

PUEBLO REGIONAL BUILDING DEPARTMENT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

September 27, 2024

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, 2023 and 2022, 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, 2023 and 2022, 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 from 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 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.

Required Supplementary Information

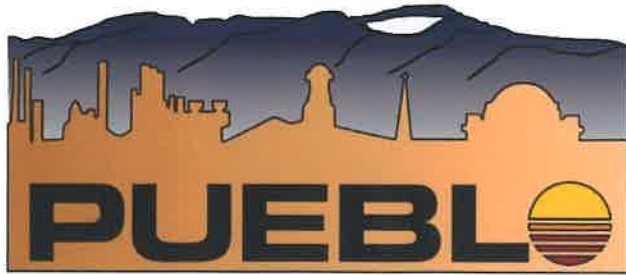
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iii be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial 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.

Arrun, Ross & DeMardo, 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, 2023. The section should be read in conjunction with the financial statements, which are attached.

FINANCIAL HIGHLIGHTS

- The Department's net position on December 31, 2023 totaled \$6,773,979.
- The Department's change in net position for the year ended December 31, 2023 was \$844,339. The Department's change in net position for 2022 was \$567,090, which is a difference of \$277,249.

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	2023	2022	2021
CURRENT ASSETS	\$ 2,785,354.00	\$ 4,304,396.00	\$ 2,775,304.00
NONCURRENT ASSETS	\$ 5,285,706.00	\$ 2,992,669.00	\$ 3,283,428.00
TOTAL ASSETS	\$ 8,071,060.00	\$ 7,297,065.00	\$ 6,058,732.00
LIABILITIES			
CURRENT LIABILITIES	\$ 1,071,388.00	\$ 1,132,540.00	\$ 568,709.00
LONG TERM LIABILITIES	\$ 140,068.00	\$ 107,105.00	\$ 127,473.00
TOTAL LIABILITIES	\$ 1,211,456.00	\$ 1,239,645.00	\$ 696,182.00
DEFERRED INFLOWS OF RESOURCES	\$ 85,625.00	\$ 127,781.00	
NET POSITION			
INVESTED IN CAPITAL ASSETS	\$ 1,564,499.00	\$ 1,615,751.00	\$ 1,649,814.00
UNRESTRICTED	\$ 5,209,480.00	\$ 4,313,889.00	\$ 3,712,736.00
	\$ 6,773,979.00	\$ 5,929,640.00	\$ 5,362,550.00

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

In comparison to 2022, our operating income for 2023 increased \$27,863.00. In 2023, the Department experienced an increase in both operating revenue and expenses over 2022 and 2021.

	2023	2022	2021
OPERATING REVENUE	4,215,312.00	4,064,661.00	4,164,092.00
OPERATING EXPENSES	3,717,318.00	3,594,530.00	3,155,362.00
OPERATING INCOME/(LOSS)	\$ 497,994.00	\$ 470,131.00	\$ 1,008,730.00
NONOPERATING REVENUE/(EXPENSES)	346,345.00	96,959.00	(944,441.00)
CHANGES IN NET POSITION	\$ 844,339.00	\$ 567,090.00	\$ 64,286.00

	2023	2022	2021
SALARIES AND BENEFITS	\$ 2,938,276.00	\$ 2,833,826.00	\$ 2,634,653.00
DEPRECIATION	\$ 133,782.00	\$ 133,923.00	\$ 121,704.00
ALL OTHER	\$ 645,260.00	\$ 626,781.00	\$ 399,008.00
TOTAL OPERATING EXPENSES	\$ 3,717,318.00	\$ 3,594,530.00	\$ 3,155,365.00

- 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.

Overall expenses for 2023 increased by \$122,788.00 compared to 2022.

BUDGETARY HIGHLIGHTS

The Department's budget is prepared according to Colorado Law. For 2023, the Commission appropriated \$4,004,167.

	Final Budget	Actual on Budget Basis
Revenue	\$4,221,750	\$4,480,129
Expenses	\$4,221,750	\$3,692,945

CAPITAL ASSETS

The Department's investment in capital assets at December 31, 2023 amounted to \$1,564,499, 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 (\$51,252) in 2023 while 2022 reflects a decrease in capital assets of (\$34,063). Capital asset additions totaled \$127,993 during 2023, while net disposals totaled (\$106,245). Capital asset additions for 2022 were \$170,643 while net disposals were (\$116,153). Depreciation expense for 2023 was \$133,782 and \$133,923 for 2022.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic factors in the area continue to be somewhat decreasing due to the higher interest rates for 2024. We expect the number of housing permits to be lower than the 2023 total of 298. We believe the commercial and industrial projects will remain comparable with 2023. We anticipate interest rates to increase in 2024.

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, 2023 AND 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 296,073	\$ 118,180
Accounts receivable	40	30,576
Investments	2,470,037	4,146,098
Prepaid expenses and other assets	19,204	9,543
TOTAL CURRENT ASSETS	2,785,354	4,304,397
NONCURRENT ASSETS		
Investments	3,634,445	1,249,137
Leases receivable	86,762	127,781
Capital assets -		
Land	158,324	158,324
Buildings and improvements	1,586,217	1,586,217
Vehicles	449,341	427,593
Furniture and fixtures	48,455	48,455
Equipment	83,746	83,746
Accumulated depreciation	(761,584)	(688,584)
Total Capital Assets	1,564,499	1,615,751
TOTAL NONCURRENT ASSETS	5,285,706	2,992,669
TOTAL ASSETS	8,071,060	7,297,066
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	7,076	8,383
Permit escrow	47,495	137,812
Unearned revenue	925,931	835,617
Accrued compensated absences	90,886	150,728
TOTAL CURRENT LIABILITIES	1,071,388	1,132,540
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	140,068	107,105
TOTAL LONG-TERM LIABILITIES	140,068	107,105
TOTAL LIABILITIES	1,211,456	1,239,645
DEFERRED INFLOWS OF RESOURCES	85,625	127,781
NET POSITION		
Net investment in capital assets	1,564,499	1,615,751
Unrestricted	5,209,480	4,313,889
TOTAL NET POSITION	\$ 6,773,979	\$ 5,929,640

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Licenses and permits	\$ 4,193,214	\$ 4,017,165
Contract services	17,301	45,835
Code book sales	4,797	1,661
TOTAL OPERATING REVENUES	<u>4,215,312</u>	<u>4,064,661</u>
OPERATING EXPENSES		
Salaries	2,314,773	2,192,591
Employee benefits	623,503	641,235
Depreciation expense	133,782	133,923
Other	645,260	626,781
TOTAL OPERATING EXPENSES	<u>3,717,318</u>	<u>3,594,530</u>
OPERATING INCOME (LOSS)	<u>497,994</u>	<u>470,131</u>
NONOPERATING REVENUES AND (EXPENSES)		
Investment revenue (loss)	256,011	(1,206)
Insurance recovery	25,450	-
Intergovernmental revenue	16,299	38,705
Rental and other revenue	48,585	59,460
TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>346,345</u>	<u>96,959</u>
CHANGE IN NET POSITION	844,339	567,090
NET POSITION, January 1	<u>5,929,640</u>	<u>5,362,550</u>
NET POSITION, December 31	<u>\$ 6,773,979</u>	<u>\$ 5,929,640</u>

The accompanying notes are an integral part of these statements.

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,243,151	\$ 4,611,503
Cash paid to suppliers for goods and services	(1,279,730)	(1,305,834)
Cash payments to employees for services	<u>(2,341,652)</u>	<u>(2,195,638)</u>
NET CASH FLOWS PROVIDED (USED) FROM OPERATING ACTIVITIES	<u>621,769</u>	<u>1,110,031</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(82,530)	(99,863)
Insurance recovery	<u>25,450</u>	<u>-</u>
NET CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(57,080)</u>	<u>(99,863)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	167,193	43,178
Rents and other revenue received	52,906	59,460
Maturity of investments	8,280,273	4,328,792
Purchase of investments	<u>(8,903,467)</u>	<u>(5,858,337)</u>
NET CASH FLOWS PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>(403,095)</u>	<u>(1,426,907)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Operating grants	<u>16,299</u>	<u>38,705</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	177,893	(378,034)
CASH AND CASH EQUIVALENTS, January 1	<u>118,180</u>	<u>496,214</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 296,073</u>	<u>\$ 118,180</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 497,994	\$ 470,131
Adjustments to reconcile operating income to net cash flows from operating activities -		
Depreciation	133,782	133,923
Change in assets and liabilities -		
Accounts and other receivables	30,536	(30,576)
Prepaid expenses	(9,661)	(6,910)
Accounts payable	(1,307)	(30,908)
Permit escrow	(90,317)	(7,774)
Unearned revenue	87,620	585,192
Accrued compensated absences	<u>(26,879)</u>	<u>(3,047)</u>
NET CASH FLOWS PROVIDED (USED) FROM OPERATING ACTIVITIES	<u>\$ 621,768</u>	<u>\$ 1,110,031</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	<u>\$ 83,360</u>	<u>\$ (45,690)</u>
Net book value of vehicles traded in	<u>\$ 45,463</u>	<u>\$ 70,783</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 AND 2022

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, 2023 AND 2022**

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. LEASE RECEIVABLE

The Department's lease receivable is measured at present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized over the term of the lease.

G. 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.

H. 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, 2023 AND 2022**

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

I. 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.

J. 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.

K. COMPARATIVE DATA

Comparative data as of and for the year ended December 31, 2022 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>2023</u>	<u>2022</u>
Cash on hand	\$ 650	\$ 650
Demand deposits	<u>295,423</u>	<u>117,530</u>
	<u>\$ 296,073</u>	<u>\$ 118,180</u>
U.S. Treasury bills and notes	\$ 5,811,288	\$ 4,362,019
Money market mutual funds	<u>293,194</u>	<u>1,033,216</u>
	<u>\$ 6,104,482</u>	<u>\$ 5,395,235</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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

DEPOSITS

At December 31, 2023, the carrying value of the Department’s deposits was \$295,391 and the bank balance was \$336,170. The bank balance was not fully covered by federal depository insurance and therefore was 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, 2023, \$250,000 of the deposits were insured, however the additional bank balance of \$86,170 exceeding the FDIC limit was not exposed to custodial credit risk because the balance was 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, 2023, 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	\$ 5,811,288	\$ 2,176,843	\$ 3,634,445
Money market mutual funds	293,194	293,194	-
	<u>\$ 6,104,482</u>	<u>\$ 2,470,037</u>	<u>\$ 3,634,445</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, 2023 AND 2022**

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, 2023 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, 2023:

- 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 has entered into two agreements to lease office space. For December 31, 2023 and 2022, the Department reported lease revenue of \$42,155 and \$42,156 and interest revenue of \$5,458 and \$6,996, respectively. The lease receivable and related deferred inflow of resources for the year ended December 31, 2023 was \$86,762 and \$85,625, respectively. The lease receivable and related deferred inflow of resources for the year ended December 31, 2022 was \$127,781 and \$127,781, respectively. These leases are summarized as follows:

December 31, 2023

Lease	Lease Receivable	Lease Revenue	Lease Interest Revenue
YWCA	\$ 17,594	\$ 20,094	\$ 1,431
State of CO – CSU	<u>69,168</u>	<u>22,061</u>	<u>4,027</u>
Total	<u>\$ 86,762</u>	<u>\$ 42,155</u>	<u>\$ 5,458</u>

December 31, 2022

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

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 3 – LEASES RECEIVABLE (Cont'd.)

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. The YWCA lease was assumed by the Mariposa Center for Safety, which is not affiliated with the YWCA.

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.

Future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 42,876
2025	24,876
2026	<u>24,876</u>
Total	<u>\$ 92,628</u>

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets during 2023 and 2022 is as follows:

	Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>
Depreciable capital assets –				
Buildings and improvements	\$ 1,586,217	\$ -	\$ -	\$ 1,586,217
Vehicles	427,593	127,993	(106,245)	449,341
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>2,146,011</u>	<u>127,993</u>	<u>(106,245)</u>	<u>2,167,759</u>
Accumulated depreciation –				
Buildings and improvements	(427,262)	(54,274)	-	(481,536)
Vehicles	(133,292)	(78,466)	60,782	(150,976)
Furniture and fixtures	(48,455)	-	-	(48,455)
Equipment	<u>(79,575)</u>	<u>(1,042)</u>	<u>-</u>	<u>(80,617)</u>
Total accumulated depreciation	<u>(688,584)</u>	<u>(133,782)</u>	<u>60,782</u>	<u>(761,584)</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,457,427</u>	<u>(5,789)</u>	<u>(45,463)</u>	<u>1,406,175</u>
Non-depreciable assets – Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,615,751</u>	<u>\$ (5,789)</u>	<u>\$ (45,463)</u>	<u>\$ 1,564,499</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 – CAPITAL ASSETS (Cont'd.)

	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>

NOTE 5 – COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the years ended December 31, 2023 and 2022:

Balance January 1, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2023</u>	Due Within One Year
<u>\$ 257,833</u>	<u>\$ 59,300</u>	<u>\$ (86,179)</u>	<u>\$ 230,954</u>	<u>\$ 90,886</u>
Balance January 1, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2022</u>	Due Within One Year
<u>\$ 260,880</u>	<u>\$ 120,438</u>	<u>\$ (123,485)</u>	<u>\$ 257,833</u>	<u>\$ 150,728</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 6 – EMPLOYEE BENEFITS

The Department contributes to the Pueblo Regional Building Department Salaried Employees Retirement Plan (the Plan), a defined contribution pension plan for all its full-time employees. The Plan is administered by the Principal Financial Group.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Board of Commissioners. For each employee, the Department is required to make annual contributions equal to 8.2% of covered compensation, while employees are required to contribute 4%. Employees may make voluntary contributions that are matched one-half of the amount contributed by the employee, not to exceed 2% of compensation. For the year ended December 31, 2023, employee contributions totaled \$226,398 and the Department recognized pension expense of \$241,734. For the year ended December 31, 2022, employee contributions totaled \$234,126 and the Department recognized pension expense of \$234,126.

Employees are immediately vested in their own contributions and earnings on those contributions and become fully vested in Department contributions and earnings after completion of five years of creditable service with the Department. Non-vested Department contributions are forfeited upon termination of employment and such forfeitures are used to reduce the Department's required contributions. There were no forfeitures of non-vested balances during the years ended December 31, 2023 and 2022.

NOTE 7 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts, property and casualty, errors and omissions, injuries to employees and health claims. Risks of loss from torts, errors and omissions, and property and casualty are covered by the District's participation in the property and casualty pool of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), which is a separate and independent governmental public entity risk pool formed through intergovernmental agreement by members to provide defined liability and property coverage. The membership agreement provides that the pool be self-sustaining through member premiums and reinsure with commercial companies for claims in excess of \$250,000 per occurrence for property and \$1,000,000 per occurrence for casualty. Employee health claims and workman's compensation are covered by commercial insurance. Settlement claims for each of the last three years did not exceed insurance coverage amounts in areas where commercial insurance is used to cover the risk of loss.

NOTE 8 – CONTINGENCIES AND COMMITMENTS

Colorado voters passed an amendment to the state constitution in November 1992 which contains several limitations including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, commonly known as the Tabor Amendment, is complex and subject to judicial interpretation; however, the Department believes it is exempt from the provisions of the amendment since it is not a taxing body, nor does it have the power to hold elections.

ADDITIONAL INFORMATION

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING REVENUES					
Charges for services	\$4,210,515	\$ -	\$4,210,515	\$3,938,167	\$ 272,348
Code book sales	4,797	-	4,797	-	4,797
TOTAL OPERATING REVENUES	4,215,312	-	4,215,312	3,938,167	277,145
OPERATING EXPENDITURES					
Salaries	2,341,652	-	2,341,652	2,420,000	78,348
Compensated absences	(26,879)	26,879	-	-	-
Automobile - gasoline	60,715	-	60,715	90,000	29,285
Automobile - repairs and maintenance	55,266	-	55,266	40,000	(15,266)
Building maintenance and repairs	45,491	-	45,491	50,000	4,509
Bank service fees	17,020	-	17,020	10,000	(7,020)
Code and miscellaneous books	16,476	-	16,476	25,000	8,524
Computer expense	20,499	-	20,499	27,000	6,501
Consulting fee	22,878	-	22,878	45,000	22,122
Credit card fees	59,116	-	59,116	60,000	884
Depreciation	133,782	(133,782)	-	-	-
Dues and subscriptions	5,740	-	5,740	10,000	4,260
Equipment and tools	7,825	-	7,825	6,000	(1,825)
Insurance - liability	38,477	-	38,477	36,000	(2,477)
Insurance - medical	376,166	-	376,166	550,000	173,834
Insurance - unemployment	3,158	-	3,158	7,500	4,342
Insurance - workmen's compensation	14,595	-	14,595	43,000	28,405
Janitorial	19,800	-	19,800	24,000	4,200
Equipment rental	8,936	-	8,936	8,000	(936)
Payroll taxes	28,029	-	28,029	34,000	5,971
Meetings	14,934	-	14,934	6,500	(8,434)
Other/contingency	-	-	-	19,250	19,250
Office supplies	19,824	-	19,824	22,000	2,176
Postage	5,530	-	5,530	4,500	(1,030)
PMB Portal	37,291	-	37,291	80,000	42,709
Professional services	54,665	-	54,665	68,000	13,335
Retirement	247,337	-	247,337	250,000	2,663

The accompanying notes are an integral part of this schedule.

PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (Cont'd.)
YEAR ENDED DECEMBER 31, 2023

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING EXPENDITURES (Cont'd.)					
Training	12,285	-	12,285	13,000	715
Telephone	36,734	-	36,734	40,000	3,266
Title searches	746	-	746	5,000	4,254
Travel	19,056	-	19,056	25,000	5,944
Trash pickup	2,056	-	2,056	2,000	(56)
Utilities	16,958	-	16,958	17,000	42
Uniforms	1,160	-	1,160	9,000	7,840
TOTAL OPERATING EXPENDITURES	<u>3,717,318</u>	<u>(106,903)</u>	<u>3,610,415</u>	<u>4,046,750</u>	<u>436,335</u>
OPERATING INCOME (LOSS)	<u>497,994</u>	<u>106,903</u>	<u>604,897</u>	<u>(108,583)</u>	<u>713,480</u>
OTHER REVENUE (EXPENDITURES)					
Interest revenue	256,011	(81,528)	174,483	30,000	144,483
Rental revenue	42,155	-	42,155	47,000	(4,845)
Other revenue	22,729	-	22,729	60,000	(37,271)
Insurance Recovery	25,450	-	25,450	-	25,450
Prior year reserves	-	-	-	146,583	(146,583)
Capital outlay	-	(82,530)	(82,530)	(175,000)	92,470
TOTAL OTHER REVENUE (EXPENDITURES)	<u>346,345</u>	<u>(164,058)</u>	<u>182,287</u>	<u>108,583</u>	<u>73,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 844,339</u>	<u>\$ (57,155)</u>	<u>\$ 787,184</u>	<u>\$ -</u>	<u>\$ 787,184</u>

The accompanying notes are an integral part of this schedule.

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF LICENSES AND PERMITS
YEAR ENDED DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022**

	2023			2022
	City	County	Total	Total
LICENSES				
Building contractors	\$ -	\$ -	\$ 260,050	\$ 259,875
Plumbing contractors	-	-	38,415	37,500
Mechanical contractors	-	-	66,205	61,010
Stationary engineers	-	-	1,595	1,855
Mechanical trades	-	-	5,220	4,802
Application fees	-	-	30,210	24,700
TOTAL LICENSES	<u>-</u>	<u>-</u>	<u>401,695</u>	<u>389,742</u>
PERMITS				
Building	1,408,130	742,764	2,150,894	1,926,971
Electrical	334,053	285,606	619,659	768,451
Mechanical	17,725	184,710	202,435	185,283
Plumbing	10,129	108,085	118,214	118,424
Wrecking	9,738	3,465	13,203	5,399
Signs	8,908	3,483	12,391	11,032
Mobile home	15,072	19,805	34,877	54,050
Special inspections	18,103	-	18,103	87,013
Reinspection	41,239	-	41,239	38,519
Release	5,400	-	5,400	8,700
Fire protection	338	321	659	-
Plan check fees	495,815	20,222	516,037	364,845
Temporary T.O.	480	-	480	331
Other	57,928	-	57,928	58,405
TOTAL PERMITS	<u>2,423,058</u>	<u>1,368,461</u>	<u>3,791,519</u>	<u>3,627,423</u>
TOTAL LICENSES AND PERMITS	<u>\$2,423,058</u>	<u>\$1,368,461</u>	<u>\$4,193,214</u>	<u>\$ 4,017,165</u>

The accompanying notes are an integral part of this schedule.

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Salaries	\$2,341,652	\$2,195,638
Compensated absences	(26,879)	(3,047)
Automobile - gasoline	60,715	70,156
Automobile - repairs and maintenance	55,266	26,939
Building maintenance and repairs	45,491	29,887
Bank service fees	17,020	8,563
Code and miscellaneous books	16,476	8,391
Computer expense	20,499	42,999
Consulting fee	22,878	-
Credit card fees	59,116	52,930
Depreciation	133,782	133,923
Dues and subscriptions	5,740	23,887
Equipment and tools	7,825	4,965
Insurance - liability	38,477	28,013
Insurance - medical	376,166	406,655
Insurance - unemployment	3,158	3,898
Insurance - workmen's compensation	14,595	19,807
Janitorial	19,800	20,130
Equipment rental	8,936	8,153
Payroll taxes	28,029	25,903
Meetings	14,934	7,304
Office supplies	19,824	18,459
Postage	5,530	1,616
PMB Portal	37,291	58,526
Professional services	54,665	82,917
Retirement	247,337	234,580
Training	12,285	8,935
Telephone	36,734	33,027
Title searches	746	1,757
Trash pickup	2,056	1,747
Travel	19,056	14,442
Utilities	16,958	16,107
Uniforms	1,160	7,323
	<u>\$3,717,318</u>	<u>\$3,594,530</u>

The accompanying notes are an integral part of this schedule.