

PUEBLO REGIONAL BUILDING DEPARTMENT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018 AND 2017

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION & ANALYSIS	i
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	3
Statements of Revenues, Expenses and Changes in Net Position	4
Statements of Cash Flows	5
Notes to Financial Statements	6
ADDITIONAL INFORMATION	
Schedule of Revenues and Expenditures – Budget to Actual	14
Schedules of Licenses and Permits	16
Schedules of Operating Expenses	17

Garren, Ross & DeNardo, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. GARREN, CPA
MEL J. ROSS, CPA
SAM J. DeNARDO, CPA

SUITE 200
3673 PARKER BOULEVARD
PUEBLO, COLORADO 81008
719 / 544-9872
FAX 719 / 253-5417
www.grdcpa.com

June 19, 2019

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, 2018 and 2017, 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, 2018 and 2017, 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

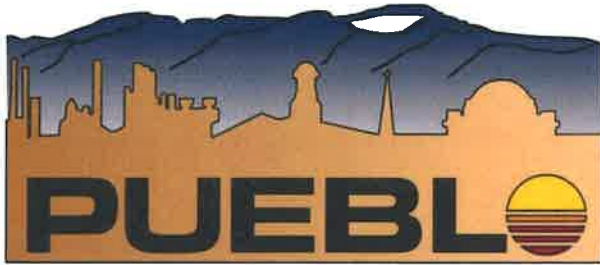
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the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

Darren Ross & DeNardo, Inc.



**Pueblo Regional Building Department
830 N Main St. Suite 100
Pueblo CO 81003
719-543-0002 fax 719-543-0062**

www.prbd.com

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, 2018. The section should be read in conjunction with the financial statements, which are attached.

FINANCIAL HIGHLIGHTS

- The Department's net position at December 31, 2018 totaled \$4,592,463.
- The Department's change in net position for the year ended December 31, 2018 was \$254,213. The Department's change in net position for 2017 was \$669,462, which is a difference of \$415,249.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The notes to the financial statements also contain more detail on some of the information presented in the financial statements. The financial statements of the Department report information about the Department in accordance with accounting principles generally accepted in the United States. These statements offer short and long-term financial information about its activities. The Statement of Net Position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. The Statement of Revenues, Expenses and Changes in Net Position present information showing how the Department's net position changed during the fiscal year. Revenues and expenses are recorded in this statement for some items that will only result in cash flows in future fiscal periods, such as earned but unused sick and vacation leave.

The notes to the financial statement provide additional information that is essential to a full understanding of the data provided within the financial statements.

FINANCIAL ANALYSIS

The following is a summary of the Department's net position.

ASSETS	2018	2017	2016
CURRENT ASSETS	\$ 2,267,148.00	\$ 2,000,071.00	\$ 2,027,748.00
NONCURRENT ASSETS	\$ 2,749,328.00	\$ 2,765,404.00	\$ 2,073,764.00
TOTAL ASSETS	\$ 5,016,476.00	\$ 4,765,475.00	\$ 4,101,512.00
LIABILITIES			
CURRENT LIABILITIES	\$ 308,098.00	\$ 304,199.00	\$ 318,043.00
LONG TERM LIABILITIES	\$ 115,915.00	\$ 123,026.00	\$ 114,681.00
TOTAL LIABILITIES	\$ 424,013.00	\$ 427,225.00	\$ 432,724.00
NET POSITION			
INVESTED IN CAPITAL ASSETS	\$ 1,335,510.00	\$ 1,400,773.00	\$ 1,335,274.00
UNRESTRICTED	\$ 3,256,953.00	\$ 2,937,477.00	\$ 2,333,514.00
	\$ 4,592,463.00	\$ 4,338,250.00	\$ 3,668,788.00
TOTAL LIABILITIES & NET POSITION	\$ 5,016,476.00	\$ 4,765,475.00	\$ 4,101,512.00

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

In comparison to 2017, our operating income for 2018 decreased due to increased operating expenses and a decrease in operating revenue.

	2018	2017	2016
OPERATING REVENUE	\$2,463,723.00	\$2,834,133.00	\$2,145,324.00
OPERATING EXPENSES	<u>\$2,335,699.00</u>	<u>\$2,287,520.00</u>	<u>\$2,021,616.00</u>
OPERATING INCOME/(LOSS)	\$ 128,024.00	\$ 546,613.00	\$ 123,708.00
NONOPERATING REVENUE/(EXPENSES)	\$ 126,189.00	\$ 122,849.00	\$ 100,776.00
CHANGES IN NET POSITION	\$ 254,213.00	\$ 669,462.00	\$ 224,484.00
SALARIES AND BENEFITS			
	\$ 1,941,674.00	\$ 1,850,572.00	\$ 1,650,383.00
DEPRECIATION			
	\$ 79,263.00	\$ 70,287.00	\$ 65,988.00
ALL OTHER			
	<u>\$ 314,762.00</u>	<u>\$ 366,661.00</u>	<u>\$ 305,245.00</u>
TOTAL OPERATING EXPENSES	\$ 2,335,699.00	\$ 2,287,520.00	\$ 2,021,616.00

- 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 2018 increased by \$48,179 compared to 2017.

BUDGETARY HIGHLIGHTS

The Department's budget is prepared according to Colorado Law. For 2018, the Commission appropriated \$2,363,880.

	Final Budget	Actual on Budget Basis
Revenue	\$2,163,880	\$2,565,610
Expenses	\$2,363,880	\$2,291,543

CAPITAL ASSETS

The Department's investment in capital assets at December 31, 2018 amounted to \$1,335,510, which is net of accumulated depreciation. Capital assets consist mainly of the Department's office facility and vehicles used in the Department's operations. Capital assets decreased by (\$65,263) in 2018 while 2017 reflects an increase in capital assets of \$65,499. Capital asset additions totaled \$144,159 during 2018, while net disposals totaled (\$172,740). Capital asset additions for 2017 were \$296,983 while net disposals were (\$219,173). Depreciation expense for 2018 was \$79,263 and \$70,287 for 2017.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET

Economic factors in the area continue to be somewhat improving in the housing market for 2019. We expect the number of housing permits to be higher than the 2018 total of 458. We believe the commercial projects will increase in 2019. We anticipate interest rates to increase in 2019.

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, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 214,232	\$ 96,404
Certificates of deposit	250,000	211,000
Accounts receivable	120	8,635
Investments	1,748,826	1,648,917
Prepaid expenses and other assets	53,970	35,115
TOTAL CURRENT ASSETS	2,267,148	2,000,071
NONCURRENT ASSETS		
Certificates of deposit	-	250,000
Investments	1,413,818	1,114,631
Capital assets -		
Land	158,324	158,324
Buildings and improvements	1,243,714	1,243,714
Vehicles	251,886	280,467
Furniture and fixtures	48,455	48,455
Equipment	83,746	83,746
Accumulated depreciation	(450,615)	(413,933)
Total Capital Assets	1,335,510	1,400,773
TOTAL NONCURRENT ASSETS	2,749,328	2,765,404
TOTAL ASSETS	5,016,476	4,765,475
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	15,996	10,350
Permit escrow	2,152	7,777
Unearned revenue	179,030	179,155
Accrued compensated absences	110,920	106,917
TOTAL CURRENT LIABILITIES	308,098	304,199
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	115,915	123,026
TOTAL LONG-TERM LIABILITIES	115,915	123,026
TOTAL LIABILITIES	424,013	427,225
NET POSITION		
Net investment in capital assets	1,335,510	1,400,773
Unrestricted	3,256,953	2,937,477
TOTAL NET POSITION	\$ 4,592,463	\$ 4,338,250

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Licenses and permits	\$ 2,454,444	\$ 2,824,422
Code book sales	9,279	9,711
TOTAL OPERATING REVENUES	<u>2,463,723</u>	<u>2,834,133</u>
OPERATING EXPENSES		
Salaries	1,474,402	1,434,755
Employee benefits	450,535	399,658
Depreciation expense	79,263	70,287
Other	331,499	382,820
TOTAL OPERATING EXPENSES	<u>2,335,699</u>	<u>2,287,520</u>
OPERATING INCOME (LOSS)	<u>128,024</u>	<u>546,613</u>
NONOPERATING REVENUES		
Investment revenue	41,529	15,959
Insurance recovery	16,857	47,612
Gain on sale of capital assets	5,800	-
Rental and other revenue	62,003	59,278
TOTAL NONOPERATING REVENUES	<u>126,189</u>	<u>122,849</u>
CHANGE IN NET POSITION	254,213	669,462
NET POSITION, January 1	<u>4,338,250</u>	<u>3,668,788</u>
NET POSITION, December 31	<u>\$ 4,592,463</u>	<u>\$ 4,338,250</u>

The accompanying notes are an integral part of these statements.

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,466,488	\$ 2,827,196
Cash paid to suppliers for goods and services	(795,243)	(780,006)
Cash payments to employees for services	(1,477,509)	(1,446,995)
Other cash receipts	-	43,365
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>193,736</u>	<u>643,560</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(14,000)	(135,786)
Proceeds from sale of capital assets	5,800	-
Insurance recovery	16,857	17,049
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>8,657</u>	<u>(118,737)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	41,529	22,330
Rents and other revenue received	62,003	46,476
Maturity of certificates of deposit and investments	1,779,280	1,656,227
Purchase of certificates of deposit and investments	(1,967,377)	(2,375,813)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(84,565)</u>	<u>(650,780)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	117,828	(125,957)
CASH AND CASH EQUIVALENTS, January 1	<u>96,404</u>	<u>222,361</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 214,232</u>	<u>\$ 96,404</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 128,024	\$ 546,613
Adjustments to reconcile operating income to net cash flows from operating activities -		
Depreciation	79,263	70,287
Other cash receipts	-	43,365
Change in assets and liabilities -		
Accounts and other receivables	8,515	(8,513)
Prepaid expenses	(18,854)	(2,693)
Accounts payable	5,646	5,165
Permit escrow	(5,625)	3,370
Unearned revenue	(125)	(1,794)
Accrued compensated absences	(3,108)	(12,240)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 193,736</u>	<u>\$ 643,560</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	<u>\$ 1,644</u>	<u>\$ (6,371)</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, 2018 AND 2017**

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, 2018 AND 2017**

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, 2018 AND 2017**

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, U.S. agency securities, 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, 2018 AND 2017**

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, 2017 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>2018</u>	<u>2017</u>
Cash on hand	\$ 650	\$ 650
Demand deposits	<u>213,582</u>	<u>95,754</u>
	<u>\$ 214,232</u>	<u>\$ 96,404</u>
Certificates of deposit	<u>\$ 250,000</u>	<u>\$ 461,000</u>
U.S. Treasury notes	\$ 2,285,382	\$ 1,614,039
U.S. Treasury bills	-	398,040
U.S. agency securities	758,078	-
Commercial paper	-	197,355
Money market mutual funds	<u>119,184</u>	<u>554,114</u>
	<u>\$ 3,162,644</u>	<u>\$ 2,763,548</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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

DEPOSITS

At December 31, 2018, the carrying value of the Department’s deposits, including certificates of deposit, was \$463,582 and the bank balance was \$518,507. Of the bank balance, \$500,000 was covered by federal depository insurance and \$18,507 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public fund monies. The depository institution must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must be equal to at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

Custodial credit risk is the risk that, in the event of a bank failure, the Department’s deposits may not be returned to it. The Department does not have a policy for custodial credit risk. At December 31, 2018, deposits with a bank balance of \$18,507 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution’s agent but not in the Department's name.

INVESTMENTS

The Department is subject to Colorado Revised Statute 24-75-601 which is entitled “concerning investment in securities by public entities”. This statute, among other things, outlines the type of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers’ acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, guaranteed investment contracts, and U.S. dollar-denominated corporate or bank debt. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

As of December 31, 2018, 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	\$ 2,285,382	\$ 1,391,639	\$ 893,743
U.S. agency securities	758,078	238,003	520,075
Money market mutual funds	119,184	119,184	-
	<u>\$ 3,162,644</u>	<u>\$ 1,748,826</u>	<u>\$ 1,413,818</u>

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

PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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

Credit Risk – The Department’s investment policies relative to investment choices provides that the Department may invest in U.S. treasury securities, U.S. agency securities, money market mutual funds, banker’s acceptances, commercial paper and repurchase agreements. At December 31, 2018 the Department’s investment in money market mutual funds generally were rated AAA by Moody’s and Standard and Poor’s and the Department’s U.S. agency securities were rated at Aaa by Moody’s and AA+ by Standard and Poor’s. In addition, the Department’s commercial paper investments were rated Prime-1 at December 31, 2017 by Moody’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, 2018:

- U.S. Treasury and U.S. agency 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 2018 and 2017 is as follows:

	Balance January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2018</u>
Depreciable capital assets –				
Buildings and improvements	\$ 1,243,714	\$ -	\$ -	\$ 1,243,714
Vehicles	280,467	144,159	(172,740)	251,886
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>1,656,382</u>	<u>144,159</u>	<u>(172,740)</u>	<u>1,627,801</u>
Accumulated depreciation –				
Buildings and improvements	201,051	38,047	-	239,098
Vehicles	90,061	40,174	(42,581)	87,654
Furniture and fixtures	48,455	-	-	48,455
Equipment	<u>74,366</u>	<u>1,042</u>	<u>-</u>	<u>75,408</u>
Total accumulated depreciation	<u>413,933</u>	<u>79,263</u>	<u>(42,581)</u>	<u>450,615</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,242,449</u>	<u>64,896</u>	<u>(130,159)</u>	<u>1,177,186</u>
Nondepreciable assets – Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,400,773</u>	<u>\$ 64,896</u>	<u>\$ (130,159)</u>	<u>\$ 1,335,510</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 3 – CAPITAL ASSETS (Cont'd.)

	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>
Non-depreciable 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>

NOTE 4 – COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the years ended December 31, 2018 and 2017:

Balance January 1, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2018</u>	Due Within <u>One Year</u>
<u>\$ 229,943</u>	<u>\$ 107,812</u>	<u>\$ 110,920</u>	<u>\$ 226,835</u>	<u>\$ 110,920</u>
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>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

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, 2018, employee contributions totaled \$142,223 and the Department recognized pension expense of \$153,744. For the year ended December 31, 2017, employee contributions totaled \$138,154 and the Department recognized pension expense of \$147,640.

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, 2018 and 2017.

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 reinsurance 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, 2018**

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING REVENUES					
Charges for services	\$ 2,454,444	\$ -	\$ 2,454,444	\$ 2,102,404	\$ 352,040
Code book sales	9,279	-	9,279	-	9,279
TOTAL OPERATING REVENUES	<u>2,463,723</u>	<u>-</u>	<u>2,463,723</u>	<u>2,102,404</u>	<u>361,319</u>
OPERATING EXPENDITURES					
Salaries	1,477,510	-	1,477,510	1,499,780	22,270
Compensated absences	(3,108)	3,108	-	-	-
Automobile - gasoline	34,158	-	34,158	40,000	5,842
Automobile - repairs and maintenance	14,816	-	14,816	10,000	(4,816)
Building maintenance and repairs	19,331	-	19,331	10,000	(9,331)
Bank service fees	4,888	-	4,888	4,500	(388)
Code and miscellaneous books	10,001	-	10,001	8,000	(2,001)
Communications	9,478	-	9,478	16,000	6,522
Computer expense	31,085	-	31,085	40,000	8,915
Credit card fees	24,174	-	24,174	33,000	8,826
Depreciation	79,263	(79,263)	-	-	-
Dues and subscriptions	3,509	-	3,509	5,000	1,491
Equipment and tools	2,407	-	2,407	2,000	(407)
Insurance - liability	19,886	-	19,886	17,000	(2,886)
Insurance - medical	291,227	-	291,227	289,000	(2,227)
Insurance - unemployment	3,851	-	3,851	4,000	149
Insurance - workmen's compensation	14,918	-	14,918	35,000	20,082
Janitorial	14,280	-	14,280	17,000	2,720
Equipment rental	7,596	-	7,596	10,000	2,404
Payroll taxes	16,737	-	16,737	21,000	4,263
Meetings	4,079	-	4,079	4,000	(79)
Other/contingency	3,529	-	3,529	19,250	15,721
Office supplies	10,901	-	10,901	12,000	1,099
Postage	1,495	-	1,495	4,500	3,005
Professional services	29,016	-	29,016	25,000	(4,016)
Retirement	159,308	-	159,308	155,000	(4,308)

PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (Cont'd.)
YEAR ENDED DECEMBER 31, 2018

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING EXPENDITURES (Cont'd.)					
Training	9,010	-	9,010	15,000	5,990
Telephone	4,613	-	4,613	5,100	487
Title searches	4,126	-	4,126	5,000	874
Travel	10,343	-	10,343	9,500	(843)
Trash pickup	1,034	-	1,034	1,000	(34)
Utilities	21,625	-	21,625	28,000	6,375
Uniforms	612	-	612	1,250	638
TOTAL OPERATING EXPENDITURES	<u>2,335,699</u>	<u>(76,155)</u>	<u>2,259,544</u>	<u>2,345,880</u>	<u>86,336</u>
OPERATING INCOME (LOSS)	<u>128,024</u>	<u>76,155</u>	<u>204,179</u>	<u>(243,476)</u>	<u>447,655</u>
OTHER REVENUE (EXPENDITURES)					
Interest revenue	41,529	(1,644)	39,885	15,000	24,885
Rental revenue	46,476	-	46,476	46,476	-
Insurance Recovery	16,857	-	16,857	-	16,857
Gain on Sale of Assets	5,800	(5,800)	-	-	-
Other revenue	15,527	-	15,527	-	15,527
Capital outlay	-	(32,000)	(32,000)	(18,000)	(14,000)
TOTAL OTHER REVENUE (EXPENDITURES)	<u>126,189</u>	<u>(39,444)</u>	<u>86,745</u>	<u>43,476</u>	<u>43,269</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 254,213</u>	<u>\$ 36,711</u>	<u>\$ 290,924</u>	<u>\$ (200,000)</u>	<u>\$ 490,924</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF LICENSES AND PERMITS
YEAR ENDED DECEMBER 31, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	2018			2017
	City	County	Total	Total
LICENSES				
Building contractors	\$ -	\$ -	\$ 252,315	\$ 235,493
Wrecking contractors	-	-	-	-
Plumbing contractors	-	-	24,375	24,960
Mechanical contractors	-	-	60,750	59,085
Stationary engineers	-	-	2,050	3,220
Mechanical trades	-	-	5,700	6,180
Application fees	-	-	25,270	23,915
TOTAL LICENSES	<u>-</u>	<u>-</u>	<u>370,460</u>	<u>352,853</u>
PERMITS				
Building	481,210	712,240	1,193,450	1,541,460
Electrical	123,996	151,661	275,657	258,090
Mechanical	39,997	104,341	144,338	141,420
Plumbing	25,014	28,299	53,313	46,151
Wrecking	4,807	2,076	6,883	4,743
Signs	9,651	3,195	12,846	14,348
Mobile home	16,263	13,656	29,919	13,755
Special inspections	82,166	-	82,166	118,120
Reinspection	11,935	-	11,935	9,500
Release	2,040	-	2,040	2,638
Fire protection	202	-	202	165
Plan check fees	214,230	31,421	245,651	283,111
Temporary T.O.	413	-	413	430
Other	25,171	-	25,171	37,638
TOTAL PERMITS	<u>1,037,095</u>	<u>1,046,889</u>	<u>2,083,984</u>	<u>2,471,569</u>
TOTAL LICENSES AND PERMITS	<u>\$1,037,095</u>	<u>\$1,046,889</u>	<u>\$2,454,444</u>	<u>\$2,824,422</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Salaries	\$1,477,510	\$1,446,995
Compensated absences	(3,108)	(12,240)
Automobile - gasoline	34,158	28,416
Automobile - repairs and maintenance	14,816	27,212
Building maintenance and repairs	19,331	15,701
Bank service fees	4,888	4,297
Code and miscellaneous books	10,001	7,682
Communications	9,478	12,934
Computer expense	31,085	37,197
Credit card fees	24,174	32,437
Depreciation	79,263	70,287
Dues and subscriptions	3,509	7,201
Equipment and tools	2,407	3,587
Insurance - liability	19,886	18,398
Insurance - medical	291,227	246,676
Insurance - unemployment	3,851	3,801
Insurance - workmen's compensation	14,918	24,183
Janitorial	14,280	16,785
Equipment rental	7,596	10,184
Payroll taxes	16,737	16,159
Property taxes	3,466	3,509
Meetings	4,079	3,488
Other	64	12,763
Office supplies	10,901	11,535
Postage	1,495	3,091
Professional services	29,016	22,830
Retirement	159,308	152,982
Training	9,010	8,505
Telephone	4,613	6,372
Title searches	4,126	3,072
Trash pickup	1,034	1,078
Travel	10,343	14,027
Utilities	21,625	23,479
Uniforms	612	2,897
	<u>\$2,335,699</u>	<u>\$2,287,520</u>