

PUEBLO REGIONAL BUILDING DEPARTMENT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2016 AND 2015



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July 19, 2017

Board of Commission
Pueblo Regional Building Department
Pueblo, Colorado

Independent Auditor's Report

Report on the Financial Statements

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

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Department'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 opinion.

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 Pueblo Regional Building Department as of December 31, 2016 and 2015, 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.

Other Matters

Required Supplementary Information

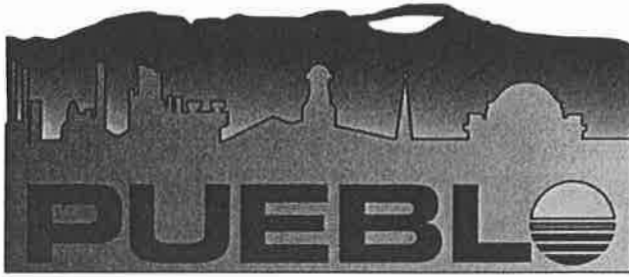
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pueblo Regional Building Department's basic financial statements. The schedules of budgetary comparisons, licenses and permits, and operating expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of budgetary comparisons, licenses and permits, and operating expenses are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 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 schedules of budgetary comparisons, licenses and permits, and operating expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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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, 2016. The section should be read in conjunction with the financial statements, which are attached.

FINANCIAL HIGHLIGHTS

- The Department's net position at December 31, 2016 totaled \$3,668,788.
- The Department's change in net position for the year ended December 31, 2016 was \$224,484. The Department's change in net position for 2015 was \$602,887, which is a difference of \$(378,403).

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	2016	2015	2014
CURRENT ASSETS	\$ 2,027,748.00	\$1,549,263.00	\$ 1,601,626.00
NONCURRENT ASSETS	<u>\$ 2,073,764.00</u>	<u>\$ 2,349,701.00</u>	<u>\$ 1,687,600.00</u>
TOTAL ASSETS	\$ 4,101,512.00	\$ 3,898,964.00	\$ 3,289,226.00
LIABILITIES			
CURRENT LIABILITIES	\$ 318,043.00	\$ 307,507.00	\$ 316,356.00
LONG TERM LIABILITIES	<u>\$ 114,681.00</u>	<u>\$ 147,153.00</u>	<u>\$ 131,453.00</u>
TOTAL LIABILITIES	\$ 432,724.00	\$ 454,660.00	\$ 447,809.00
NET POSITION			
INVESTED IN CAPITAL ASSETS	<u>\$ 1,335,274.00</u>	<u>\$ 1,297,984.00</u>	<u>\$ 1,287,799.00</u>
UNRESTRICTED	<u>\$ 2,333,514.00</u>	<u>\$ 2,146,320.00</u>	<u>\$ 1,553,618.00</u>
	\$ 3,668,788.00	\$ 3,444,304.00	\$ 2,841,417.00
TOTAL LIABILITIES & NET POSITION	\$ 4,101,512.00	\$ 3,898,964.00	\$ 3,289,226.00

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

This shows slight increases in revenues and expenses, with an overall increase in operating income.

	2016	2015	2014
OPERATING REVENUE	\$ 2,145,324.00	\$ 2,452,144.00	\$ 1,480,104.00
OPERATING EXPENSES	<u>\$ 2,021,616.00</u>	<u>\$ 1,913,415.00</u>	<u>\$ 1,773,552.00</u>
OPERATING INCOME/(LOSS)	\$ 123,708.00	\$ 538,729.00	\$ (293,448.00)
NONOPERATING REVENUE/(EXPENSES)	\$ 100,776.00	\$ 64,158.00	\$ 113,684.00
CHANGES IN NET POSITION	\$ 224,484.00	\$ 602,887.00	\$ (179,764.00)
	2016	2015	2014
SALARIES AND BENEFITS	\$ 1,650,383.00	\$ 1,558,666.00	\$ 1,456,778.00
DEPRECIATION	\$ 65,988.00	\$ 61,820.00	\$ 65,205.00
ALL OTHER	<u>\$ 305,245.00</u>	<u>\$ 292,929.00</u>	<u>\$ 251,569.00</u>
TOTAL OPERATING EXPENSES	\$ 2,021,616.00	\$ 1,913,415.00	\$ 1,773,552.00

- Salaries and benefit increases were due to a Commission approved salary increase and hiring temporary staff as needed.

Overall expenses for 2016 increased by \$108,201 compared to 2015.

BUDGETARY HIGHLIGHTS

The Department's budget is prepared according to Colorado Law. For 2016, the Commission appropriated \$2,181,230, to include the purchase of 3 trucks authorized and the purchase of 1 additional truck due to a truck being wrecked.

	Final Budget	Actual on Budget Basis
Revenue	\$1,859,500	\$2,230,124
Expenses	\$2,181,230	\$2,068,299

CAPITAL ASSETS

The Department's investment in capital assets at December 31, 2016 amounted to \$1,335,274, 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 increased \$152,259 in 2016 while 2015 reflects a increase in capital assets of \$81,392. Capital asset additions totaled \$218,247 during 2016, while net disposals totaled \$114,969. Capital asset additions for 2015 were \$143,212 while net disposals were \$71,207. Depreciation expense for 2016 was \$65,988 and \$61,820 for 2015. Major capital acquisitions for 2016 included:

- \$81,787 for 3 new trucks.
- Boiler upgrades for \$39,826
- New telephones and program for \$10,423

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET

Economic factors in the area continue to be somewhat weak in the housing market for 2017. We expect the number of housing permits to be higher than the 2016 total of 273. We believe the commercial projects will increase in 2017. We anticipate interest rates to remain somewhat low for 2017. We also anticipate staffing levels will have to be increased.

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, 2016 AND 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 222,361	\$ 388,127
Certificates of deposit	250,000	450,000
Accounts receivable	122	126
Investments	1,522,843	683,092
Prepaid expenses and other assets	32,422	27,918
TOTAL CURRENT ASSETS	2,027,748	1,549,263
NONCURRENT ASSETS		
Certificates of deposit	200,000	-
Investments	538,490	1,051,717
Capital assets -		
Land	158,324	158,324
Buildings and improvements	1,159,447	1,148,289
Vehicles	286,924	261,207
Furniture and fixtures	48,455	48,455
Equipment	83,746	73,323
Accumulated depreciation	(401,622)	(391,614)
Total Capital Assets	1,335,274	1,297,984
TOTAL NONCURRENT ASSETS	2,073,764	2,349,701
TOTAL ASSETS	4,101,512	3,898,964
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	5,185	2,957
Permit escrow	4,407	5,311
Unearned revenue	180,949	194,815
Accrued compensated absences	127,502	104,424
TOTAL CURRENT LIABILITIES	318,043	307,507
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	114,681	147,153
TOTAL LONG-TERM LIABILITIES	114,681	147,153
TOTAL LIABILITIES	432,724	454,660
NET POSITION		
Net investment in capital assets	1,335,274	1,297,984
Unrestricted	2,333,514	2,146,320
TOTAL NET POSITION	\$ 3,668,788	\$ 3,444,304

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, 2016 AND 2015**

	2016	2015
OPERATING REVENUES		
Licenses and permits	\$ 2,132,180	\$ 2,442,747
Code book sales	13,144	9,397
TOTAL OPERATING REVENUES	2,145,324	2,452,144
OPERATING EXPENSES		
Salaries	1,273,323	1,196,470
Employee benefits	362,285	348,127
Depreciation expense	65,988	61,820
Other	320,020	306,998
TOTAL OPERATING EXPENSES	2,021,616	1,913,415
OPERATING INCOME (LOSS)	123,708	538,729
NONOPERATING REVENUES		
Investment revenue	15,650	2,084
Gain on sale of capital assets	11,220	-
Insurance recovery	26,859	-
Rental and other revenue	47,047	62,074
TOTAL NONOPERATING REVENUES	100,776	64,158
CHANGE IN NET POSITION	224,484	602,887
NET POSITION, January 1	3,444,304	2,841,417
NET POSITION, December 31	\$ 3,668,788	\$ 3,444,304

The accompanying notes are an integral part of these statements.

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,130,558	\$ 2,459,160
Cash paid to suppliers for goods and services	(684,581)	(655,583)
Cash payments to employees for services	(1,282,717)	(1,182,432)
Other cash receipts	27,966	16,439
	<u>191,226</u>	<u>637,584</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(103,278)	(72,005)
Proceeds from sale of capital assets	11,220	-
Insurance recovery	12,064	-
	<u>(79,994)</u>	<u>(72,005)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	10,965	9,032
Rents and other revenue received	33,876	45,635
Maturity of certificates of deposit and investments	867,640	1,275,000
Purchase of certificates of deposit and investments	(1,189,479)	(1,682,151)
	<u>(276,998)</u>	<u>(352,484)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(165,766)	213,095
CASH AND CASH EQUIVALENTS, January 1	<u>388,127</u>	<u>175,032</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 222,361</u>	<u>\$ 388,127</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 123,708	\$ 538,729
Adjustments to reconcile operating income to net cash flows from operating activities -		
Depreciation	65,988	61,820
Other cash receipts	27,966	16,439
Change in assets and liabilities -		
Accounts and other receivables	4	11,574
Prepaid expenses	(4,504)	2,171
Accounts payable	2,228	(2,629)
Permit escrow	(904)	(15,819)
Unearned revenue	(13,866)	11,261
Accrued compensated absences	(9,394)	14,038
	<u>\$ 191,226</u>	<u>\$ 637,584</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	<u>\$ 4,685</u>	<u>\$ (6,510)</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, 2016 AND 2015**

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 councilperson 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, 2016 AND 2015**

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, 2016 AND 2015**

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

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes cash on hand and demand deposits

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

E. PREPAID EXPENSES

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

F. CAPITAL ASSETS

Property and equipment are stated at cost or estimated historical cost, net of accumulated depreciation. Donated assets are valued at their acquired value on the date donated. The Department has established a capitalization level of \$2,500 (\$5,000 beginning January 1, 2017) which is used so as to maintain a balance between accountability and managing the costs of recording and tracking capital assets. Depreciation is computed on the straight-line method over the estimated useful lives as follows:

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

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

G. COMPENSATED ABSENCES

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

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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

H. OPERATING REVENUES AND EXPENSES

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

I. STATEMENTS OF CASH FLOWS

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

J. COMPARATIVE DATA

Comparative data as of and for the year ended December 31, 2015 has been presented to provide an understanding of the changes in financial position and operations.

K. RECLASSIFICATIONS

Certain reclassifications have been applied to the 2015 financial statement presentation so as to correspond those amounts to the 2016 financial statement presentation.

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

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

	December 31	
	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 650	\$ 650
Demand deposits	<u>221,711</u>	<u>387,477</u>
	<u>\$ 222,361</u>	<u>\$ 388,127</u>
Certificates of deposit	<u>\$ 450,000</u>	<u>\$ 450,000</u>
U.S. Treasury securities	\$ 1,945,475	\$ 1,301,311
Money market mutual funds	<u>115,858</u>	<u>433,498</u>
	<u>\$ 2,061,333</u>	<u>\$ 1,734,809</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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

DEPOSITS

At December 31, 2016, the carrying value of the Department’s deposits, including certificates of deposit, was \$671,711 and the bank balance was \$723,731.

Of the bank balance, \$700,000 was covered by federal depository insurance and \$23,731 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 equal 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’s policy for custodial credit risk parallels Colorado statutes as described above. As of December 31, 2016, deposits with a bank balance of \$23,731 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institutions’ agent 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, 2016, 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 securities	\$ 1,945,475	\$ 1,406,985	\$ 538,490
Money market mutual funds	115,858	115,858	-
	<u>\$ 2,061,333</u>	<u>\$ 1,522,843</u>	<u>\$ 538,490</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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

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.

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, bankers acceptances, commercial paper and repurchase agreements. At December 31, 2016, the Department's investment in money market mutual funds generally were rated AAA by Moody's and 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, 2016:

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

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets during 2016 and 2015 is as follows:

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
Depreciable capital assets –				
Buildings and improvements	\$ 1,148,289	\$ 11,158	\$ -	\$ 1,159,447
Vehicles	261,207	196,666	(170,949)	286,924
Furniture and fixtures	48,455	-	-	48,455
Equipment	73,323	10,423	-	83,746
Total depreciable capital assets	<u>1,531,274</u>	<u>218,247</u>	<u>(170,949)</u>	<u>1,578,572</u>
Accumulated depreciation –				
Buildings and improvements	133,545	33,322	-	166,867
Vehicles	136,290	32,666	(55,980)	112,976
Furniture and fixtures	48,455	-	-	48,455
Equipment	73,324	-	-	73,324
Total accumulated depreciation	<u>391,614</u>	<u>65,988</u>	<u>(55,980)</u>	<u>401,622</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,139,660</u>	<u>152,259</u>	<u>(114,969)</u>	<u>1,176,950</u>
Nondepreciable assets – Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,297,984</u>	<u>\$ 152,259</u>	<u>\$ (114,969)</u>	<u>\$ 1,335,274</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 – CAPITAL ASSETS (Cont'd.)

	Balance January 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2015</u>
Depreciable capital assets –				
Buildings and improvements	\$ 1,148,289	\$ -	\$ -	\$ 1,148,289
Vehicles	214,003	143,212	(96,008)	261,207
Furniture and fixtures	48,455	-	-	48,455
Equipment	<u>73,323</u>	<u>-</u>	<u>-</u>	<u>73,323</u>
Total depreciable capital assets	<u>1,484,070</u>	<u>143,212</u>	<u>(96,008)</u>	<u>1,531,274</u>
Accumulated depreciation –				
Buildings and improvements	100,269	33,276	-	133,545
Vehicles	132,547	28,544	(24,801)	136,290
Furniture and fixtures	48,455	-	-	48,455
Equipment	<u>73,324</u>	<u>-</u>	<u>-</u>	<u>73,324</u>
Total accumulated depreciation	<u>354,595</u>	<u>61,820</u>	<u>(24,801)</u>	<u>391,614</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,129,475</u>	<u>81,392</u>	<u>(71,207)</u>	<u>1,139,660</u>
Nondepreciable assets –				
Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,287,799</u>	<u>\$ 81,392</u>	<u>\$ (71,207)</u>	<u>\$ 1,297,984</u>

NOTE 4 – COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the years ended December 31, 2016 and 2015:

Balance January 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2016</u>	Due Within <u>One Year</u>
\$ <u>251,577</u>	\$ <u>118,108</u>	\$ <u>127,502</u>	\$ <u>242,183</u>	\$ <u>127,502</u>
Balance January 1, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2015</u>	Due Within <u>One Year</u>
\$ <u>237,539</u>	\$ <u>118,462</u>	\$ <u>104,424</u>	\$ <u>251,577</u>	\$ <u>104,424</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 – 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, 2016, employee contributions totaled \$125,035 and the Department recognized pension expense of \$131,882. For the year ended December 31, 2015, employee contributions totaled \$109,803 and the Department recognized pension expense of \$124,498.

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. Nonvested 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 nonvested balances during the years ended December 31, 2016 and 2015.

NOTE 6 – 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 7 – 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, 2016

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Favorable (Unfavorable)
OPERATING REVENUES					
Charges for services	\$ 2,132,180	\$ (71)	\$ 2,132,109	\$ 1,806,000	\$ 326,109
Code book sales	13,144	-	13,144	-	13,144
TOTAL OPERATING REVENUES	2,145,324	(71)	2,145,253	1,806,000	339,253
OPERATING EXPENDITURES					
Salaries	1,282,717	-	1,282,717	1,330,000	47,283
Compensated absences	(9,394)	9,394	-	-	-
Automobile - gasoline	22,092	-	22,092	40,000	17,908
Automobile - repairs and maintenance	14,297	-	14,297	10,000	(4,297)
Building maintenance and repairs	24,361	-	24,361	17,000	(7,361)
Bank service fees	4,111	-	4,111	3,500	(611)
Code and miscellaneous books	11,571	-	11,571	15,000	3,429
Communications	12,719	-	12,719	12,000	(719)
Computer expense	12,816	-	12,816	21,000	8,184
Credit reports	-	-	-	2,000	2,000
Credit card fees	23,666	-	23,666	20,000	(3,666)
Depreciation	65,988	(65,988)	-	-	-
Dues and subscriptions	4,406	-	4,406	5,000	594
Equipment and tools	1,838	-	1,838	2,000	162
Insurance - liability	17,989	-	17,989	17,500	(489)
Insurance - medical	225,036	-	225,036	245,900	20,864
Insurance - unemployment	3,387	-	3,387	3,500	113
Insurance - workmen's compensation	20,608	-	20,608	25,000	4,392
Janitorial	13,090	-	13,090	15,500	2,410
Equipment rental	9,794	-	9,794	10,000	206
Payroll taxes	14,775	-	14,775	18,000	3,225
Meetings	3,458	-	3,458	4,000	542
Other/contingency	11,872	-	11,872	14,050	2,178
Office supplies	11,046	-	11,046	15,000	3,954
Postage	3,463	-	3,463	4,000	537
Professional services	21,250	-	21,250	27,000	5,750
Retirement	137,249	-	137,249	127,000	(10,249)

PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (Cont'd.)
YEAR ENDED DECEMBER 31, 2016

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Favorable (Unfavorable)
OPERATING EXPENDITURES (Cont'd.)					
Training	10,684	-	10,684	12,230	1,546
Telephone	4,745	-	4,745	3,000	(1,745)
Title searches	6,099	-	6,099	4,000	(2,099)
Travel	7,055	-	7,055	8,000	945
Trash pickup	849	-	849	800	(49)
Utilities	27,688	-	27,688	38,000	10,312
Uniforms	291	-	291	1,250	959
TOTAL OPERATING EXPENDITURES	<u>2,021,616</u>	<u>(56,594)</u>	<u>1,965,022</u>	<u>2,071,230</u>	<u>106,208</u>
OPERATING INCOME (LOSS)	<u>123,708</u>	<u>56,523</u>	<u>180,231</u>	<u>(265,230)</u>	<u>445,461</u>
OTHER REVENUE (EXPENDITURES)					
Interest revenue	15,650	(4,685)	10,965	7,000	3,965
Rental revenue	33,876	-	33,876	34,000	(124)
Other revenue	40,030	-	40,030	12,500	27,530
Gain on sale of capital assets	11,220	(11,220)	-	-	-
Capital outlay	-	(103,277)	(103,277)	(110,000)	6,723
TOTAL OTHER REVENUE (EXPENDITURES)	<u>100,776</u>	<u>(119,182)</u>	<u>(18,406)</u>	<u>(56,500)</u>	<u>38,094</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 224,484</u>	<u>\$ (62,659)</u>	<u>\$ 161,825</u>	<u>\$ (321,730)</u>	<u>\$ 483,555</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF LICENSES AND PERMITS
YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTALS FOR 2015**

	2016			2015
	City	County	Total	Total
LICENSES				
Building contractors	\$ -	\$ -	\$ 221,335	\$ 217,380
Wrecking contractors	-	-	4,290	5,980
Plumbing contractors	-	-	27,625	27,105
Mechanical contractors	-	-	60,665	54,430
Stationary engineers	-	-	1,790	3,740
Mechanical trades	-	-	5,700	7,260
Application fees	-	-	15,780	18,350
TOTAL LICENSES	<u>-</u>	<u>-</u>	<u>337,185</u>	<u>334,245</u>
PERMITS				
Building	444,833	630,015	1,074,848	1,440,902
Electrical	53,268	88,946	142,214	122,540
Mechanical	48,453	92,260	140,713	124,291
Plumbing	27,519	18,650	46,169	41,392
Wrecking	5,876	1,933	7,809	4,983
Signs	10,560	3,294	13,854	17,730
Mobile home	5,438	10,951	16,389	12,826
Special inspections	75,282	-	75,282	78,575
Reinspection	5,750	-	5,750	4,400
Release	5,940	-	5,940	1,440
Fire protection	3,567	291	3,858	1,802
Plan check fees	222,533	18,567	241,100	238,532
Temporary T.O.	699	-	699	676
Other	20,370	-	20,370	18,413
TOTAL PERMITS	<u>930,088</u>	<u>864,907</u>	<u>1,794,995</u>	<u>2,108,502</u>
TOTAL LICENSES AND PERMITS	<u>\$ 930,088</u>	<u>\$ 864,907</u>	<u>\$2,132,180</u>	<u>\$2,442,747</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Salaries	\$1,282,717	\$1,182,432
Compensated absences	(9,394)	14,038
Automobile - gasoline	22,092	24,380
Automobile - repairs and maintenance	14,297	1,523
Building maintenance and repairs	24,361	16,072
Bank service fees	4,111	3,379
Code and miscellaneous books	11,571	15,057
Communications	12,719	9,489
Computer expense	12,816	18,176
Credit card fees	23,666	19,986
Depreciation	65,988	61,820
Dues and subscriptions	4,406	3,720
Equipment and tools	1,838	1,235
Insurance - liability	17,989	18,048
Insurance - medical	225,036	219,603
Insurance - unemployment	3,387	3,229
Insurance - workmen's compensation	20,608	21,025
Janitorial	13,090	14,565
Equipment rental	9,794	8,888
Payroll taxes	14,775	14,069
Property taxes	5,083	3,581
Meetings	3,458	2,682
Other	6,789	1,970
Office supplies	11,046	17,688
Postage	3,463	2,082
Professional services	21,250	36,111
Retirement	137,249	128,524
Training	10,684	9,403
Telephone	4,745	3,980
Title searches	6,099	1,331
Trash pickup	849	743
Travel	7,055	5,716
Utilities	27,688	28,188
Uniforms	291	682
	<u>\$2,021,616</u>	<u>\$1,913,415</u>