



# ANNUAL REPORT

## 2022

Douglas County Libraries 



# ANNUAL REPORT 2022

## TABLE OF CONTENTS



<b>TRANSMITTAL LETTER</b>	1-5
<b>INDEPENDENT AUDITOR’S REPORT</b>	6-8
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	9-17

<b>BASIC FINANCIAL STATEMENTS</b>	18-21
Balance Sheet–Governmental Fund/Statement of Net Position	18
Statement of Revenues, Expenditures, and Change in Fund Balance–Governmental Fund / Statement of Activities	19
Reconciliation of the Balance Sheet–Governmental Fund to the Statement of Net Position	20
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance–Governmental Fund to the Statement of Activities	21

<b>NOTES TO FINANCIAL STATEMENTS</b>	22-50
--------------------------------------	-------



<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	51-53
Budgetary Comparison Schedule–General Fund	51
Schedules of the District’s Proportionate Share of the Net Pension Liability and Net OPEB Liability	52
Schedules of the District’s Contributions to the Pension Plan and OPEB	53

<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	54
--	----

<b>OTHER INFORMATION (UNAUDITED)</b>	55-58
Summary of Revenues, Expenditures, and Change in Fund Balance–General Fund	55
Summary Historical Comparison of Revenues, Expenditures, and Change in Fund Balance–General Fund	56
History of Assessed Valuations and History of Mill Levies	57
Property Tax Collections	58



# TRANSMITTAL LETTER

March 29, 2023

To the Douglas County Commissioners, the Board of Trustees of the Douglas County Libraries, and the Citizens of Douglas County:

As required by Colorado Audit Law, Section 29-1-601, et seq., C.R.S. and Colorado Library Law Section 24-90-109(1)(l), C.R.S., the Board shall ensure that an annual audit of the financial affairs and transactions of all funds and activities of Douglas County Libraries (the District) be conducted for each fiscal year. The goal of the annual audit is to provide assurance that the financial statements of the District are presented in conformity with accounting principles generally accepted in the United States of America. The audit must be performed by an independent firm of licensed certified public accountants. In accordance with this requirement, we submit for your information and review, the Douglas County Libraries Annual Report for the year ended December 31, 2022.

Management for the District is responsible for the completeness and reliability of information presented in this report. To provide a reasonable basis for making these representations, the District has established a comprehensive internal framework that is designed to protect the District's assets from loss, theft, or misuse and to provide sufficient reliable information for the preparation of the financial statements. Because the cost of the internal controls should not exceed the benefits, the internal controls have been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The District's financial statements have been audited by Eide Bailly, LLP, and they have issued an unmodified opinion on the District's financial statements. An "unmodified" opinion means that the financial statements meet the "in conformity with generally accepted accounting principles (GAAP)" requirement.

Management provides a narrative introduction, overview and analysis of the basic financial statements. Management's Discussion and Analysis (MD&A) provides an overview of the financial statements and is intended to complement this letter of transmittal. The MD&A may be found in the Financial Section of this Annual Report immediately following the report of independent auditors.

## **PROFILE OF THE DOUGLAS COUNTY LIBRARIES DISTRICT**

Douglas County Libraries elevates our community by inspiring a love of reading, discovery and connection.

The District was established in November, 1990, by resolution of the Board of County Commissioners of Douglas County, pursuant to a vote by the electors of Douglas County in favor of establishing a library district with the authority for a mill levy on real and personal property in Douglas County for the establishment, operation and maintenance of the District. The District includes all property within the boundaries of Douglas County, Colorado.

In order to achieve its vision, Douglas County Libraries provides the following services to all residents of Douglas County.

- Circulation, consisting of the provision of books, e-books, periodicals, audios, videos and other library content for lending use to the public;
- Online services, consisting of the District's website, research resources, tools for online learning, and online catalog of downloadable materials;
- Community gathering spaces, including public computers and wireless access, large public meeting rooms, and smaller, private meeting/study rooms;
- Reader's advisory services, consisting of collaboration with customers to determine their likes and dislikes and recommend appropriate reading materials;
- Children's events that emphasize development of early literacy skills that enable children to translate words to images, develop their brains, and nurture the cognitive, emotional and social skills they need to develop the habits of lifelong learners;
- Reference services that provide informational and research assistance to customers, entrepreneurs and small business persons;
- Events and activities that address a variety of needs or interests among all age groups: summer reading programs, pairing teens with struggling young readers, group reading comprehension competitions, senior services, community and lifelong learning events, book clubs, hands-on science experiments, creative activities such as art, writing, photography and games, High School Equivalency (HSE), English as a Second Language (ESL), local economic development and current affairs, technology literacy and job seeker skills improvement, author events, and events celebrating stories and literature.
- Douglas County Archives & Local History, which collects and preserves the history of Douglas County in order to provide historical research resources to the public.

In 2022:

- More than 1,326,756 customers visited the District's facilities (a 55% increase over 2021);
- The District circulated more than 6,056,477 items from its library content (a 2% increase);
- More than 147,292 people participated in 5,553 events offered by the District (a 137% increase over 2021, during which in-person events were somewhat curtailed by lingering pandemic interruptions);
- The District hosted more than 477 Select/Concierge level events, and booked more than 47,200 total reservations for its 51 community gathering spaces.

## **LARGE EVENTS, CAMPAIGNS & OUTREACH**

We were pleased to offer several signature events, bringing people to our libraries in large numbers for events they have come to expect from DCL. Our customers often tell us these events represent treasured family traditions.

- Summer Reading: Unlock the Magic was a traditional summer reading program, including 73 large-scale Kickoff Parties and supplemental events serving 6,247 customers. We registered 13,946 customers for Unlock the Magic, a slight decrease from 2021.
- Fairy Tale Ball: Alice in Wonderland, a free event held at six locations served 1,454 customers.
- Storybook Holiday: Paid signature events in the spring (That Hungry Little Bug), fall (Dr. Jekyll & Mr. Hyde) and winter (A Dickens Storybook Holiday) brought more than 1,600 customers to DCL.
- Camp DCL: Full-day and half-day camps offered during school breaks operated at six library locations and served 563 school-aged campers and their families.
- A Visit with Santa: Santa returned to DCL for 18 onsite events serving 1,334 customers.
- Battle of the Books, a literature-themed quiz-bowl style tournament, engaged 930 participants from 42 local elementary schools, and brought 9,745 audience members to four DCL locations over six weeks.
- Page to Stage provided arts-in-education enrichment to 8,350 students via 30 performances at local elementary schools.
- Fête des Fables: Our annual Foundation gala and Family Fête events represented a net gain of \$35,875 for the DCLF, achieved through ticket sales, pulls/auctions and direct donations and sponsorships (in-kind, individual and corporate).
- Colorado Gives Day (CGD) and an associated year-end giving campaign engaged 636 individual donors, 240 of whom donated to the Douglas County Libraries Foundation for the first time. More than half of 2021 CGD donors gave again during the 2022 campaign. Total CGD donations equaled \$61,035, and total year-end giving (Nov. 1-Dec. 31) was \$106,500.

## **LONG-TERM FINANCIAL PLANNING**

The District develops an annual budget in accordance with the statutory requirements of Colorado Local Government Budget Law, Section 29-1-101 et seq., C.R.S. The budget is also compiled in compliance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) standards for budget preparation and presentation purposes. The budget shall reflect the plans and strategies of the District as adopted by the Board.

The District is committed to maintaining the infrastructure and finishes of its libraries and has completed a facilities master plan that identifies:

- Equipment replacement and infrastructure maintenance needs to be funded from current property tax revenues, and
- Facility upgrades and expansion needs to be funded from District reserves.

In addition, the District has developed a long-range forecast 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.

As previously indicated, employees of the District are provided with pension benefits through the PERA defined benefit plan. The District, and its employees, belong to the Local Government Division of the pension trust fund. As such, the District, and its employees, are obligated to contribute to PERA at those rates established by the Colorado legislature for the Local Government Division of the pension trust fund.

The District has identified a capital improvement need for a larger facility in northwest Douglas County to serve projected growth in the area.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The historical financial statements and the 2022 budget are best understood when considered from the broader perspective of the specific environment in which the District operates.

### **Property Tax Revenues and Constitutional Limitations**

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.

### **Operating, Facility Maintenance, and Debt Service Expenditures**

The District has adopted a compensation strategy that supports competitive wages and benefits, and contributes 13.21% (Jan. 1-June 30, 2022; moved to 13.71% on July 1, 2022) of qualifying salaries and wages to the PERA defined benefit pension plan, and 1.02% of salaries and wages to the PERA OPEB plan.

The District did not open any new library facilities, or increase the size of any existing library facilities in 2022. The District is building a replacement for the Castle Rock library that will be completed in 2023.

Maximum debt service under the terms of the 2015 CoPs is \$2.000 million. The District made a \$1.320 million principal payment plus interest and premium amortization payments of \$0.693 million in 2022.

Operating revenues budgeted for 2023 are projected to exceed operating expenditures, interest and principal payments and the costs to maintain the District's facilities by \$2.721 million. The District also expects to incur an additional \$13.835 million of capital costs for the Castle Rock replacement facility in 2023, which will draw down the District's accumulated capital reserves.

### **ACKNOWLEDGEMENTS**

We'd like to acknowledge the outstanding effort of the Accounting and Finance department who worked diligently on preparing for the audit, and to both the Accounting /Finance department and the Community Engagement division by assisting with the preparation of this document.

Respectfully Submitted,

Bob Pasicznyuk  
Executive Director

Casie Cook  
Director of Finance

Tammy Goodwin  
Accounting Operations Manager



## Independent Auditor's Report

Board of Trustees  
Douglas County Libraries  
Castle Rock, Colorado

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the discretely presented component unit, and the major fund information of Douglas County Libraries (the District) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund information of the District, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, pension schedules, OPEB schedules, and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 GAAS, 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***

Management is responsible for the other information included in the annual report. The other information comprises the summary of revenues, expenditures and change in fund balance-general fund, summary historical comparison of revenues, expenditures and change in fund balance-general fund, history of assessed valuations and history of mill levies, and property tax collections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Eide Bailly LLP*

Denver, Colorado  
March 29, 2023



# MANAGEMENT'S DISCUSSION AND ANALYSIS



# MANAGEMENT’S DISCUSSION AND ANALYSIS OF OPERATING RESULTS December 31, 2022

*Douglas County Libraries elevates our community by inspiring a love of reading, discovery and connection.*

The District operates seven library facilities throughout Douglas County. In addition, the District operates the Douglas County Libraries Archives & Local History, which collects and preserves the history of Douglas County in order to provide historical research resources to the public. In 2022, the District employed a workforce of 243 full-time equivalent persons, who were complemented by approximately 1,342 volunteers who provided 24,703 hours of service at no cost to the District or Douglas County. The District’s workforce is broken down as follows:

Percent of Workforce

85%	Library Operations & Community Engagement
6%	Facilities & Information Technology
9%	Executive, Financial, Human Resources

The District’s strategic plan includes a goal focused on crafting the next generation of libraries to support delivery of premium and personal experiences to all library patrons. The District has adopted a facilities master plan to establish the priorities, tasks and budget commitments necessary to construct and maintain facilities that are adequate to meet the needs of Douglas County in the premium and personal fashion embodied in the District’s strategic plan.

In 2020, the District concluded that replacement was the most cost-effective alternative for replacing the District’s aging Castle Rock facility. In 2021, the District signed a Design-Build Guaranteed Maximum Price (GMP) contract for \$23.8M to replace the Castle Rock facility, excluding furniture, fixtures and equipment (FF&E), by third quarter, 2023. As of August 31, 2022, the District Board approved \$2.696 million for FF&E.

The District’s financial results for the year ended December 31, 2022, also reflect the impact of the following:

- Payment of principal, interest and premium amortization obligations totaling \$2.013 million on the District’s 2015 Certificates of Participation (2015 CoPs).

- Payment of \$11.486 million for the replacement of the Castle Rock facility.
- Payments of \$0.143 million relating to the Castle Rock build include furniture, fixtures & equipment and strip mall renovation to accommodate staff during the build
- Implementation of GASB 87 Leases showing an increase in Capital Outlay of \$0.429 and other financing sources of \$0.437 million.

The District's financial commitments that are tied to its facilities master plan make it essential to distinguish the results of normal recurring operating activities vs. the financial impact of non-operating transactions such as capital outlays for facility improvements, lease income, and disposals of capital assets. Accordingly, the comparison of year-over-year results in this Discussion and Analysis has been presented on both an as-adjusted and as-reported basis in order to better illustrate the results of normal recurring operating activities.

The District uses a single general operating fund to account for all transactions and financial resources. The District is committed to ensuring that expenditures associated with day-to-day library operations and routine maintenance of District facilities, furniture and equipment do not exceed annual program and general revenues. Accordingly, the District reports capital expenditures on two separate line items on the financial statements.

- Maintenance capital expenditures are funded from current operating revenues and include those normal recurring expenditures to repair, maintain or upgrade computers, equipment, furniture, carpeting, roofs, parking lots, and heating, ventilation, and air conditioning (HVAC) units.
- Improvement capital expenditures represent facility upgrades, remodels, and new construction including planning and design costs, and new furniture, fixtures and equipment associated with these projects. Improvement capital expenditures are funded from District reserves.

The District maintains financial statements under two separate methods of accounting, as required by Government Accounting Standards:

Governmental Fund Financial Statements;  
Government Activities Financial Statements.

An analysis of the District's financial position, and its results of operations, under each of these two methods of accounting is presented below, including the distinctions between the two methods.

## Governmental Fund Financial Statements

The government fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are generally recorded when cash is received or expenses are paid. Accordingly, funds received through financing activities are recorded as revenues in the period received, expenditures for capital assets are reported as an expense in the period expended, and long-term liabilities are recorded when currently payable, rather than when an obligation is incurred.

### Statement of Revenues, Expenditures, and Change in Fund Balance

	2022		2021	
	Amount	% of Total	Amount	% of Total
<b>Program Revenues:</b>				
Operating contributions and grants	\$ 421,593	1.15%	\$ 264,404	0.79%
Charges for services	567,080	1.54%	566,869	1.70%
<b>General Revenues:</b>				
Property taxes	32,350,900	88.02%	29,655,129	88.75%
Auto ownership taxes	2,894,516	7.88%	2,888,807	8.65%
Investment earnings	521,327	1.42%	38,739	0.12%
<b>Total Revenues</b>	<u>36,755,416</u>	<u>100.00%</u>	<u>33,413,948</u>	<u>100.00%</u>
<b>Program Expenditures</b>				
Operating expenditures	24,571,609	82.83%	23,090,464	84.83%
Capital outlay - maintenance	2,866,330	9.66%	2,114,820	7.77%
Interest and principal payments	2,225,930	7.50%	2,013,425	7.40%
<b>Total Program Expenditures</b>	<u>29,663,869</u>	<u>100.00%</u>	<u>27,218,709</u>	<u>100.00%</u>
<b>Net Change in Fund Balance - As Adjusted</b>	7,091,547		6,195,239	
<b>Non-Operating Expenditures:</b>				
Capital outlay - improvement	(11,483,732)	107.35%	(1,540,959)	124.75%
Lease income, net	2,138	(0.02%)	108,853	(8.81%)
Lease to Purchase	347,310	(3.25%)	196,844	(15.94%)
Lease Proceeds	436,818	(4.08%)	0	0.00%
<b>Total Non-Operating Expenditures</b>	<u>(10,697,466)</u>	<u>100.00%</u>	<u>(1,235,262)</u>	<u>100.00%</u>
<b>Net Change in Fund Balance - As Reported</b>	(3,605,919)		4,959,977	
Beginning fund balance	29,297,865		24,337,888	
<b>Ending Fund Balance</b>	<u>\$ 25,691,946</u>		<u>\$ 29,297,865</u>	

Revenues increased \$3.341 million due primarily to increases in property tax revenues of \$2.696 million (9.1%), and investment earnings of \$0.483 million (1245.7%). The increase in property tax revenues was due primarily to new construction in Douglas County. The increase in investment

earnings was primarily due to a significant increase in earnings rates due to the Federal Fund Rates rising from .25% to 4.5% in 2022.

Total program expenditures increased \$2.445 million (9.0%). This increase in total program expenditures was primarily due to an increase in Library salary and wages.

Capital outlays for maintenance increased by \$0.555 million. This increase in capital outlays for maintenance was primarily due to implementation of GASB 87 leases costing \$0.429 million and new lease to purchase for servers costing \$0.347 million. There is a 2021 reclassification to decrease Capital outlay-maintenance by \$196,844 and increase Capital outlay-improvement that has no change to the Net Change in Fund Balance-As Reported.

Capital outlays for improvements increased by \$9.943 million due to the cost of building for the replacement Castle Rock facility.

Net lease income decreased significantly by \$0.107 million due to Wilcox leases terminated at the beginning of the year with respect to the replacement Castle Rock facility.

Lease to purchase proceeds increased by \$0.150 million due to lease funding received for servers that were replaced in 2022.

Lease proceeds increased by \$0.437 million due to implementation of GASB 87 in 2022. The increase in lease proceeds included the lease on the Roxborough library and courier truck for the district.

The District is reporting an ending fund balance of \$25.692 million at December 31, 2022. This represents a decrease of \$3.606 million from the December 31, 2021 fund balance of \$29.298 million. The District's fund balance decreased in 2022, primarily due to the increases in expenditures as the District built the replacement for the Castle Rock library.

- Non-spendable fund balance, which represents prepaid expenses and security deposits, decreased \$0.121 million, from \$0.547 million at December 31, 2021, to \$0.426 million at December 31, 2022.
- Restricted fund balance, comprised of emergency reserves as required by Article X, Section 20, of the Colorado Constitution, increased \$0.102 million, from \$0.999 million at December 31, 2021, to \$1.101 million at December 31, 2022. Emergency reserves are calculated as three percent of general revenues, excluding grants.
- Committed Fund has a balance of \$11.705 as of December 31, 2022 which is for the specific purpose of the Castle Rock building project.
- Assigned fund balance includes reserves established by the Board of Trustees to fund first-quarter operations due to the timing of property tax receipts, plus reserves to cover insurance

deductibles. Assigned fund balance remains at \$3.900 million as of December 31, 2022 and shows no change from December 31, 2021.

- Unassigned fund balance represents amounts available for any purpose, including debt service for the Certificates of Participation and future acquisitions of capital assets. Unassigned fund balance decreased \$15.292 million, from \$23.852 million at December 31, 2021, to \$8.560 million at December 31, 2022.

### Analysis of 2022 Budget vs Actual Results

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues</b>			
Property taxes	\$32,432,146	\$32,350,900	(\$81,246)
Auto ownership taxes	2,894,000	2,894,516	516
Contributions and grants	416,674	421,593	4,919
Charges for services	554,850	567,080	12,230
Investment earnings	165,000	521,327	356,327
<b>Total Revenues</b>	<b>36,462,670</b>	<b>36,755,416</b>	<b>292,746</b>
<b>Operating Expenditures</b>			
Salaries, wages & benefits	17,653,636	16,523,332	(1,130,304)
Library Content	4,012,050	3,996,798	(15,252)
Facilities	1,767,312	1,785,765	18,453
Technology equipment and services	1,748,848	1,395,873	(352,975)
Library programs & outreach	1,391,258	1,137,341	(253,917)
District-wide support	1,740,713	1,260,806	(479,907)
Capital expenditures - maintenance projects	1,157,500	1,338,024	180,524
<b>Subtotal Operating Expenditures</b>	<b>29,471,317</b>	<b>27,437,939</b>	<b>(2,033,378)</b>
Debt service	2,012,625	2,225,930	213,305
<b>Total operating expenditures, debt service &amp; fees</b>	<b>31,483,942</b>	<b>29,663,869</b>	<b>(1,820,073)</b>
<b>Revenues Over (Under) Operating Expenditures</b>	<b>4,978,728</b>	<b>7,091,547</b>	<b>2,112,819</b>
<b>Non-Operating Revenues (Expenditures)</b>			
Lease income (expense), net	0	2,138	2,138
Capital expenditures - improvement projects	(18,293,000)	(11,483,732)	6,809,268
Lease to purchase	0	347,310	347,310
Lease Proceeds	0	436,818	436,818
<b>Total Non-Operating Revenues (Expenditures), net</b>	<b>(18,293,000)</b>	<b>(10,697,466)</b>	<b>7,595,534</b>
<b>Total Revenues Over (Under) Total Expenditures</b>	<b>(\$13,314,272)</b>	<b>(\$3,605,919)</b>	<b>\$9,708,353</b>

The District's final 2022 budget anticipated an excess of total expenditures over total revenues of (\$13.314) million. Actual 2022 total expenditures exceeded total revenues by (\$3.606) million.

Total 2022 revenues were over budget by \$0.293 million (0.8%) primarily due to investment earnings.

Total operating expenditures were under budget by (\$2.033) million (7.4%), due to salaries, wages, and benefits cost savings related to the District in 2022.

Spending on non-operating expenditures was under budget by (\$7.596) million due primarily to a shift in spending for the replacement of the Castle Rock facility from 2022 to 2023.

Lease to purchase proceeds increased by \$0.347 million due to lease funding received for servers that were replaced in 2022.

Lease proceeds increased by \$0.437 million due to the implementation of GASB 87 leases. This included the leases for Roxborough library and a courier truck.

### **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.

## Statement of Activities

	<u>2022</u>		<u>2021</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>Program Revenues</b>				
Operating contributions and grants	\$ 421,593	1.15%	\$ 264,404	0.79%
Charges for services	567,080	1.54%	566,869	1.70%
<b>General Revenues</b>				
Property taxes	32,350,900	88.02%	29,655,129	88.75%
Auto ownership taxes	2,894,516	7.88%	2,888,807	8.65%
Investment earnings	521,327	1.42%	38,739	0.12%
<b>Total Revenues</b>	<u>36,755,416</u>	<u>100.00%</u>	<u>33,413,948</u>	<u>100.00%</u>
<b>Program Expenses</b>				
Operating expenses	23,644,724	98.11%	26,595,136	98.22%
Interest and principal payments	455,059	1.89%	482,771	1.78%
<b>Total Program Expenses</b>	<u>24,099,783</u>	<u>100.00%</u>	<u>27,077,907</u>	<u>100.00%</u>
<b>Change in Net Position - As Adjusted</b>	12,655,633		6,336,041	
<b>Non-Operating Expenses:</b>				
Lease income, net	2,138	-2.11%	108,853	111.04%
Loss on disposal of capital assets	(103,375)	102.11%	(10,826)	(11.04%)
<b>Total Non-Operating Expenses</b>	<u>(101,237)</u>	<u>100.00%</u>	<u>98,027</u>	<u>100.00%</u>
<b>Change in Net Position - As Reported</b>	12,554,396		6,434,068	
Beginning Net Position	47,035,193		40,601,125	
<b>Ending Net Position</b>	<u>\$ 59,589,589</u>		<u>\$ 47,035,193</u>	

As adjusted, which is more representative of normal recurring operations, the change in net position increased \$6.320 million, from \$6.336 million for the year ended December 31, 2021, to \$12.656 million over the same period in 2022. The increase in the change in net position is primarily due to the following:

- Revenues increased \$3.341 million due primarily to increases in property tax revenues of \$2.696 million (9.1%) and investment earning revenues of \$0.483 million (1,245.8%). These results are consistent with those reported on the District's Government Fund financial statements.
- Operating expenses decreased \$2.950 million driven primarily by pension expense. Pension expense decreased by (\$4.008) million (277.2%).

As reported, the change in net position increased \$6.120 million, from \$6.434 million at December 31, 2021, to \$12.554 million at December 31, 2022. This increase in change in net position is due to the changes noted above in the adjusted change in net position, plus the following:

- Net lease income decreased by (\$0.107) million due to Wilcox leases terminated at the beginning of the year with respect to the replacement Castle Rock facility consistent with discussion reported on the District’s Government Fund financial statements.
- In 2022, the District recorded a loss of (\$0.103) million, which is equivalent to the net book value for end-of-life capital asset disposals.

### Statement of Net Position

	2022		2021	
	Amount	% of Total	Amount	% of Total
<b>Assets</b>				
Current Assets	\$ 59,684,921	49.21%	\$ 62,449,590	55.15%
Capital Assets	60,212,847	49.64%	50,789,913	44.85%
Net Pension asset	1,400,685	1.15%	0	0.00%
<b>Total Assets</b>	<b>121,298,453</b>	<b>100.00%</b>	<b>113,239,503</b>	<b>100.00%</b>
<b>Total Deferred Outflows of Resources</b>	<b>2,395,672</b>	<b>100.00%</b>	<b>4,234,773</b>	<b>100.00%</b>
<b>Liabilities</b>				
Current Liabilities	4,840,061	25.32%	3,899,837	13.91%
Long-Term Liabilities	14,272,185	74.68%	24,131,914	86.09%
<b>Total Liabilities</b>	<b>19,112,246</b>	<b>100.00%</b>	<b>28,031,751</b>	<b>100.00%</b>
<b>Total Deferred Inflows of Resources</b>	<b>44,992,290</b>	<b>100.00%</b>	<b>42,407,332</b>	<b>100.00%</b>
<b>Net Position</b>				
Net investment in capital assets	45,173,130	75.81%	34,770,244	73.92%
Restricted Fund	11,916,079	20.00%	998,618	2.12%
Unrestricted	2,500,380	4.20%	11,266,331	23.95%
<b>Total Net Position</b>	<b>\$ 59,589,589</b>	<b>100.00%</b>	<b>\$ 47,035,193</b>	<b>100.00%</b>

The increase in net investment in capital assets of \$10.403 million, from \$34.770 million at December 31, 2021, to \$45.173 million at December 31, 2022, is due primarily to the following:

- an increase in assets being depreciated for 2022 depreciation expense;
- an increase in Construction in Progress due to accumulated costs for the Castle Rock branch replacement;
- a reduction in the remaining principal balance and unamortized premium for the 2015 CoPs, which are an offset to the net investment in capital assets.
- an increase in Lease to Purchase due to the addition of servers
- an increase in Leases due to the implementation of GASB 87 Leases

The increase in restricted fund balance of \$10.917, from \$0.999 as of December 31, 2021, to \$11.916 million at December 31, 2022, is primarily attributable to 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), net pension assets, and deferred inflows of net pension liability.

The District participates in a) a pension fund administered by the Public Employees' Retirement Association (PERA), and b) an Other Post-Employment Benefits (OPEB) fund also administered by PERA. The District records deferred outflows of resources (an asset), long-term liabilities, and deferred inflows of resources (a liability) pursuant to its participation in these plans. See note 6 of the attached financial statements of the District for further information regarding the District's defined benefit pension and OPEB plans.

The decrease in unrestricted fund balance of (\$8.766) million, from \$11.266 million as of December 31, 2021, to \$2.500 million at December 31, 2022, is primarily attributable to a decrease in total liabilities.

### **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 vision and core values of the District. The Foundation is reported in the District's financial statements as a Discretely Presented Component Unit.

The Foundation is governed by an independent Board of Directors, including one member from the District's Board of Trustees; and nine additional directors. The Foundation board includes the District's Director of Community Engagement, who acts as the Foundation Executive Director; the District's Director of Finance, who acts as the Foundation Treasurer, and the District's Executive and Culture Administrator, who acts as the Foundation Secretary, all of whom are ex-officio.

During 2021, the Foundation granted \$0.025 million of unrestricted funds plus \$0.055 million of restricted funds to the District. The Foundation granted \$0.025 million of unrestricted funds, plus \$0.027 million of restricted funds to the District for the year ended December 31, 2022.

### **Requests for Information**

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



# BASIC FINANCIAL STATEMENT



**DOUGLAS COUNTY LIBRARIES**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND /STATEMENT OF NET POSITION**  
**December 31, 2022**

	Primary Government			Component Unit
	General - Governmental Fund	Adjustments	Statement of Net Position - Governmental Activities	Douglas County Libraries Foundation
<b>Assets</b>				
Cash and investments	\$26,619,355	\$0	\$26,619,355	\$1,742,849
Property taxes receivable, net of allowance	32,510,287	0	32,510,287	0
Prepays and other assets	425,741	0	425,741	7,700
Receivable from component unit	128,825	0	128,825	0
Other receivables	713	0	713	0
Capital assets, net of accumulated depreciation/amortization	0	40,529,488	40,529,488	0
Capital assets not being depreciated	0	19,683,359	19,683,359	0
Net pension asset	0	1,400,685	1,400,685	0
<b>Total Assets</b>	<b>59,684,921</b>	<b>61,613,532</b>	<b>121,298,453</b>	<b>1,750,549</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows - net pension liability	0	2,242,669	2,242,669	0
Deferred outflows - net OPEB liability	0	153,003	153,003	0
<b>Total Deferred Outflows of Resources</b>	<b>0</b>	<b>2,395,672</b>	<b>2,395,672</b>	<b>0</b>
<b>Liabilities</b>				
Accounts payable	1,418,839	0	1,418,839	0
Accrued salaries and benefits	268,063	0	268,063	0
Accrued interest payable	0	56,506	56,506	0
Payable to primary government	0	0	0	128,825
Noncurrent liabilities				0
Due within one year	0	3,096,653	3,096,653	0
Due in more than one year	0	13,181,771	13,181,771	0
Net OPEB liability	0	1,090,414	1,090,414	0
<b>Total Liabilities</b>	<b>1,686,902</b>	<b>17,425,344</b>	<b>19,112,246</b>	<b>128,825</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows - net pension liability	0	12,215,834	12,215,834	0
Deferred inflows - net OPEB liability	0	470,383	470,383	0
Property tax revenue	32,306,073	0	32,306,073	0
<b>Total Deferred Inflows of Resources</b>	<b>32,306,073</b>	<b>12,686,217</b>	<b>44,992,290</b>	<b>0</b>
<b>Fund Balance/Net Position</b>				
Fund balance				
Nonspendable Fund	425,741	(425,741)	0	0
Restricted Fund	1,100,930	(1,100,930)	0	0
Committed Fund	11,705,373	(11,705,373)	0	0
Assigned Fund	3,900,000	(3,900,000)	0	0
Unassigned fund balance	8,559,902	(8,559,902)	0	0
<b>Total Fund Balances</b>	<b>25,691,946</b>	<b>(25,691,946)</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$59,684,921</b>			
<b>Net Position</b>				
Net investment in capital assets	0	45,173,130	45,173,130	0
Restricted Fund	0	11,916,079	11,916,079	0
Unrestricted	0	2,500,380	2,500,380	1,621,724
<b>Total Net Position</b>	<b>\$0</b>	<b>\$59,589,589</b>	<b>\$59,589,589</b>	<b>\$1,621,724</b>

The accompanying notes are an integral part of these financial statements.

**DOUGLAS COUNTY LIBRARIES**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GOVERNMENTAL FUND / STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2022**

	Primary Government			Component Unit Douglas County Libraries Foundation
	General - Governmental Fund	Adjustments	Statement of Activities - Governmental Activities	
<b>Expenditures/Expenses</b>				
<b>Current</b>				
Operating	\$22,735,151	\$4,689,461	\$27,424,612	\$145,508
Pension expense	1,836,458	(5,453,341)	(3,616,883)	0
OPEB expense	0	(163,005)	(163,005)	0
<b>Capital Outlay</b>	14,350,062	(14,350,062)	0	0
<b>Debt Service</b>				
Principal	1,510,282	(1,510,282)	0	0
Interest and fees	715,648	(260,589)	455,059	0
<b>Total Expenditures/Expenses</b>	41,147,601	(17,047,818)	24,099,783	145,508
<b>Program Revenues</b>				
Operating contributions and grants	421,593	0	421,593	361,994
Charges for services	567,080	0	567,080	187,893
<b>Total Program Revenues</b>	988,673	0	988,673	549,887
<b>Net Program Revenues/(Expenses)</b>	(40,158,928)	17,047,818	(23,111,110)	404,379
<b>General Revenues/(Expenses)</b>				
Property taxes	32,350,900	0	32,350,900	0
Auto ownership taxes	2,894,516	0	2,894,516	0
Investment earnings	521,327	0	521,327	(211,495)
<b>Total General Revenues/(Expenses)</b>	35,766,743	0	35,766,743	(211,495)
<b>Other Financing Sources</b>				
Loss on disposal of capital assets	0	(103,375)	(103,375)	0
Lease income, net	2,138	0	2,138	0
Lease to purchase	347,310	(347,310)	0	0
Lease proceeds	436,818	(436,818)	0	0
<b>Total Other Financing Sources</b>	786,266	(887,503)	(101,237)	0
<b>Net Change in Fund Balance</b>	(3,605,919)	3,605,919	0	0
<b>Change in Net Position</b>		12,554,396	12,554,396	192,884
<b>Fund Balance/Net Position</b>				
<b>Beginning of Year</b>	29,297,865	17,737,328	47,035,193	1,428,840
<b>End of Year</b>	\$25,691,946	\$33,897,643	\$59,589,589	\$1,621,724

The accompanying notes are an integral part of these financial statements.

**DOUGLAS COUNTY LIBRARIES**  
**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION**  
**December 31, 2022**

**Fund Balance - Governmental Fund** \$25,691,946

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.

Capital Assets	\$88,093,099	
Accumulated depreciation	<u>(27,880,252)</u>	60,212,847

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	(13,215,000)	
Premium, Certificates of Participation Series 2015	(1,034,026)	
Accrued interest	<u>(52,219)</u>	(14,301,244)

Lease to Purchase is not due and payable in the current period and, therefore, are not reported in the governmental fund.

Principal, lease to purchase	(466,689)	
Accrued interest	<u>(4,287)</u>	(470,977)

Leases are not due and payable in the current period and, therefore, are not reported in the governmental fund.

Principal, lease		(324,001)
------------------	--	-----------

Pension asset is not current financial resources and, therefore, is not reported in the governmental fund.

Pension related deferred outflows	2,242,669	
Pension related deferred inflows	(12,215,834)	
Net pension asset	<u>1,400,685</u>	(8,572,480)

OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental fund.

OPEB related deferred outflows	153,003	
OPEB related deferred inflows	(470,383)	
Net OPEB liability	<u>(1,090,414)</u>	(1,407,794)

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

(1,238,708)

**Net Position of Governmental Activities** \$59,589,589

The accompanying notes are an integral part of these financial statements.

**DOUGLAS COUNTY LIBRARIES  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGE IN FUND BALANCE -  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2022**

**Net Change in Fund Balance - Governmental Fund** (\$3,605,919)

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	\$14,350,064	
Depreciation	(4,823,755)	
Capital asset disposals	<u>(103,375)</u>	9,422,934

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

134,292

Interest and payment activities on the 2015 CoPs do not require use of current financial resources and, therefore, are not reported in the governmental fund.

Principal payment	1,320,000	
Amortization of premium	253,799	
Accrued interest expense	<u>5,500</u>	1,579,299

Proceeds from the lease to purchase provide inflows of resources to governmental funds, but increases long-term liabilities in the statement of net position.

(347,310)

Proceeds from leases provide inflows of resources to governmental funds, but increases liabilities in the statement of net position

(436,818)

Interest and payment activities on lease to purchase do not require use of current financial resources and, therefore, are not reported in the governmental fund.

Principal payment	77,465	
Accrued interest expense	<u>1,290</u>	78,755

Debt service payments for principal payments are reported as expenditures in the governmental funds, but are not reported as expenses in the statement of activities

Principal, lease		112,817
------------------	--	---------

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

5,453,341

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

163,005

**Change in Net Position of Governmental Activities** \$12,554,396

The accompanying notes are an integral part of these financial statements.



# NOTES TO FINANCIAL STATEMENT



# NOTES TO FINANCIAL STATEMENTS

## December 31, 2022

### 1. Summary of Significant Accounting Policies

#### Reporting Entity

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 Directors led by the Foundation's and District's Executive Director. Separately issued internal 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 five years or less, unless the governing body of the District authorizes investment for a longer period. All District investments are held in a local government investment pool and are reported at net asset value. Securities with maturities of 12 months or less from the balance sheet date are reported as short-term investments.

### **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.

### **Prepays**

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 one 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:

<u>Asset</u>	<u>Years</u>
Buildings	30
Building improvements	15
Shelving	10
Furniture	10
Equipment and machinery	5
Computers	4
Library materials	4

Right to use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to please the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful live of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

## 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 effective interest rate 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.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the District.

## **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 asset/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 GASB 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* and GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB 75).

## **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, GASB 68 and GASB 75.

## **Implementation of GASB Statement No. 87, Leases**

As of January 1, 2022, the District adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right to use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The District also recognized a right of use asset and lease liability of \$0.429 million and \$0.324 million as of January 1, 2022, respectively. As a result of these adjustments there was no effect on beginning net position. The disclosures required to be updated by this standard are included in Notes 3 and 4.

## **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:

- Nonspendable fund balance represents amounts that are nonspendable 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 amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
- 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.

As a nonprofit organization operating under the Financial Accounting Standards Board (FASB), the Foundation reports net position with restricted or unrestricted funds, in accordance with donor requests.

## 2. Cash and Investments

At December 31, 2022, the District had the following cash and investments:

	<u>Unrestricted</u>
<b>Total Cash and Investments</b>	
Cash	\$ 258,753
Local government investment pool	26,360,602
<b>Total Cash and Investments</b>	<u>\$ 26,619,355</u>

Amounts held by the local government investment pool are invested with COLOTRUST and CSIP, which are investment vehicles 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 and the CSIP Liquid Portfolio operate similarly to a money market fund, are rated AAA by Standard & Poor’s, and each share is equal in value to \$1.00. The CSIP Term portfolio invests only in securities permissible under Colorado law and is rated AAAs by Fitch Ratings. The CSIP Term portfolio offers fixed-rate, fixed-term investments with maturities of 90-365 days. The rate is fixed for the full term of the investment, and there may be a penalty for early redemption. The CSIP Term portfolio has a goal of \$1.00 per share net asset value at maturity, however the value may fluctuate prior to maturity. Financial statements and additional information about COLOTRUST are available at <http://www.colotrust.com/about>. Financial statements and additional information about CSIP are available at <http://www.csipinvest.com>.

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. Management believes at December 31, 2022, no investments subject the District to credit concentration risk. The District’s interest rate risk is related only to its investments with the Colorado Local Government Liquid Asset Trust (COLOTRUST) and Colorado Statewide Investment Pool (CSIP).

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 percent 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, 2022, the District had deposits with a book balance of \$258,753 and a bank balance of \$618,554, of which \$304,988 was covered by the FDIC. As required by State of Colorado Law, no deposits held by the district as of December 31, 2022, in a single depository institution exceeded 25 percent of the District’s total investment portfolio.

The provisions of GASB Statement No. 72, *Fair Value Measurements and Application* (GASB 72), are 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.

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

The Foundation holds the following cash and investments at December 31, 2022:

	<u>Unrestricted</u>
<b>Total Cash and Investments</b>	
Cash	\$ 335,548
Investments	1,297,376
Endowments	<u>109,925</u>
<b>Total Cash and Investments</b>	<u>\$ 1,742,849</u>

The Foundation reports investments in accordance with GASB, all of which are considered to be Level 1, at market value as an approximation of fair value on December 31, 2022.

In late 2020, the Foundation established the Douglas County Libraries Foundation Fund (the Fund). The Fund is a Nonprofit Agency Endowment Fund that is held and managed by the Rose Community Foundation on behalf of the Foundation. The Fund is designed to preserve investment principal in perpetuity, and provide investment income that can be channeled into the Foundation's support efforts for the District. In December 2022, the Foundation invested an additional \$51,000 of its own liquid assets in the Fund.

The Fund's assets are invested according to the Rose Community Foundation's asset allocation methods. Up to 2% of the Fund's assets are eligible to be distributed annually (the Spendable Amount), with any unused Spendable Amount being returned to Fund Principle at the end of each calendar year. The Foundation did not distribute any of the Fund's assets in 2022.

The Foundation funds may also only be deposited in a bank that is a member of the FDIC or has been designated by the State Banking Board as an eligible public depository under the Colorado PDPA. At December 31, 2022, the Foundation had deposits with a book balance of \$335,548 and bank balance of \$335,548, of which \$250,000 was insured by the FDIC. As required by State of Colorado Law, no deposits held by the district as of December 31, 2022, in a single depository institution exceeded 25 percent of the Foundation's total investment portfolio. The Foundation currently invests excess cash in an investment account with Bank of Oklahoma where funds are used to purchase a mix of equities, mutual funds, bonds, Real Estate Investment Trusts (REITs), as well as cash.

### **3. Capital Assets**

The District disposed of items with a net book value totaling \$103,375 comprised mostly of the Gazebo, tile art and kinetic sculpture all at Castle Rock.

The District recorded depreciation expense of \$4,823,755 for the year ended December 31, 2022, of which \$1,912,704 is attributable to the District's library materials and the remainder being 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, 2022:

	<b>Balance</b> <b>1/1/2022</b>	<b>Additions</b>	<b>Deductions</b>	<b>Reclass</b>	<b>Balance</b> <b>12/31/2022</b>
<b>Capital assets not being depreciated:</b>					
Land	\$ 6,591,347	\$0	\$0	\$0	\$ 6,591,347
Construction in progress	1,435,172	11,468,645	0	0	12,903,817
Artwork	225,854	0	(37,659)	0	188,195
<b>Total capital assets not being depreciated</b>	<b>8,252,373</b>	<b>11,468,645</b>	<b>(37,659)</b>	<b>0</b>	<b>19,683,359</b>
<b>Capital assets being depreciated:</b>					
Buildings	43,251,186	0	(84,867)	0	43,166,319
Building Improvements	6,146,881	160,012	(44,769)	0	6,262,124
Computers	4,158,247	701,163	(141,052)	0	4,718,358
Shelving	1,569,056	0	0	0	1,569,056
Furniture	2,577,007	40,090	0	0	2,617,097
Equipment and machinery	3,003,796	22,725	(229,361)	0	2,797,160
Right to use leased assets	0	0	0	429,122	429,122
Library materials	7,030,518	1,528,307	(1,708,321)	0	6,850,504
<b>Total capital assets being depreciated</b>	<b>67,736,691</b>	<b>2,452,297</b>	<b>(2,208,370)</b>	<b>429,122</b>	<b>68,409,740</b>
<b>Accumulated depreciation:</b>					
Buildings	(14,019,497)	(1,431,835)	44,218	0	(15,407,114)
Building Improvements	(1,355,146)	(403,905)	36,613	0	(1,722,438)
Computers	(3,246,072)	(351,915)	124,141	0	(3,473,846)
Shelving	(819,487)	(145,480)	0	0	(964,967)
Furniture	(1,162,018)	(249,230)	0	0	(1,411,248)
Equipment and machinery	(2,331,832)	(210,842)	229,361	0	(2,313,313)
Right to use leased assets	0	(117,844)	0	0	(117,844)
Library materials	(2,265,099)	(1,912,704)	1,708,321	0	(2,469,482)
<b>Total accumulated depreciation</b>	<b>(25,199,151)</b>	<b>(4,823,755)</b>	<b>2,142,654</b>	<b>0</b>	<b>(27,880,252)</b>
<b>Total capital assets being depreciated, net</b>	<b>42,537,540</b>	<b>(2,371,458)</b>	<b>(65,716)</b>	<b>429,122</b>	<b>40,529,488</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 50,789,913</b>	<b>\$ 9,097,187</b>	<b>\$ (103,375)</b>	<b>\$ 429,122</b>	<b>\$ 60,212,847</b>

#### 4. Long-Term Debt

##### Certificates of Participation

In 2015, the District issued \$20,655,000 in Certificates of Participation (2015 CoPs) to partially fund the construction of three new libraries. The 2015 CoPs carry an average coupon rate of 2.545 percent. 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, 2022:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	1,385,000	626,625	2,011,625
2024	1,455,000	557,375	2,012,375
2025	1,525,000	484,625	2,009,625
2026	1,600,000	408,375	2,008,375
2027	1,680,000	328,375	2,008,375
2028 - 2030	5,570,000	463,875	6,033,875
	<u>\$13,215,000</u>	<u>\$2,869,250</u>	<u>\$16,084,250</u>

### Lease to Purchase

In 2021, the District entered into a lease to purchase for nineteen self check kiosks for a total purchase price of \$222,863 and a financed cost of \$196,844. Principal and interest payments are due annually in May from 2022 through 2025. In 2022, the District entered into a lease to purchase for 2 servers located at Iron Mountain and Lone Tree library for a total purchase price and finance cost of \$347,310. Principal and interest payments are due monthly from 2022 through 2027.

Annual debt service requirements are as follows as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 132,614	\$ 19,487	\$ 152,101
2024	136,409	13,490	149,899
2025	136,291	7,191	143,482
2026	45,074	1,822	46,896
2027	16,301	156	16,457
	<u>\$ 466,689</u>	<u>\$ 42,146</u>	<u>\$ 508,835</u>

### Leases

In 2022, the District implemented GASB 87 Leases that included the Roxborough Library and a courier truck for a total purchase price of \$429,122 and a financed cost of \$347,310. The District has entered into two lease agreements for library branch space and a courier truck. The District is required to make principal and interest payments through December 2025. The lease liability was valued using discount rates between 1.0% and 4.8%. The rate was determined such as based on the interest rates for similar lengths as disclosed in the Bond Buyer State and Local Government's Series Rates for similar terms as of the date of projected close, plus an additional 200 basis points (2%).

Remaining principal and interest payments on leases are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 108,865	\$ 12,547	\$ 121,412
2024	104,984	7,631	112,615
2025	110,152	2,442	112,594
	<u>\$ 324,001</u>	<u>\$ 22,620</u>	<u>\$ 346,621</u>

### Changes in Long-Term Debt

Changes in the District’s long-term obligations for the year ended December 31, 2022 consisted of the items below:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>1/1/2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2022</u>	<u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 1,373,000	\$ 1,309,768	\$ 1,444,060	\$ 1,238,708	\$ 1,238,708
2015 Certificates of Participation	14,535,000	0	1,320,000	13,215,000	1,385,000
2015 Premium	1,287,825	0	253,799	1,034,026	231,466
Lease to Purchase	196,844	347,310	77,465	466,689	132,614
Leases	0	429,122	105,121	324,001	108,865
<b>Total</b>	<b>\$ 17,392,669</b>	<b>\$ 2,086,200</b>	<b>\$ 3,200,445</b>	<b>\$ 16,278,424</b>	<b>\$ 3,096,653</b>

The general fund is used to liquidate compensated absences.

## 5. Employee Retirement Plans

### Defined Benefit Pension Plan

*Plan description.* Eligible employees of the District are provided with pension benefits through 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](http://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 2.50 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 2.50 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 five years of service credit have 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 two percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two 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 two 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 8.5 percent of their PERA-includable salary.

The employer contribution requirements are summarized in the tables below:

	Rate
Employer Contribution Rate <sup>1</sup>	10.50%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) <sup>1</sup>	(1.02)%
Amount Apportioned to the LGDTF <sup>1</sup>	9.48%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 <sup>1</sup>	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS § 24-51-411 <sup>1</sup>	1.50%
Defined contribution supplement as specified in CRS § 24-51-415 <sup>1</sup>	0.02%
Total Employer Contribution Rate to the LGDTF <sup>1</sup>	13.20%

<sup>1</sup>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 \$1,699,413 for the year ended December 31, 2022.

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

At December 31, 2022, the District reported an asset of \$1,400,685 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to rollforward the total pension liability to December 31, 2021. The District's proportion of the net pension asset was based on District contributions to the LGDTF for the calendar year 2021 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2021, the District's proportion was 1.634 percent, which was a decrease of 0.005 percent from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the District recognized pension expense that was reduced by (\$5,453,342) and reported pension related deferred outflows of resources and deferred inflows of resources related to pensions as shown in the following table:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 68,454	\$ 23,395
Changes of assumptions or other inputs	474,802	0
Net difference between projected and actual earnings on pension plan investments	0	12,116,207
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	76,232
Contributions subsequent to the measurement date	1,699,413	0
Total	<u>\$ 2,242,669</u>	<u>\$ 12,215,834</u>

Contributions subsequent to the measurement date of \$1,699,413 and reported as deferred outflows of resources related to pensions will be recognized as a reduction of the net pension asset in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>		
2023	\$	(2,673,584)
2024		(4,669,212)
2025		(2,927,817)
2026		(1,401,966)
	\$	<u>(11,672,578)</u>

*Actuarial assumptions.* The total pension liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs:

<b>Actuarial Cost Method</b>	<b>Entry Age</b>
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20-11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07, and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06	Financed by the AIR

The total pension liability as of December 31, 2021, includes the anticipated adjustments to contribution rates and the annual increase cap, resulting from the 2020 automatic adjustment provision (AAP) assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The actuarial assumptions used in the December 31, 2020, valuations were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.

- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and 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.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board’s November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

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 nominal rate of return assumption of 7.25 percent.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate was an actuarial valuation performed as of December 31, 2020, and the financial status of the Trust Fund as of the prior measurement date (December 31, 2020). 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 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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 for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial LGDTF's, 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. AIR transfers to the LGDTF's position and the subsequent AIR benefits payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, 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 of 7.25 percent 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, and, therefore, the discount rate is 7.25 percent. 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 or asset to changes in the discount rate.* The table below presents the proportionate share of the net pension liability or asset calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability or asset would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability (asset)	\$ 9,603,919	\$ (1,400,685)	\$(10,605,557)

*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](http://www.copera.org/investments/pera-financial-reports).

### **Other Post-Employment Benefits**

#### **Health Care Trust Fund**

*Plan description.* Eligible employees of the District are provided with other post-employment benefits (OPEB) through the Health Care Trust Fund (HCTF)—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado state law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans; however, the subsidy is not available if only enrolled in the dental and/or vision plan(s).

The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll in the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

*PERA Benefit Structure.* The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$128,765 for the year ended December 31, 2022.

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2022, the District reported a liability of \$1,090,414 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The District’s proportion of the net OPEB liability was based on the District contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the District’s proportion was 0.126 percent, which was an increase of 0.001 percent from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the District recognized reduction of OPEB expense of \$163,005. At December 31, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,662	\$ 258,551
Changes of assumptions or other inputs	22,576	59,149
Net difference between projected and actual earnings on OPEB plan investments	0	67,497
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	85,186
Contributions subsequent to the measurement date	128,765	0
	<u>\$ 153,003</u>	<u>\$ 470,383</u>

The District reported \$128,765 as deferred outflows of resources related to OPEB, which resulted from contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2023. Other amounts

reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31,</u>	
2023	\$ (130,389)
2024	(137,086)
2025	(116,858)
2026	(56,163)
2027	(5,650)
	<u>\$ (446,145)</u>

*Actuarial assumptions.* The total OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

<b>Actuarial cost method</b>	<b>Entry age</b>
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20%-11.30%
Long-term investment rate of return, net of OPEB	
plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.75% in 2021, gradually increasing to 4.50 % in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs

associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

<b>Year</b>	<b>PERACare Medicare Plans</b>	<b>Medicare Part A Premiums</b>
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020 valuation for the State Division, Local Government Division, and Judicial Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the December 31, 2020, valuation for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of these Division Trust Funds participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projections using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Healthy Retiree table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projections using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The actuarial assumptions used in the December 21, 2020, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors were considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and 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.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the more recent reaffirmation of the long-term rate of return, the target asset allocation and

best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives	6.00%	4.70%
<b>Total</b>	<b>100.00%</b>	

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 7.25%.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the health care cost trend rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 1,059,101	\$ 1,090,414	\$ 1,126,689

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2020, and the financial status of the Trust Fund as of the prior measurement date (December 31, 2020). In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.
- 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 3.00 percent.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfer of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF’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 of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate; therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB liability (asset)	\$ 1,266,403	\$ 1,090,414	\$ 940,091

*OPEB plan fiduciary net position.* Detailed information about the HCTF’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](http://www.copera.org/investments/pera-financial-reports).

## 6. 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, 2022, the District has recorded a deferred inflow for property tax revenues to be levied and collected in 2022 of \$32,306,073. 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, 2022, the District has recorded a deferred inflow for pension and OPEB-related liabilities of \$12,215,834 and \$470,383, respectively. 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 and GASB 75.

## **7. Deferred Outflows of Resources**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources until that time.

At December 31, 2022, the District has recorded a deferred outflow for pension and OPEB-related liabilities of \$2,242,669 and \$153,003, respectively. Accordingly, the District has presented these unavailable revenues as a deferred outflow of resources in the balance sheet – governmental fund/statement of net position as prescribed under GASB 68 and GASB 75.

## **8. Fund Balance/Net Position**

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

Amounts reported as nonspendable fund balance at December 31, 2022, include prepaids of \$404,986 considered nonspendable in form and \$20,755 of security deposits required under the provisions of an easement and a lease.

At December 31, 2022, the District reported restricted fund balance of \$1,100,930, which is the emergency reserve as required by Article X, Section 20, of the Colorado Constitution.

Assigned fund balance at December 31, 2022, includes \$3,900,000, which is pursuant to the District's reserve policy to establish reserves to cover first-quarter obligations prior to receipt of property tax revenues, contingencies, and insurance deductibles.

At December 31, 2022, the District reported committed fund balance of \$11,705,373, which is constrained to the specific purpose of the Castle Rock building project by the District's Board of Trustees. This cannot be used for any other purpose unless the Board takes action to remove or change the constraint by the adoption of Board resolutions.

The District reported unassigned fund balance at December 31, 2022, of \$8,599,902.

Net position as reported at December 31, 2022, includes a net investment in capital assets of \$45,173,130. This amount represents the District's investment in capital assets of \$60,212,847, net of the District's remaining obligation under the 2015 CoPs at December 31, 2022, of \$14,249,027, which is net of unamortized premium of \$1,034,026, net of Lease to Purchase of \$466,689, and net of leases of \$324,001.

The Foundation reported net position at December 31, 2022, comprised of unrestricted funds of \$1,621,724.

## **9. 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 workers' compensation insurance. Settled claims have not exceeded coverage for property, liability, or workers' compensation deductibles in the past five fiscal years. In the 2023 Budget, the District has included funds to provide limited medical benefits for volunteers who serve in the District in lieu of workers' compensation for which volunteers are ineligible.

## **10. 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.

## **11. Commitment & Contingencies**

In September 2022, the District signed a lease agreement with MHC Truck Leasing (MHC) to lease two Isuzu courier trucks for a period of five years. The lease calls for a monthly fixed charge of \$1,865 for seventy-two months, a minimum total of \$134,280, at which time the trucks will be returned to MHC. These trucks are expected to be in service in the 1st quarter of 2023.

In December 2022, the District signed a lease modification and extension for the current Facilities shop in Castle Rock, Colorado. This lease will increase the leased space to 3,800 square feet and will cover a period from February 1, 2023 to December 31, 2028. The total rent for the lease term is \$180,240.

# REQUIRED SUPPLEMENTARY INFORMATION



**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**For the Year Ended December 31, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Expenditures</b>				
<b>Current</b>				
<b>Operating</b>				
Salaries and benefits	\$ 17,653,636	\$ 17,653,636	\$ 16,523,332	\$ (1,130,304)
Library materials	4,012,050	4,018,050	3,996,798	(21,252)
Facilities	1,767,312	1,772,712	1,785,765	13,053
Technology and support services	1,748,848	1,748,848	1,395,873	(352,975)
Programs and outreach	1,391,258	1,412,458	1,137,341	(275,117)
District-wide support	1,740,713	1,708,113	1,260,806	(447,307)
<b>Capital Outlay</b>	19,450,500	19,450,500	12,821,756	(6,628,744)
<b>Debt Service</b>	2,012,625	2,012,625	2,225,930	213,305
<b>Total Expenses</b>	<u>49,776,942</u>	<u>49,776,942</u>	<u>41,147,601</u>	<u>(8,629,341)</u>
<b>Program Revenues</b>				
Operating contributions and grants	416,674	416,674	421,593	4,919
Charges for services	554,850	554,850	567,080	12,230
<b>Total Program Revenues</b>	<u>971,524</u>	<u>971,524</u>	<u>988,673</u>	<u>17,149</u>
<b>Net Program Expenses</b>	<u>(48,805,418)</u>	<u>(48,805,418)</u>	<u>(40,158,928)</u>	<u>8,646,490</u>
<b>General Revenues</b>				
Property taxes	32,432,146	32,432,146	32,350,900	(81,246)
Auto ownership taxes	2,894,000	2,894,000	2,894,516	516
Investment earnings	165,000	165,000	521,327	356,327
<b>Total General Revenues</b>	<u>35,491,146</u>	<u>35,491,146</u>	<u>35,766,743</u>	<u>275,597</u>
<b>Other Financing Sources</b>				
Lease income, net	0	0	2,138	2,138
Lease to purchase	0	0	347,310	347,310
Proceeds from lease purchase financing, net	0	0	0	0
Proceeds from sale of capital assets	0	0	0	0
Lease Proceeds	0	0	436,818	436,818
<b>Total Other Financing Sources</b>	<u>0</u>	<u>0</u>	<u>786,266</u>	<u>786,266</u>
<b>Net Change in Fund Balance</b>	<u>(13,314,272)</u>	<u>(13,314,272)</u>	<u>(3,605,919)</u>	<u>9,708,353</u>
<b>Fund Balance, Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>29,297,865</u>	<u>29,297,865</u>
<b>Fund Balance, End of Year</b>	<u>\$ (13,314,272)</u>	<u>\$ (13,314,272)</u>	<u>\$ 25,691,946</u>	<u>\$ 39,006,218</u>

See Note 1 to the Required Supplementary Information.

See the accompanying independent auditor's report.

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

**For the Years Ended December 31,**

	District's proportion (percentage) of the collective net pension liability (asset)	District's proportionate share of the collective pension liability (asset)	Covered payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net pension as a percentage of the total pension liability
<b>2022</b>	1.63%	-\$1,400,686	\$12,279,731	-11%	101.49%
<b>2021</b>	1.64%	\$8,539,635	\$11,664,855	73%	90.88%
<b>2020</b>	1.70%	\$12,441,110	\$11,715,798	106%	86.26%
<b>2019</b>	1.72%	\$21,675,902	\$11,308,418	192%	75.96%
<b>2018</b>	1.80%	\$20,082,094	\$11,800,629	170%	79.37%
<b>2017</b>	1.85%	\$24,917,735	\$11,184,779	223%	73.60%
<b>2016</b>	1.76%	\$19,433,036	\$10,018,742	194%	76.90%
<b>2015</b>	1.76%	\$15,770,396	\$9,641,175	164%	62.80%

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

**For the Years Ended December 31,**

	District's proportion (percentage) of the collective net OPEB liability (asset)	District's proportionate share of the collective OPEB liability (asset)	Covered payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net OPEB as a percentage of the total pension liability
<b>2022</b>	0.13%	\$1,090,415	\$12,279,731	8.88%	39.40%
<b>2021</b>	0.12%	\$1,186,573	\$11,664,855	10.17%	32.78%
<b>2020</b>	0.13%	\$1,464,199	\$11,715,798	12.50%	24.49%
<b>2019</b>	0.13%	\$1,819,124	\$11,308,418	16.09%	17.03%
<b>2018</b>	0.14%	\$1,821,389	\$11,800,629	15.43%	17.53%
<b>2017</b>	0.14%	\$1,836,557	\$11,184,779	16.42%	

See Note 2 to the Required Supplementary Information.

See the accompanying independent auditor's report.

**SCHEDULE OF EMPLOYER’S CONTRIBUTIONS  
TO THE PENSION PLAN  
For the Years Ended December 31,**

	Statutorily required contributions	Contributions in relation to the statutorily required distribution	Contribution deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll
2022	\$ 1,699,413	\$ 1,699,413	\$ -	12,624,049	13.46%
2021	\$ 1,620,924	\$ 1,620,924	\$ -	12,279,731	13.20%
2020	\$ 1,505,196	\$ 1,505,196	\$ -	11,664,855	12.90%
2019	\$ 1,485,563	\$ 1,485,563	\$ -	11,715,798	12.68%
2018	\$ 1,433,907	\$ 1,433,907	\$ -	11,308,418	12.68%
2017	\$ 1,496,320	\$ 1,496,320	\$ -	11,800,629	12.68%
2016	\$ 1,364,600	\$ 1,364,600	\$ -	11,184,779	12.20%
2015	\$ 1,270,376	\$ 1,270,376	\$ -	10,018,742	12.68%

**SCHEDULE OF EMPLOYER’S CONTRIBUTIONS  
TO OPEB  
For the Years Ended December 31,**

	Statutorily required contributions	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll
2022	\$ 128,765	\$ 128,765	\$ -	12,624,049	1.02%
2021	\$ 125,254	\$ 125,254	\$ -	12,279,731	1.02%
2020	\$ 118,982	\$ 118,982	\$ -	11,664,855	1.02%
2019	\$ 119,501	\$ 119,501	\$ -	11,715,798	1.02%
2018	\$ 115,346	\$ 115,346	\$ -	11,308,418	1.02%
2017	\$ 116,056	\$ 116,056	\$ -	11,800,629	0.98%

See Note 2 to the Required Supplementary Information.

See the accompanying independent auditor’s report.

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **December 31, 2022**

#### **1. Stewardship, Compliance, and Accountability**

The District's Board of Trustees holds a public hearing in the fall 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 and OPEB Related Disclosures**

GASB 68 Pension and GASB 75 Other Postemployment Benefits require 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.



# OTHER INFORMATION



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

	2018	2019	2020	2021	2022
<b>Expenditures</b>					
<b>Current</b>					
<b>Operating</b>					
Salaries and benefits	\$ 15,329,173	\$ 15,018,559	\$ 15,243,578	\$ 15,807,234	\$ 16,523,332
Library materials	3,637,645	3,669,890	3,840,904	3,847,342	3,996,798
Facilities	1,584,348	1,810,114	1,527,772	1,673,773	1,785,765
Technology and support services	1,277,527	1,370,079	1,412,851	1,360,864	1,395,873
Programs and outreach	696,395	813,191	503,623	822,131	1,137,341
District-wide support	1,402,729	1,242,742	1,099,971	1,188,083	1,260,806
<b>Capital Outlay</b>	2,853,711	4,511,943	1,214,327	2,046,816	12,821,756
<b>Debt Service</b>	2,011,300	2,012,300	2,012,800	2,013,425	2,225,930
<b>Total Expenses</b>	28,792,828	30,448,818	26,855,826	28,759,668	41,147,601
<b>Program Revenues</b>					
Operating contributions and grants	367,555	400,796	340,873	264,404	421,593
Charges for services	697,870	689,313	410,207	566,869	567,080
<b>Total Program Revenues</b>	1,065,425	1,090,109	751,080	831,273	988,673
<b>Net Program Expenses</b>	(27,727,403)	(29,358,709)	(26,104,746)	27,928,395	(40,158,928)
<b>General Revenues</b>					
Property taxes	25,394,616	25,757,166	28,971,244	29,655,129	32,350,900
Auto ownership taxes	2,693,552	2,512,679	2,529,513	288,807	2,894,516
Investment earnings	552,552	548,596	195,065	38,739	521,327
<b>Total General Revenues</b>	28,640,720	28,818,441	31,695,822	32,582,675	35,766,743
<b>Other Financing Sources</b>					
Lease income, net	262,934	191,914	106,996	108,853	2,138
Lease to purchase	0	0	0	196,844	347,310
Proceeds from lease purchase financing, net	0	0	0	0	0
Proceeds from sale of capital assets	0	0	0	0	0
Lease Proceeds	0	0	0	0	436,818
<b>Total Other Financing Sources</b>	262,934	191,914	106,996	305,697	786,266
<b>Net Change in Fund Balance</b>	1,176,251	(348,354)	5,698,072	4,959,977	(3,605,919)
<b>Fund Balance, Beginning of Year</b>	17,811,919	(18,988,170)	18,639,816	24,337,888	29,297,865
<b>Fund Balance, End of Year</b>	\$ 18,988,170	\$ 18,639,816	\$ 24,337,888	\$ 29,297,865	\$ 25,691,946

**SUMMARY HISTORICAL COMPARISON OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –  
GOVERNMENTAL FUND  
For the Years Ended December 31, 2022**

	<b>Actual</b>			<b>Budget</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Statistics</b>				
Circulation	5,126,841	5,941,127	6,056,477	
Patron visits	862,764	1,158,320	1,326,756	
Building square footage	176,000	177,000	176,000	
Full time equivalent employee headcount	217	233	243	
<b>Revenues</b>				
Property and auto ownership taxes	\$ 31,500,757	\$ 32,543,936	\$ 35,245,416	\$ 34,004,073
Charges for services	410,207	566,869	567,080	514,402
Contributions and grants	340,873	264,404	421,593	305,932
Investment earnings	195,065	38,739	521,327	195,783
<b>Total Revenues</b>	<b>32,446,902</b>	<b>33,413,948</b>	<b>36,755,416</b>	<b>35,020,190</b>
<b>Operating Expenditures</b>				
Salaries, wages and benefits	15,243,578	15,807,234	16,523,332	18,791,174
Library content	3,840,904	3,847,342	3,996,798	3,934,530
Facilities	1,527,772	1,673,773	1,785,765	2,338,387
Technology equipment and services	1,412,851	1,360,864	1,395,873	1,841,551
Programs and outreach	503,623	822,131	1,137,341	1,259,677
District-wide support	1,099,971	1,188,083	1,260,806	1,489,375
Interest and principal payments	2,012,800	2,013,425	2,225,930	2,011,625
Capital expenditures - maintenance	447,318	505,857	1,338,024	632,781
<b>Total Operating Expenditures</b>	<b>26,088,817</b>	<b>27,218,709</b>	<b>29,663,869</b>	<b>32,299,100</b>
<b>Revenues Over (Under) Operating Expenditures</b>	<b>6,358,085</b>	<b>6,195,239</b>	<b>7,091,547</b>	<b>2,721,090</b>
<b>Non-Operating Revenues (Expenditures)</b>				
Lease income, net	106,996	108,853	2,138	0
Lease to purchase	0	196,844	347,310	0
Capital expenditures - improvement	(767,009)	(1,540,959)	(11,483,732)	(13,835,103)
Lease Proceeds	0	0	436,818	0
<b>Total Non-Operating Revenues (Expenditures), net</b>	<b>(660,013)</b>	<b>(1,235,262)</b>	<b>(10,697,466)</b>	<b>(13,835,103)</b>
<b>Total Revenues Over (Under) Total Expenditures</b>	<b>\$ 5,698,072</b>	<b>\$ 4,959,977</b>	<b>\$ (3,605,919)</b>	<b>\$ (11,114,013)</b>

**HISTORY OF ASSESSED VALUATIONS  
(Unaudited)**

<b>Levy / Collection Year</b>	<b>Assessed Valuation</b>	<b>Percent Change</b>	<b>Statutory "Actual" Value</b>
2017/2018	\$ 6,338,899,010	11.48%	\$ 60,820,530,833
2018/2019	\$ 6,438,835,604	1.58%	\$ 62,315,982,391
2019/2020	\$ 7,239,081,296	12.43%	\$ 72,076,633,311
2020/2021	\$ 7,406,236,279	2.31%	\$ 74,185,916,447
2021/2022	\$ 8,065,691,731	8.90%	\$ 81,370,875,194
2022/2023	\$ 8,104,381,140	0.48%	\$ 83,777,072,422

**HISTORY OF MILL LEVIES  
(Unaudited)**

<b>Levy / Collection Year</b>	<b>General Fund</b>	<b>Special Abatement</b>	<b>Total Levy</b>
2017/2018	4.000	0.021	4.021
2018/2019	4.000	0.008	4.008
2019/2020	4.000	0.023	4.023
2020/2021	4.000	0.012	4.012
2021/2022	4.000	0.021	4.021
2022/2023	4.000	0.008	4.008

**PROPERTY TAX COLLECTIONS**  
**(Unaudited)**

<u>Levy / Collection Year</u>	<u>Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Collection Rate</u>
2016/2017	\$ 22,835,676	\$ 22,836,855	100.01%
2017/2018	\$ 25,488,713	\$ 25,488,019	100.00%
2018/2019	\$ 25,806,853	\$ 25,849,883	100.17%
2019/2020	\$ 29,122,824	\$ 29,173,238	100.17%
2020/2021	\$ 29,713,820	\$ 29,901,263	100.63%
2021/2022	\$ 32,432,146	\$ 32,606,739	100.54%

Douglas County Libraries 

**DCL.ORG**