

PUEBLO REGIONAL BUILDING DEPARTMENT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2017 AND 2016

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June 14, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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

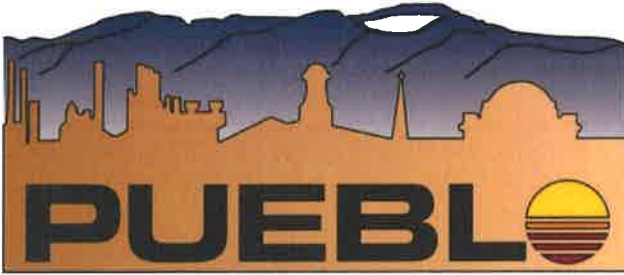
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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, 2017. The section should be read in conjunction with the financial statements, which are attached.

FINANCIAL HIGHLIGHTS

- The Department's net position at December 31, 2017 totaled \$4,338,250.
- The Department's change in net position for the year ended December 31, 2017 was \$669,462. The Department's change in net position for 2016 was \$224,484, which is a difference of \$444,978.

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	2017	2016	2015
CURRENT ASSETS	\$ 2,000,071.00	\$ 2,027,748.00	\$ 1,549,263.00
NONCURRENT ASSETS	\$ 2,765,404.00	\$ 2,073,764.00	\$ 2,349,701.00
TOTAL ASSETS	\$ 4,765,475.00	\$ 4,101,512.00	\$ 3,898,964.00
LIABILITIES			
CURRENT LIABILITIES	\$ 304,199.00	\$ 318,043.00	\$ 307,507.00
LONG TERM LIABILITIES	\$ 123,026.00	\$ 114,681.00	\$ 147,153.00
TOTAL LIABILITIES	\$ 427,225.00	\$ 432,724.00	\$ 454,660.00
NET POSITION			
INVESTED IN CAPITAL ASSETS	\$ 1,400,773.00	\$ 1,335,274.00	\$ 1,297,984.00
UNRESTRICTED	\$ 2,937,477.00	\$ 2,333,514.00	\$ 2,146,320.00
	\$ 4,338,250.00	\$ 3,668,788.00	\$ 3,444,304.00
TOTAL LIABILITIES & NET POSITION	\$ 4,765,475.00	\$ 4,101,512.00	\$ 3,898,964.00

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.

	2017	2016	2015
OPERATING REVENUE	\$ 2,834,133.00	\$ 2,145,324.00	\$ 2,452,144.00
OPERATING EXPENSES	\$ 2,287,520.00	\$ 2,021,616.00	\$ 1,913,415.00
OPERATING INCOME/(LOSS)	\$ 546,613.00	\$ 123,708.00	\$ 538,729.00
NONOPERATING REVENUE/(EXPENSES)	\$ 122,849.00	\$ 100,776.00	\$ 64,158.00
CHANGES IN NET POSITION	\$ 669,462.00	\$ 224,484.00	\$ 602,887.00
SALARIES AND BENEFITS			
	\$ 1,850,572.00	\$ 1,650,383.00	\$ 1,558,666.00
DEPRECIATION	\$ 70,287.00	\$ 65,988.00	\$ 61,820.00
ALL OTHER	\$ 366,661.00	\$ 305,245.00	\$ 292,929.00
TOTAL OPERATING EXPENSES	\$ 2,287,520.00	\$ 2,021,616.00	\$ 1,913,415.00

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

Overall expenses for 2017 increased by \$265,904 compared to 2016.

BUDGETARY HIGHLIGHTS

The Department's budget is prepared according to Colorado Law. For 2017, the Commission appropriated \$2,434,717.00, to include the purchase of 2 trucks and the payment for the reroof of the building.

	Final Budget	Actual on Budget Basis
Revenue	\$2,098,843	\$2,963,353
Expenses	\$2,434,717	\$2,365,540

CAPITAL ASSETS

The Department's investment in capital assets at December 31, 2017 amounted to \$1,400,773, 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 \$65,499 in 2017 while 2016 reflects a increase in capital assets of \$37,290. Capital asset additions totaled \$296,983 during 2017, while net disposals totaled (\$161,197). Capital asset additions for 2016 were \$218,247 while net disposals were \$114,969. Depreciation expense for 2017 was \$70,287 and \$65,988 for 2016. Major capital acquisitions for 2017 included:

- 51,800 for 2 new trucks.
- Reroof of building for 84,264

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET

Economic factors in the area continue to be somewhat improving in the housing market for 2018. We expect the number of housing permits to be higher than the 2017 total of 362. We believe the commercial projects will increase in 2018. We anticipate interest rates to increase in 2018.

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, 2017 AND 2016**

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 96,404	\$ 222,361
Certificates of deposit	211,000	250,000
Accounts receivable	8,635	122
Investments	1,648,917	1,522,843
Prepaid expenses and other assets	35,115	32,422
TOTAL CURRENT ASSETS	2,000,071	2,027,748
NONCURRENT ASSETS		
Certificates of deposit	250,000	200,000
Investments	1,114,631	538,490
Capital assets -		
Land	158,324	158,324
Buildings and improvements	1,243,714	1,159,447
Vehicles	280,467	286,924
Furniture and fixtures	48,455	48,455
Equipment	83,746	83,746
Accumulated depreciation	(413,933)	(401,622)
Total Capital Assets	1,400,773	1,335,274
TOTAL NONCURRENT ASSETS	2,765,404	2,073,764
TOTAL ASSETS	4,765,475	4,101,512
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	10,350	5,185
Permit escrow	7,777	4,407
Unearned revenue	179,155	180,949
Accrued compensated absences	106,917	127,502
TOTAL CURRENT LIABILITIES	304,199	318,043
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	123,026	114,681
TOTAL LONG-TERM LIABILITIES	123,026	114,681
TOTAL LIABILITIES	427,225	432,724
NET POSITION		
Net investment in capital assets	1,400,773	1,335,274
Unrestricted	2,937,477	2,333,514
TOTAL NET POSITION	\$ 4,338,250	\$ 3,668,788

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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Licenses and permits	\$ 2,824,422	\$ 2,132,180
Code book sales	9,711	13,144
TOTAL OPERATING REVENUES	<u>2,834,133</u>	<u>2,145,324</u>
OPERATING EXPENSES		
Salaries	1,434,755	1,273,323
Employee benefits	399,658	362,285
Depreciation expense	70,287	65,988
Other	382,820	320,020
TOTAL OPERATING EXPENSES	<u>2,287,520</u>	<u>2,021,616</u>
OPERATING INCOME (LOSS)	<u>546,613</u>	<u>123,708</u>
NONOPERATING REVENUES		
Investment revenue	15,959	15,650
Insurance recovery	47,612	26,859
Gain on sale of capital assets	-	11,220
Rental and other revenue	59,278	47,047
TOTAL NONOPERATING REVENUES	<u>122,849</u>	<u>100,776</u>
CHANGE IN NET POSITION	669,462	224,484
NET POSITION, January 1	<u>3,668,788</u>	<u>3,444,304</u>
NET POSITION, December 31	<u>\$ 4,338,250</u>	<u>\$ 3,668,788</u>

The accompanying notes are an integral part of these statements.

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,827,196	\$ 2,130,558
Cash paid to suppliers for goods and services	(780,006)	(684,581)
Cash payments to employees for services	(1,446,995)	(1,282,717)
Other cash receipts	<u>43,365</u>	<u>27,966</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>643,560</u>	<u>191,226</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(135,786)	(103,278)
Proceeds from sale of capital assets	-	11,220
Insurance recovery	<u>17,049</u>	<u>12,064</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(118,737)</u>	<u>(79,994)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	22,330	10,965
Rents and other revenue received	46,476	33,876
Maturity of certificates of deposit and investments	1,656,227	867,640
Purchase of certificates of deposit and investments	<u>(2,375,813)</u>	<u>(1,189,479)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(650,780)</u>	<u>(276,998)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(125,957)	(165,766)
CASH AND CASH EQUIVALENTS, January 1	<u>222,361</u>	<u>388,127</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 96,404</u>	<u>\$ 222,361</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 546,613	\$ 123,708
Adjustments to reconcile operating income to net cash flows from operating activities -		
Depreciation	70,287	65,988
Other cash receipts	43,365	27,966
Change in assets and liabilities -		
Accounts and other receivables	(8,513)	4
Prepaid expenses	(2,693)	(4,504)
Accounts payable	5,165	2,228
Permit escrow	3,370	(904)
Unearned revenue	(1,794)	(13,866)
Accrued compensated absences	<u>(12,240)</u>	<u>(9,394)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 643,560</u>	<u>\$ 191,226</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	<u>\$ (6,371)</u>	<u>\$ 4,685</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, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017 AND 2016**

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, U.S. Treasury bills, commercial paper and money market mutual funds and are stated at fair value. The certificates of deposit are stated at cost.

E. PREPAID EXPENSES

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

F. CAPITAL ASSETS

Property and equipment are stated at cost or estimated historical cost, net of accumulated depreciation. Donated assets are valued at their acquired value on the date received. The Department has established a capitalization level of \$5,000 beginning January 1, 2016 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, 2017 AND 2016**

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, 2016 has been presented to provide an understanding of the changes in financial position and operations.

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

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

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 650	\$ 650
Demand deposits	<u>95,754</u>	<u>221,711</u>
	<u>\$ 96,404</u>	<u>\$ 222,361</u>
 Certificates of deposit	 <u>\$ 461,000</u>	 <u>\$ 450,000</u>
U.S. Treasury notes	\$ 1,614,039	\$ 1,945,475
U.S. Treasury bills	398,040	-
Commercial paper	197,355	-
Money market mutual funds	<u>554,114</u>	<u>115,858</u>
	<u>\$ 2,763,548</u>	<u>\$ 2,061,333</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

DEPOSITS

At December 31, 2017, the carrying value of the Department's deposits, including certificates of deposit, was \$556,754 and the bank balance was \$616,454. The entire bank balance was covered by federal depository insurance.

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, 2017, 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 notes	\$ 1,614,039	\$ 499,408	\$ 1,114,631
U.S. Treasury bills	398,040	398,040	-
Commercial paper	197,355	197,355	-
Money market mutual funds	554,114	554,114	-
	<u>\$ 2,763,548</u>	<u>\$ 1,648,197</u>	<u>\$ 1,114,631</u>

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

Credit Risk – The Department's investment policies relative to investment choices provides that the Department may invest in U.S. treasury securities, U.S. agency securities, money market mutual funds, banker's acceptances, commercial paper and repurchase agreements. At December 31, 2017 the Department's investment in money market mutual funds generally were rated AAA by Moody's and Standard and Poor's. In addition, the Department's commercial paper investments were rated Prime-1 at December 31, 2017 by Moody's.

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

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, 2017:

- U.S. Treasury securities are valued based on quoted prices in active markets for identical assets (level 1 inputs).
- The commercial paper is valued based on significant other observable inputs (level 2 inputs).
- 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 2017 and 2016 is as follows:

	Balance January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2017</u>
Depreciable capital assets –				
Buildings and improvements	\$ 1,159,447	\$ 84,267	\$ -	\$ 1,243,714
Vehicles	286,924	212,716	(219,173)	280,467
Furniture and fixtures	48,455	-	-	48,455
Equipment	<u>83,746</u>	<u>-</u>	<u>-</u>	<u>83,746</u>
Total depreciable capital assets	<u>1,578,572</u>	<u>296,983</u>	<u>(219,173)</u>	<u>1,656,382</u>
Accumulated depreciation –				
Buildings and improvements	166,867	34,184	-	201,051
Vehicles	112,976	35,061	(57,976)	90,061
Furniture and fixtures	48,455	-	-	48,455
Equipment	<u>73,324</u>	<u>1,042</u>	<u>-</u>	<u>74,366</u>
Total accumulated depreciation	<u>401,622</u>	<u>70,287</u>	<u>(57,976)</u>	<u>413,933</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,176,950</u>	<u>226,696</u>	<u>(161,197)</u>	<u>1,242,449</u>
Nondepreciable assets – Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,335,274</u>	<u>\$ 226,696</u>	<u>\$ (161,197)</u>	<u>\$ 1,400,773</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 – CAPITAL ASSETS (Cont'd.)

	Balance January 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2016</u>
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	<u>73,323</u>	<u>10,423</u>	<u>-</u>	<u>83,746</u>
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	<u>73,324</u>	<u>-</u>	<u>-</u>	<u>73,324</u>
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>

NOTE 4 – COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the years ended December 31, 2017 and 2016:

Balance January 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>\$ 242,183</u>	<u>\$ 94,677</u>	<u>\$ 106,917</u>	<u>\$ 229,943</u>	<u>\$ 106,917</u>
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>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 8.7% 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, 2017, employee contributions totaled \$138,154 and the Department recognized pension expense of \$147,640. For the year ended December 31, 2016, employee contributions totaled \$125,035 and the Department recognized pension expense of \$131,882.

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, 2017 and 2016.

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, 2017

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING REVENUES					
Charges for services	\$ 2,824,422	\$ -	\$ 2,824,422	\$ 2,042,367	\$ 782,055
Code book sales	9,711	-	9,711	-	9,711
TOTAL OPERATING REVENUES	2,834,133	-	2,834,133	2,042,367	791,766
OPERATING EXPENDITURES					
Salaries	1,446,995	-	1,446,995	1,483,733	36,738
Compensated absences	(12,240)	12,240	-	-	-
Automobile - gasoline	28,416	-	28,416	30,000	1,584
Automobile - repairs and maintenance	27,212	-	27,212	10,000	(17,212)
Building maintenance and repairs	15,701	-	15,701	10,000	(5,701)
Bank service fees	4,297	-	4,297	4,000	(297)
Code and miscellaneous books	7,682	-	7,682	8,000	318
Communications	12,934	-	12,934	13,000	66
Computer expense	37,197	-	37,197	40,000	2,803
Credit card fees	32,437	-	32,437	23,000	(9,437)
Depreciation	70,287	(70,287)	-	-	-
Dues and subscriptions	7,201	-	7,201	5,000	(2,201)
Equipment and tools	3,587	-	3,587	2,000	(1,587)
Insurance - liability	18,398	-	18,398	14,384	(4,014)
Insurance - medical	246,676	-	246,676	277,500	30,824
Insurance - unemployment	3,801	-	3,801	4,000	199
Insurance - workmen's compensation	24,183	-	24,183	28,000	3,817
Janitorial	16,785	-	16,785	15,000	(1,785)
Equipment rental	10,184	-	10,184	10,000	(184)
Payroll taxes	16,159	-	16,159	18,500	2,341
Meetings	3,488	-	3,488	4,000	512
Other/contingency	16,272	-	16,272	24,250	7,978
Office supplies	11,535	-	11,535	12,000	465
Postage	3,091	-	3,091	4,500	1,409
Professional services	22,830	-	22,830	27,000	4,170
Retirement	152,982	-	152,982	135,000	(17,982)

PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (Cont'd.)
YEAR ENDED DECEMBER 31, 2017

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING EXPENDITURES (Cont'd.)					
Training	8,505	-	8,505	38,000	29,495
Telephone	6,372	-	6,372	4,600	(1,772)
Title searches	3,072	-	3,072	5,000	1,928
Travel	14,027	-	14,027	8,000	(6,027)
Trash pickup	1,078	-	1,078	1,000	(78)
Utilities	23,479	-	23,479	32,000	8,521
Uniforms	2,897	-	2,897	1,250	(1,647)
TOTAL OPERATING EXPENDITURES	<u>2,287,520</u>	<u>(58,047)</u>	<u>2,229,473</u>	<u>2,292,717</u>	<u>63,244</u>
OPERATING INCOME (LOSS)	<u>546,613</u>	<u>58,047</u>	<u>604,660</u>	<u>(250,350)</u>	<u>855,010</u>
OTHER REVENUE (EXPENDITURES)					
Interest revenue	15,959	6,371	22,330	10,000	12,330
Rental revenue	46,476	-	46,476	46,476	-
Other revenue	60,414	-	60,414	-	60,414
Capital outlay	-	(136,067)	(136,067)	(142,000)	5,933
TOTAL OTHER REVENUE (EXPENDITURES)	<u>122,849</u>	<u>(129,696)</u>	<u>(6,847)</u>	<u>(85,524)</u>	<u>78,677</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 669,462</u>	<u>\$ (71,649)</u>	<u>\$ 597,813</u>	<u>\$ (335,874)</u>	<u>\$ 933,687</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF LICENSES AND PERMITS
YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016**

	2017			2016
	City	County	Total	Total
LICENSES				
Building contractors	\$ -	\$ -	235,493	\$ 221,335
Wrecking contractors	-	-	-	4,290
Plumbing contractors	-	-	24,960	27,625
Mechanical contractors	-	-	59,085	60,665
Stationary engineers	-	-	3,220	1,790
Mechanical trades	-	-	6,180	5,700
Application fees	-	-	23,915	15,780
TOTAL LICENSES	<u>-</u>	<u>-</u>	<u>352,853</u>	<u>337,185</u>
PERMITS				
Building	570,593	970,867	1,541,460	1,074,848
Electrical	76,090	182,000	258,090	142,214
Mechanical	42,481	98,939	141,420	140,713
Plumbing	23,403	22,748	46,151	46,169
Wrecking	4,271	472	4,743	7,809
Signs	11,322	3,026	14,348	13,854
Mobile home	3,984	9,771	13,755	16,389
Special inspections	118,120	-	118,120	75,282
Reinspection	9,500	-	9,500	5,750
Release	2,638	-	2,638	5,940
Fire protection	-	165	165	3,858
Plan check fees	252,245	30,866	283,111	241,100
Temporary T.O.	430	-	430	699
Other	37,638	-	37,638	20,370
TOTAL PERMITS	<u>1,152,715</u>	<u>1,318,854</u>	<u>2,471,569</u>	<u>1,794,995</u>
TOTAL LICENSES AND PERMITS	<u>\$1,152,715</u>	<u>\$1,318,854</u>	<u>\$2,824,422</u>	<u>\$2,132,180</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Salaries	1,446,995	\$1,282,717
Compensated absences	(12,240)	(9,394)
Automobile - gasoline	28,416	22,092
Automobile - repairs and maintenance	27,212	14,297
Building maintenance and repairs	15,701	24,361
Bank service fees	4,297	4,111
Code and miscellaneous books	7,682	11,571
Communications	12,934	12,719
Computer expense	37,197	12,816
Credit card fees	32,437	23,666
Depreciation	70,287	65,988
Dues and subscriptions	7,201	4,406
Equipment and tools	3,587	1,838
Insurance - liability	18,398	17,989
Insurance - medical	246,676	225,036
Insurance - unemployment	3,801	3,387
Insurance - workmen's compensation	24,183	20,608
Janitorial	16,785	13,090
Equipment rental	10,184	9,794
Payroll taxes	16,159	14,775
Property taxes	3,509	5,083
Meetings	3,488	3,458
Other	12,763	6,789
Office supplies	11,535	11,046
Postage	3,091	3,463
Professional services	22,830	21,250
Retirement	152,982	137,249
Training	8,505	10,684
Telephone	6,372	4,745
Title searches	3,072	6,099
Trash pickup	1,078	849
Travel	14,027	7,055
Utilities	23,479	27,688
Uniforms	2,897	291
	<u>\$2,287,520</u>	<u>\$2,021,616</u>