

PUEBLO REGIONAL BUILDING DEPARTMENT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

June 21, 2023

Board of Commission
Pueblo Regional Building Department
Pueblo, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Pueblo Regional Building Department (the Department) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Department, as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Department, 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 Department'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 of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 Department'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 Department'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

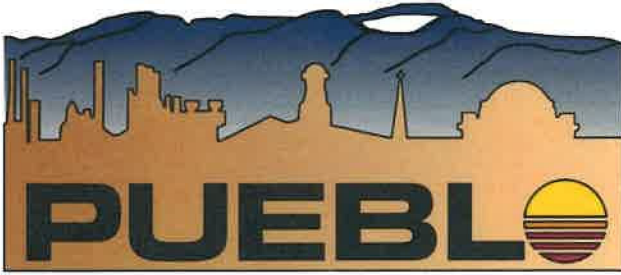
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iii be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Commission
Pueblo Regional Building Department

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Garrett Rott : *DeNardo, Inc.*



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Department's Annual Financial Report presents management's overview and analysis of the Department's financial performance for the fiscal year ended December 31, 2022. The section should be read in conjunction with the financial statements, which are attached.

FINANCIAL HIGHLIGHTS

- The Department's net position on December 31, 2022 totaled \$5,929,640.
- The Department's change in net position for the year ended December 31, 2022 was \$567,090. The Department's change in net position for 2021 was \$64,286, which is a difference of \$502,804.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Department report information about the Department in accordance with accounting principles generally accepted in the United States. These statements offer short and long-term financial information about its activities. The Statement of Net Position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position present information showing how the Department's net position changed during the fiscal year. Revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods, such as earned but unused sick and vacation leave.

The notes to the financial statement provide additional information that is essential to a full understanding of the data provided within the financial statements.

FINANCIAL ANALYSIS

The following is a summary of the Department's net position.

ASSETS	2022	2021	2020
CURRENT ASSETS	\$ 4,304,397.00	\$ 2,775,304.00	\$ 1,790,941.00
NONCURRENT ASSETS	\$ 2,992,669.00	\$ 3,283,428.00	\$ 4,137,535.00
TOTAL ASSETS	\$ 7,297,066.00	\$ 6,058,732.00	\$ 5,928,476.00
LIABILITIES			
CURRENT LIABILITIES	\$ 1,132,540.00	\$ 568,709.00	\$ 419,649.00
LONG TERM LIABILITIES	\$ 107,105.00	\$ 127,473.00	\$ 140,563.00
TOTAL LIABILITIES	\$ 1,239,645.00	\$ 696,182.00	\$ 560,212.00
DEFERRED INFLOWS OF RESOURCES	\$ 127,781.00	\$ 56,952.00	\$ -
NET POSITION			
INVESTED IN CAPITAL ASSETS	\$ 1,615,751.00	\$ 1,649,814.00	\$ 1,722,318.00
UNRESTRICTED	\$ 4,313,889.00	\$ 3,712,736.00	\$ 3,575,946.00
	\$ 5,929,640.00	\$ 5,362,550.00	\$ 5,298,264.00

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

In comparison to 2021, our operating income for 2022 decreased \$538,599.00. In 2022, the Department experienced an increase in both operating revenue and expenses over 2021 and 2020.

	2022	2021	2020
OPERATING REVENUE	4,064,661.00	4,164,092.00	\$ 2,954,981.00
OPERATING EXPENSES	3,594,530.00	3,155,362.00	\$ 2,966,517.00
OPERATING INCOME/(LOSS)	\$ 470,131.00	\$ 1,008,730.00	\$ (11,536.00)
NONOPERATING REVENUE/(EXPENSES)	96,959.00	(944,441.00)	\$ 134,370.00
CHANGES IN NET POSITION	567,090.00	64,286.00	\$ 122,834.00
SALARIES AND BENEFITS			
	2022	2021	2020
SALARIES AND BENEFITS	\$ 2,859,729.00	\$ 2,634,653.00	\$ 2,539,400.00
DEPRECIATION	\$ 133,923.00	\$ 121,704.00	\$ 99,983.00
ALL OTHER	\$ 600,878.00	\$ 399,008.00	\$ 396,418.00
TOTAL OPERATING EXPENSES	\$ 3,594,530.00	\$ 3,155,365.00	\$ 3,035,801.00

- Salaries and benefit increases were due to a Commission approved salary increase, hiring additional full-time staff and continuing to use temporary staff as needed.

- Included in nonoperating expenses in '21 is a nonrecurring \$1,000,000 relating to an intergovernmental agreement between the City and the County for the Pueblo Means Business project.

Overall expenses for 2022 increased by \$439,165.00 compared to 2021.

BUDGETARY HIGHLIGHTS

The Department's budget is prepared according to Colorado Law. For 2022, the Commission appropriated \$4,004,167.

	Final Budget	Actual on Budget Basis
Revenue	\$4,004,167	\$4,189,084
Expenses	\$3,921,167	\$3,563,517

CAPITAL ASSETS

The Department's investment in capital assets at December 31, 2022 amounted to \$1,615,751, which is net of accumulated depreciation. Capital assets consist mainly of the Department's office facility and vehicles used in the Department's operations. Capital assets decreased by (\$34,063) in 2022 while 2021 reflects a decrease in capital assets of (\$72,504). Capital asset additions totaled \$170,643 during 2022, while net disposals totaled (\$116,135). Capital asset additions for 2021 were \$156,984 while net disposals were (\$136,094). Depreciation expense for 2022 was \$133,923 and \$121,704 for 2021.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic factors in the area continue to be somewhat decreasing due to the higher interest rates for 2023. We expect the number of housing permits to be lower than the 2022 total of 489. We believe the commercial and industrial projects will remain comparable with 2022. We anticipate interest rates to increase in 2023.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Department's finances for all those who have an interest in the Department's finances. Questions concerning any of the information presented in the report or requests for additional financial information should be addressed to the Building Official; 830 N. Main St., Suite 100, Pueblo, CO 81003.

BASIC FINANCIAL STATEMENTS

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 118,180	\$ 496,214
Certificates of deposit	-	500,000
Accounts receivable	30,576	-
Investments	4,146,098	1,776,457
Prepaid expenses and other assets	9,543	2,633
TOTAL CURRENT ASSETS	4,304,397	2,775,304
NONCURRENT ASSETS		
Investments	1,249,137	1,633,614
Lease receivable	127,781	56,952
Capital assets -		
Land	158,324	158,324
Buildings and improvements	1,586,217	1,577,354
Vehicles	427,593	381,966
Furniture and fixtures	48,455	48,455
Equipment	83,746	83,746
Accumulated depreciation	(688,584)	(600,031)
Total Capital Assets	1,615,751	1,649,814
TOTAL NONCURRENT ASSETS	2,992,669	3,340,380
TOTAL ASSETS	7,297,066	6,115,684
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	8,383	39,291
Permit escrow	137,812	145,586
Unearned revenue	835,617	250,425
Accrued compensated absences	150,728	133,407
TOTAL CURRENT LIABILITIES	1,132,540	568,709
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	107,105	127,473
TOTAL LIABILITIES	1,239,645	696,182
DEFERRED INFLOWS OF RESOURCES	127,781	56,952
NET POSITION		
Net investment in capital assets	1,615,751	1,649,814
Unrestricted	4,313,889	3,712,736
TOTAL NET POSITION	\$ 5,929,640	\$ 5,362,550

The accompanying notes are an integral part of these statements.

PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Licenses and permits	\$ 4,017,165	\$ 4,161,564
Contract services	45,835	-
Code book sales	<u>1,661</u>	<u>2,528</u>
TOTAL OPERATING REVENUES	<u>4,064,661</u>	<u>4,164,092</u>
OPERATING EXPENSES		
Salaries	2,192,591	1,963,264
Employee benefits	641,235	647,966
Depreciation expense	133,923	121,704
Other	<u>626,781</u>	<u>422,431</u>
TOTAL OPERATING EXPENSES	<u>3,594,530</u>	<u>3,155,365</u>
OPERATING INCOME (LOSS)	<u>470,131</u>	<u>1,008,727</u>
NONOPERATING REVENUES (EXPENSES)		
Investment revenue (loss)	(1,206)	535
Intergovernmental revenue	38,705	-
Rental and other revenue	59,460	55,024
Contribution to Pueblo County	<u>-</u>	<u>(1,000,000)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>96,959</u>	<u>(944,441)</u>
CHANGE IN NET POSITION	567,090	64,286
NET POSITION, January 1	<u>5,362,550</u>	<u>5,298,264</u>
NET POSITION, December 31	<u>\$ 5,929,640</u>	<u>\$ 5,362,550</u>

The accompanying notes are an integral part of these statements.

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,611,503	\$ 4,276,337
Cash paid to suppliers for goods and services	(1,305,834)	(1,042,372)
Cash payments to employees for services	(2,195,638)	(1,960,380)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	1,110,031	1,273,585
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(99,863)	(49,200)
Capital contribution paid to Pueblo County	-	(1,000,000)
NET CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(99,863)	(1,049,200)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	43,178	25,856
Rents and other revenue received	59,460	55,024
Maturity of certificates of deposit and investments	4,328,792	3,655,245
Purchase of certificates of deposit and investments	(5,858,337)	(3,926,359)
NET CASH FLOWS PROVIDED (USED) FROM INVESTING ACTIVITIES	(1,426,907)	(190,234)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Operating grants	38,705	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(378,034)	34,151
CASH AND CASH EQUIVALENTS, January 1	496,214	462,063
CASH AND CASH EQUIVALENTS, December 31	\$ 118,180	\$ 496,214
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 470,131	\$ 1,008,727
Adjustments to reconcile operating income to net cash flows from operating activities -		
Depreciation	133,923	121,704
Change in assets and liabilities -		
Accounts and other receivables	(30,576)	-
Prepaid expenses	(6,910)	7,184
Accounts payable	(30,908)	20,841
Permit escrow	(7,774)	56,150
Unearned revenue	585,192	56,095
Accrued compensated absences	(3,047)	2,884
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	\$ 1,110,031	\$ 1,273,585
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	\$ (45,690)	\$ (27,465)
Net book value of vehicles traded in	\$ 70,783	\$ 107,784

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pueblo Regional Building Department (the Department) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles. The significant accounting principles and policies utilized by the Department are described below:

A. REPORTING ENTITY

The Department was created as a joint venture of the City of Pueblo, Colorado and the County of Pueblo, Colorado. The Department's purpose is to promote the public health, safety, and welfare of the region through the enforcement of building codes and licensing of contractors. The governing body of the Department consists of nine members, of whom three members are appointed by City Council, three members are appointed by the County Commissioners, and another member is jointly appointed by the City and the County. The remaining two members consist of a City council person and a County commissioner.

In evaluating how to define the entity for financial reporting purposes, management considered whether the Department is a component unit of another primary government and also considered all potential component units of the Department. The Department's financial statements include the financial position and results of operations of the Department. Management has determined the Department should not be considered a part of any unit of local government for reporting purposes because (1) the Department has separate legal standing from all other units of government, (2) no primary government appoints the voting majority of the Department's governing body, (3) the Department is fiscally independent of all other units of local government, and (4) the financial statements of other units of local government would not be misleading without the inclusion of the Department's financial statements. In addition, a review of other units of local government, using the criteria set forth in GAAP, indicates there are no additional entities or funds for which the Department has reporting responsibilities.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The term measurement focus is used to denote what is being measured and reported in the Department's operating statement. The Department uses the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Department is better or worse economically as a result of events and transactions of the period.

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

The Department is a single enterprise proprietary fund that uses the accrual basis of accounting. Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprises in which a periodic determination of revenues earned, expenses incurred and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Under this method, revenues are recorded when earned and expenses are recognized as soon as they result in liabilities for the benefits provided.

Established standards for external financial reporting for all state and local governmental entities includes presentation of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. If applicable, net position is classified into three components –net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. BUDGET

An annual budget is prepared by the Department and approved by the governing body generally in November of each year. The budget is prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The legal level of control for expenditures is at the total level, which is to say any modifications which change the budget in total requires the approval of the governing body.

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include cash on hand and demand deposits.

Investments consist of U.S. Treasury notes, U.S. Treasury bills, U.S. agency securities and money market mutual funds and are stated at fair value. The certificates of deposit are stated at cost.

E. PREPAID EXPENSES

Prepaid expenses consist of normal operating expenses for which payment is due in advance and is expensed when the benefit is received.

F. CAPITAL ASSETS

Property and equipment are stated at cost or estimated historical cost, net of accumulated depreciation. Donated assets are valued at their acquired value on the date received. The Department has established a capitalization level of \$5,000 which is used so as to maintain a balance between accountability and managing the costs of recording and tracking capital assets. Depreciation is computed on the straight-line method over the estimated useful lives as follows:

Buildings	15-40 years
Building improvements	7-30 years
Vehicles	5 years
Furniture and fixtures	3-10 years
Equipment	5-10 years

Maintenance and repairs are charged to operations while renewals and betterments are capitalized. Net interest costs during construction periods are capitalized for assets acquired upon the issuance of long-term debt.

G. COMPENSATED ABSENCES

It is the Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits up to predetermined maximums. Employees are paid various amounts of their total accrued leave upon termination or retirement. All vacation and sick pay benefits are accrued when earned up to the predetermined maximums.

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

H. OPERATING REVENUES AND EXPENSES

The Department distinguishes between operating and nonoperating revenues in the statements of revenues, expenses and changes in net position. For this purpose, revenues generated by charges to customers for licenses and permits, code book sales and other charges for services are reported as operating revenues, while operating expenses principally include administrative costs and depreciation on capital assets. Nonoperating revenues represent investing and financing transactions and include interest, rents and other revenue, if applicable.

I. STATEMENTS OF CASH FLOWS

For purposes of the statements of cash flows, the Department considers cash on hand and demand deposits to be cash equivalents.

J. COMPARATIVE DATA

Comparative data as of and for the year ended December 31, 2021 has been presented to provide an understanding of the changes in financial position and operations.

NOTE 2 – CASH, CASH EQUIVALENTS, CERTIFICATES OF DEPOSIT AND INVESTMENTS

Cash, cash equivalents, certificates of deposit and investments are summarized as follows:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Cash on hand	\$ 650	\$ 650
Demand deposits	<u>117,530</u>	<u>495,564</u>
	<u>\$ 118,180</u>	<u>\$ 496,214</u>
Certificates of deposit	<u>\$ -</u>	<u>\$ 500,000</u>
U.S. Treasury bills and notes	\$ 4,362,019	\$ 3,039,582
Money market mutual funds	<u>1,033,216</u>	<u>370,489</u>
	<u>\$ 5,395,235</u>	<u>\$ 3,410,071</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – CASH, CASH EQUIVALENTS, CERTIFICATES OF DEPOSIT AND INVESTMENTS (Cont'd.)

DEPOSITS

At December 31, 2022, the carrying value of the Department’s deposits was \$117,530 and the bank balance was \$162,668. The bank balance was fully covered by federal depository insurance and therefore was not collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must be equal to at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the Department’s deposits may not be returned to it. The Department does not have a policy for custodial credit risk. At December 31, 2022, all deposits were insured, however if any bank balances had exceeded the FDIC limited are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution’s agent but not in the Department's name.

INVESTMENTS

The Department is subject to Colorado Revised Statute 24-75-601 which is entitled “concerning investment in securities by public entities”. This statute, among other things, outlines the type of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers’ acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts, and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period.

As of December 31, 2022, the Department had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less Than 1</u>	<u>1-5</u>
U.S. Treasury bills and notes	\$ 4,362,019	\$ 3,112,882	\$ 1,249,137
Money market mutual funds	1,033,216	1,033,216	-
	<u>\$ 5,395,235</u>	<u>\$ 4,146,098</u>	<u>\$ 1,249,137</u>

Interest Rate Risk – The Department does not have a formal policy that is more restrictive than state law that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 – CASH, CASH EQUIVALENTS, CERTIFICATES OF DEPOSIT AND INVESTMENTS (Cont'd.)

Credit Risk – The Department’s investment policies relative to investment choices provides that the Department may invest in U.S. treasury securities, U.S. agency securities, money market mutual funds, banker’s acceptances, commercial paper and repurchase agreements. At December 31, 2022 the Department’s investment in money market mutual funds generally were rated AAA by Moody’s and Standard and Poor’s and the Department’s U.S. agency securities were rated at Aaa by Moody's and AA+ by Standard and Poor's.

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The Department has the following recurring fair value measurements as of December 31, 2022:

- U.S. Treasury securities are valued based on quoted prices in active markets for identical assets (level 1 inputs).
- The money market mutual funds are not subject to the fair value hierarchy under generally accepted accounting principles.

NOTE 3 – LEASES RECEIVABLE

The Department is reporting leases receivable of \$127,781 at December 31, 2022. For 2022, the Department reported lease revenue of \$42,156 and interest revenue of \$6,996 related to lease payments received. These leases are summarized as follows:

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
YWCA	\$ 37,764	\$ 20,094	\$ 2,412
State of CO – CSU	90,017	22,062	4,584
Total	\$ 127,781	\$ 42,156	\$ 6,996

YWCA Lease - On October 29, 2021, the Department entered into a three-year lease agreement with the Young Women’s Christian Association of Pueblo for the lease of real property that is part of the Department’s main operations building. Based on this agreement, the Department is receiving monthly payments of \$1,800 through October, 2024. There are no renewal options included in this lease agreement.

CSU Lease - On September 17, 2021, the Department entered into a five-year lease agreement beginning on January 1, 2022 with the State of Colorado Board of Governors of the Colorado State University System for the lease of real property that is part of the Department’s main operations building. Based on this agreement, the Department is receiving monthly payments of \$2,073 through December 31, 2026. There are no renewal options included in this lease agreement.

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – LEASES RECEIVABLE (Cont'd.)

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 46,476
2024	42,876
2025	24,876
2026	<u>24,876</u>
Total	<u>\$ 139,104</u>

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets during 2022 and 2021 is as follows:

	Balance January 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2022</u>
Depreciable capital assets –				
Buildings and improvements	\$ 1,577,354	\$ 8,863	\$ -	\$ 1,586,217
Vehicles	381,966	161,780	(116,153)	427,593
Furniture and fixtures	48,455	-	-	48,455
Equipment	<u>83,746</u>	<u>-</u>	<u>-</u>	<u>83,746</u>
Total depreciable capital assets	<u>2,091,521</u>	<u>170,643</u>	<u>(116,153)</u>	<u>2,146,011</u>
Accumulated depreciation –				
Buildings and improvements	(373,025)	(54,237)	-	(427,262)
Vehicles	(100,017)	(78,645)	45,370	(133,292)
Furniture and fixtures	(48,455)	-	-	(48,455)
Equipment	<u>(78,534)</u>	<u>(1,041)</u>	<u>-</u>	<u>(79,575)</u>
Total accumulated depreciation	<u>(600,031)</u>	<u>(133,923)</u>	<u>45,370</u>	<u>(688,584)</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,491,490</u>	<u>36,720</u>	<u>(70,783)</u>	<u>1,457,427</u>
Non-depreciable assets – Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,649,814</u>	<u>\$ 36,720</u>	<u>\$ (70,783)</u>	<u>\$ 1,615,751</u>

