



**Financial Statements**  
**For the Year Ended December 31, 2023**  
**With Independent Auditors' Report**

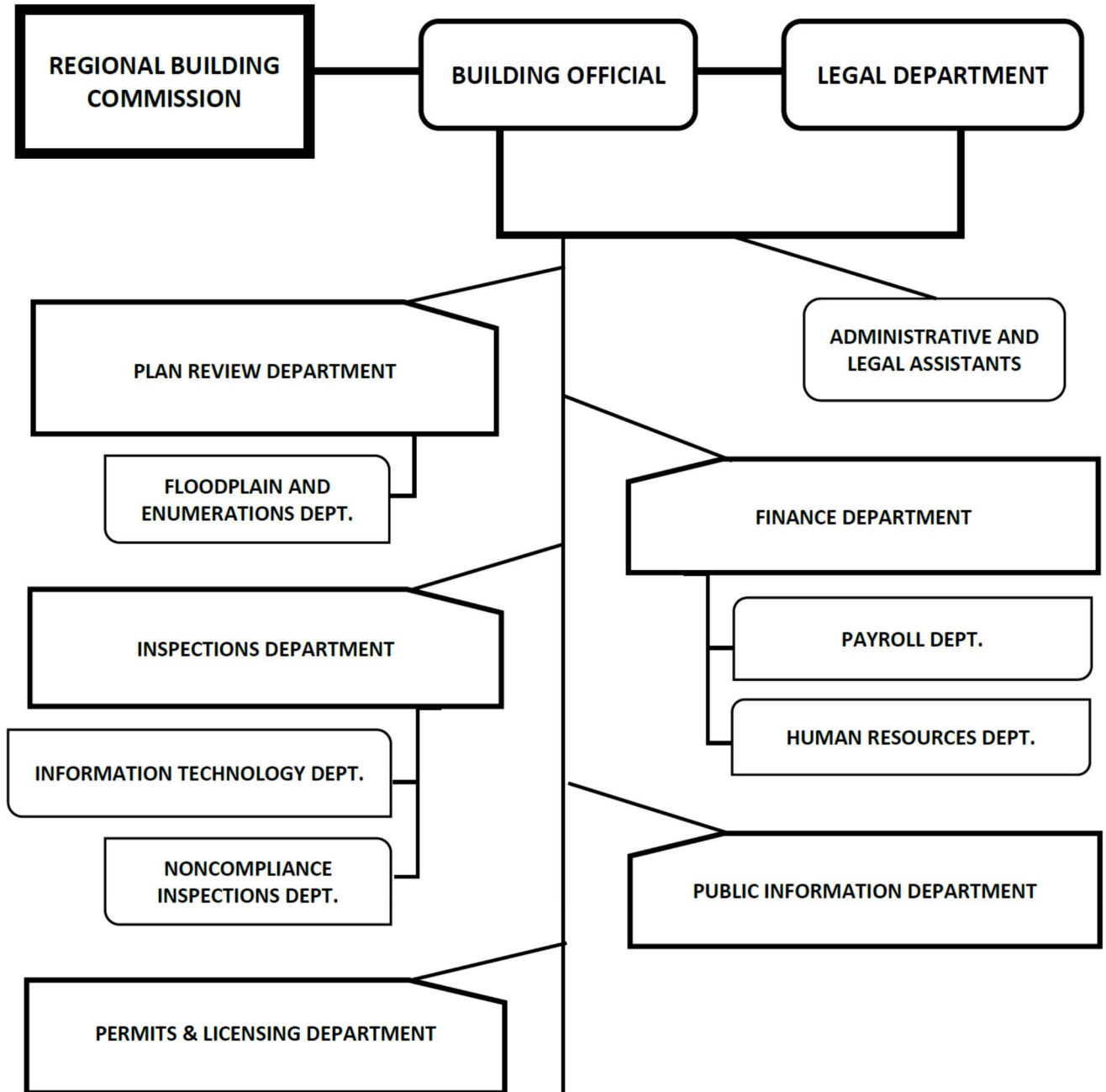
*Ensuring life safety and welfare of our community through efficient and consistent application of adopted codes and standards.*

# Serving the Communities of



*Ensuring life safety and welfare of our community through efficient and consistent application of adopted codes and standards.*

# Organizational Chart



# PIKES PEAK REGIONAL BUILDING DEPARTMENT

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## INDEPENDENT AUDITORS' REPORT

Pikes Peak Regional Building Commission and Advisory Board Members  
Pikes Peak Regional Building Department

### Opinion

We have audited the accompanying financial statements of Pikes Peak Regional Building Department (the Department) as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Department's basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2023, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 within one year after the date that the financial statements are available to be issued.

### Auditors' Responsibility 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

### **Report on Required Supplemental Information**

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

*Stockman Kast Ryan + Co. LLP*

June 17, 2024

# PIKES PEAK REGIONAL BUILDING DEPARTMENT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of the Pikes Peak Regional Building Department (Department) financial performance provide an overview of the financial activities of the Department for the year ended December 31, 2022. This information contained in this discussion should be considered in conjunction with the financial statements, notes and supplemental information to the Department's financial statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of: Statement of Net Position, Statement of Activities and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. This report also contains other supplemental information to the basic financial statements themselves.

The **Statement of Net Position** provides information about the Department's assets and liabilities with the difference being net position. Over time, increases or 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 Activities and Changes in Net Position** provides information about Operating Revenue, Operating Expenses, Non-Operating Revenue and Expense of the Department with the change in Net Position.

The **Statement of Cash Flows** provides and analysis about the sources and uses of Department cash during the year.

The **Notes to the Financial Statements** provide additional, required disclosures about the Department, its accounting policies and practices, its financial position and operating activities and other required information. The information in these notes is essential to a full understanding of the other information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budget revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, there will be a comparison of the originally approved budget with the final amended budget.

### FINANCIAL HIGHLIGHTS

- Total Revenues decreased by \$580,914 due to a decrease in the number of new single family permits and fees.
- Total Expenditures increased by \$2,214,777 due to increased pension expense.
- Net Position has increased by \$1,590,682 to \$27,989,547 in 2023 due to a decrease in capital expenditures.

## SUMMARY OF NET POSITION

As shown in the chart below, assets and deferred outflows exceed liabilities and deferred inflows by \$27,989,547.

<b>ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b>2022</b>	<b>2023</b>	<b>Change</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,186,390	\$ 20,181,535	\$ 1,995,145
Other current assets	435,319	312,949	(122,370)
Restricted assets	3,602,545	3,795,064	192,519
Non current asset	1,139,301	-	(1,139,301)
Capital assets	13,198,133	12,641,601	(556,532)
Total assets	<u>36,561,688</u>	<u>36,931,149</u>	<u>369,461</u>
DEFERRED OUTFLOW OF RESOURCES	<u>2,676,790</u>	<u>7,357,481</u>	<u>4,680,691</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities	1,759,989	1,680,751	(79,238)
Long-term liabilities	890,752	14,228,037	13,337,285
Total liabilities	<u>2,650,741</u>	<u>15,908,788</u>	<u>13,258,047</u>
DEFERRED INFLOW OF RESOURCES	<u>10,188,872</u>	<u>390,295</u>	<u>(9,798,577)</u>
<b>NET POSITION</b>			
Net investment in capital assets	13,198,133	12,641,601	(556,532)
Restricted	3,602,545	3,795,064	192,519
Unrestricted	9,598,187	11,552,882	1,954,695
Total net position	<u>\$ 26,398,865</u>	<u>\$ 27,989,547</u>	<u>\$ 1,590,682</u>

## SUMMARY OF REVENUE AND EXPENSES

For the year ended December 31, 2023, revenues exceed expenditures by \$1,590,682. Revenues decreased from the prior year by \$580,914. Expenditures increased over the prior year by \$2,214,777.

	2022	2023	Change
REVENUES			
Program revenues	\$ 20,317,124	\$ 19,657,874	\$ (659,250)
Non-operating revenues	847,097	925,433	78,336
Total revenues	<u>21,164,221</u>	<u>20,583,307</u>	<u>(580,914)</u>
EXPENSES			
Operating expenses	16,777,848	18,989,034	2,211,186
Non-operating expenses	-	3,591	3,591
Total expenses	<u>16,777,848</u>	<u>18,992,625</u>	<u>2,214,777</u>
CHANGE IN NET POSITION	<u>4,386,373</u>	<u>1,590,682</u>	<u>(2,795,691)</u>
NET POSITION, Beginning of year	<u>22,012,492</u>	<u>26,398,865</u>	<u>4,386,373</u>
NET POSITION, End of year	<u>\$ 26,398,865</u>	<u>\$ 27,989,547</u>	<u>\$ 1,590,682</u>

## SUMMARY OF STATEMENT OF CASH FLOWS

During the year cash increased \$2,187,664 due to cash provided by operating activities.

	2022	2023	Change
Net cash (used) provided by operating activities	\$ (24,798)	\$ 1,716,835	\$ 1,741,633
Net cash (used) in capital and related financing activities	(860,756)	(269,773)	590,983
Net cash provided by non-capital financing activities	334,208	379,610	45,402
Net cash provided by investing activities	<u>122,216</u>	<u>360,992</u>	<u>238,776</u>
Net decrease in cash and cash equivalents	(429,130)	2,187,664	2,616,794
Cash and cash equivalents, Beginning of year	<u>22,218,065</u>	<u>21,788,935</u>	<u>(429,130)</u>
Cash and cash equivalents, End of year	<u>\$ 21,788,935</u>	<u>\$ 23,976,599</u>	<u>\$ 2,187,664</u>

## CAPITAL ASSETS

The Department's investment in capital assets as of December 31, 2023 totaled \$12,641,601 (net of accumulated depreciation). This investment in capital assets includes furniture, equipment, leasehold improvements, land and a building. For more detailed information on fixed assets, see notes to the financial statements.

## **FUTURE ECONOMIC CONDITIONS**

The economy for the El Paso County region continues to look strong. Single family housing permits remain steady month-over-month and multi-family housing is staying strong throughout 2024. Commercial construction has many large projects that were expected to be coming throughout 2024.

## **REQUESTS FOR INFORMATION**

The financial report is designed to provide a general overview of Pikes Peak Regional Building Department's finances for those interested. Requests for additional information or questions should be addressed to Regional Building Department, Finance Department, 2880 International Circle, Colorado Springs, CO 80910.

# PIKES PEAK REGIONAL BUILDING DEPARTMENT

## STATEMENT OF NET POSITION

DECEMBER 31, 2023

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### ASSETS AND DEFERRED OUTFLOW OF RESOURCES

#### CURRENT ASSETS

Cash and cash equivalents	\$ 20,181,535
Accounts receivable	81,027
Notes receivable, current portion	57,590
Prepaid expenses	164,877
Inventories	9,455
	<hr/>
Total current assets	20,494,484

#### RESTRICTED ASSETS

Cash for insurance reserve	280,576
Cash for capital reserve	3,280,776
Cash for dangerous building fund	233,712
	<hr/>
Total restricted assets	3,795,064

#### NONCURRENT ASSETS

Capital assets, net	12,641,601
	<hr/>
Total non current assets	12,641,601

#### DEFERRED OUTFLOW OF RESOURCES

Related to pensions	7,016,511
Related to OPEB	340,970
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Total deferred outflow of resources	7,357,481

TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<hr/> <hr/> <u>\$ 44,288,630</u>
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(Continued)

# PIKES PEAK REGIONAL BUILDING DEPARTMENT

## STATEMENT OF NET POSITION

DECEMBER 31, 2023

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### LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

#### CURRENT LIABILITIES

Accounts payable	\$ 99,940
Accrued salaries and benefits	1,102,873
Use tax payable	220,149
Other accrued liabilities	<u>257,789</u>
Total current liabilities	<u>1,680,751</u>

#### LONG TERM LIABILITIES

Net pension liability	13,271,686
Net OPEB liability	871,737
Subscription based IT arrangements liability	<u>84,614</u>
Total long term liabilities	<u>14,228,037</u>

Total liabilities	<u>15,908,788</u>
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#### DEFERRED INFLOW OF RESOURCES

Related to pensions	83,264
Related to OPEB	<u>307,031</u>
Total deferred inflow of resources	<u>390,295</u>

#### NET POSITION

Net investment in capital assets	<u>12,641,601</u>
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#### Restricted:

Self-insurance reserve	280,576
Capital reserve	3,280,776
Dangerould building fund	<u>233,712</u>

Total restricted	<u>3,795,064</u>
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Unrestricted	<u>11,552,882</u>
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Total net position	<u>27,989,547</u>
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TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u>\$ 44,288,630</u>
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See notes to financial statements.

(Concluded)

## PIKES PEAK REGIONAL BUILDING DEPARTMENT

### STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2023

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#### OPERATING REVENUE

##### Charges for services:

Permits	\$ 15,194,038
Fees	4,428,613
Code sales	35,223

Total operating revenue 19,657,874

#### OPERATING EXPENSES

Wages and employee benefits	14,891,071
Administrative and operating expenses	3,086,826
Depreciation	1,011,137

Total operating expenses 18,989,034

OPERATING INCOME 668,840

#### NON-OPERATING REVENUE (EXPENSE)

Gain on disposal of assets	184,831
Interest income	360,992
Miscellaneous income	379,610
Interest expense	(3,591)

Total non-operating revenue 921,842

CHANGE IN NET POSITION 1,590,682

NET POSITION, Beginning of year 26,398,865

NET POSITION, End of year \$ 27,989,547

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See notes to financial statements.

## PIKES PEAK REGIONAL BUILDING DEPARTMENT

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

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OPERATING ACTIVITIES	
Receipts from customers	\$ 19,793,162
Payments to suppliers	(3,023,879)
Payments to employees	<u>(15,052,448)</u>
Net cash provided by operating activities	<u>1,716,835</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital outlay	(751,881)
Proceeds from sale of capital assets	<u>482,108</u>
Net cash used in capital and related financing activities	<u>(269,773)</u>
NON-CAPITAL FINANCING ACTIVITIES	
Net cash provided by non-capital financing activities - Miscellaneous income	<u>379,610</u>
INVESTING ACTIVITIES	
Net cash provided by investing activities - Interest income	<u>360,992</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,187,664
CASH AND CASH EQUIVALENTS, Beginning of year	<u>21,788,935</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 23,976,599</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 20,181,535
Cash for insurance reserve	280,576
Cash for capital reserve	3,280,776
Cash for dangerous building fund	<u>233,712</u>
Total	<u>\$ 23,976,599</u>

(Continued)

## PIKES PEAK REGIONAL BUILDING DEPARTMENT

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

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RECONCILIATION OF OPERATING INCOME TO NET	
CASH USED IN OPERATING ACTIVITIES	
Operating Income	\$ 668,840
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	1,011,137
Interest expense	(3,591)
Decrease (increase) in assets and outflow of resources	
Accounts receivable	55,288
Notes receivable	80,000
Inventories	369
Prepaid expenses	(13,287)
Pension asset	1,139,301
Deferred outflow of resources - pensions	(4,648,669)
Deferred outflow of resources - OPEB	(32,022)
Increase (decrease) in liabilities and inflow of resources	
Accounts payable	(15,513)
Use tax payable	10,355
Accrued salaries & benefits	(23,445)
Other accrued liabilities	(50,636)
Pension liability	13,271,686
OPEB liability	(19,015)
Subscription based information technology arrangements liability	84,614
Deferred inflow of resources - pensions	(9,790,942)
Deferred inflow of resources - OPEB	(7,635)
Net cash used in operating activities	<u>\$ 1,716,835</u>

See notes to financial statements.

(Concluded)

# PIKES PEAK REGIONAL BUILDING DEPARTMENT

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Reporting Entity** — Pikes Peak Regional Building Department (the Department) was established to perform inspections, issue licenses, review plans and regulate certain construction consulting and construction work, which requires license(s) and/or registration(s) in the City of Colorado Springs, most of El Paso County and other jurisdictions which have authority to adopt, implement and enforce building codes. The uniformity in building codes, review of plans, inspections and overall regional implementation and enforcement of the building codes was established jointly by the City of Colorado Springs and El Paso County and subsequently joined by the City of Fountain, the City of Manitou Springs, the Town of Green Mountain Falls, the Town of Monument, and the Town of Palmer Lake. Further, Pikes Peak Regional Building Department also services the City of Woodland Park, in Teller County, which is directly to the west of El Paso County.

The Department does not exercise any power over any other entity and is considered a sole reporting entity. The Department has no component units as defined by the Governmental Accounting Standards Board (GASB).

**Basis of Accounting** — The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of GASB. The financial statements have been prepared on the accrual basis of accounting using the economic resource measurement focus. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business enterprise: (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Net Position** — The Department's net position is classified in the following three components:

- **Net Investment in Capital Assets** — This component consists of capital assets, net of accumulated depreciation.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted** — This component consists of the net amount of assets, deferred outflows

of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

**Budgets** — Prior to October 15, the Department is required to submit to the Advisory Board and the Building Commission Board a budget for the fiscal year commencing the following January 1. The operating budget includes estimated revenues and expenditures, as well as recommendations regarding other financial matters. Once it has been approved by the Advisory Board and the Building Commission Board, the budget is presented to the City of Colorado Springs and the Board of County Commissioners of the County El Paso, Colorado for final approval.

**Cash and Cash Equivalents** — All short-term liquid investments are considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

**Capital Assets** — Capital assets are recorded at cost and capitalized if over \$5,000 and have a useful life of one year or more and are depreciated using the straight-line method over estimated useful lives from three to forty years.

**Accounts Receivable** — The Department's accounts receivable consists primarily of amounts due from elevator inspections. Management has determined all receivables are considered collectible and no allowance for doubtful account is deemed necessary.

**Inventories** — Inventories are stated at the lower of cost or net realizable value, principally on a first-in, first-out basis. Inventories consist of code books.

**Subscription-Based Information Technology Arrangements** — A Subscription-Based Information Technology Arrangement is a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability.

**Compensated Absences** — Employees of the Department earn a vested right to compensation for unused vacation and sick time. Accordingly, the Department has made an accrual for vacation and sick compensation that employees have earned but not taken.

**Operating Revenue and Expenses** — Operating revenue and expenses are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**Change in Accounting Principle** — In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to (1) define a subscription-based information technology arrangement (SBITA); (2) establish that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The Department adopted this new standard for the year ended December 31, 2023.

Adoption of the standard required the Department to recognize right-to-use subscription asset and corresponding liability. The adoption had no material impact on the statement of revenues, expenses and changes in net position.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**Subsequent Events** — The Department has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

## 2. DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA. PDPA allows the financial institution to create a single collateral pool for uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

As of December 31, 2023, the Department's deposits had a bank balance of \$16,930,712, of which \$500,000 was covered by federal depository insurance. The remainder of the bank balance of \$16,430,712, as of December 31, 2023, was collateralized with securities held by the pledging financial institutions and covered by eligible collateral as determined by PDPA.

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. At December 31, 2023, the Department had deposits with COLOTRUST of \$7,095,111. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investment owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

**Fair Value Measurements** — 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 and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest level to unobservable inputs (Level 3) as follows:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted market prices.

Level 3: Valuation derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. COLTRUST deposits are measured at fair value using NAV.

### CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 is as follows:

	Beginning Balance	Increase*	Decrease*	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,154,000	\$ -	\$ -	\$ 4,154,000
Total capital assets not being depreciated	4,154,000	-	-	4,154,000
Capital assets being depreciated:				
Building and improvements	9,225,971	-	-	9,225,971
Vehicles	3,321,446	597,800	(692,766)	3,226,480
Furniture, fixtures and equipment	1,314,868	40,905	-	1,355,773
Subscription assets	-	113,176	-	113,176
Total assets being depreciated	13,862,285	751,881	(692,766)	13,921,400
Less accumulated depreciation and amortization	(4,818,152)	(1,011,137)	395,490	(5,433,799)
Net capital assets	\$13,198,133	\$ (259,256)	\$ (297,276)	\$12,641,601

\*Includes transfers between categories

### 3. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

The Department has entered into a subscription-based information technology arrangement (SBITA) for the use of UKG Software. The SBITA agreement expires in 2025 unless otherwise extended pursuant to the written agreement of both parties. It was assumed the agreement would extend until 2026.

As of December 31, 2023, SBITA assets and the related amortization totaled \$113,176 and \$9,176, respectively.

Total future minimum subscription payments to be made under the SBITA agreement is as follows:

**Minimum Subscription Payments**

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 28,179	\$ 3,591	\$ 31,770
2025	29,780	2,149	31,929
2026	26,655	615	27,269
	<u>\$ 84,614</u>	<u>\$ 6,354</u>	<u>\$ 90,968</u>

**4. DEFINED BENEFIT PENSION PLAN**

The Department contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association PERA. In accordance with GASB 68, the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Department have been determined using the same basis as they are reported by LGDTF which uses 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.

**Plan Description** — The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Department are members of the LGDTF. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information for the LGDTF. That report may be obtained online at [www.copera.org](http://www.copera.org), by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

**Benefits Provided** — The LGDTF provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713 and 1714. The lifetime retirement benefit for all eligible retiring employees under the LGDTF Benefit Structure is the greater of the:

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

The service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by the 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% or 100% on eligible amounts depending

on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

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

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 and the Department are required to contribute to the LGDTF Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees were required to contribute 9% of their PERA-includable salary for the period ending December 31, 2023. The employer contribution requirements are summarized in the table below for the year ended December 31, 2022:

**January 1 - June 30, 2022**

Employer contribution rate	10.50
Amount of employer contribution apportioned to the HCTF as specified in C.R.S. § 24-51-208(	<u>(1.02)</u>
Amount apportioned to the LGDTF	9.48
Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411	2.20
Supplemental Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411	1.50
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	<u>0.03</u>
<b>Total employer contribution rate to the LGDTF</b>	<b>13.21</b>

**July 1 - December 31, 2022**

Employer contribution rate	11.00
Amount of employer contribution apportioned to the HCTF as specified in C.R.S. § 24-51-208(	<u>(1.02)</u>
Amount apportioned to the LGDTF	9.48
Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411	2.20
Supplemental Amortization Equalization Disbursement as specified in C.R.S. § 24-51-411	1.50
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	<u>0.03</u>
<b>Total employer contribution rate to the LGDTF</b>	<b>13.71</b>

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

Employer contributions are recognized by the LGDTF Division in the period in which the compensation becomes payable to the member and the Department is statutorily committed to pay the contributions to the LGDTF Division. Employer contributions recognized by the LGDTF Division from the Department were \$1,522,786 for the year ended December 31, 2023.

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

As of December 31, 2023, the Department reported a liability of \$13,271,686 for its proportionate share of the collective net pension liability. The net pension liability was measured as of December 31, 2022 and the total pension asset used to calculate the net pension asset was determined as of December 31, 2022 using standard roll-forward techniques based upon the December 31, 2021 actuarial valuation. The Department's proportion of the net pension liability was based on the Department's contributions to LGDTF Division for the calendar year 2022 relative to the total contributions of participating employers to the LGDTF Division. The Department does not have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. At December 31, 2022 the Department's proportion was 1.32% which was a decrease of .005% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the Department's recognized pension expense was negative \$28,624. At December 31, 2023, the Department's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Difference between expected and actual experience	\$ -	\$ 66,162
Net difference between projected and actual earnings on pension plan investments	5,418,135	-
Changes in assumptions	-	-
Changes in proportion	75,589	17,101
Contributions subsequent to the measurement date	<u>1,522,787</u>	<u>-</u>
	<u><u>\$ 7,016,511</u></u>	<u><u>\$ 83,263</u></u>

The Department reported \$1,522,511 as deferred outflow of resources related to pensions, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended</b> <b>December 31,</b>	
2024	\$ (540,637)
2025	793,137
2026	1,983,294
2027	<u>3,174,665.85</u>
Total	<u>\$ 5,410,461</u>

The differences between expected and actual experience, changes of assumptions as well as the Department's change in their proportion are amortized over a closed period equal to the average expected remaining service lives of active and inactive members in the plan. The LGDTF determined the average expected remaining service lives for active and inactive members at the beginning of the 2022 measurement period to be 2.19 years. The difference between expected and actual investment experience is amortized over a closed five-year period.

**Actuarial Assumptions** — The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
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 <sup>1</sup>	Financed by the Annual Increase Reserve (AIR)

<sup>1</sup> Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The total pension liability for the Trust Fund, as of December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December, 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of December 31, 2022, measurement date.

The actuarial assumptions used in the December 31, 2021, 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 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.

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

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% 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% 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 Sturdy report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumptions, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% 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 following table:

	<b>Target Allocations</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 <sup>1</sup>	<u>6.00</u>	4.70
Total	<u>100.00%</u>	

<sup>1</sup> The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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%.

**Discount Rate** — The discount rate used to measure the total pension liability was 7.25%. The basis for the projection of liabilities and fiduciary net position used to determine the discount rate was an actuarial valuation performed as of December 31, 2021, and the financial status of the Trust Fund as of the prior measurement date (December 31, 2021). 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%
- Employee contributions were assumed to be made at the member contribution rates in effect for each year and the required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan member.
- 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 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimate 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 fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on those assumptions, the LGDTF Division'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% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**Sensitivity of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** — The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

<b>Sensitivity of the Net Pension Liability</b>			
Discount rate	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
<b>Proportionate share of the net pension liability (asset)</b>	\$ 22,279,822	\$ 13,271,686	\$ 5,730,387

**Pension Plan Fiduciary Net Position** — Detailed information about the LGDTF Division'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).

## 5. POST-RETIREMENT HEALTHCARE BENEFITS

The Department contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. In accordance with GASB 75, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Department have been determined using the same basis as they are reported by LGDTF which uses 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.

**Plan Description** — Eligible employees of the Department are provided with OPEB through the HCTF, a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF is established under Title 24, Article 51 of the CRS, as amended. 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 purpose of the PERACare program including the administration of premium subsidies. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

**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. 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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

The maximum service-based premium subsidy is \$230 (actual dollars) 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 (actual dollars) 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% of PERA-includable salary into the HCTF.

Employer contributions are recognized by HCTF in the period in which compensation becomes payable to the member and the Department is statutorily committed to pay the contributions. Employer contributions recognized by HCTF from the Department were \$110,512 for the year ended December 31, 2022.

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

At December 31, 2023, the Department reported a liability of \$871,737 for its proportionate share of the collective net OPEB liability. The net OPEB liability was measured as of December 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined as of December 31, 2022 using standard roll-forward techniques based upon the December 31, 2021 actuarial valuation. The Department's proportion of the net OPEB liability was based on the Department's contributions to LGDTF Division for the calendar year 2022 relative to the total contributions of participating employers to the LGDTF Division. The Department has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA.

At December 31, 2022, the Department's proportion was 0.1068% which was an increase of 0.003% from its proportion measured as of December 31, 2021.

For the year ended December 31, 2023, the Department's recognized OPEB expense was \$55,945. At December 31, 2023, the Department's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Difference between expected and actual experience	\$ 113	\$ 210,817
Net difference between projected and actual earnings on pension plan investments	53,245	
Changes in assumptions	14,011	96,214
Changes in proportion	158,985	-
Contributions subsequent to the measurement date	<u>114,616</u>	<u>-</u>
	<u><u>\$ 340,970</u></u>	<u><u>\$ 307,031</u></u>

The Department reported \$114,616 as deferred outflow of resources related to OPEB, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability for the year ended December 31, 2024. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended</b> <b>December 31,</b>	
2023	\$ (36,686)
2024	(39,301)
2025	(5,281)
2026	17,491
2027	(13,293)
Thereafter	<u>(3,607)</u>
	<u>\$ (80,677)</u>

The differences between expected and actual experience, changes of assumptions as well as the Department's change in their proportion are amortized over a closed period equal to the average expected remaining service lives of active and inactive members in the Trust Fund. The HCTF determined the average expected remaining service lives for active and inactive members at the beginning of the 2022 measurement period to be 6.24 years. The difference between expected and actual investment experience is amortized over a closed five-year period.

**Actuarial Assumptions** — The December 31, 2021, valuation used the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.20% - 11.30%
State Troopers <sup>1</sup>	3.20% - 12.40%
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 rated PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	6.5% in 2022 gradually decreasing to 4.5% in 2030
Medicare Part A premiums	3.75% in 2022 gradually increasing to 4.5% in 2029

<sup>1</sup> C.R.S. § 24-51-101 (46) as amended, expanded the definition of "State Troopers" to include certain employees within the Local Government Division, effective January 1, 2020.

The total OPEB liability for the Trust Fund, as of December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, as allowable under C.R.S. § 24-51-313, of Tri-County Health Department (Tri-County Health), effective December, 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the fiduciary net position as of December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

**Age-Related Morbidity Assumptions**

<b>Participant Age</b>	<b>Annual Increase (Male)</b>	<b>Annual Increase (Female)</b>
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

<b>Sample Age</b>	<b>MAPD PPO #1 with Medicare Part A Retiree/spouse</b>		<b>MAPD PPO #1 without Medicare Part A Retiree/spouse</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
65	\$ 1,704	\$ 1,450	\$ 6,514	\$ 5,542
70	1,976	1,561	7,553	5,966
75	2,128	1,681	8,134	6,425

<b>Sample Age</b>	<b>MAPD PPO #2 with Medicare Part A Retiree/spouse</b>		<b>MAPD PPO #1 without Medicare Part A Retiree/spouse</b>	
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>
65	\$ 583	\$ 496	\$ 4,227	\$ 3,596
70	676	534	4,901	3,872
75	728	575	5,278	4,169

Sample Age	MAPD HMO (Kaiser) with Medicare Part A Retiree/spouse		MAPD HMO (Kaiser) without Medicare Part A Retiree/spouse	
	Male	Female	Male	Female
65	\$ 1,923	\$ 1,634	\$ 6,752	\$ 5,739
70	2,229	1,761	7,826	6,185
75	2,401	1,896	8,433	6,657

In 2022 Medicare Part A premium is \$499 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

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. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of the rates. Effective December 31, 2021, 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:

	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the State Division, School Division, Local Government Division, and Judicial Division Trust Funds as shown below, reflect

generational mortality and were applied, as applicable, in the December 31, 2021, valuation for the Trust Fund, but developed on a headcount-weighted basis. Affiliated employers of these Division Trust Funds participate in the Trust Fund.

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

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon 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

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

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019
- Females: 105% 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 PubS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums. Medicare Part A premiums continued with prior valuation trend pattern.

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 31, 2021, 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 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% 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>Target Allocations</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 <sup>1</sup>	<u>6.00</u>	4.70
Total	<u><u>100.00%</u></u>	

<sup>1</sup> The Opportunity Fund’s name changed to Alternatives, effective January 1, 2020.

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 Department's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates** — The following presents the proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the proportionate share

of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

**Sensitivity of the Net OPEB Liability**

	<b>1% Decrease in Trend Rates</b>	<b>Current Trend Rates</b>	<b>1% Increase in Trend Rates</b>
Initial PERACare Medicare trend rate	<b>5.25%</b>	<b>6.25%</b>	<b>7.25%</b>
Ultimate PERACare Medicare trend rate	<b>3.50%</b>	<b>4.50%</b>	<b>5.50%</b>
Initial Medicare Part A trend rate	<b>3.00%</b>	<b>4.00%</b>	<b>5.00%</b>
Ultimate Medicare Part A trend rate	<b>3.50%</b>	<b>4.50%</b>	<b>5.50%</b>
<b>Proportionate share of the net OPEB liability</b>	\$ 847,071	\$ 871,737	\$ 898,593

**Discount Rate** — The discount rate used to measure the total OPEB liability was 7.25%. The basis for the projection of liabilities and the fiduciary net position used to determine the discount rate was an actuarial valuation performed as of December 31, 2021, and the financial status of the Trust Fund as of the prior measurement date (December 31, 2021). 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, 2022, 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%.
- 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 transfers of dollars into the Trust Fund 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 those assumptions, the HCTF Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**Sensitivity of the Department'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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) of one-percentage-point higher (8.25%) than the current rate:

Discount rate	Sensitivity of the Net OPEB Liability		
	6.25%	7.25%	8.25%
Proportionate share of the net OPEB liability	\$ 1,010,611	\$ 871,737	\$ 752,970

**OPEB Plan Fiduciary Net Position** — Detailed information about the HCTF Division'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. AMENDMENT TO COLORADO CONSTITUTION

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax spending, revenue and debt limitation that apply to the State of Colorado and all local governments.

TABOR excludes enterprise governments from its provisions. Enterprise governments, defined as governmental-owned businesses that are authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined are excluded from the provisions of TABOR. The Department is of the opinion that the enterprise operations qualify for the exclusion. The amendment is complex and subject to judicial interpretation. The Department believes it is in compliance with the requirements of the amendment.

**PIKES PEAK REGIONAL BUILDING DEPARTMENT**

**REQUIRED SUPPLEMENTAL SCHEDULES**

**AND**

**NOTES TO SUPPLEMENTAL SCHEDULE**

## PIKES PEAK REGIONAL BUILDING DEPARTMENT

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEARS ENDED DECEMBER 31,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Department's proportion of the net pension liability (asset)	1.32%	1.33%	1.25%	1.19%	1.12%	1.07%	1.02%	1.04%	1.06%	1.04%
Department's proportionate share of the net pension liability (asset)	\$13,271,686	\$ (1,139,301)	\$ 6,528,931	\$ 8,725,713	\$ 14,082,714	\$ 11,967,835	\$ 16,940,431	\$ 11,411,181	\$ 9,499,996	\$ 8,699,911
Department's covered payroll	\$ 10,834,527	\$ 9,872,074	\$ 8,756,624	\$ 8,215,785	\$ 7,347,020	\$ 6,780,681	\$ 6,215,530	\$ 5,762,778	\$ 5,728,896	\$ 5,479,964
Department's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	122.49%	11.54%	74.56%	106.21%	191.68%	176.50%	272.55%	198.02%	165.83%	158.76%
Department's plan fiduciary net position as a percentage of the total pension liability	82.99%	101.49%	90.88%	86.26%	75.96%	79.37%	73.65%	76.87%	80.72%	77.66%

## PIKES PEAK REGIONAL BUILDING DEPARTMENT

### SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 1,522,786	\$ 1,458,961	\$ 1,301,318	\$ 1,141,953	\$ 1,041,761	\$ 931,602	\$ 859,791	\$ 787,494	\$ 745,972	\$ 736,428
Contributions in relation to the statutorily required contribution	1,522,786	1,458,961	1,301,318	1,141,953	1,041,761	931,602	859,791	787,494	745,972	736,428
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department covered payroll	\$ 10,840,185	\$ 10,834,527	\$ 9,872,074	\$ 8,756,624	\$ 8,215,785	\$ 7,347,020	\$ 6,780,681	\$ 6,215,530	\$ 5,762,778	\$ 5,728,896
Contributions as a percentage of covered payroll	14.05%	13.47%	13.18%	13.04%	12.68%	12.68%	12.68%	12.67%	12.94%	12.85%

# PIKES PEAK REGIONAL BUILDING DEPARTMENT

## NOTES TO REQUIRED SUPPLEMENTAL INFORMATION – LOCAL GOVERNMENT DIVISION TRUST FUND

### 1. CHANGES IN BENEFITS

2019 – The following major changes were made to plan provisions as part of SB 18-200: The number of years used in the Highest Average Salary calculation for non-vested members as of January 1, 2020, increases from three to five years for the Local Government Division. Annual increase (AI) cap is lowered from 2.00% per year to 1.50% per year. Initial AI waiting period is extended from one year after retirement to three years after retirement

### 2. CHANGES OF ACTUARIAL ASSUMPTION

2021 – The price inflation assumption was lowered from 2.40% to 2.30%. The wage inflation assumption was lowered from 3.50% to 3.00%. 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 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 of January 1, 2016 through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

2019 - The following major changes were made to plan provisions as part of SB 18-200: Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020 and an additional 0.50% effective July 14, 2021.

2017 - The investment return assumption was lowered from 7.50% to 7.25%. The price inflation assumption was lowered from 2.80% to 2.40%. The wage inflation assumption was lowered from 3.90% to 3.50%. The post-retirement mortality assumption for healthy lives was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of 73.0% factor applied to ages below 80 and a 108.0% factor applied to age 80 and above, projected to 2018, for males and a 78.0% factor applied to ages below 80 and a 109.0% factor applied to age 80 and above, projected to 2020, for females. For disabled retirees, the mortality assumption was changed to reflect 90.0% of RP-2014 Disabled Retiree Mortality Table. The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriated margin of improved mortality prospectively, the mortality rates incorporate a 70.0% factor applied to male rates and 55.0% factor applied to female rates. The rates of retirement, withdrawal and disability was revised to reflect more closely actual experience.

### 3. SUBSEQUENT EVENTS

2020 - Subsequent to December 31, 2019, as a result of the COVID-19 pandemic, the global economic outlook has changed. The duration and full effects of the pandemic are currently unknown, as the global picture continues to evolve. Although unprecedented federal fiscal and

monetary stimulus have helped to stabilize and soften the impact of economic contraction, the near-term negative impact on PERA's investment portfolio, as well the short-medium term impact on the Trust Fund's membership and demographics, remains uncertain.

2019 - During the 2019 legislative session, the Colorado General Assembly passed HB 19-1217: PERA Public Employees' Retirement Association Local Government Division Member Contribution Rate. The bill was signed into law on May 20, 2019, and eliminated the 2.00% increase in the contribution rate required by SB 18-200 for members in the LGDTF. The impact of this change will be reflected in the subsequent fiscal year, for the measurement date December 31, 2019.

## PIKES PEAK REGIONAL BUILDING DEPARTMENT

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR THE YEAR ENDED DECEMBER 31,

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	2023	2022	2021	2020	2019	2018
Department's proportion of the net OPEB liability	0.11%	0.10%	0.10%	0.09%	0.09%	0.08%
Department's proportionate share of the net OPEB liability	\$ 871,745	\$ 890,752	\$ 908,534	\$ 1,027,019	\$ 1,181,876	\$ 1,085,448
Department's covered payroll	\$ 10,834,527	\$ 9,872,074	\$ 8,756,624	\$ 8,215,785	\$ 7,347,020	\$ 6,780,681
Department's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.05%	9.02%	10.38%	12.50%	16.09%	16.01%
Department's plan fiduciary net position as a percentage of the total OPEB liability	38.57%	39.40%	32.78%	24.49%	17.03%	17.53%

Note: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented.

## PIKES PEAK REGIONAL BUILDING DEPARTMENT

### SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31,

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	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 114,618	\$ 110,512	\$ 104,680	\$ 91,861	\$ 83,801	\$ 74,940	\$ 69,163
Contributions in relation to the statutorily required contribution	<u>114,618</u>	<u>110,512</u>	<u>104,680</u>	<u>91,861</u>	<u>83,801</u>	<u>74,940</u>	<u>69,163</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department covered payroll	\$ 10,840,185	\$ 10,834,527	\$ 9,872,074	\$ 8,756,624	\$ 8,215,785	\$ 7,347,020	\$ 6,780,681
Contributions as a percentage of covered payroll	1.06%	1.02%	1.06%	1.05%	1.02%	1.02%	1.02%

Note: Information is not available prior to 2017. In future reports, additional years will be added until 10 years of historical data are presented.

## **PIKES PEAK REGIONAL BUILDING DEPARTMENT**

### **NOTES TO REQUIRED SUPPLEMENTAL INFORMATION – HEALTH CARE TRUST FUND**

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**1. CHANGES IN BENEFITS**

None

**2. CHANGES OF ACTUARIAL ASSUMPTION**

2021 – The timing of the retirement decrement was adjusted to the middle of the year.

2019 – None

2017 – None

## PIKES PEAK REGIONAL BUILDING DEPARTMENT

### SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
Permits	\$ 17,060,661	\$ 17,060,661	\$ 15,406,512	\$ (1,654,149)
Fees, licenses and inspections	5,065,410	5,065,410	4,447,452	(617,958)
Rental income	19,740	19,740	-	(19,740)
Intergovernmental income	68,000	68,000	106,548	38,548
Interest income	60,000	60,000	360,992	300,992
Miscellaneous income	190,000	190,000	41,749	(148,251)
Code sales	44,888	44,888	35,223	(9,665)
Gain on disposal of assets	142,500	142,500	184,831	42,331
Total revenue	<u>22,651,199</u>	<u>22,651,199</u>	<u>20,583,307</u>	<u>(2,067,892)</u>
<b>EXPENDITURES:</b>				
Employee wages and benefits	17,045,010	17,045,010	15,219,157	1,825,853
Occupancy expenses	580,800	580,800	581,478	(678)
Supplies	472,600	472,600	224,811	247,789
Repairs, maintenance and small equipment	357,000	357,000	250,153	106,847
Insurance	470,000	470,000	350,597	119,403
Services	1,242,632	1,242,632	1,103,709	138,923
Common Area Maintenance	407,707	407,707	357,706	50,001
Educational programs	225,000	225,000	129,600	95,400
Other	900,450	900,450	1,029,807	(129,357)
Resale items - code books and permits	270,000	270,000	90,786	179,214
Capital outlay	680,000	680,000	751,881	(71,881)
Total expenditures	<u>22,651,199</u>	<u>22,651,199</u>	<u>20,089,685</u>	<u>2,561,514</u>
Revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,622</u>	<u>\$ (4,629,406)</u>
		Year-end accrual entries	345,179	
		Capital outlay	<u>751,881</u>	
			<u>\$ 1,590,682</u>	

# PIKES PEAK REGIONAL BUILDING DEPARTMENT

## NOTES TO SUPPLEMENTAL SCHEDULE

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### 1. BUDGET AND BUDGETARY ACCOUNTING

Procedures followed by the Department in establishing its budget:

1. Prior to October 15, the Department is required to submit to the Advisory Board and the Building Commission Board a budget for the fiscal year commencing the following January 1. The operating budget includes estimated revenues and expenditures, as well as recommendations regarding other financial matters. Once it has been approved by the Advisory Board and the Building Commission Board, the budget is presented to the City of Colorado Springs and the Board of County Commissioners of the County El Paso, Colorado for final approval.
2. Prior to December 31, the budget is approved by the City of Colorado Springs and the El Paso County Board of Commissioners.
3. The budget for the Department is approved on a basis that is not consistent with accounting principles generally accepted in the United States of America (GAAP). As permitted by Colorado Local Government Budget law, the budget for the Department is prepared on a cash basis.
4. All annual appropriations lapse at year-end.

### 2. SCHEDULE OF BUDGET AND ACTUAL (NON-GAAP BASIS)

The schedule of budget and actual (non-GAAP basis) is presented on a basis of accounting other than accounting principles generally accepted in the United States of America. As permitted by Colorado government Budget law, the budget for the Department is prepared on a cash basis rather than accrual (GAAP) basis.