Douglas County Libraries

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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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, 2016, 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, 2016, 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.

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 xvii, and 29 through 32, 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 purposes 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 15, 2017

Management's Discussion and Analysis
December 31, 2016

During 2016, Douglas County Libraries (the District) completed a three-year, $35 million construction project and opened new libraries in Castle Pines, Lone Tree and Parker. Financial results for the years ended December 31, 2015 and 2016 reflect the effect of multiple transactions related to this effort as well as changes in the District's accounting and reserve policies including:

- Proceeds from the issuance of 2015 Series Certificates of Participation (2015 CoP's) in the amount of $23.226 million

- Donation of land valued at $2.388 million by the cities of Castle Pines, Lone Tree and Parker and receipt of capital campaign fundraising efforts from the Douglas County Libraries Foundation

- Sale of facilities in Parker and Lone Tree and disposal of furniture and equipment used in the three former locations

- Adoption of Governmental Accounting Standards Board Statement No. 68 "Accounting and Financial Reporting for Pensions" (GASB 68)

- Changes to the District's reserve and paid time-off policies

Analysis of Financial Position and Results of Operations

These transactions have had significant impact on financial results of the District, distorting comparability and making it difficult to assess the overall financial health of the District and the results of normal recurring operating activities. For this reason, the effect of these transactions has been noted individually and the comparison of year over year results has been presented on an adjusted and as reported basis in order to better illustrate the results of normal recurring operating activities.

Governmental Fund Financial Statements

These statements are presented on the modified accrual basis of accounting. Under this basis of accounting, transactions are generally recorded when cash is received or expenses are paid and therefore financing activities are recorded as revenues in the period cash is received, 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. Accordingly, the governmental fund balance sheet does not include capital assets or long-term liabilities.

Analysis of Financial Position and Results of Operations – *continued*
Governmental Fund Financial Statements

	2016	2015
Expenditures		
Operating	$ 19,026,657	$ 17,112,538
Capital outlay	3,641,281	2,839,258
Pension expense	1,483,217	1,455,077
Total Expenditures	24,151,155	21,406,873
Program Revenues		
Operating contributions and grants	363,037	409,377
Charges for services	590,134	633,202
Total Program Revenues	953,171	1,042,579
Net Program Expenditures	23,197,984	20,364,294
General Revenues		
Property taxes	22,436,808	19,151,234
Auto ownership taxes	2,075,618	1,853,168
Investment earnings	277,689	195,064
Total General Revenues	24,790,115	21,199,466
Net Change in Fund Balance - As Adjusted	1,592,131	835,172
Lease purchase financing proceeds	—	23,225,902
Debt issuance costs	—	(220,633)
Interest expense	(834,800)	(74,205)
Capital outlay - improvement	(19,321,690)	(14,032,509)
Proceeds from sale of capital assets	3,600,200	—
Net Change in Fund Balance - As Reported	$ (14,964,159)	$ 9,733,727

As reported, the net change in fund balance decreased $24.698 million from $9.734 million for the year ended December 31, 2015 to a deficit of $14.964 million for the same period in 2016. This $24.698 million decline in the year-over year net change in fund balance is due primarily to the following activities:

- In October 2015, the District issued $20.655 million in 2015 CoP's in connection with a lease purchase financing and received proceeds of $23.226 million which included a premium of $2.571 million and was net of issuance costs of $0.221 million. In 2016, the District made the first interest payment of $0.835 million payable under the terms of the 2015 CoP's.

- Capital improvements totaling $19.322 million for the year ended December 31, 2016, of which $19.145 million is related to construction of new libraries at Castle Pines, Parker, and Lone Tree. This is a $5.289 million increase from the same period in 2015.

- Proceeds totaling $3.600 million during 2016 on the sale of the District's former library facilities in Parker and Lone Tree.

Analysis of Financial Position and Results of Operations – *continued*
Governmental Fund Financial Statements

However on an adjusted basis, which is more representative of normal recurring operations, the net change in fund balance increased $0.757 million from $0.835 million for the year ended December 31, 2015 to $1.592 million for the same period in 2016. This increase is primarily attributable to an increase in general revenues of $3.591 million, which was partially offset by an increase in net program expenses of $2.834 million.

The increase in general revenues is primarily due to a $3.286 million increase in property tax revenues, resulting from increased market values as identified in re-assessments conducted in early 2015.

The increase in net program expenses is attributable to an increase in operating expenses of $1.914 million and an increase of $0.802 million in capital outlay over the same period in 2015. The increase in operating expenses is primarily due to costs associated with the three new larger libraries. Salaries and benefits increased $0.647 million, of which $0.458 million was for additional headcount hired in 2016 to staff the expanded facilities. In addition, new technologies available at the three new libraries require enhanced internet capabilities, additional service lines and licenses, and maintenance contracts driving an increase in cost of $0.318 million. Programming and outreach increased $0.185 million due to additional programs and signage supplies used to support the new buildings, and facilities spending for utilities, repairs, insurance, and moving expenses rose $0.142 million over the same period in 2015.

As a result of the completion of construction efforts during 2016, the District's governmental fund balance sheet reported decreases in cash and investments, restricted cash, which represents the balance of the 2015 CoP proceeds, and accounts payable balances.

	2016	2015
Assets		
Cash and investments	$22,106,928	$28,573,206
Property taxes receivable	22,881,125	22,415,886
Restricted cash	15,553	9,782,487
Other assets	495,131	613,174
Total assets	$45,498,737	$61,384,753
Liabilities		
Accounts payable	1,825,244	3,038,156
Other current liabilities	527,648	697,327
Property tax revenue	22,705,676	22,244,942
Total Liabilities	25,058,568	25,980,425
Fund Balance		
Nonspendable fund balance	401,793	537,098
Restricted fund balance	790,966	10,437,467
Assigned fund balance	3,200,000	—
Committed fund balance	3,609,381	11,994,731
Unassigned fund balance	12,438,029	12,435,032
Total Fund Balances	20,440,169	35,404,328
Total Liabilities and Fund Balance	$45,498,737	$61,384,753

Analysis of Financial Position and Results of Operations – ***continued***
Governmental Fund Financial Statements

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.

Overall, the District's fund balance decreased $14.964 million for the year ended December 31, 2016. Transactions associated with the financing and construction of three new libraries at Castle Pines, Lone Tree, and Parker decreased fund balance by $23.106 million, which were partially offset by revenues in excess of expenditures for the year of $1.592 million. Changes to the District's fund balance accounts for the year ended December 31, 2016 were as follows:

Non-spendable fund balance decreased $0.135 million, from $0.537 million at December 31, 2015 to $0.402 million at December 31, 2016, primarily due to the return of surety bonds and other refundable deposits associated with the construction effort.

Restricted fund balance decreased $9.466 million, from $10.437 million at December 31, 2015 to $0.791 million at December 31, 2016, as the District spent the remainder of the 2015 CoP proceeds and other funds restricted for use on the construction effort. At December 31, 2016, restricted fund balance includes $0.775 million in contingency reserves as required by Article X, Section 20, of the Colorado Constitution and $0.016 million, held on behalf of Volunteer Connect Douglas County.

Committed fund balance decreased $8.386 million, from $11.995 million at December 31, 2015 to $3.609 million at December 31, 2016, due primarily to spending on the construction of the three new libraries that opened during 2016. Committed fund balance of $11.995 million reported at December 31, 2015 represented that portion of the construction effort to be funded with District reserves. At December 31, 2016, committed fund balance of $3.609 million includes $2.525 million that is payable under the terms of a contract to purchase land adjacent to the District's Castle Rock branch and $1.084 million, which represents remaining contractual obligations associated with the construction of the new libraries in Castle Pines, Lone Tree, and Parker..

Assigned fund balance at December 31, 2016 includes reserves established by the Board of Trustees of $3.0 million to fund first quarter operations due to the timing of property tax receipts and reserves of $0.2 million to cover insurance deductibles, a result of the District's review of their insurance program during 2016.

Unassigned fund balance represents amounts available for any purpose, including debt service for the 2015 CoP's and future capital projects.

Governmental Activities Financial Statements

The governmental activities 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. Accordingly, the governmental activities statement of net position includes capital assets and long-term liabilities.

	2016	2015
Expenses		
Operating	$23,458,249	$20,549,419
Pension expense	2,292,983	1,783,144
Total Expenses	25,751,232	22,332,563
Program Revenues		
Operating contributions and grants	363,037	409,377
Charges for services	590,134	633,202
Total Program Revenues	953,171	1,042,579
Net Program Expenses	(24,798,061)	(21,289,984)
General Revenues		
Property taxes	22,436,808	19,151,234
Auto ownership taxes	2,075,618	1,853,168
Investment earnings	277,689	195,064
Total General Revenues	24,790,115	21,199,466
Change in Net Position - Adjusted basis	(7,946)	(90,518)
Gain from sale of fixed assets	1,715,288	(102,642)
Debt issuance costs	—	(220,633)
Interest expense	(749,024)	(74,205)
Contributed capital	—	2,388,163
Change in Net Position - As Reported	$ 958,318	$ 1,900,165

As reported, the change in net position decreased $0.942 million from $1.900 million for the year ended December 31, 2015 to $0.958 million at December 31, 2016. This $0.942 million decline in net position is primarily due to the following transactions:

- During 2016, the District reported a gain from sale of fixed assets of $1.715 million attributable to the sale of land and buildings in Parker and Lone Tree for proceeds of $3.600 million and with a net book value of $1.821 million, recognizing a gain of $1.779 million. In addition, the District disposed of furniture and equipment with a net book value of $0.064 million for items no longer in use.

- During 2015, the District paid debt issuance costs in connection with the issuance of the 2015 CoP's totaling $0.221 million and during 2016 the District made the first annual interest payment resulting in an increase in interest expense of $0.675 versus interest accrued in 2015.

Analysis of Financial Position and Results of Operations – *continued*
Governmental Activities Financial Statements

- During 2015, three parcels of land collectively valued at $2.388 million were donated to the District 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 for the construction of new libraries.

On an adjusted basis, which is more representative of normal recurring operations, the District reported a change in net position of a deficit of $0.091 million for the year ended December 31, 2015 versus a deficit of $0.008 million for the year ended December 31, 2016. This reduction in the year over year deficit is primarily attributable to an increase in general revenues of $3.591 million that was mostly offset by an increase in net program expenses of $3.508 million.

Operating expenses increased $2.909 million in 2016 versus 2015 due primarily to increases of $0.995 million for depreciation, $0.647 million for additional salaries and benefits, $0.318 million for increased costs and expanded services in technology and support, $0.185 million for additional programming and signage supplies, and $0.142 million for expanded facility needs. Additionally, the District reported $0.510 million in additional pension expense during 2016, due primarily to the amortization of deferred outflows representing differences between actuarial assumptions and actual investment performance and other variables as required by GASB 68.

The increase in general revenues of $3.591 million was primarily attributable to increased property tax revenues and auto ownership taxes of $3.508 million in 2016 versus 2015 due to increases in assessed values, construction activity and a strengthening economy.

The completion of construction activities during 2016 resulted in a shift in total assets from current assets to long-term assets, a decline in accounts payable and a shift in net position from unrestricted to net investment in capital assets as illustrated on the following page.

Analysis of Financial Position and Results of Operations – *continued*
Governmental Activities Financial Statements

	2016	2015
Assets		
Current Assets		
Cash and investments	$ 22,106,928	$ 28,573,206
Restricted cash	15,553	9,782,487
Property taxes receivable, net of allowance	22,881,125	22,415,886
Prepaids and other assets	401,793	537,098
Receivable from component unit	82,676	48,683
Other receivables	27,707	44,439
Total Current Assets	45,515,782	61,401,799
Long-term assets		
Capital assets, net of accumulated depreciation	49,199,063	17,238,494
Capital assets not being depreciated	4,231,892	19,418,310
Total long-term assets	53,430,955	36,656,804
Total Assets	$ 98,946,737	$ 98,058,603
Deferred Outflows of Resources		
Deferred Outflows - Pension liability	5,274,333	2,121,728
Total Deferred Outflows of Resources	5,274,333	2,121,728
Liabilities		
Current Liabilities		
Accounts payable	1,825,244	2,963,951
Certificates of Participation	1,175,000	—
Accrued salaries and benefits	512,095	684,093
Compensated absences	465,000	470,000
Accrued interest payable	69,567	74,205
Funds held for others	15,553	13,234
Total Current Liabilities	4,062,459	4,205,483
Long-Term Liabilities		
Compensated absences	524,736	392,049
Pension liability	19,433,036	15,770,396
Certificates of Participation	21,895,558	23,225,902
Total long-term liabilities	41,853,330	39,388,347
Total Liabilities	45,915,789	43,593,830
Deferred Inflows of Resources		
Pension liability	371,118	71,390
Property tax revenue	22,705,676	22,244,942
Total Deferred Inflows of Resources	23,076,794	22,316,332
Net Position		
Net investment in capital assets	30,360,397	23,080,060
Restricted	790,966	788,309
Unrestricted	4,077,124	10,401,800
Total Net Position	$ 35,228,487	$ 34,270,169

Cash and Investments

Restricted cash reported at December 31, 2015 includes $9.649 million of unspent proceeds from the issuance of the 2015 CoP's in October 2015, which were used to fund the construction effort,

Analysis of Financial Position and Results of Operations – ***continued***
Governmental Activities Financial Statements

along with District reserves of approximately $12 million. As a result of the completion of the construction effort, the District's combined cash, restricted cash and investment balances decreased $16.234 million from $38.356 million at December 31, 2015 to $22.122 million at December 31, 2016.

Current Liabilities

Overall, the Districts current liabilities declined $0.143 million from $4.205 million at December 31, 2015 to $4.062 million at December 31, 2016. At December 31, 2016, current liabilities include the District's first principal payment on the 2015 CoP's of $1.175 million. This increase in current liabilities was more than offset by a year-over-year decline in accounts payable of $1.139 million. While the decline in accounts payable from 2015 to 2016 reflects a decrease in the level of construction activity, the accounts payable balance at December 31, 2016 includes approximately $1 million in construction related payables, as work continued on punch list items and amounts retained under the District's contract with its general contractor had not been paid at December 31, 2016.

Capital Assets

The District's capital assets, net of accumulated depreciation, increased $16.774 million from $36.657 million at December 31, 2015 to $53.431 million at December 31, 2016. A summary of the District's capital assets are shown below.

	2016	2015
Land	$ 3,962,859	$ 4,111,151
Construction in progress	54,648	15,162,209
Artwork	214,385	144,950
Buildings and improvements, net	36,807,632	9,582,202
Furniture and equipment, net	5,141,365	819,391
Library materials, net	7,250,066	6,836,901
Total governmental activities capital assets, net	$ 53,430,955	$ 36,656,804

Planning and design activities associated with the construction of new libraries in Castle Pines, Lone Tree, and Parker began in 2014 and capital outlay associated with these efforts was reported as construction in progress and accordingly was not depreciated until the assets were placed into service.

During 2016, the District completed construction of the new Castle Pines, Lone Tree and Parker libraries in April, July, and September, respectively and placed assets in service totaling $34.252 million resulting in a decrease in construction in progress and a corresponding increase in land, artwork, buildings and improvements and furniture and equipment.

Analysis of Financial Position and Results of Operations – ***continued***
Governmental Activities Financial Statements

The District recorded depreciation expense of $4.304 million for the year ended December 31, 2016 of which $2.576 is attributable to the District's collections and the remainder is primarily attributable to the newly capitalized facilities, due to the age of the District's other facilities. During 2016, the District sold land and buildings in Parker and Lone Tree with a net book value of $1.821 million and received proceeds totaling $3.6 million, recognizing a net gain on the sales of $1.779 million. In addition, with the move to the new libraries, the District disposed of furniture and equipment with a net book value of $0.064 million during 2016.

2015 Series Certificates of Participation

In October 2015, the District issued $20.655 million in 2015 Series Certificates of Participation 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 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 Castle Rock and Highlands Ranch 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.

At December 31, 2016, the District recorded $0.155 million to amortize the premium on the CoP's. The District begins making principal payments in 2017 with $1.175 million due on December 1.

Pension Liability and Related Deferred Outflows and Inflows

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 GASB 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27"* (GASB 68), which requires employers to record their proportionate share of the plan's net unfunded pension liability 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.

As a result of the adoption of GASB 68, the District recorded a net pension liability of $15.770 million at December 31, 2015, which increased to $19.433 million at December 31, 2016 due primarily to the difference between actual and expected 2015 earnings on investments held by the pension plan. The increase in pension related deferred outflows from $2.122 million at December 31, 2015 to $5.274 million December 31, 2016 is primarily attributable to the difference between expected and actual 2015 investment returns.

Analysis of Financial Position and Results of Operations – *continued*
Governmental Activities Financial Statements

In late 2016, the PERA Board lowered the expected rate of investment return to 7.25 percent from 7.5 percent and adopted new mortality tables to more accurately reflect the actual experience of the PERA membership. PERA has indicated that these changes in assumptions will lengthen the period of time it will take to become fully funded. PERA has also indicated that the pension plan is able to pay benefits over the extended period, but may not be able to withstand a significant market downturn.

In order to illustrate the sensitivity of changes in assumptions, a 1% increase in the discount rate would decrease the District's share of the Local Government Trust Fund's net pension liability by $8.6 million, while a 1% decrease in the discount rate would increase the District's share of the net pension liability by $10.4 million.

While the District has no legal obligation to fund this shortfall or to pay benefits to retirees, the District is obligated to make contributions to PERA at those rates established by the Colorado legislature, which may be periodically adjusted to reduce the plan's unfunded liability. Under the provisions of Colorado Senate Bill 10-001, if the funded ratio of the Local Government Division Trust Fund reaches 90 percent and subsequently falls below 90 percent an increase in contributions is mandated. Detailed information about the funded status of the PERA benefit plans can be found in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Commitments and Contingencies

At December 31, 2016, the District was under contract to purchase land adjacent to the existing Castle Rock branch for $2.525 million, subject to satisfactory resolution of inspection and due diligence findings.

Net Position

At December 31, 2016, the District reported an increase in total net position of $0.959 million from $34.270 million at December 31, 2015 to $35.229 million at December 31, 2016 as increases in the District's net investment in capital assets were almost entirely offset by declines in the District's unrestricted fund balance.

The increase in net investment in capital assets from $23.080 million at December 31, 2015 to $30.360 million at December 31, 2016 is due to capital expenditures, sale of land and facilities, disposal of furniture and equipment and depreciation expense recorded in 2016 associated with the completion of construction activities and described in detail above.

Analysis of Financial Position and Results of Operations – *continued*
Governmental Activities Financial Statements

Restricted net position reported at December 31, 2015 and 2016 represents emergency reserves the District is required to maintain under Article X, Section 20, of the Colorado Constitution, otherwise known as the Taxpayer's Bill of Rights (TABOR). At December 31, 2016, restricted net position includes emergency reserves of $0.775 million and agency funds of $0.015 million held on behalf of Volunteer Connect Douglas County as described in Note 3 to the financial statements.

The decrease in unrestricted fund balance from $10.402 million as of December 31, 2015 to $4.077 million at December 31, 2016 is primarily attributable to use of the District's reserves for completion of the construction effort and interest paid on the 2015 CoP's partially offset by proceeds on the sale of District facilities during 2016, as there was no material change in the District's change in net position reported for the years ended December 31, 2015 and 2016.

2016 Budget vs Actual Results

	Original Budget	Final Budget	Actual	Variance
Revenues				
Property taxes	$ 22,225,175	$ 22,225,175	$ 22,436,808	$ 211,633
Auto ownership taxes	1,800,000	1,800,000	2,075,618	275,618
Charges for services	600,580	600,580	590,134	(10,446)
Contributions and grants	219,000	219,000	363,037	144,037
Interest	65,000	65,000	277,689	212,689
Total Revenues	24,909,755	24,909,755	25,743,286	833,531
Operating Expenditures				
Salaries and benefits	14,723,946	14,723,946	14,480,344	243,602
Library materials	3,503,487	3,503,487	3,409,934	93,553
Facilities	1,450,950	1,450,950	1,273,154	177,796
Technology and support services	1,533,468	1,533,468	1,388,763	144,705
Programs and outreach	742,146	742,146	802,159	(60,013)
Administration	860,541	860,541	1,091,097	(230,556)
Interest and financing costs	1,175,000	1,175,000	1,171,938	3,062
Capital expenditures - maintenance	1,091,292	1,091,292	1,368,566	(277,274)
Total Operating Expenditures	25,080,830	25,080,830	24,985,955	94,875
Excess of Revenues Over (Under) Operating Expenditures	(171,075)	(171,075)	757,331	928,406
Non-Operating Revenues (Expenditures)				
Proceeds from sale of capital assets	—	—	3,600,200	3,600,200
Capital expenditures - improvement	(24,371,347)	(24,371,347)	(19,321,690)	(5,049,657)
Total Non-Operating Revenues (Expenditures), net	(24,371,347)	(24,371,347)	(15,721,490)	(8,649,857)
Excess of Total Revenues Over (Under) Total Expenditures	$ (24,542,422)	$ (24,542,422)	$ (14,964,159)	$ 9,578,263

Overall 2016 expenditures in excess of revenues of $14.964 million were $9.578 million less than budget of $24.542 million due primarily to $3.6 million in proceeds received from the sale of the Parker and Lone Tree facilities, which was not included in the 2016 budget, and due to the expected purchase of a $4.0 million administrative facility, which was included in improvement capital expenditures in the 2016 budget but was not purchased in 2016.

From an operating standpoint, 2016 revenues exceeded operating expenditures by $0.928 million due primarily to property and auto ownership tax receipts of $0.487 million in excess of budget in addition to $0.089 million in capital campaign proceeds from the Douglas County Libraries Foundation and $0.278 million in interest earnings on the proceeds from the issuance of the 2015 Certificates of Participation.

One budget transfer was made to reclassify a portion of the construction budget from construction in progress to administration expense for those expense items incurred in connection with the project.

Strategic Planning

The District, similar to libraries nationwide, has seen a decrease in circulation and visits in recent years due to the expansion of products and services offered by Amazon and changes in the distribution of books, music and video offerings as noted below:

	2012	2013	2014	2015	2016
Statistics					
Circulation	8,055,060	8,092,024	7,826,863	7,310,770	6,793,987
Patron visits	2,052,749	1,938,982	1,940,955	1,343,203	1,561,970
Full time equivalent employee headcount	225	231	228	229	251
Revenues					
Property taxes	$ 19,225,932	$ 19,762,026	$ 20,365,938	$ 21,004,402	$ 24,512,426
Charges for services	639,015	615,626	581,959	633,202	590,134
Contributions and grants	271,102	292,181	853,922	409,377	363,037
Interest income, net	165,867	167,902	174,515	195,064	277,689
Total Revenues	20,301,916	20,837,735	21,976,334	22,242,045	25,743,286
Operating Expenditures					
Salaries and benefits	11,730,974	12,663,463	12,926,791	13,833,369	14,480,344
Library materials	3,539,735	3,437,724	3,459,743	3,554,623	3,409,934
Facilities	972,166	1,027,896	956,142	1,130,874	1,273,154
Technology and support services	1,039,764	1,092,074	1,120,576	1,071,145	1,388,763
Programs and outreach	627,798	578,654	579,760	617,049	802,159
Administration	856,656	816,519	791,514	765,780	1,091,097
Interest and financing costs	267,216	273,259	275,657	361,806	1,171,938
Capital expenditures - maintenance	484,532	830,703	335,408	146,432	1,368,566
Total Operating Expenditures	19,518,841	20,720,292	20,445,591	21,481,078	24,985,955
Excess of Revenues Over (Under) Operating Expenditures	783,075	117,443	1,530,743	760,967	757,331
Non-Operating Revenues (Expenditures)					
Proceeds lease purchase financing, net				23,005,269	
Proceeds from sale of capital assets					3,600,200
Capital expenditures - improvement			(1,129,700)	(14,032,509)	(19,321,690)
Total Non-Operating Revenues (Expenditures), net	—	—	(1,129,700)	8,972,760	(15,721,490)
Excess of Total Revenues Over (Under) Total Expenditures	$ 783,075	$ 117,443	$ 401,043	$ 9,733,727	$ (14,964,159)

As a result, the District and the Board of Trustees are working to develop a strategic plan to ensure District services remain relevant and are aligned with the needs of the community.

Goals identified for the District to date include:

- Building bright futures and delivering creative learning for all ages
- Delivering a premium, personal library experience
- Create community connections and engagement.
- Building the District team; growing internally to succeed externally.

In addition, the District is in the process of developing a capital maintenance and improvement plan in an effort to ensure that operations, debt service obligations and capital maintenance requirements do not require the use of reserves and can be fully funded from current property tax revenues going forward.

In keeping with these goals, the District was under contract at December 31, 2016 to purchase land adjacent to the District's Castle Rock branch. Purchase of this property will enable the District to expand public spaces in both the Castle Rock and Highlands Ranch branches and centralize administrative and storage efforts. Purchase of the property was executed in April 2017 for a total of $2.561 million.

2017 Budget

The 2017 budget also includes monies for facility upgrades and other initiatives in support of these goals as described on the following page.

	2016 Actual	2017 Budget
Revenues		
Property taxes	$ 22,436,808	$22,835,676
Auto ownership taxes	2,075,618	2,000,000
Charges for services	590,134	786,434
Contributions and grants	363,037	288,020
Interest	277,689	225,000
Total Revenues	25,743,286	26,135,130
Operating Expenditures		
Salaries, wages and benefits	14,480,344	15,094,422
Library materials	3,409,934	3,495,800
Facility	1,273,154	1,525,968
Technology and support services	1,388,763	1,402,407
Programs and outreach	802,159	741,945
Administration	1,428,235	1,322,125
Interest expense	834,800	2,009,800
Capital expenditures - maintenance	1,368,566	1,238,390
Total Operating Expenditures	24,985,955	26,830,857
Excess of Revenues Over (Under) Operating Expenditures	757,331	(695,727)
Non-Operating Revenues (Expenditures)		
Lease income, net		(245,257)
Proceeds from sale of capital assets	3,600,200	
Capital expenditures - improvement	(19,321,690)	(4,120,253)
Total Non-Operating Revenues (Expenditures), net	(15,721,490)	(4,365,510)
Excess of Total Revenues Over (Under) Total Expenditures	$(14,964,159)	$ (5,061,237)

Highlights of the District’s 2017 budget include:

- Increased property tax revenues of $2.399 million or 10.7% from $22.437 million in 2016. The increase is due primarily to new commercial construction.

- Increased salaries, wages and benefits of $0.614 million or 4.2% from $14.480 million in 2016. This increase is primarily attributable to the addition of headcount at the District’s new libraries in Castle Pines, Lone Tree and Parker of $0.316 million and $0.504 million for market adjustments to salaries and wages, which includes increases to maintain compliance with the new Fair Labor Standards Act (FLSA) regulations regarding exempt status and overtime pay that were initially effective December 1, 2016 and later rescinded. Salaries, wages and benefits also includes $0.109 million to fully staff the District’s new events and hospitality department created in response to a shortage of meeting and event spaces in Douglas county.

- The District’s first full principal and interest payment under the terms of the lease purchase financing agreement of $1.592 million. Maximum annual debt service under the terms of the 2015 CoP’s is $2.013 million.

- Budgeted capital expenditures for maintenance of the District's facilities and infrastructure of $1.238 million, which includes $0.429 million for laptop replacements, $0.510 million for technology upgrades, and $0.104 million for new carpet in the Castle Rock facility.

- Budgeted capital expenditures for improvements in the District's facilities of $4.120 million which includes $2.6 million for the purchase of land adjacent to the Castle Rock branch, $0.186 million for the remodel of the Roxborough branch, $0.070 million for the remodel of the Louviers branch, and $0.400 million for planning and architect fees for the remodel of the Castle Rock and Highlands Ranch branches. Additionally, $0.312 million is budgeted for new shelving and furniture for the Castle Rock branch, to leverage labor expended while their carpet is being replaced.

Successful execution of the projects and initiatives detailed above and included in the 2017 budget, will require the use of $4.366 million of the District's reserves, of which $0.696 million will be used to fund operations.

2017 Forecast

Based on March year to date (YTD) results, the District currently expects revenues to exceed operating expenditures for the year due a sizable increase in auto ownership taxes versus the prior year and lower than anticipated facilities and administrative spending. Revenues in excess of operating expenditures are currently forecast at $0.379 million and could exceed expenditures by $0.979 million should the favorable trend in operating expenditures continue.

District Reserves

During 2016, the District evaluated and revised insurance deductibles and updated the existing reserve policy to include funding for deductibles under the District's insurance program. As revised, the policy now requires the District to maintain reserves to fund first quarter operations prior to the receipt of property tax revenues, deductibles under the District's insurance program and emergency reserves as required by Article X, Section 20 of the Colorado Constitution. Accordingly, committed fund balance as reported on the governmental fund balance sheet at December 31, 2016, includes $3.2 million in accordance with the terms of this policy.

At December 31, 2016, the District has $18.116 million available for future remodel and expansion efforts. The District is currently in the process of selecting an architect to assist with the planning and design of remodels at the Castle Rock and Highlands Ranch branches. The District currently expects to begin the remodel of the Castle Rock branch in 2019. The timing and extent of remodel efforts in Highlands Ranch is dependent on future growth in assessed values and property tax revenues.

Economic Factors and Future Growth in Property Tax Revenues

The District derives the majority of its revenues from property taxes. In general, the county assessor revalues real estate in odd numbered years on the basis of comparable sales during the previous two-year period. Property owners are given notice of updated valuations, appeals are processed and property tax bills are payable the following even-numbered year. As a result, there is a two to four year lag between changes in the market value of a property and the date taxing authorities realize the corresponding increase or decrease in property tax revenue. Property tax revenues are also influenced by residential and non-residential construction activity.

In 1982, Colorado voters adopted a constitutional measure known as the Gallagher amendment, in response to homeowner concerns over rising residential property taxes. The amendment ensures that residential assessed values will comprise no more than 45 percent of the state's overall assessed value, with non-residential properties making up the remaining 55 percent. To the extent that residential and non-residential values rise at a similar pace, there is no need for an adjustment under the provisions of the Gallagher amendment.

Initial estimates from the Department of Local Affairs and county assessors indicate that state-wide residential property values have increased approximately 21% since 2015, while non-residential property values have increased by approximately 13% during the same period, necessitating an adjustment under the provisions of the Gallagher amendment. Based on the information currently available, the District currently estimates an increase in property tax revenue in 2018 of approximately $2.2 million on an adjusted basis versus an increase of approximately $3.8 million prior to adjusting for the provisions of the Gallagher amendment. See the Required Supplementary Information in the audited financial statements for historical metrics regarding assessed valuations, mill levies and collection rates.

Douglas County Libraries Foundation

The Douglas County Libraries Foundation (the Foundation) was founded in 1992 as a 501c3 nonprofit organization to fund capital improvements and support various programs that enhance the mission, vision and core values of the District.

Previously, a committee of the District's Board of Trustee's governed the Foundation. In recent years, the District has updated the Foundation's governing documents and has established an independent governing board. The Foundation is currently governed by a Board of Directors which includes the District's Library Director who serves as the ex-officio executive director of the Foundation; one member from the District's Board of Trustees and six independent directors.

During 2015 and 2016, the Foundation granted unrestricted funds and conducted a capital campaign to raise monies in support of the construction of new libraries in Castle Pines, Lone Tree and Parker.

Monies granted to the District in connection with these efforts totaled $0.108 million and $0.99 million for the years ended December 31, 2015 and 2016, respectively.

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.

Basic Financial Statements

BALANCE SHEET
GOVERNMENTAL FUND / STATEMENT OF NET POSITION
December 31, 2016

	Primary Government			Component Unit
	General - Governmental Fund	Adjustments	Statement of Net Position - Governmental Activities	Douglas County Libraries Foundation
Assets				
Cash and investments	$ 22,106,928	$ —	$ 22,106,928	$ 568,768
Property taxes receivable, net of allowance for uncollectible accounts of $130,000	22,881,125	—	22,881,125	—
Prepaids and other assets	401,793	—	401,793	2,000
Receivable from component unit	82,676	—	82,676	—
Other receivables	10,662	17,045	27,707	—
Restricted cash	15,553	—	15,553	—
Capital assets, net of accumulated depreciation	—	49,199,063	49,199,063	—
Capital assets not being depreciated	—	4,231,892	4,231,892	—
Total Assets	$ 45,498,737	53,448,000	98,946,737	570,768
Deferred Outflows of Resources				
Pension related liability	—	5,274,333	5,274,333	—
Total Deferred Outflows of Resources	—	5,274,333	5,274,333	—
Liabilities				
Accounts payable	$ 1,825,244	—	1,825,244	6,900
Accrued salaries and benefits	512,095	—	512,095	—
Accrued interest payable	—	69,567	69,567	—
Funds held for others	15,553	—	15,553	—
Payable to primary government	—	—	—	82,676
Noncurrent Liabilities				
Due within one year	—	1,640,000	1,640,000	—
Due in more than one year	—	22,420,294	22,420,294	—
Net pension liability	—	19,433,036	19,433,036	—
Total Liabilities	2,352,892	43,562,897	45,915,789	89,576
Deferred Inflows of Resources				
Pension related liability	—	371,118	371,118	—
Property tax revenue	22,705,676	—	22,705,676	—
Total Deferred Inflows of Resources	22,705,676	371,118	23,076,794	—
Fund Balance/Net Position				
Fund Balance				
Nonspendable fund balance	401,793	(401,793)	—	—
Restricted fund balance	790,966	(790,966)	—	—
Committed fund balance	3,609,381	(3,609,381)	—	—
Assigned fund balance	3,200,000	(3,200,000)	—	—
Unassigned fund balance	12,438,029	(12,438,029)	—	—
Total Fund Balances	20,440,169	(20,440,169)	—	—
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 45,498,737			
Net Position				
Net investment in capital assets		30,360,397	30,360,397	—
Restricted		790,966	790,966	—
Unrestricted		4,077,124	4,077,124	481,192
Total Net Position		$ 35,228,487	$ 35,228,487	$ 481,192

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE GOVERNMENTAL FUND/STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Primary Government			Component Unit
	General - Governmental Fund	Adjustments	Statement of Activities - Governmental Activities	Douglas County Libraries Foundation
Expenditures/Expenses				
Current				
Operating	$ 19,026,657	$ 4,431,592	$ 23,458,249	$ 242,924
Pension expense	1,483,217	809,766	2,292,983	—
Capital Outlay	22,962,971	(22,962,971)	—	—
Debt Service				
Interest expense	834,800	(85,776)	749,024	—
Total Expenditures/Expenses	44,307,645	(17,807,389)	26,500,256	242,924
Program Revenues				
Operating contributions and grants	363,037	—	363,037	293,330
Charges for services	590,134	—	590,134	100,227
Total Program Revenues	953,171	—	953,171	393,557
Net Program Expenses	(43,354,474)	17,807,389	(25,547,085)	150,633
General Revenues				
Property taxes	22,436,808	—	22,436,808	—
Auto ownership taxes	2,075,618	—	2,075,618	—
Investment earnings	277,689	—	277,689	2,285
Total General Revenues	24,790,115	—	24,790,115	2,285
Other Financing Sources				
Proceeds/Gain from sale of capital assets	3,600,200	(1,884,912)	1,715,288	—
Total Other Financing Sources	3,600,200	(1,884,912)	1,715,288	—
Net Change in Fund Balance	(14,964,159)	14,964,159	—	—
Change in Net Position	—	958,318	958,318	152,918
Fund Balance/Net Position				
Beginning of Year	35,404,328	12,257,831	34,270,169	328,274
End of Year	$ 20,440,169	$ 28,180,308	$ 35,228,487	$ 481,192

RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
December 31, 2016

Fund Balance - Governmental Fund		$ 20,440,169
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	66,840,560	
Accumulated depreciation	(13,409,605)	53,430,955
Certificates of Participation are not due and payable in the current period and therefore are not reported in the governmental fund.		
Principal, Certificates of Participation Series 2015	(20,655,000)	
Premium, Certificates of Participation Series 2015	(2,415,558)	
Accrued interest	(69,567)	(23,140,125)
Pension liability is not due and payable in the current period and therefore are not reported in the governmental fund.		
Pension related deferred outflows	5,274,333	
Pension related deferred inflows	(371,118)	
Pension liability	(19,433,036)	(14,529,821)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund.		(989,736)
Accrued interest on long-term certificates of deposit not recognized until maturity.		17,045
Net Position of Governmental Activities		$ 35,228,487

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, 2016

Net Change in Fund Balance - Governmental Fund		$(14,964,159)
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.		
Capital asset additions	22,962,971	
Depreciation	(4,303,906)	
Capital asset disposals	(1,884,912)	16,774,153
Compensated absences do not require use of current financial resources and therefore are not reported as expenditures in the governmental fund.		(127,687)
Interest expense on the Certificates of Participation Series 2015 does not require use of current financial resources and therefore is not reported in the governmental fund		
Amortization of premium	155,344	
Interest payable	(69,567)	85,777
Pension liability does not require use of current financial resources and therefore is not reported as expenditures in the governmental fund		(809,766)
Change in Net Position of Governmental Activities		$ 958,318

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

1. Summary of Significant Accounting Policies

Reporting Entity

The Douglas County Libraries (the District) was established in 1990 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 seven-member board of trustees led by the District's Executive Director. 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.

Governmental Activities and Fund Financial Statements

The basic financial statements are presented in a combined format for both the fund and governmental activities 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 operating contributions and grants, and 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.

The governmental activities financial statements measure and report all assets, liabilities, deferred inflows and outflows 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 governmental activities 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, 2016, the District had deposits with a book balance of $5,489,154 and a bank balance of $4,995,918, of which $549,179 was covered by the FDIC and $4,446,739 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, 2016, the Foundation had deposits with book and bank balances of $568,768, of which $427,502 was insured by the FDIC. From time to time, cash and investments held by the Foundation may exceed the limits of depository insurance coverage provided by the FDIC.

Effective January 1, 2016, the District implemented the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurements and Application* (GASB 72), which is effective for financial statement periods beginning after June 30, 2015. GASB 72 defines a hierarchy of inputs used to determine fair value and requires disclosure of the valuation techniques and the nature of inputs employed to determine fair value.

Property Taxes Receivable

Property tax receivables are shown net of an allowance for uncollectible accounts. 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.

Prepaids

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

Capital Assets

Capital assets, which include land, buildings, furniture, equipment and library materials, are reported in the governmental activities 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. The District values donated capital assets at the estimated acquisition 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 governmental activities financial statements. A liability for these amounts is reported in the governmental fund statements only if they are due, for example, as a result of employee resignations and retirements.

Long-term Debt

In the governmental activities financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the governmental fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources or uses. Issuance costs are reported as current period expenditures.

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 governmental activities financial statements in accordance with the presentation requirements for Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71).

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 governmental activities financial statements in accordance with the presentation requirements for property taxes and GASB 68.

Fund Balance/Net Position

The District reports fund balance and net position in accordance with the provisions of 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:

- Non-spendable fund balance represents amounts that are non-spendable in form or are legally or contractually required to be maintained intact.

- 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 contractual obligations and those 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, 2016, the District had the following cash and investments:

	Restricted	Unrestricted	Total
Short-Term Cash and Investments			
Cash	$ 15,553	$ 992,168	$ 1,007,721
Certificates of deposit	—	4,500,000	4,500,000
Local government investment pool	—	16,614,760	16,614,760
Total Short-Term Cash and Investments	$ 15,553	$ 22,106,928	$ 22,122,481

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 AAA by Standard & Poor's and each share is equal in value to $1.00. Financial statements and additional information about COLOTRUST are available at http://www.colotrust.com/about.

The District holds investments in long term certificates of deposit and in external government investment pools which are stated at net asset value, respectively, which approximate fair value. At this time, the District does not hold investments carried at fair value as defined by GASB 72.

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:

	2016
Partner contributions	$ 37,171
Portal expenses paid	34,852
Change in balance	2,319
Funds held for others, beginning of year	13,234
Funds held for others, end of year	$ 15,553

4. Capital Assets

During 2014, the District began planning and design efforts for the construction of new libraries in Castle Pines, Lone Tree and Parker. Capital outlay associated with these efforts was reported as construction in progress and accordingly was not depreciated until the assets were placed into service.

In 2016, the District completed construction and placed assets valued at $34,252,158 into service and recorded a partial year of depreciation on these assets. In connection with the move to the new libraries, the District disposed of furniture and equipment with a net book value of $64,159. In addition, during 2016 the District sold land and buildings in Parker and Lone Tree with a net book value of $1,820,754 and received proceeds totaling $3,600,200, recognizing a net gain on the sales of $1,779,447.

The District recorded depreciation expense of $4,303,906 for the year ended December 31, 2016 of which $2,575,718 is attributable to the District's collections and the remainder is primarily attributable to the newly capitalized facilities, due to the age of the District's other facilities.

Capital asset activity for the year ended December 31, 2016 is shown on the following page.

	Balance 12/31/2015	Additions	Deductions	Balance 12/31/2016
Capital assets not being depreciated:				
Land	$ 4,111,151	$ 106,458	$ (254,750)	$ 3,962,859
Construction in progress	15,162,209	19,144,597	(34,252,158)	54,648
Artwork	144,950	70,635	(1,200)	214,385
Total capital assets not being depreciated	19,418,310	19,321,690	(34,508,108)	4,231,892
Capital assets being depreciated:				
Buildings	17,366,671	29,763,336	(3,752,146)	43,377,861
Building improvements	813,359	52,935	(160,440)	705,854
Computers	3,996,243	2,001,396	(689,836)	5,307,803
Shelving	815,241	949,575	(251,722)	1,513,094
Furniture	646,927	1,198,573	(138,126)	1,707,374
Equipment and machinery	255,566	938,740	(8,301)	1,186,005
Library materials	8,415,315	2,988,883	(2,593,521)	8,810,677
Total capital assets being depreciated	32,309,322	37,893,438	(7,594,092)	62,608,668
Accumulated depreciation:				
Buildings	(8,229,429)	(989,313)	2,249,319	(6,969,423)
Building improvements	(368,399)	(33,569)	95,308	(306,660)
Computers	(3,494,792)	(452,379)	653,555	(3,293,616)
Shelving	(788,922)	(51,807)	247,264	(593,465)
Furniture	(424,993)	(89,036)	110,606	(403,423)
Equipment and machinery	(185,879)	(112,084)	15,556	(282,407)
Library materials	(1,578,414)	(2,575,718)	2,593,521	(1,560,611)
Total accumulated depreciation	(15,070,839)	(4,303,906)	5,965,129	(13,409,605)
Total capital assets being depreciated, net	17,238,482	33,589,532	(1,628,963)	49,199,063
Governmental activities capital assets, net	$ 36,656,792	$ 52,911,222	$ (36,137,071)	$ 53,430,955

5. Commitments

Operating Lease Commitments

The District leases library facilities and equipment under operating leases. Total costs for such leases were $172,985 for the year ended December 31, 2016. The future minimum payments for these leases are as follows:

Year Ending December 31,	
2017	$ 117,739
2018	117,952
2019	117,952
2020	102,772
Total	$ 456,415

At December 31, 2016, the District was under contract to purchase land for $2,525,000, subject to satisfactory resolution of inspection and due diligence findings.

6. Long-term Debt

In 2015, the District issued $20,655,000 in Certificates of Participation (2015 CoP's) to partially fund the construction of three new libraries. The 2015 CoP's carry an average coupon rate of 2.545%. 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, 2016:

Year Ending December 31,	Principal	Interest	Total
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	1,270,000	743,425	2,013,425
2022 - 2026	7,285,000	2,769,625	10,054,625
2027 - 2030	7,250,000	792,250	8,042,250
	$20,655,000	$7,501,500	$28,156,500

Changes in Long – term Debt

Changes in the District's long-term obligations consisted of the following for the year ended December 31, 2016:

	Balance 12/31/2015	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Governmental Activities:					
Compensated absences	$ 862,049	$ 643,631	$ 515,944	$ 989,736	$ 465,000
2015 Certificates of Participation	20,655,000			20,655,000	1,175,000
2015 Premium	2,570,902		155,344	2,415,558	
Total	$24,087,951	$ 643,631	$ 671,288	$24,060,294	$ 1,640,000

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 CRS, 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 CRS § 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.

- $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, referred to as annual increases in the CRS. 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 (AIR) 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 CRS § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary.

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 CRS § 24-51-208(1)(f) [1]	(1.02)%
Amount Apportioned to the LGDTF[1]	8.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 [1]	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS § 24-51-411 [1]	1.50%
Total Employer Contribution Rate to the LGDTF[1]	12.68%

[1]Rates are expressed as a percentage of salary as defined in CRS § 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 $1,364,600 for the year ended December 31, 2016.

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

At December 31, 2016, the District reported a liability of $19,433,036 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the District's proportion was 1.764% percent, which was an increase of 0.005 from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the District recognized pension expense of $2,292,983 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
Net difference between projected and actual earnings on pension plan investments	$ 3,740,999	$ —
Difference between expected and actual experience	145,800	(674)
Changes of assumptions or other inputs	-	(355,940)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	22,934	(14,504)
Contributions subsequent to the measurement date	1,364,600	-
Total	$ 5,274,333	$ (371,118)

Contributions subsequent to the measurement date of $1,364,600 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	
2017	$ 823,809
2018	952,048
2019	988,282
2020	774,476
	$ 3,538,615

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	**Entry Age**
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 AIR

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, 2014 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
    - Valuation of the full survivor benefit without any reduction for possible remarriage.
    - Reflection of the employer match on separation benefits for all eligible years.
    - Reflection of one year of service eligibility for survivor annuity benefit.
    - Refinement of the 18-month annual increase timing.
    - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.

- Elimination of the assumption that 35% of future disabled members elect to receive a refund.

- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.

- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, 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 applied the actuarial cash method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process, (i.e. the plan's fiduciary net position is projected to be depleted) AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and 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	$29,792,827	$19,433,036	$10,840,614

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 CRS, 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 CRS, 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 CRS, 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 CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the years ending December 31, 2016, 2015 and 2014, the District contributions to the HCTF were $109,774, $101,879 and $98,340, respectively, equal to their required contributions for each year.

8. Deferred Inflows of Resources

Deferred inflows of resources represent 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, 2016, the District has recorded a deferred inflow for property tax revenues to be levied and collected in 2017 of $22,705,676. 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, 2016, the District has recorded a deferred inflow for pension related liabilities of $371,118. 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 GASB 68.

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 non-spendable fund balance at December 31, 2016 include prepaids of $376,207 considered non-spendable in form and $25,586 of security deposits required under the provisions of an easement and a lease.

At December 31, 2016, the District reported restricted fund balance of $790,966, which includes emergency reserves of $775,413 required by Article X, Section 20 of the Colorado Constitution, and agency funds of $15,553 held on behalf of Volunteer Connect Douglas County as described in Note 3.

The District reported committed fund balance at December 31, 2016 of $3,609,381 which includes $2,525,000 payable under the terms of a contract to purchase land adjacent to the District's Castle Rock branch and $1,084,381 in contractual obligations associated with the construction of new libraries in Castle Pines, Lone Tree, and Parker.

Assigned fund balance at December 31, 2016 of $3,200,000 is pursuant to the District's reserve policy which establishes reserves to cover first quarter obligations prior to receipt of property tax revenues, contingencies, and insurance deductibles.

Net position as reported at December 31, 2016 includes a net investment in capital assets of $30,360,397. This amount represents the District's investment in capital assets of $53,430,955; net of the District's remaining obligation under the 2015 CoP's at December 31, 2016 of $23,070,558, which is net of unamortized premium of $2,415,558.

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. Subsequent Events

In April 2017 the District completed the acquisition of property adjacent to the Castle Rock branch for $2,525,000.

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance
Expenditures				
Current				
Operating				
Salaries and benefits	$ 14,723,946	$ 14,723,946	$ 14,480,344	$ 243,602
Library materials	3,503,487	3,503,487	3,409,934	93,553
Facilities	1,450,950	1,450,950	1,273,154	177,796
Technology and support services	1,533,468	1,533,468	1,388,763	144,705
Programs and outreach	742,146	742,146	802,159	(60,013)
Administration	1,200,541	1,516,968	1,428,235	88,733
Capital Outlay	25,462,639	25,146,212	20,690,256	4,455,956
Debt Service				
Interest expense	835,000	835,000	834,800	200
Total Expenses	49,452,177	49,452,177	44,307,645	5,144,532
Program Revenues				
Operating contributions and grants	219,000	219,000	363,037	144,037
Charges for services	600,580	600,580	590,134	(10,446)
Total Program Revenues	819,580	819,580	953,171	133,591
Net Program Expenses	48,632,597	48,632,597	43,354,474	5,278,123
General Revenues				
Property taxes	22,225,175	22,225,175	22,436,808	211,633
Auto ownership taxes	1,800,000	1,800,000	2,075,618	275,618
Investment earnings	65,000	65,000	277,689	212,689
Total General Revenues	24,090,175	24,090,175	24,790,115	699,940
Other Financing Sources				
Proceeds from sale of capital assets			3,600,200	3,600,200
Total Other Financing Sources	-	-	3,600,200	3,600,200
Net Change in Fund Balance	(24,542,422)	(24,542,422)	(14,964,159)	9,578,263
Fund Balance, Beginning of Year	35,404,328	35,404,328	35,404,328	—
Fund Balance, End of Year	$ 10,861,906	$ 10,861,906	$ 20,440,169	$ 9,578,263

See Notes 1 and 2 to the Required Supplementary Information.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

For the Years Ended December 31,

	2016	2015
District's proportion of the net pension liability (asset)	1.764%	1.759%
District's proportionate share of the net pension liability (asset)	$ 19,433,036	$ 15,770,396
District's covered-employee payroll	$ 10,018,742	$ 9,641,175
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	194%	164%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%

See Note 2 to the Required Supplementary Information.

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN
For the Years Ended December 31,

	2016	2015
Contractually required contribution	$ 1,364,600	$ 1,270,376
Contributions in relation to the contractually required contribution	(1,364,600)	(1,270,376)
Contribution Deficiency (Excess)	$ —	$ —
District's covered-employee payroll	$ 10,761,827	$ 10,018,742
Contributions as a percentage of covered-employee payroll	12.68%	12.68%

See Note 2 to the Required Supplementary Information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016

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.

This budgetary comparison schedule is presented on a basis in conformity with generally accepted accounting principles (GAAP).

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 at the measurement date 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

SUMMARY OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – GENERAL FUND
For the Years Ended December 31,
(Unaudited)

	2012	2013	2014	2015	2016
Expenditures					
Current					
Operating					
Salaries and benefits	$ 11,730,974	$ 12,663,463	$ 12,926,791	$ 13,833,369	$ 14,480,344
Library materials	3,539,735	3,437,724	3,459,743	3,554,623	3,409,934
Facilities	972,166	1,027,896	956,142	1,130,874	1,273,154
Technology and support services	1,039,764	1,092,074	1,120,576	1,071,145	1,388,763
Programs and outreach	627,798	578,654	579,760	617,049	802,159
Administration	1,123,872	1,089,778	1,067,171	1,053,381	1,428,235
Capital Outlay	484,532	830,703	1,465,108	14,178,941	20,690,256
Debt Service					
Interest expense				74,205	834,800
Total Expenses	19,518,841	20,720,292	21,575,291	35,513,587	44,307,645
Program Revenues					
Operating contributions and grants	271,102	292,181	853,922	409,377	363,037
Charges for services	639,015	615,626	581,959	633,202	590,134
Total Program Revenues	910,117	907,807	1,435,881	1,042,579	953,171
Net Program Expenses	(18,608,724)	(19,812,485)	(20,139,410)	(34,471,008)	(43,354,474)
General Revenues					
Property taxes	17,831,480	18,211,226	18,670,817	19,151,234	22,436,808
Auto ownership taxes	1,394,452	1,550,800	1,695,121	1,853,168	2,075,618
Investment earnings	165,867	167,902	174,515	195,064	277,689
Total General Revenues	19,391,799	19,929,928	20,540,453	21,199,466	24,790,115
Other Financing Sources					
Proceeds on lease purchase financing, net				23,005,269	
Proceeds from sale of capital assets					3,600,200
Total Other Financing Sources	—	—	—	23,005,269	3,600,200
Net Change in Fund Balance	783,075	117,443	401,043	9,733,727	(14,964,159)
Fund Balance, Beginning of Year	24,369,040	25,152,115	25,269,558	25,670,601	35,404,328
Fund Balance, End of Year	$ 25,152,115	$ 25,269,558	$ 25,670,601	$ 35,404,328	$ 20,440,169

HISTORY OF ASSESSED VALUATIONS
(Unaudited)

Levy / Collection Year	Assessed Valuation	Percent Change	Statutory "Actual" Value
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
2016/2017	$ -	-100.0%	$ 50,989,716,383

HISTORY OF MILL LEVIES
(Unaudited)

Levy / Collection Year	General Fund	Special Abatement	Total Levy
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
2016/2017	4.000	0.016	4.016

PROPERTY TAX COLLECTIONS
(Unaudited)

Levy / Collection Year	Taxes Levied	Current Tax Collections	Collection Rate
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%
2015/2016	$22,546,942	$ 22,441,945	99.53%