the District for the construction of new libraries in the amounts of \$0.461 million and \$0.108 million, respectively, contributing to the year over year decline reported in change in net position.

Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund

The District also maintains general-governmental fund financial statements which are presented on the modified accrual basis of accounting. These statements report essentially the same functions reported in the statements of net position and net activities for governmental activities however, capital expenditures are reported as a current period expense and long term liabilities are recorded when currently payable, rather than when an obligation is incurred. As such, the amounts reported for 2015 in the general-governmental fund financial statements exclude the donation of land, and changes in liabilities recorded for compensated absences and the adoption of GASB 68.

For purposes of comparison, the table on page vi adjusts District's Statement of Revenues, Expenditures and Change in Fund Balance as reported in the attached financial statements for the year ended December 31, 2015 to exclude the lease purchase financing, capital outlay associated with the construction of new libraries and grants made to the District from the Douglas County Libraries Foundation in order to provide a more relevant comparison to amounts reported for the year ended December 31, 2014.

On an adjusted basis the net change in fund balance decreased \$0.331 million from \$1.071 million for the year ended December 31, 2014 to \$0.740 million for the same period in 2015. Increases in salaries, wages and benefits of \$0.906 million were only partially offset by increases in property tax revenues of \$0.480 million and auto ownership taxes of \$0.158 million.

As reported, the net change in fund balance increased \$9.332 million from \$0.401 million for the year ended December 31, 2014 to \$9.734 million for the same period in 2015. The \$9.332 million year over year increase in change in fund balance is primarily attributable \$23.226 million in lease purchase financing proceeds partially offset by debt issuance costs and interest expense; partially offset by the increase in capital spending on the construction of new libraries of \$12.938m, the decrease in grant revenue received from the Douglas County Libraries Foundation of \$0.329 million and the decrease in change in fund balance of \$0.331 million reported on an adjusted basis.

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Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Fund

	<u>2015</u>	<u>2014</u>
Expenditures/Expenses		
Operating	\$17,112,538	\$16,269,927
Capital outlay	2,839,258	2,986,176
Pension expense	1,455,077	1,224,631
Total Expenditures/Expenses	<u>21,406,873</u>	<u>20,480,734</u>
Program Revenues		
Operating contributions and grants	313,905	428,922
Charges for services	633,202	581,959
Total Program Revenues	<u>947,107</u>	<u>1,010,881</u>
Net Program Expenses	<u>20,459,766</u>	<u>19,469,853</u>
General Revenues		
Property taxes	19,151,234	18,670,817
Auto ownership taxes	1,853,168	1,695,121
Investment earnings	195,064	174,515
Total General Revenues	<u>21,199,466</u>	<u>20,540,453</u>
Net Change In Fund Balance - As Adjusted	739,700	1,070,600
Capital outlay - New bldg construction	(14,032,509)	(1,094,557)
Capital Grants - New bldg construction	95,472	425,000
Lease purchase financing proceeds	23,225,902	—
Debt issuance costs	(220,633)	—
Interest expense	(74,205)	—
Net Change In Fund Balance - As Reported	<u>\$ 9,733,727</u>	<u>\$ 401,043</u>

Fund balance as reported for the governmental fund provides insight as to the organization's near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year.

Fund Balance - Governmental Fund

	<u>2015</u>	<u>2014</u>
Nonspendable fund balance	\$ 537,098	\$ 373,055
Restricted fund balance	10,437,467	633,672
Committed fund balance	11,994,731	23,500,000
Unassigned fund balance	12,435,032	1,163,874
Total Fund Balances	<u>\$35,404,328</u>	<u>\$25,670,601</u>

Non-spendable fund balance includes prepaid expenses and refundable deposits. The year over year increase of \$0.164 million is attributable to deposits made in lieu of surety bonds in connection with the construction of new libraries.

Restricted fund balance reported for the years ended December 31, 2015 and 2014 represents contingency reserves the District is required to maintain under Article X, Section 20, of the Colorado Constitution.

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At December 31, 2014, the Board of Trustees had approved a budget of \$33.5 million for the construction of new libraries in Castle Pines, Lone Tree and Parker and intended to finance \$10.0 million of the project and fund the remaining \$23.5 million from District reserves. During 2015, the Board of Trustees increased the project budget to \$33.5 million and authorized financing of approximately \$23 million due to the low interest rates available in the municipal bond market and the desire to use library reserves for additional future projects. As a result of the change in the District's plan to finance the new library construction, committed fund balance decreased from \$23.5 million at December 31, 2014 to \$11.995 million at December 31, 2015. Committed fund balance of \$11.995 million represents the \$35.0 million budget less the \$23.226 million proceeds from the issuance of the 2015 CoP's net of debt issuance costs of \$0.221 million.

Unassigned fund balance increased \$11.271 million from \$1.164 million at December 31, 2014 to \$12.435 million at December 31, 2015. The change in the District's plan to finance the new library construction accounts for \$11.505 million of this increase and the remainder is primarily attributable to the change in fund balance reported for the year ended December 31, 2015 of \$9.955 million, excluding debt issuance costs of \$221 million. Unassigned fund balance represents amounts available for any purpose including debt service for the 2015CoP's and future capital projects.

Capital Assets

The District's capital assets, net of accumulated depreciation increased \$15.552 million from \$21.104 million at December 31, 2014 to \$36.657 million at December 31, 2015.

	<u>2014</u>	<u>2015</u>
Capital Assets Not Being Depreciated		
Land	\$ 1,722,988	\$ 4,111,151
Construction in progress	1,129,700	15,162,209
Artwork	144,950	144,950
Total Capital Assets Not Being Depreciated	2,997,638	19,418,310
Capital Assets Being Depreciated		
Buildings	9,714,628	9,137,242
Building improvements	443,629	444,960
Computers	794,071	501,451
Shelving	39,180	26,319
Furniture	260,339	221,934
Equipment and machinery	47,370	69,687
Library materials	6,807,900	6,836,901
Total Capital Assets Being Depreciated, net	18,107,117	17,238,494
Governmental Activities Capital Assets, Net	\$ 21,104,755	\$ 36,656,804

The increase is primarily attributable to \$14.032 million spent during 2015 on construction of the new libraries in Castle Pines, Lone Tree and Parker, which has been reported as construction in progress and is not being depreciated as these libraries have not yet been placed into service.

In addition, the City of Castle Pines, the City of Lone Tree and Lincoln Commons South and the Town of Parker donated three parcels of land for the construction of new libraries collectively valued at \$2.388 million pursuant to the terms of agreements executed in 2014 and 2015.

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For the year ended December 31, 2015, capital spending not associated with the construction of new libraries was \$2.839 million and depreciation totaled \$3.605 million, resulting in a decrease in depreciable capital assets of \$0.766 million. This decrease will be fully offset in 2016 as the newly constructed libraries are completed and placed into service and reported as depreciable assets rather than construction in progress. In addition, during 2015 the District recorded a loss of \$0.103 million due to the write-off of electronic materials and databases that had previously been capitalized and for which true ownership was considered questionable.

During 2015 the District executed a property transfer agreement with the City of Lone Tree and Lincoln Commons South whereby property was transferred to the District for the construction of a new library and the District granted the City of Lone Tree an exclusive right to purchase the existing Lone Tree library facility for \$800,000. The City of Lone Tree intends to exercise the right to purchase this facility and the District is obligated to transfer the property 60 days after opening the new Lone Tree library.

In addition, the District is in the process of marketing the existing Parker facility for sale and the lease for the space that housed the Castle Pines library expires in August of 2016. The District is currently making plans for the reuse or disposal of furniture, fixtures, computers and equipment used at each of these facilities. The District does not anticipate material losses from the disposal or sale of these assets in 2016.

Economic Factors and Future Growth in Property Tax Revenues

The District derives the majority of its revenues from property taxes. In general, real property values are re-appraised in odd numbered years on the basis of comparable sales during the previous two year period. Property taxes are also paid in arrears. As a result, there is a two to four year lag between increases in the market value of a property and the date taxing authorities realize increased property tax revenue.

Property values were re-assessed in early 2015, based on comparable sales that occurred during the 2012 – 2014 sales study period. Based on this re-assessment, property valuations in Douglas County increased 17% over the prior period and property tax revenues for 2016 are expected to increase to \$22.547 million, or \$3.396 million for 2016 from \$19.151 million in 2015.

The 2016 budget also includes \$0.528 million in one-time costs associated with the opening day collections, grand openings and the move to the new libraries. Square footage for each of the new libraries will increase significantly and collection sizes are expected to increase as well. As a result, the District intends to hire approximately 22 additional full time equivalents. An additional \$1.084 million in recurring incremental operating costs have been included in the 2016 budget for increased staffing, utilities and other recurring operating costs.

With continued increases in commercial construction activity, residential building permits, and median home prices as well as declines in retail and office vacancy rates, growth in property tax revenues is expected to continue. These projected increases in property tax revenues, are expected to exceed both the incremental operating costs of three new larger libraries as well as enable the District to service its obligation under the 2015 CoP's. See the Required Supplementary Information in the audited financial statements for historical metrics regarding assessed valuations, mill levies and collection rates.

Requests For Information

This financial report is designed to provide a general overview of the finances for the District and the Foundation. Questions concerning the information provided in this report or to request a copy of the Foundation's audited financial statements please contact the Director of Finance at Douglas County Libraries, 100 South Wilcox Street, Castle Rock, CO 80104.

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**BALANCE SHEET - GOVERNMENTAL FUND/
STATEMENT OF NET POSITION
December 31, 2015**

	Primary Government			Component Unit
	General - Governmental Fund	Adjustments	Statement of Net Position - Governmental Activities	Douglas County Libraries Foundation
Assets				
Cash and investments	\$ 19,163,055	\$ —	\$ 19,163,055	\$ —
Property taxes receivable, net of allowance for uncollectible accounts of \$302,000	22,415,886	—	22,415,886	—
Prepays and other assets	537,098	—	537,098	—
Receivable from component unit	48,683	—	48,683	—
Other receivables	27,393	17,046	44,439	4,274
Investments	9,410,151	—	9,410,151	175,217
Restricted cash and investments	9,782,487	—	9,782,487	205,565
Capital assets, net of accumulated depreciation	—	17,238,494	17,238,494	—
Capital assets not being depreciated	—	19,418,310	19,418,310	—
Total Assets	\$ 61,384,753	\$ 36,673,850	\$ 98,058,603	\$ 385,056
Deferred Outflows Of Resources				
Deferred Outflows - Pension related liability	—	2,121,728	2,121,728	—
Total Deferred Outflows Of Resources	—	2,121,728	2,121,728	—
Liabilities				
Accounts payable	\$ 3,038,156	—	3,038,156	8,099
Accrued salaries and benefits	684,093	—	684,093	—
Funds held for others	13,234	—	13,234	—
Payable to primary government	—	—	—	48,683
Noncurrent Liabilities				
Due within one year	—	470,000	470,000	—
Due in more than one year	—	23,617,951	23,617,951	—
Pension liability	—	15,770,396	15,770,396	—
Total Liabilities	3,735,483	39,858,347	43,593,830	56,782
Deferred Inflows Of Resources				
Pension related liability	—	71,390	71,390	—
Property tax revenue	22,244,942	—	22,244,942	—
Total Deferred Inflows Of Resources	22,244,942	71,390	22,316,332	—
Fund Balance/Net Position				
Fund Balance				
Nonspendable fund balance	537,098	(537,098)	—	—
Restricted fund balance	10,437,467	(10,437,467)	—	—
Committed fund balance	11,994,731	(11,994,731)	—	—
Unassigned fund balance	12,435,032	(12,435,032)	—	—
Total Fund Balances	35,404,328	(35,404,328)	—	—
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	\$ 61,384,753			
Net Position				
Net investment in capital assets		23,080,060	23,080,060	—
Restricted		788,309	788,309	11,252
Unrestricted		10,401,800	10,401,800	317,022
Total Net Position		\$ 34,270,169	\$ 34,270,169	\$ 328,274

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**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND/
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2015**

	Primary Government			Component Unit
	General - Governmental Fund	Adjustments	Statement Of Activities - Governmental Activities	Douglas County Libraries Foundation
Expenditures/Expenses				
Current				
Operating	\$ 17,112,538	\$ 3,436,881	\$ 20,549,419	\$ 241,977
Pension expense	1,455,077	328,067	1,783,144	—
Capital Outlay	16,871,767	(16,871,767)	—	—
Debt Service				
Debt issuance costs	220,633	—	220,633	—
Interest expense	74,205	—	74,205	—
Total Expenditures/Expenses	35,734,220	(13,106,819)	22,627,401	241,977
Program Revenues				
Contributed grants and contributions	—	2,388,163	2,388,163	—
Operating contributions and grants	409,377	—	409,377	251,616
Charges for services	633,202	—	633,202	109,754
Total Program Revenues	1,042,579	2,388,163	3,430,742	361,370
Net Program Expenses	(34,691,641)	15,494,982	(19,196,659)	119,393
General Revenues				
Property taxes	19,151,234	—	19,151,234	—
Auto ownership taxes	1,853,168	—	1,853,168	—
Investment earnings	195,064	—	195,064	2,249
Total General Revenues	21,199,466	—	21,199,466	2,249
Other Financing Sources				
Principal, Certificates of Participation Series 2015	20,655,000	(20,655,000)	—	—
Premium, Certificates of Participation Series 2015	2,570,902	(2,570,902)	—	—
Loss on disposal of capital assets	—	(102,642)	(102,642)	—
Total Other Financing Sources	23,225,902	(23,328,544)	(102,642)	—
Net Change In Fund Balance	9,733,727	(9,733,727)	—	—
Change In Net Position	—	1,900,165	1,900,165	121,642
Fund Balance/Net Position				
Beginning of Year	25,670,601	20,091,393	45,761,994	206,632
Restatement, change in accounting principle	—	—	(13,391,990)	—
Beginning of Year, restated	25,670,601	20,091,393	32,370,004	206,632
End of Year	\$ 35,404,328	\$ 12,257,831	\$ 34,270,169	\$ 328,274

DOUGLAS COUNTY LIBRARIES

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION December 31, 2015

Fund Balance - Governmental Fund		\$	35,404,328
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund.			
Assets	51,727,632		
Accumulated depreciation	<u>(15,070,828)</u>		36,656,804
Certificates of Participation are not due and payable in the current period and therefore are not reported in the governmental fund.			
			(23,225,902)
Pension liability is not due and payable in the current period and therefore are not reported in the governmental fund.			
Pension related deferred outflows	2,121,728		
Pension related deferred inflows	(71,390)		
Pension liability	<u>(15,770,396)</u>		(13,720,058)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund.			
			(862,049)
Accrued interest on long-term certificates of deposit not recognized until maturity.			
			<u>17,046</u>
Net Position Of Governmental Activities		\$	<u><u>34,270,169</u></u>

DOUGLAS COUNTY LIBRARIES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES For The Year Ended December 31, 2015

Net Change In Fund Balance - Governmental Fund \$ 9,733,727

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 and disposals.

Contributed land	2,388,163	
Capital asset additions	16,871,767	
Depreciation	(3,605,239)	
Capital asset disposals	<u>(102,642)</u>	15,552,049

Compensated absences do not require use of current financial
resources and therefore are not reported as expenditures in the
governmental fund. 168,359

Proceeds from lease purchase financing do not require use of
current financial resources and therefore are not reported as
revenue in the governmental fund

Principal, Certificates of Participation Series 2015	(20,655,000)	
Premium, Certificates of Participation Series 2015	<u>(2,570,903)</u>	(23,225,903)

Pension liability does not require use of current financial
resources and therefore is not reported as expenditures
in the governmental fund

(328,067)

Change In Net Position Of Governmental Activities \$ 1,900,165

**NOTES TO FINANCIAL STATEMENTS
December 31, 2015**

1. Summary Of Significant Accounting Policies

Reporting Entity

The Douglas County Libraries (the District) 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 District.

The accompanying financial statements present the District, which is the primary government, and its component unit. A component unit is a legally separate organization for which the District 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 District by funding opportunities above and beyond the District's normal operating budget. The Foundation is governed by a three-member committee appointed by the District board from its own membership. Separately issued financial statements of the Foundation may be obtained by contacting the Foundation's offices at 100 South Wilcox Street, Castle Rock, Colorado 80104.

Government-Wide And Fund Financial Statements

The 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 position 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 District are offset by program revenues. Program revenues include 1) operating contributions and grants and 2) charges to users of the District's services.

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 District 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 District. Expenditures generally are recorded when an obligation is incurred, as under accrual accounting; however, expenditures related to compensated absences and debt are recorded only when payment is due.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

The government-wide financial statements measure and report all assets, liabilities, deferred inflows of resources, revenues, expenses, gains and losses 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 government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

The general operating fund is the District's only fund and is used to account for all financial resources of the District.

Cash And Investments

Colorado Revised Statutes (CRS) authorize the District to invest in certain obligations of the U.S. Treasury and U.S. agencies, commercial paper, repurchase agreements, local government investment pools and other specified investments. The District's investment policy is to follow state statutes regarding investments, which generally limit investments to those instruments with maturities of 5 years or less, unless the governing body of the District authorizes investment for a longer period. Investments and amounts held by local government investment pools are reported at fair market value. Securities with maturities of 12 months or less from the balance sheet date are reported as short-term investments.

The District limits its exposure to credit risk, which is the risk of loss due to the failure of the security issuer or backer, by diversifying the investment portfolio so that potential losses on individual securities will be minimized and by limiting investments to specified credit ratings.

In addition, District funds may only be deposited in banks that are members of the Federal Deposit Insurance Corporation (FDIC) or have been designated by the State Banking Board as an eligible public depository under the Colorado Public Deposit Protection Act (PDPA). Under the provisions of PDPA, amounts on deposit in excess of federal insurance levels must be collateralized by the depository using securities with a market value of 102% of the aggregate uninsured deposits. The State Regulatory Commission for banks and financial services is required by statute to qualify eligible PDPA depositories, limit the types of securities that can be used for collateral and monitor the reporting of uninsured deposits and assets maintained in the collateral pools.

At December 31, 2015, the District had deposits with a book balance of \$9,551,793 and a bank balance of \$9,912,040, of which \$805,503 was covered by FDIC and \$9,106,537 was collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Deposits held by a single depository institution may not exceed 25% of the District's total investment portfolio.

At December 31, 2015, the Foundation had deposits with book and bank balances of \$380,782, of which \$205,565 was insured by FDIC. From time to time, cash and investments held by the Foundation may exceed the limits of depository insurance coverage provided by FDIC.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

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 inflows of resources and recognized as revenue upon collection.

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.

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 \$5,000 or more and an estimated useful life of more than 1 year, are recorded at historical cost, with the exception of library materials which are capitalized regardless of cost. 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 District values these capital assets at the estimated fair value of the item at the date of donation.

Capital assets of the District 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:

Asset	Years
Buildings	30
Building improvements	15
Shelving	10
Furniture	10
Equipment and machinery	5
Computers	4
Software	4
Library materials	4

Compensated Absences

It is the District'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.

Pensions

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows Of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with the presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68).

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The District has recognized deferred inflows of resources in the government-wide financial statements in accordance with the presentation requirements for property taxes and GASB 68 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71).

Fund Balance/Net Position

The District reports fund balance and net position in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement identifies fund balance categories to make the nature and extent of the constraints placed on a governmental entity's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints under GASB 54:

- Nonspendable fund balance represents amounts that are nonspendable in form or are legally or contractually required to be maintained intact.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

- Restricted fund balance represents amounts constrained to specific purposes by external parties such as grantors, contributors or through constitutional provisions. Restricted fund balance also includes revenues raised pursuant to legislation that restricts the use of funds to a specific purpose.
- Committed fund balance represents amounts constrained to specific purposes by the District's Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board of Trustees takes action to remove or change the constraint. Fund balance commitments are established, modified or rescinded by the adoption of Board resolutions.
- Assigned fund balance represents amounts the District intends to use for a specific purpose. Intent can be expressed by either the District's Board of Trustees or by an official or body to which the Board delegates the authority.

Assigned fund balance is established through adoption of a Board resolution or the amendment of the budget as intended for a specific purpose such as the purchase of fixed assets, construction, debt service, etc.

- Unassigned fund balance represents amounts that are available for any purpose.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When amounts in multiple unrestricted fund balance classifications could be used, the District considers committed funds to be used first, then assigned and finally unassigned fund balances.

2. Cash And Investments

At December 31, 2015, the District had the following cash and investments:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Short-Term Cash And Investments			
Cash	\$ 133,329	\$ 8,313	\$ 141,642
Local government investment pool	9,649,158	19,154,742	28,803,900
Total Short-Term Cash And Investments	<u>9,782,487</u>	<u>19,163,055</u>	<u>28,945,542</u>
Long-Term Investments			
Certificates of deposit	—	9,410,151	9,410,151
Total Cash And Investments	<u>\$ 9,782,487</u>	<u>\$ 28,573,206</u>	<u>\$ 38,355,693</u>

Amounts held by the local government investment pool are invested with the Colorado Local Government Liquid Asset Trust (COLOTRUST), 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 local government investment pools. COLOTRUST operates similarly to a money market fund, is rated AAAM by Standard & Poor's

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

and each share is equal in value to \$1.00. Financial statements and additional information about COLOTRUST are available at <http://www.colotruster.com/about>.

3. Funds Held for Others

The District serves as fiscal agent in connection with Volunteer Connect Douglas County, a project to develop a countywide volunteer website. The project is funded by members of the Partnership of Douglas County Governments.

Transactions related to agency funds are recorded as changes in the funds held for others liability and are not included in the statement of activities. The changes in that liability are summarized as follows:

	<u>2015</u>
Partner contributions	\$ 28,984
Portal expenses paid	<u>13,720</u>
Change in balance	15,264
Funds receivable, beginning of year	<u>(2,030)</u>
Funds held for others, end of year	<u><u>\$ 13,234</u></u>

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

4. Capital Assets

During the year ended December 31, 2015, the District recorded depreciation expense of \$3,605,239. Capital asset activity was as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Capital Assets Not Being Depreciated				
Land	\$ 1,722,988	\$ 2,388,163	\$ —	\$ 4,111,151
Construction in progress	1,129,700	14,032,509	—	15,162,209
Artwork	144,950	—	—	144,950
Total Capital Assets Not Being Depreciated	2,997,638	16,420,672	—	19,418,310
Capital Assets Being Depreciated				
Buildings	17,366,671	—	—	17,366,671
Building improvements	778,446	34,913	—	813,359
Computers	3,931,466	64,777	—	3,996,243
Shelving	808,780	6,461	—	815,241
Furniture	640,292	6,635	—	646,927
Equipment and machinery	223,040	33,646	(1,120)	255,566
Library materials	9,009,589	2,692,826	(3,287,100)	8,415,315
Total Capital Assets Being Depreciated	32,758,284	2,839,258	(3,288,220)	32,309,322
Accumulated Depreciation				
Buildings	(7,652,043)	(577,386)	—	(8,229,429)
Building improvements	(334,817)	(33,582)	—	(368,399)
Computers	(3,137,395)	(357,397)	—	(3,494,792)
Shelving	(769,600)	(19,322)	—	(788,922)
Furniture	(379,953)	(45,040)	—	(424,993)
Equipment and machinery	(175,670)	(11,329)	1,120	(185,879)
Library materials	(2,201,689)	(2,561,183)	3,184,458	(1,578,414)
Total Accumulated Depreciation	(14,651,167)	(3,605,239)	3,185,578	(15,070,828)
Total Capital Assets Being Depreciated, Net	18,107,117	(765,981)	(102,642)	17,238,494
Governmental Activities Capital Assets, Net	\$ 21,104,755	\$ 15,654,691	\$ (102,642)	\$ 36,656,804

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

5. Commitments

Operating Lease Commitments

The District leases library facilities and equipment under operating leases. Total costs for such leases were \$166,768 for the year ended December 31, 2015. The future minimum payments for these leases are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 148,627
2017	104,572
2018	102,772
2019	102,772
2020	102,772
	<u>\$ 561,515</u>

Construction Commitments

The District has entered in to contracts to construct and equip new libraries in Castle Pines, Lone Tree and Parker. At December 31, 2015 commitments related to these contracts totaled \$19,586,620.

6. Long-term Debt

On October 29, 2015, the District issued \$20,655,000 in Certificates of Participation, Series 2015, to partially fund the construction of three new libraries. Interest payments are due semi-annually in June and December. Principal payments are due annually in December, through 2030.

Annual debt service requirements are as follows as of December 31, 2015:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ —	\$ 909,004	\$ 909,004
2017	1,175,000	834,800	2,009,800
2018	1,200,000	811,300	2,011,300
2019	1,225,000	787,300	2,012,300
2020	1,250,000	762,800	2,012,800
2021 - 2025	6,955,000	3,104,675	10,059,675
2026 - 2030	8,850,000	1,200,625	10,050,625
	<u>\$ 20,655,000</u>	<u>\$ 8,410,504</u>	<u>\$29,065,504</u>

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

Changes in Long – term Debt

Changes in the District’s long-term obligations consisted of the following for the year ended December 31, 2015:

	Balance			Balance	Due Within
	12/31/2014	Additions	Reductions	12/31/2015	One Year
Governmental Activities:					
Compensated absences	\$ 1,030,408	\$ 287,921	\$ 456,280	\$ 862,049	\$ 470,000
2015 Certificates of Participation	-	20,655,000	-	20,655,000	-
2015 Premium	-	2,570,902	-	2,570,902	-
	<u>\$ 1,030,408</u>	<u>\$ 23,513,823</u>	<u>\$ 456,280</u>	<u>\$ 24,087,951</u>	<u>\$ 470,000</u>

The general fund is used to liquidate compensated absences.

7. Employee Retirement Plans

Defined Benefit Pension Plan

Plan description. Eligible employees of the District are provided with pension benefits through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee’s member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees of the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

The employer contribution requirements are summarized in the table below:

	Rate
Employer Contribution Rate ¹	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%
Amount Apportioned to the LGDTF ¹	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	1.50%
Total Employer Contribution Rate to the LGDTF ¹	12.68%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$1,266,497 for the year ended December 31, 2015

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the District reported a liability of \$15,770,396 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2014, the District's proportion was 1.759% percent, which was a decrease of 0.015 from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the District recognized pension expense of \$1,783,144 and reported pension related deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions or other inputs	\$ 855,231	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	71,390
Contributions subsequent to the measurement date	1,266,497	-
Total	<u>\$ 2,121,728</u>	<u>\$ 71,390</u>

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

Contributions subsequent to the measurement date of \$1,266,497 and reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 157,593
2017	198,630
2018	213,809
2019	213,809
Thereafter	—
	<u>\$ 783,841</u>

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$25,754,787	\$15,770,396	\$7,446,339

Pension plan fiduciary net position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Defined Contribution Pension Plan

Plan Description - Employees of the District that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description - The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2015, 2014 and 2013, the District contributions to the HCTF were \$101,879, \$98,340 and \$96,558, respectively, equal to their required contributions for each year.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

8. Deferred Inflows Of Resources

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources or revenue until that time.

At December 31, 2015, the District has recorded a receivable for property tax revenues to be levied and collected in 2016 of \$22,244,942. Accordingly, the District has presented these unavailable revenues as a deferred inflow of resources in the balance sheet - governmental fund/statement of net position as prescribed under Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65).

Additionally, at December 31, 2015, the District has recorded a receivable for pension related liabilities of \$71,390. Accordingly, the District has presented these unavailable revenues as a deferred inflow of resources in the balance sheet - governmental fund/statement of net position as prescribed under Governmental Accounting Standards Board Statement

9. Fund Balance/Net Position

The District reports fund balance and net position in accordance with GASB 54. This statement redefines the elements of fund balance in governmental funds and more clearly describes the different types of governmental funds.

Amounts reported as nonspendable fund balance at December 31, 2015 include prepaids of \$385,546 considered nonspendable in form and \$151,552 of deposits made in lieu of surety bonds in connection with the construction of new libraries and other security deposits required under the provisions of lease arrangements.

At December 31, 2015, the District has restricted fund balance of \$10,437,467 which includes \$9,649,158 of proceeds remaining from the issuance of the certificates of participation described in Note 6, emergency reserves of \$654,980 required by Article X, Section 20 of the Colorado Constitution, \$120,095 in grants and contributions for the construction of new libraries in Castle Pines, Lone Tree and Parker, and agency funds of \$13,234 held on behalf of Volunteer Connect Douglas County as described in Note 3.

Committed fund balance has been designated by the Board of Trustees for the construction of new libraries in Castle Pines, Lone Tree and Parker. The balance reported at December 31, 2015 represents the portion of the project to be funded from District reserves. The \$35.0 million project is being funded with \$23.226 million of 2015 COP proceeds and \$11.994 million in District reserves.

Net position as reported on the Statement of Net Position – Governmental Activities includes a net investment in capital assets of \$23,080,060. This amount represents the District's investment in capital assets of \$36,656,804, net of the balance of the 2015 COP proceeds spent through December 31, 2015 of \$13,576,744.

DOUGLAS COUNTY LIBRARIES

Notes to Financial Statements (continued)

Restricted fund balance of \$788,309 as reported on the Statement of Net Position – Governmental Activities includes emergency reserves of \$654,980 required by Article X, Section 20 of the Colorado Constitution, \$120,095 in grants and contributions for the construction of new libraries in Castle Pines, Lone Tree and Parker, and agency funds of \$13,234 held on behalf of Volunteer Connect Douglas County as described in Note 3.

10. Risk Management

The District 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 District carries commercial and worker's compensation insurance. Settled claims have not exceeded coverage in the past three fiscal years.

11. 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 District 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 District that holds a vote pursuant to statute to obtain such voter approval.

12. Prior-Period Adjustment

In connection with its implementation of GASB 68 and GASB 71, the District restated its net position as of January 1, 2015. The restatement resulted in a decrease to net position totaling \$13,391,990 as of January 1, 2015. The effect on the District's previously issued fiscal year 2014 statement of net position is summarized as follows:

	Government-Wide Activities
Net position at December 31, 2014, as previously reported	\$ 45,761,994
Net pension liability	(14,601,088)
Deferred outflows of resources	1,209,098
Net Position as of January 1, 2015, as restated	<u>\$ 32,370,004</u>

Required Supplementary Information

DOUGLAS COUNTY LIBRARIES

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND For The Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	\$ 19,260,076	\$ 19,260,076	\$ 19,151,234	\$ (108,842)
Proceeds Lease Purchase Financing, net	10,000,000	20,665,000	23,005,269	2,340,269
Auto ownership taxes	1,700,000	1,700,000	1,853,168	153,168
Charges for services	614,737	614,737	633,202	18,465
Contributions and grants	221,235	221,235	409,377	188,142
Interest	120,000	120,000	195,064	75,064
Total Revenues	31,916,048	42,581,048	45,247,314	2,666,266
Expenditures				
Salaries and benefits	13,366,437	13,366,437	13,833,369	(466,932)
Library materials	3,500,000	3,500,000	3,554,623	(54,623)
Facilities	1,117,193	1,117,193	1,130,874	(13,681)
Technology and support services	1,260,293	1,260,293	1,071,145	189,148
Programs and outreach	611,895	611,895	617,049	(5,154)
Administration	1,056,814	1,056,814	1,053,381	3,433
Capital expenditures	29,000,211	14,032,932	14,178,941	(146,009)
Interest Expense	262,500	74,204	74,205	(1)
Financing Fees	164,000	—	—	—
Contingency	650,844	650,844	—	650,844
Total Expenditures	50,990,187	35,670,612	35,513,587	157,025
Net Change In Fund Balance	(19,074,139)	6,910,436	9,733,727	2,823,291
Fund Balance, Beginning Of Year - Restated	25,670,601	25,670,601	25,670,601	—
Fund Balance, End Of Year	\$ 6,596,462	\$ 32,581,037	\$ 35,404,328	\$ 2,823,291

See Notes 1 and 2 to the Required Supplementary Information

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
For the Year Ended December 31, 2014 (Measurement Date)**

	<u>2015</u>
District's proportion of the net pension liability (asset)	1.759%
District's proportionate share of the net pension liability (asset)	\$ 15,770,396
District's covered-employee payroll	\$ 9,641,175
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	164%
Plan fiduciary net position as a percentage of the total pension liability	81%

See Note 3 to the Required Supplementary Information.

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN
For the year ended December 31, 2015**

	<u>2015</u>
Contractually required contribution	\$ 1,266,497
Contributions in relation to the contractually required contribution	(1,266,497)
Contribution Deficiency (Excess)	<u>\$ —</u>
District's covered-employee payroll	\$ 9,988,150
Contributions as a percentage of covered-employee payroll	13%

See Note 3 to the Required Supplementary Information.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015**

1. Stewardship, Compliance And Accountability

The District's Board of Trustees holds a public hearing in the fall of each year to approve the budget for the general fund and appropriate the funds for the ensuing year. Expenditures may not legally exceed amounts appropriated by fund. Any change in the budget for a particular fund requires approval by the Board of Trustees. Management is authorized to make transfers between line items within a fund.

On December 9, 2015 the Board of Trustees amended the 2015 budget to reflect changes to the financing plan for the construction of new libraries. During 2015 the District issued 2015 Certificates of Participation in the amount of \$20.665 million, rather than the \$10.0 million originally anticipated in the 2015 budget due to the favorable municipal interest rate environment and the Aa2 rating issued by Moody's Investors Service. In addition, delays in planning and design resulted in significantly lower capital spending on the new library project than originally anticipated in the 2015 budget. As a result, the Board of Trustees re-appropriated funds for 2015 in the amount of \$35.670 million.

2. Pension Related Disclosures

GASB Statement No. 68 was adopted during fiscal year 2015 and requires disclosure of the District's proportionate share of the net pension liability and contributions to the pension plan for the previous 10 year period. Until a full 10-year trend is compiled the District is presenting information for those years for which information is available.

Supplementary Information

DOUGLAS COUNTY LIBRARIES

SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND

	Year Ended December 31,				
	2011	2012	2013	2014	2015
Revenues					
Property taxes	\$ 19,588,512	\$ 17,831,480	\$ 18,211,226	\$ 18,670,817	\$ 19,151,234
Proceeds Lease Purchase Financing, net					23,005,269
Auto ownership taxes	1,309,954	1,394,452	1,550,800	1,695,121	1,853,168
Charges for Services	622,040	639,015	615,626	581,959	633,202
Contributions and grants	223,545	271,102	292,181	853,922	409,377
Interest income, net	83,640	165,867	167,902	174,515	195,064
Total Revenues	21,827,691	20,301,916	20,837,735	21,976,334	45,247,314
Expenditures					
Salaries and benefits	11,537,212	11,730,974	12,663,463	12,926,791	13,833,369
Library materials	3,319,005	3,539,735	3,437,724	3,459,743	3,554,623
Facilities	948,697	972,166	1,027,896	956,142	1,130,874
Technology and support services	1,097,985	1,039,764	1,092,074	1,120,576	1,071,145
Programs and outreach	377,053	627,798	578,654	579,760	617,049
Administration	1,081,905	1,123,872	1,089,778	1,067,171	1,053,381
Capital expenditures	825,050	484,532	830,703	1,465,108	14,178,941
Interest Expense					74,205
Total Expenditures	19,186,907	19,518,841	20,720,292	21,575,291	35,513,587
Net Change In Fund Balance	2,640,784	783,075	117,443	401,043	9,733,727
Fund Balance, Beginning Of Year	21,728,256	24,369,040	25,152,115	25,269,558	25,670,601
Fund Balance, End Of Year	\$ 24,369,040	\$ 25,152,115	\$ 25,269,558	\$ 25,670,601	\$ 35,404,328

DOUGLAS COUNTY LIBRARIES

HISTORY OF ASSESSED VALUATIONS

Levy / Collection Year	Assessed Valuation	Percent Change	Statutory "Actual" Value
2010/2011	\$ 4,914,716,482		\$ 42,777,457,506
2011/2012	\$ 4,501,389,609	-8.4%	\$ 39,258,135,237
2012/2013	\$ 4,547,847,091	1.0%	\$ 39,681,968,077
2013/2014	\$ 4,685,095,079	3.0%	\$ 40,752,191,474
2014/2015	\$ 4,776,804,579	2.0%	\$ 41,706,831,768
2015/2016	\$ 5,587,841,999	17.0%	\$ 49,748,694,494

DOUGLAS COUNTY LIBRARIES

HISTORY OF MILL LEVIES

Levy / Collection Year	General Fund	Special Abatement	Total Levy
2010/2011	4.000	0.034	4.034
2011/2012	4.000	0.040	4.040
2012/2013	4.000	0.068	4.068
2013/2014	4.000	0.029	4.029
2014/2015	4.000	0.032	4.032
2015/2016	4.000	0.035	4.035

DOUGLAS COUNTY LIBRARIES

PROPERTY TAX COLLECTIONS

Levy / Collection Year	Taxes Levied	Current Tax Collections	Collection Rate
2009/2010	\$ 19,590,097	\$ 19,347,733	98.76%
2010/2011	\$ 19,825,966	\$ 19,582,502	98.77%
2011/2012	\$ 18,185,614	\$ 17,944,507	98.67%
2012/2013	\$ 18,500,642	\$ 18,298,676	98.91%
2013/2014	\$ 18,876,248	\$ 18,703,548	99.09%
2014/2015	\$ 19,260,076	\$ 19,209,461	99.74%