

**Pikes Peak Regional Building Department**

**Financial Statements**

**With**

**Independent Auditor's Report**

**December 31, 2016 and 2015**



**RECEIVED**

*By the Office of the State Auditor at 9:12 am, Jun 27, 2017*

**PIKES PEAK REGIONAL BUILDING DEPARTMENT**  
**TABLE OF CONTENTS**

	Page
<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Financial Statements:</b>	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9
<b>Required Supplemental Information</b>	
Schedule of the Department's Proportionate Share of the Net Pension Liability – PERA	20
Schedule of Pension Contributions – PERA	21
<b>Supplemental Information</b>	
Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual	22

# Green & Associates LLC

Certified Public Accountants & Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Pikes Peak Regional Building Commission and Advisory Board Members  
Pikes Peak Regional Building Department  
Colorado Springs, Colorado

We have audited the accompanying financial statements of the business type activities of Pikes Peak Regional Building Department as of and for the year ended December 31, 2016 and 2015, which collectively comprise the Department's basic financial statements as listed in the table of contents and the notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pikes Peak Regional Building Department as of December 31, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Other-Matters***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the Department's Proportionate Share of the Net Pension Liability – PERA and Schedule of Pension Contributions – PERA on pages 3-5 and pages 20-21 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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pikes Peak Regional Building Department's basic financial statements as a whole. The supplemental information, Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual, on page 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "G. & Associates LLP". The signature is written in black ink and is positioned above the date and location text.

June 26, 2017  
Brighton, Colorado

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**PIKES PEAK REGIONAL BUILDING DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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This brief report is for Pikes Peak Regional Building (referred to hereafter as “Regional” or the Department”) for the year ended December 31, 2016. The Management’s Discussion and Analysis (MD&A) is designed to provide an overview of the financial activities of the Department during the year ended December 31, 2016. The MD&A should be read in conjunction with the Department’s basic 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 Revenues, Expenses, 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 Revenues, Expenses, 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 an analysis about the sources and uses of Department’s 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 increased \$5,191,451 largely due to an increase in building permits. During the year, there was an extensive hailstorm, damaging many structures in the area. This created an increase in roofing permits higher than originally projected.
- Total Expenditures increased (\$550,099) over the prior year.
- Net Position increased \$4,857,996 (50%) to \$9,724,977 in 2016.

**PIKES PEAK REGIONAL BUILDING DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Summary of Net Position**

As shown in the chart below, assets exceed liabilities by \$9,724,977

**Condensed Net position as of December 31, 2016 and 2015:**

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Cash and Cash Equivalents - Unrestricted	\$ 13,655,719	\$ 7,736,767	\$ 5,918,952
Other Current Assets	209,335	219,699	(10,364)
Restricted Assets	1,127,547	1,127,547	-
Other Assets	75,967	133,860	(57,893)
Capital Assets	4,394,190	4,626,871	(232,681)
Total Assets	<u>19,462,758</u>	<u>13,844,744</u>	<u>5,618,014</u>
Deferred Outflows of Resources	<u>3,086,364</u>	<u>1,338,877</u>	<u>1,747,487</u>
Current Liabilities	1,090,861	814,736	276,125
Long Term Liabilities	11,411,181	9,499,996	1,911,185
Total Liabilities	<u>12,502,042</u>	<u>10,314,732</u>	<u>2,187,310</u>
Deferred Inflows of Resources	<u>322,103</u>	<u>1,908</u>	<u>320,195</u>
Net Investment in Capital Assets	4,394,190	4,626,871	(232,681)
Restricted Net Position	1,127,547	1,127,547	-
Unrestricted Net Position (Restated)	4,203,240	(887,437)	5,090,677
Total Net Position	<u>\$ 9,724,977</u>	<u>\$ 4,866,981</u>	<u>\$ 4,857,996</u>

**Summary of Revenue and Expenses**

For the year ended December 31, 2016, revenue exceeded expenditures by \$4,857,996. Revenues increased from the prior year by \$5,191,451. Expenditures increased over the prior year by \$550,099.

	<u>2016</u>	<u>2015</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues	\$ 17,417,403	\$ 12,261,580	\$ 5,155,823
General Revenues	<u>505,430</u>	<u>469,802</u>	<u>35,628</u>
Total Revenues	<u>17,922,833</u>	<u>12,731,382</u>	<u>5,191,451</u>
<b>Operating Expenses</b>	<u>13,064,837</u>	<u>12,514,738</u>	<u>550,099</u>
Total Expenses	<u>13,064,837</u>	<u>12,514,738</u>	<u>550,099</u>
Change in Net Position	4,857,996	216,644	4,641,352
Net Position, Beginning of year	<u>4,866,981</u>	<u>4,650,337</u>	<u>216,644</u>
Net Position, End of year	<u>\$ 9,724,977</u>	<u>\$ 4,866,981</u>	<u>\$ 4,857,996</u>

**PIKES PEAK REGIONAL BUILDING DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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**Summary of Statement of Cash Flows**

During the year cash increased \$5,918,952 largely due to a two hail storms that affected the area creating the need for repairs to roofs and other structures.

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Cash from (for) Operating Activities	\$ 5,849,077	\$ 938,160	\$ 4,910,917
Cash from (for) Non-Capital Financing Activities	431,846	377,334	54,512
Cash from (for) Capital and Related Financing Activities	(517,957)	(598,772)	80,815
Cash from (for) Investing Activities	155,986	82,405	73,581
Increase / (Decrease) in Cash and Equivalents	<u>5,918,952</u>	<u>799,127</u>	<u>5,119,825</u>
Cash and Equivalents - Beginning of Year	8,864,314	8,065,187	799,127
Cash and Equivalents - End of Year	<u>\$ 14,783,266</u>	<u>\$ 8,864,314</u>	<u>\$ 5,918,952</u>

**Budgetary Highlights**

The Department's 2016 Amended Budget projected revenue to increase \$1,163,950 to \$13,636,414 from the original budget. The increase was projected in the Plan Check fee and Building Permits. Expenditures were also budgeted to increase \$1,163,950 to \$13,636,414. This projected that the fund balance would remain flat. Actual revenues were \$4,300,565 higher than the final budget and actual expenditures were \$492,219 lower than the final budget.

**Capital Assets**

The Department's investment in capital assets as of December 31, 2016 totaled \$4,394,190 (net of accumulated depreciation). This investment in capital assets includes land, building, furniture, equipment, and leasehold improvements.

**Future Economic Conditions**

The economy for the El Paso County region continues to look strong. There are a number of housing developments scheduled to be started in 2017 for the eastern part of El Paso County. There are also a few large commercial projects scheduled to be started in 2017. The Olympic museum, and a children's hospital are scheduled to start construction in 2017.

**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

## **BASIC FINANCIAL STATEMENTS**

**PIKES PEAK REGIONAL BUILDING DEPARTMENT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2016 AND 2015**

<b>ASSETS:</b>	<b>2016</b>	<b>2015</b>
Current Assets:		
Cash and Cash Equivalents	\$ 13,655,719	\$ 7,736,767
Accounts Receivable, Net of Allowance:	43,951	59,846
Other Receivables	-	50,667
Note Receivable - El Paso County	67,994	67,994
Prepaid Expenses	76,485	-
Inventory - Books and Permit Stock	20,905	20,905
<b>Total Current Assets</b>	<b>13,865,054</b>	<b>7,936,179</b>
Restricted Assets:		
Cash for Insurance Reserve	243,566	243,566
Cash for Capital Reserve	743,981	743,981
Cash for Dangerous Building Fund	140,000	140,000
<b>Total Restricted Assets</b>	<b>1,127,547</b>	<b>1,127,547</b>
Noncurrent Assets		
Note Receivable - El Paso County	75,967	154,147
Non-Depreciable Capital Assets	450,375	450,375
Depreciable Capital Assets	9,397,885	9,129,647
Accumulated Depreciation	(5,454,070)	(4,953,151)
Capital Assets - Net	4,394,190	4,626,871
<b>Total Noncurrent Assets</b>	<b>4,470,157</b>	<b>4,781,018</b>
<b>Total Assets</b>	<b>19,462,758</b>	<b>13,844,744</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows - Pensions	3,086,364	1,338,877
<b>Total Deferred Outflows of Resources</b>	<b>3,086,364</b>	<b>1,338,877</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 22,549,122</b>	<b>\$ 15,183,621</b>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts Payable - Trade	\$ 106,321	\$ 95,426
Use Tax Payable	89,190	60,697
Other Accrued Liabilities	426,030	204,362
Accrued Wages	174,453	193,820
Accrued Vacation and Sick Pay	294,867	260,431
<b>Total Current Liabilities</b>	<b>1,090,861</b>	<b>814,736</b>
Noncurrent Liabilities		
Net pension liability	11,411,181	9,499,996
<b>Total Long Term Liabilities</b>	<b>11,411,181</b>	<b>9,499,996</b>
<b>Total Liabilities</b>	<b>12,502,042</b>	<b>10,314,732</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows - Pensions	322,103	1,908
<b>Total Deferred Inflows of Resources</b>	<b>322,103</b>	<b>1,908</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	4,394,190	4,626,871
Restricted		
Self-Insurance Reserve	243,566	243,566
Capital Reserve	743,981	743,981
Dangerous Building Fund	140,000	140,000
Unrestricted	4,203,240	(887,437)
<b>Total Net Position</b>	<b>9,724,977</b>	<b>4,866,981</b>
<b>Total Liabilities, Net Position and Deferred Inflows of Resources</b>	<b>\$ 22,549,122</b>	<b>\$ 15,183,621</b>

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

**PIKES PEAK REGIONAL BUILDING DEPARTMENT  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING REVENUES:</b>		
Charges for Services:		
Permits	\$ 14,729,251	\$ 10,062,663
Fees	2,600,941	2,127,495
Code Sales	101,357	75,122
Refunds	(14,146)	(3,700)
<b>Total Operating Revenues (Net)</b>	<u>17,417,403</u>	<u>12,261,580</u>
<b>OPERATING EXPENSES:</b>		
Wages and Employee Benefits	9,108,478	8,956,756
Administrative Expenses	2,259,718	2,127,844
Operating Expenses	899,558	644,052
Depreciation	797,083	786,086
<b>Total Operating Expenses</b>	<u>13,064,837</u>	<u>12,514,738</u>
<b>Operating Income</b>	<u>4,352,566</u>	<u>(253,158)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Rental Income	121,605	141,976
Interest Income	27,139	4,955
Miscellaneous Income	165,165	112,694
Intergovernmental Revenue - Development Review	145,076	122,664
Gain (Loss) on Disposal of Assets	46,445	87,513
<b>Total Non-Operating Revenues</b>	<u>505,430</u>	<u>469,802</u>
<b>Change in Net Position</b>	4,857,996	216,644
<b>Net Position, Beginning of Year</b>	<u>4,866,981</u>	<u>4,650,337</u>
<b>Net Position, End of Year</b>	<u>\$ 9,724,977</u>	<u>\$ 4,866,981</u>

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

**PIKES PEAK REGIONAL BUILDING DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers and Users	\$ 17,433,298	\$ 12,256,805
Cash Paid to Suppliers	(4,879,601)	(4,444,945)
Cash Paid to Employees	(6,704,620)	(6,873,700)
Net Cash Provided (Used) by Operating Activities	<u>5,849,077</u>	<u>938,160</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Rental Income	121,605	141,976
Miscellaneous Income	165,165	112,694
Intergovernmental Revenue	145,076	122,664
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>431,846</u>	<u>377,334</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital Outlay	(862,296)	(983,121)
Proceeds from Sale of Assets	344,339	384,349
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(517,957)</u>	<u>(598,772)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash Received on Payment of Note Receivable	128,847	77,450
Interest Income	27,139	4,955
Net Cash Provided (Used) by Investing Activities	<u>155,986</u>	<u>82,405</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,918,952	799,127
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of Year	<u>8,864,314</u>	<u>8,065,187</u>
End of Year	<u>\$ 14,783,266</u>	<u>\$ 8,864,314</u>
Unrestricted Cash	13,655,719	7,736,767
Restricted Cash	1,127,547	1,127,547
Total Cash and Cash Equivalents	<u>\$ 14,783,266</u>	<u>\$ 8,864,314</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	\$ 4,352,566	\$ (253,158)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	797,083	786,086
(Increase) Decrease in Accounts Receivable	15,895	(4,775)
(Increase) Decrease in Inventory	-	4,956
(Increase) Decrease in Prepaid Expenses	(76,485)	-
(Increase) Decrease in Deferred Outflows of Resources	(1,747,487)	(602,499)
Increase (Decrease) in Pension Liability	1,911,185	916,805
Increase (Decrease) in Deferred Inflows of Resources	320,195	1,908
Increase (Decrease) in Accounts Payable	10,895	10,898
Increase (Decrease) in Other Current Liabilities	265,230	77,939
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,849,077</u>	<u>\$ 938,160</u>

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

**PIKES PEAK REGIONAL BUILDING DEPARTMENT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 and 2015**

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**Note 1 Summary of Significant Accounting Policies**

**History of the Department and Reporting Entity**

On December 17, 1968, the Pikes Peak Regional Building Department (Regional or the Department) was established to perform inspections, issue licenses, review plans and to regulate the construction of buildings and other structures in the City of Colorado Springs, El Paso County and the surrounding areas. The uniformity in inspection and regulation of construction and maintenance of buildings and other structures was previously 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 Department of Green Mountain Falls, the Department of Monument, and the Department of Palmer Lake. The City administers the inspection and regulation of the building codes. Effective January 1, 1977, a separate entity was established as a joint City-County facility. One elective official from each City and the County composed a governing body known as the Regional Building Commission, which is responsible for the administration of the facility with the aid of an advisory board. This agreement remains in force on an annual basis unless intention to terminate is received from either party at least six months before the end of a calendar year.

**Financial Reporting Entity**

In accordance with governmental accounting standards, the Department has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The Department is not financially accountable for any other entity, nor is the Department a component unit of any other governmental entity; therefore, no other entities are included in the Department's financial statements.

**Basis of Presentation and Accounting**

Enterprise fund accounting is utilized by the Department in accordance with accounting principles generally accepted in the United States of America. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recorded when incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are recognized as increases in capital assets.

The Department distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with the Department's principal ongoing operations. The principal operating revenues of the Department are charges to customers for permits and fees for inspections and other services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The Department follows all pronouncement issued by the Governmental Accounting Standards Board (GASB) which is the authoritative body.

The Department follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* and Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements establishes standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section; a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. It requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted.

## **Note 1 Summary of Significant Accounting Policies (Continued)**

### **Basis of Presentation and Accounting (Continued)**

Regional uses fund accounting to report its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Regional has only one fund, reported as a proprietary fund, which is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided to outside parties (enterprise fund).

### **Deferred Outflows / Inflows of Resources**

The Department implemented the provisions of GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and the provisions of GASB No. 65 Items Previously Reported as Assets and Liabilities (GASB 65). As a result in addition to assets, liabilities and net position, the statement of net position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period (deferred outflow) or the acquisition of net position that applies to future periods (deferred inflows).

### **Budgetary Data**

Regional is required by state statute to prepare a budget for its enterprise fund. Formal budgetary accounting is employed as a management control device for the fund. The Department adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, the Department manager submits the proposed budget to the Advisory Board and then to the Building Commission.
- Prior to its adoption, the budget is open for inspection by the public.
- After public inspection and consideration of any objections filed, the Board reviews the proposed budget and formally adopts it.
- At the time of the adoption of the budget, the Board passes an appropriating ordinance giving the Department legal authority to spend.

Budgets are not prepared in accordance with accounting principles generally accepted in the United States of America because they include capital asset expenditures, but do not include depreciation, or accrued vacation and sick leave. Budgets may be amended during the year by approval of the Board of Directors. Any amendments to the budget are incorporated into the budget in these financial statements. Appropriations lapse at the end of the budget year. The budget was amended in 2016.

### **Assets and Liabilities**

*Investments* – investments are recorded at fair value, which approximates cost.

*Receivables* – all receivables are reported at their book value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Inventory* - Inventory is valued at cost (first in, first out method) and consists of code books and permits.

*Capital assets* - Property and equipment which includes land, building, leasehold improvements and furniture, fixtures and other equipment are capitalized at actual costs. The property and equipment capitalization threshold for furniture, fixtures and equipment was established to maintain a balance between accountability of the assets and managing the cost of recording and tracking the assets, the capitalization threshold for furniture, fixtures and equipment is \$5,000.

**Note 1 Summary of Significant Accounting Policies (Continued)**

Maintenance, repair and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. Buildings, leasehold improvement and furniture fixtures and equipment are depreciated on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Building	40
Leasehold improvements	15-20
Equipment – Vehicles	5
Equipment – Office	5-10
Equipment – Technology	3

**Compensated Absences**

The Department’s policy allows employees to accumulate unused sick leave up to 1,056 hours and vacation leave up to the employees’ entitlement plus 40 hours. Annually, on November 30, sick leave hours accumulated in excess of 480 hours may be converted to vacation or pay on a two-for-one basis.

**Net Position**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – 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.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups, such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Department utilizes restricted net position before utilizing unrestricted net position when an expense is incurred for both purposes.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets.” These net position are available for future operations or distributions.

**Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents are defined as investments (including restricted assets) with maturity of three months or less at date of acquisition. The Department considers certificates of deposit with maturities of more than three months at date of purchase as investments.

**Use of Estimates in the Preparation of Financial Statements**

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 and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2 Cash and Investments**

**Cash Deposits**

As of December 31, 2016 and 2015 the Department’s cash deposits had a carrying balance of \$9,486,764 and \$5,969,802 and a corresponding bank balance of \$9,486,416 and \$5,940,961, of which \$500,000 and \$500,000 was insured by the Federal Deposit Insurance Corporation and 8,986,416 and \$5,440,961 was collateralized under PDPA, respectively. Restricted cash represents funds to be used for future capital asset additions and a reserve for self-insurance.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The

**Note 2 Cash and Investments (Continued)**

market value of the collateral must be at least equal to 102% of the uninsured deposits. The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Custodial Credit Risk – Deposits**

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 deposit policy for custodial credit risk. As of December 31, 2016, none of the Department’s bank deposits were exposed to custodial credit risk.

**Investments**

Colorado statutes specify in which investment instruments the units of local government may invest:

- Obligations of the United States and certain United States government agency securities.
- Certain international agency securities.
- General obligation and revenue bonds of United States local government entities.
- Bankers’ acceptances of certain banks.
- Commercial paper.
- Local government investment pools.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.

The Department does not have a formal investment policy.

In accordance with GASB 72 Certain External Investment Pools and Pool Participants, 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.

At December 31, 2016 and 2015 Department had \$5,294,352 and \$2,892,512, respectively, invested in COLOTRUST, which are investment vehicles established for government entities in Colorado to pool surplus funds. As an investment pool, the trusts operate under the Colorado Revised Statutes (24-75-701) and are overseen by the Colorado Securities Commissioner. The investments in COLOTRUST were valued at amortized cost.

The Trust invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include US Treasuries, US Agencies, commercial paper, repurchase agreements and bank deposits (collateralized through PDPA) The Trust operates similar to a 2a7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. The Trusts are rated AAA by the Standard & Poor’s Corporation.

A summary of cash and investments at December 31, 2016, is as follows:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 2,150	\$ 2,000
Cash deposits	9,486,764	5,969,802
COLOTRUST	5,294,352	2,892,512
Total cash and cash equivalents	<u>\$ 14,783,266</u>	<u>\$ 8,864,314</u>

**Note 3 Accounts Receivable**

Accounts receivable balance at December 31, 2016 and 2015, was comprised of the following:

	2016	2015
Fees for services	\$ 43,951	\$ 59,846
Less allowance for doubtful accounts	-	-
Net receivables	<u>\$ 43,951</u>	<u>\$ 59,846</u>

**Note 4 Capital Assets**

A summary of changes to capital assets for 2016 and 2015 is as follows:

	<b>Balance 12/31/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2016</b>
Non-Depreciable				
Land	\$ 450,375	\$ -	\$ -	\$ 450,375
Total Non-Depreciable	<u>450,375</u>	<u>-</u>	<u>-</u>	<u>450,375</u>
Depreciable				
Building	1,364,037	-	-	1,364,037
Improvements	3,947,332	31,872	-	3,979,204
Vehicles	1,705,116	784,528	(594,058)	1,895,586
Furniture, Fixtures and Equipment	2,113,162	45,896	-	2,159,058
Total Depreciable	<u>9,129,647</u>	<u>862,296</u>	<u>(594,058)</u>	<u>9,397,885</u>
Total Capital Assets	9,580,022	862,296	(594,058)	9,848,260
Accumulated Depreciation	(4,953,151)	(797,083)	296,164	(5,454,070)
Net Capital Assets	<u>\$ 4,626,871</u>	<u>\$ 65,213</u>	<u>\$ (297,894)</u>	<u>\$ 4,394,190</u>

	<b>Balance 12/31/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2015</b>
Non-Depreciable				
Land	\$ 450,375	\$ -	\$ -	\$ 450,375
Construction in Progress	47,603	-	(47,603)	-
Total Non-Depreciable	<u>497,978</u>	<u>-</u>	<u>(47,603)</u>	<u>450,375</u>
Depreciable				
Building	1,364,037	-	-	1,364,037
Improvements	3,854,689	92,643	-	3,947,332
Vehicles	1,592,865	713,239	(600,988)	1,705,116
Furniture, Fixtures and Equipment	1,888,320	224,842	-	2,113,162
Total Depreciable	<u>8,699,911</u>	<u>1,030,724</u>	<u>(600,988)</u>	<u>9,129,647</u>
Total Capital Assets	9,197,889	1,030,724	(648,591)	9,580,022
Accumulated Depreciation	(4,471,217)	(786,086)	304,152	(4,953,151)
Net Capital Assets	<u>\$ 4,726,672</u>	<u>\$ 244,638</u>	<u>\$ (344,439)</u>	<u>\$ 4,626,871</u>

**Note 5 Risk Management and Self Insurance**

Regional has established a professional liability risk retention Self-Insurance Fund. The purpose of this fund is to pay for errors and omissions on the part of employees, officers and directors. An amount of \$243,566 has been set-aside for this purpose in a separate account and is reported as a restricted asset on the statement of net position. Regional is exposed to other various risk of loss related to torts, theft of, damage to and destruction; injuries to employees; and natural disasters. The Department has purchased commercial insurance for all these other risks. Settled claims have not exceeded the self-insurance or commercial coverage in any of the past three years.

**Note 6 Defined Benefit Pension Plan**  
**Public Employees Retirement Association of Colorado (PERA)**

**Pensions**

The Department participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description**

Eligible employees of the Department are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Benefits-** PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) 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 PERA Benefit Structure is the greater of the:

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

In all cases the retirement benefit is limited to 100 percent of the highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code. Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (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 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPW-W) for the prior calendar year.

**Note 6 Defined Benefit Pension Plan (Continued)**

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual Increase Reserve for the LGDTF.

Disability benefits are available to 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.

**Funding Policy** - The Department is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Department are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the Department it is 10.0% of covered salary. A portion of the Department's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund. The Department was also required to pay an amortization equalization disbursement ("AED") equal to 2.2% of the total payroll for the calendar year 2016. Additionally, the Department was required to pay a supplemental amortization equalization disbursement ("SAED") equal to 1.5% of the total payroll for the calendar year 2016. If the Department rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and the SAED on the amounts paid for the retiree. For the year ending December 31, 2016, the Department's required employer contributions to the LGDTF were \$787,494 at a combined rate of 12.68%.

At December 31, 2016, the Department reported a liability of \$11,411,181 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Department's proportion of the net pension liability was based on Department contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2015, the Department's proportion was 1.0358912032% which was a decrease of .0240106716% from its proportion measured as of December 31, 2014. For the year ended December 31, 2016, the Department recognized pension expense of \$1,334,779. At December 31, 2016 the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ 85,616	\$ 394
Changes in assumptions	0	209,012
Net difference between actual and projected earnings on pension plan investments	2,196,732	0
Net impact in change in proportionate share	16,522	112,697
Contributions subsequent to the measurement date	787,494	0
<b>Total</b>	<b>\$ 3,086,364</b>	<b>\$ 322,103</b>

**Note 6 Defined Benefit Pension Plan (Continued)**

The \$787,494 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Pension Expense</u>
2017	\$ 439,766
2018	545,189
2019	583,572
2020	454,775
2021	-
Total	<u>\$ 2,023,302</u>

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

Price inflation 2.80 percent  
Real wage growth 1.10 percent  
Wage inflation 3.90 percent  
Salary increases, including wage inflation 3.90 - 10.85 percent  
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation 7.50 percent

Post-retirement benefit increases:

PERA Benefit Structure hired prior to 1/1/07: and DPS Benefit Structure (automatic) 2.00 percent PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic) Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. The actuarial assumptions used in December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014. Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows: The following programming changes were made:

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

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year

### **Note 6 Defined Benefit Pension Plan (Continued)**

The LGDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50 percent.

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

**Note 6 Defined Benefit Pension Plan (Continued)**

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

Based on the above actuarial cost method and assumptions, the LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the 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 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

***Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate***

<b><u>Discount Rate:</u></b>	<b><u>6.50%</u></b>	<b><u>7.50%</u></b>	<b><u>8.50%</u></b>
Proportionate share of the net pension liability	<u>\$17,494,504</u>	<u>\$11,411,181</u>	<u>\$6,365,665</u>

**Health Care Trust Fund**

*Plan Description* – The Department contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants Department to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Department is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016, 2015 and 2014, contributions to the HCTF were \$63,391, \$60,007 and \$59,240, respectively, equal to their required contributions for the year ending.

**Note 7 Leased Office Space**

In 2004, Regional occupied new office space under the terms of a sublease agreement between El Paso County, Colorado as lessor and Regional as lessee. Base rentals under the agreement are \$935,583 and \$939,387 as of 2016 and 2015, respectively. Regional has in turn leased a portion of the space under the terms of a sub-sub lease to El Paso County and the City of Colorado Springs, Colorado. Rental payments for each year under the agreement are \$428,395 from El Paso County, \$289,756 from the City of Colorado Springs and \$10,344 from Senator Udall for the year ended 2016 and 2015. Regional records the net amount of the payments as rental expense in financial statements.

In 2004, Regional leased an office building it owns to the El Paso County's Sheriff's Department. The original lease expired on August 31, 2011 and is currently being treated as a month to month lease. Annual rentals are \$122,225.

**Note 8 Tax, Spending and Debt Limitation**

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments. Regional meets the definition of an enterprise fund type and, therefore, is exempt from the requirements of the TABOR Amendment.

**Note 9 Reclassifications**

Certain items have been reclassified from the prior year to conform to the presentation of the current year's financial statements.

**Note 10 Assets held for sale**

In May of 2017 the Department has entered into an agreement to sell two pieces of property located at 101 West Costilla Street and 435 Sahwach Street in the amount of \$3,069,100. The sale is expected to be completed in 2017.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Pikes Peak Regional Building Department  
Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Liability - PERA  
Last 10 Fiscal Years \***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	1.0358912032%	1.0599018748%	1.0430212650%
District's proportional share of the net pension liability	\$ 11,411,181	\$ 9,499,996	\$ 8,699,911
District's covered payroll	5,762,778	5,728,896	5,479,964
Total pension liability	4,762,090,000	4,647,777,000	4,517,239,000
Plan fiduciary net position	3,660,509,000	3,751,468,000	3,508,312,000
Net pension liability	<u>\$ 1,101,581,000</u>	<u>\$ 896,309,000</u>	<u>\$ 1,008,927,000</u>
Plan fiduciary net position as a percentage of the total pension liability	0.77	0.81	0.78
Net pension liability as a percentage of covered payroll	198%	166%	159%

\* Information for the prior 7 years was not available to report

**Pikes Peak Regional Building Department  
Required Supplementary Information  
Schedule of Pension Contributions - PERA  
Last 10 Fiscal Years**

	2016	2015	2014	2013	2012
Statutorily Required Contribution	787,494	745,972	736,428	706,915	626,845
Contributions in Relation to the Statutorily Required Contribution	787,494	745,972	736,428	706,915	626,845
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Payroll	6,105,466	5,762,778	5,728,896	5,479,964	4,863,034
Contributions as a % of Covered Payroll	12.90%	12.94%	12.85%	12.90%	12.89%

These schedules are intended to show 10 years. Information is only shown for the years available.

**OTHER SUPPLEMENTAL INFORMATION**

**PIKES PEAK REGIONAL BUILDING DEPARTMENT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>				
Permits	\$ 9,710,000	\$ 10,223,000	\$ 14,729,251	\$ 4,506,251
Fees, licenses and inspections	2,384,500	2,953,500	2,600,941	(352,559)
Rental Income	152,322	152,322	121,605	(30,717)
Intergovernmental Income	38,392	38,392	145,076	106,684
Interest Income	3,250	19,200	27,139	7,939
Miscellaneous Income	56,000	56,000	165,165	109,165
Code sales	75,000	81,000	101,357	20,357
Gain / (Loss) on Disposal of Assets	18,000	113,000	46,445	(66,555)
Total Revenue	<u>12,437,464</u>	<u>13,636,414</u>	<u>17,936,979</u>	<u>4,300,565</u>
<b>EXPENDITURES</b>				
Employee Wages and Benefits	8,583,471	9,068,353	9,108,478	(40,125)
Resale Items - Code Books and Permits	74,964	88,462	97,694	(9,232)
General operating expenses	338,489	314,614	146,829	167,785
Bank and Merchant Fees	118,000	123,000	123,586	(586)
Refunds	12,500	12,500	14,146	(1,646)
Occupancy Expenses	935,825	935,825	935,583	242
Supplies	91,835	103,235	60,215	43,020
Office Expenses	189,702	196,252	433,375	(237,123)
Services	350,211	411,738	85,013	326,725
Educational programs	-	-	36,521	(36,521)
Repairs, Maintenance and Small Equipment	638,686	639,007	572,510	66,497
Economic Vitality	248,847	644,719	509,600	135,119
Other Expenses	2,500	2,500	207	2,293
Insurance	200,000	200,000	158,143	41,857
Capital Outlay	687,434	896,210	862,296	33,914
Total Expenditures	<u>12,472,464</u>	<u>13,636,415</u>	<u>13,144,196</u>	<u>492,219</u>
Revenue Over / (Under) Expenditures	<u>(\$35,000)</u>	<u>(\$1)</u>	<u>4,792,783</u>	<u>\$4,792,784</u>

**Reconciliation of Budgetary Net Income to GAAP Basis Net Income**

Capital Outlay	862,296
Depreciation Expense	(797,083)
Net Income (GAAP Basis)	<u>\$ 4,857,996</u>

See the accompanying independent auditors' report.