



Financial Statements
For the Year Ended December 31, 2019
With Independent Auditors' Report

Ensuring life safety and welfare of our community through efficient and consistent application of adopted codes and standards.

Serving the Communities of



Ensuring life safety and welfare of our community through efficient and consistent application of adopted codes and standards.

Building Commission

City Council Member,
City of Colorado
Springs

Mayor Pro Tem,
Town of Green
Mountain Falls

El Paso County
Commissioner

Building Official

**Executive Admin
Assistant**

**Information
Technology**

Plan Review

**Finance & Human
Resources**

Inspections

Legal

Permitting

Public Information

**Contractor Licensing
& Non-Compliance**

PIKES PEAK REGIONAL BUILDING DEPARTMENT

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INDEPENDENT AUDITORS' REPORT

Pikes Peak Regional Building Commission and Advisory Board Members
Pikes Peak Regional Building Department

We have audited the accompanying financial statements of Pikes Peak Regional Building Department (the Department) as of and for the year ended December 31, 2019, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Department's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension information, required OPEB information and budgetary comparison information as listed in the table of contents 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 supplemental 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.

Stockman Kast Ryan + Co. LLP

June 9, 2020

PIKES PEAK REGIONAL BUILDING DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Pikes Peak Regional Building Department (Department) financial performance provide an overview of the financial activities of the Department for the year ended December 31, 2019. This information contained in this discussion should be considered in conjunction with the financial statements, notes and supplemental information to the Department's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements are comprised of: Statement of Net Position, Statement of Activities and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements. This report also contains other supplemental information to the basic financial statements themselves.

The **Statement of Net Position** provides information about the Department's assets and liabilities with the difference being net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The **Statement of Activities and Changes in Net Position** provides information about Operating Revenue, Operating Expenses, Non-Operating Revenue and Expense of the Department with the change in Net Position.

The **Statement of Cash Flows** provides and analysis about the sources and uses of Department cash during the year.

The **Notes to the Financial Statements** provide additional, required disclosures about the Department, its accounting policies and practices, its financial position and operating activities and other required information. The information in these notes is essential to a full understanding of the other information contained in the financial statements.

The **Budgetary Comparison Schedule** provides information comparing the budget revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, there will be a comparison of the originally approved budget with the final amended budget.

FINANCIAL HIGHLIGHTS

- Total Revenues decreased by \$1,328,947 due to lower reroof permits and a larger permit fee discount.
- Total Expenditures increased \$2,949,761 due to increased staffing levels and reduced pension expense.
- Net Position has increased \$3,063,883 to \$14,254,463 in 2019 due to higher revenue than expenses and the change in the pension expense as calculated as required by GASB 68.

SUMMARY OF NET POSITION

As shown in the chart below, assets and deferred outflows exceed liabilities and deferred inflows by \$14,254,463.

	2018	2019	Change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 18,984,098	\$ 20,218,851	\$ 1,234,753
Other current assets	359,798	350,986	(8,812)
Restricted assets	3,432,187	3,513,241	81,054
Capital assets	<u>3,077,586</u>	<u>3,063,883</u>	<u>(13,703)</u>
Total assets	<u>25,853,669</u>	<u>27,146,961</u>	<u>1,293,292</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,219,383</u>	<u>4,144,568</u>	<u>1,925,185</u>
LIABILITIES			
Current liabilities	1,161,995	1,538,858	376,863
Long-term liabilities	<u>13,053,283</u>	<u>15,264,590</u>	<u>2,211,307</u>
Total liabilities	<u>14,215,278</u>	<u>16,803,448</u>	<u>2,588,170</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,576,237</u>	<u>233,618</u>	<u>(2,342,619)</u>
NET POSITION			
Net investment in capital assets	3,077,586	3,063,883	(13,703)
Restricted	3,432,187	3,513,241	81,054
Unrestricted	<u>4,771,764</u>	<u>7,677,339</u>	<u>2,905,575</u>
Total net position	<u>\$ 11,281,537</u>	<u>\$ 14,254,463</u>	<u>\$ 2,972,926</u>

SUMMARY OF REVENUE AND EXPENSES

For the year ended December 31, 2019, revenues exceed expenditures by \$2,972,926. Revenues decreased from the prior year by \$1,328,947. Expenditures decreased over the prior year by \$2,949,761.

	2018	2019	Change
REVENUES			
Program revenues	\$ 17,811,086	\$ 16,361,309	\$ (1,449,777)
Non-operating revenues	<u>785,090</u>	<u>905,920</u>	<u>120,830</u>
Total revenues	<u>18,596,176</u>	<u>17,267,229</u>	<u>(1,328,947)</u>
OPERATING EXPENSES	<u>17,244,064</u>	<u>14,294,303</u>	<u>(2,949,761)</u>
CHANGE IN NET POSITION	<u>1,352,112</u>	<u>2,972,926</u>	<u>1,620,814</u>
NET POSITION, Beginning of year, as restated	<u>9,929,425</u>	<u>11,281,537</u>	<u>1,352,112</u>
NET POSITION, End of year	<u>\$ 11,281,537</u>	<u>\$ 14,254,463</u>	<u>\$ 2,972,926</u>

SUMMARY OF STATEMENT OF CASH FLOWS

During the year cash increased \$1,315,807 largely due to cash provided by operating activities.

	2018	2019	Change
Net cash provided by operating activities	\$ 3,298,633	\$ 1,151,084	\$ (2,147,549)
Net cash provided by capital and related financing activities	(1,003,106)	(652,775)	350,331
Net cash provided by non-capital financing activities	312,839	373,591	60,752
Net cash provided by investing activities	<u>443,907</u>	<u>3,298,633</u>	<u>2,854,726</u>
Net increase in cash and cash equivalents	3,052,273	4,170,533	1,118,260
Cash and cash equivalents, Beginning of year	<u>19,522,584</u>	<u>22,416,285</u>	<u>2,893,701</u>
Cash and cash equivalents, End of year	<u>\$ 22,574,857</u>	<u>\$ 26,586,818</u>	<u>\$ 4,011,961</u>

CAPITAL ASSETS

The Department's investment in capital assets as of December 31, 2019 totaled \$3,063,883 (net of accumulated depreciation). This investment in capital assets includes furniture, equipment, and leasehold improvements. For more detailed information on fixed assets, see notes to the financial statements.

FUTURE ECONOMIC CONDITIONS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Prior to the COVID-19 outbreak, the economy for the El Paso County region looked strong. Single and multi-family housing appeared to look strong throughout 2019. Commercial construction has many large projects that were expected to be coming throughout 2019.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Department's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Department is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Pikes Peak Regional Building Department's finances for those interested. Requests for additional information or questions should be addressed to Regional Building Department, Finance Department, 2880 International Circle, Colorado Springs, CO 80910.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

STATEMENT OF NET POSITION

DECEMBER 31, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 20,218,851
Accounts receivable	62,817
Notes receivable, current portion	137,590
Prepaid expenses	138,083
Inventories	<u>12,496</u>
Total current assets	<u>20,569,837</u>

RESTRICTED ASSETS

Cash for insurance reserve	259,741
Cash for capital reserve	3,037,144
Cash for dangerous building fund	<u>216,356</u>
Total restricted assets	<u>3,513,241</u>

NONCURRENT ASSETS

Capital assets, net	<u>3,063,883</u>
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DEFERRED OUTFLOWS OF RESOURCES

Related to pensions	3,961,467
Related to OPEB	<u>183,101</u>
Total deferred outflows of resources	<u>4,144,568</u>

TOTAL	<u><u>\$ 31,291,529</u></u>
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PIKES PEAK REGIONAL BUILDING DEPARTMENT

STATEMENT OF NET POSITION

DECEMBER 31, 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 53,331
Accrued salaries and benefits	1,120,015
Use tax payable	89,062
Other accrued liabilities	<u>276,450</u>
Total current liabilities	<u>1,538,858</u>

LONG TERM LIABILITIES

Net pension liability	14,082,714
Net OPEB liability	<u>1,181,876</u>
Total long term liabilities	<u>15,264,590</u>
Total liabilities	<u>16,803,448</u>

DEFERRED INFLOWS OF RESOURCES

Related to pensions	231,819
Related to OPEB	<u>1,799</u>
Total deferred inflows of resources	<u>233,618</u>

NET POSITION

Net investment in capital assets	<u>3,063,883</u>
Restricted:	
Self-insurance reserve	259,741
Capital reserve	3,037,144
Dangerous building fund	<u>216,356</u>
Total restricted	<u>3,513,241</u>
Unrestricted	<u>7,677,339</u>
Total net position	<u>14,254,463</u>
TOTAL	<u>\$ 31,291,529</u>

(Concluded)

See notes to financial statements.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUE	
Charges for services:	
Permits	\$ 13,725,733
Fees	2,540,338
Code sales	<u>95,238</u>
Total operating revenue	<u>16,361,309</u>
OPERATING EXPENSES	
Wages and employee benefits	10,449,659
Administrative expenses	2,631,120
Depreciation	754,900
Operating expenses	<u>458,624</u>
Total operating expenses	<u>14,294,303</u>
OPERATING INCOME	<u>2,067,006</u>
NON-OPERATING REVENUE	
Interest income	443,907
Miscellaneous income	373,591
Gain on disposal of assets	<u>88,422</u>
Total non-operating revenue	<u>905,920</u>
CHANGE IN NET POSITION	<u>2,972,926</u>
NET POSITION, Beginning of year	<u>11,281,537</u>
NET POSITION, End of year	<u>\$ 14,254,463</u>

See notes to financial statements.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING ACTIVITIES	
Cash receipts from customers	\$ 16,364,989
Cash paid to suppliers	(3,170,424)
Cash paid to employees	<u>(12,043,481)</u>
Net cash provided by operating activities	<u>1,151,084</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital outlay	(1,093,940)
Proceeds from sale of assets	<u>441,165</u>
Net cash used in capital and related financing activities	<u>(652,775)</u>
NON-CAPITAL FINANCING ACTIVITIES	
Rental income	19,740
Miscellaneous income	<u>353,851</u>
Net cash provided by non-capital financing activities	<u>373,591</u>
INVESTING ACTIVITIES	
Net cash provided by investing activities —	
Interest income	<u>443,907</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,315,807
CASH AND CASH EQUIVALENTS, Beginning of year	<u>22,416,285</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 23,732,092</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Cash and cash equivalents	\$ 20,218,851
Cash for insurance reserve	259,741
Cash for capital reserve	3,037,144
Cash for dangerous building fund	<u>216,356</u>
	<u>\$ 23,732,092</u>

(Continued)

PIKES PEAK REGIONAL BUILDING DEPARTMENT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

RECONCILIATION OF OPERATING INCOME TO NET

CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income	\$ 2,067,006
Adjustments to reconcile operating income class to net cash used in operating activities:	
Depreciation	754,900
Restatement for error correction	
Restatement for GASB No. 75	
Changes in operating assets and liabilities:	
Accounts receivable	3,680
Inventories	20,886
Prepaid expenses	(15,754)
Deferred outflows of resources	(1,925,185)
Pension liability	2,114,879
OPEB liability	96,428
Deferred inflows of resources	(2,342,619)
Accounts payable	(52,140)
Other current liabilities	429,003
Net cash provided by operating activities	<u>\$ 1,151,084</u>

(Concluded)

See notes to financial statements.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — Pikes Peak Regional Building Department (the Department) was established to perform inspections, issue licenses, review plans and regulate certain construction consulting and construction work, which requires license(s) and/or registration(s) in the City of Colorado Springs, most of El Paso County and other jurisdictions which have authority to adopt, implement and enforce building codes. The uniformity in building codes, review of plans, inspections and overall regional implementation and enforcement of the building codes was established jointly by the City of Colorado Springs and El Paso County and subsequently joined by the City of Fountain, the City of Manitou Springs, the Town of Green Mountain Falls, the Town of Monument, and the Town of Palmer Lake. Further, Pikes Peak Regional Building Department also services the City of Woodland Park, in Teller County, which is directly to the west of El Paso County.

The Department does not exercise any power over any other entity and is considered a sole reporting entity. The Department has no component units as defined by the Governmental Accounting Standards Board (GASB).

Basis of Accounting — The financial statements of the Department have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of GASB. The financial statements have been prepared on the accrual basis of accounting using the economic resource measurement focus. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business enterprise: (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Net Position — The Department's net position is classified in the following three components:

- **Net Investment in Capital Assets** — This component consists of capital assets, net of accumulated depreciation.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets — Prior to October 15, the Department is required to submit to the Advisory Board and the Building Commission Board a budget for the fiscal year commencing the following January 1. The operating budget includes estimated revenues and expenditures, as well as recommendations regarding other financial matters. Once it has been approved by the Advisory Board and the Building Commission Board, the budget is presented to the City of Colorado Springs and the Board of County Commissioners of the County El Paso, Colorado for final approval.

Cash and Cash Equivalents — All short-term liquid investments are considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Capital Assets — Capital assets are recorded at cost and capitalized if over \$5,000 and have a useful life of one year or more and are depreciated using the straight-line method over estimated useful lives from three to forty years.

Accounts Receivable — The Department's accounts receivable consists primarily of amounts due from elevator inspections. Management has determined all receivables are considered collectible and no allowance for doubtful account is deemed necessary.

Inventories — Inventories are stated at the lower of cost or net realizable value, principally on a first-in, first-out basis. Inventories consist of code books.

Compensated Absences — Employees of the Department earn a vested right to compensation for unused vacation and sick time. Accordingly, the Department has made an accrual for vacation and sick compensation that employees have earned but not taken.

Operating Revenue and Expenses — Operating revenue and expenses are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

Subsequent Events — The Department has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA. PDPA allows the financial institution to create a single collateral pool for uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

As of December 31, 2019, the Department's deposits had a bank balance of \$17,107,348, of which \$250,000 was covered by federal depository insurance. The remainder of the bank balance of \$16,857,348 as of December 31, 2019 was collateralized with securities held by the pledging financial institutions and covered by eligible collateral as determined by PDPA.

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. At December 31, 2019, the Department had deposits with COLOTRUST of \$6,568,225. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investment owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

Fair Value Measurements — 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 and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest level to unobservable inputs (Level 3) as follows:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted market prices.

Level 3: Valuation derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. COLOTRUST deposits are measured at fair value using NAV.

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Building and improvements	\$ 2,920,489			\$ 2,920,489
Vehicles	2,543,537	\$ 980,737	\$ (720,283)	2,803,991
Furniture, fixtures and equipment	1,160,725			1,160,725
Construction in progress	<u>5,495</u>	<u>113,203</u>	<u></u>	<u>118,698</u>
Total	6,630,246	1,093,940	(720,283)	7,003,903
Less accumulated depreciation	<u>(3,552,660)</u>	<u>(754,900)</u>	<u>367,540</u>	<u>(3,940,020)</u>
Net capital assets	<u>\$ 3,077,586</u>	<u>\$ 339,040</u>	<u>\$ (352,743)</u>	<u>\$ 3,063,883</u>

4. DEFINED BENEFIT PENSION PLAN

The Department contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association PERA. In accordance with GASB 68, the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Department have been determined using the same basis as they are reported by LGDTF which uses the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description — The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Department are members of the LGDTF. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information for the LGDTF. That report may be obtained online at www.copera.org, by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Benefits Provided — The LGDTF provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713 and 1714.

The lifetime retirement benefit for all eligible retiring employees under the LGDTF Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.

- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annualized into a monthly benefit based on life expectancy and other actuarial factors.

The service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by the Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA Benefit Structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the LGDTF benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the LGDTF Division.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions — Eligible employees and the Department are required to contribute to the LGDTF Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary.

The employer contribution requirements are summarized in the table below for the year ended December 31, 2019:

Employer contribution rate ¹	10.00%
Amount of employer contribution apportioned to the LGDTF	
HCTF as specified in C.R.S. § 24-51-208(1)(f) ¹	<u>(1.02)%</u>
Amount apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified	
in C.R.S. § 24-51-411 ¹	2.20%

Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	<u>1.50%</u>
Total employer contribution rate to the LGDTF division	<u><u>12.68%</u></u>

¹ Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF Division in the period in which the compensation becomes payable to the member and the Department is statutorily committed to pay the contributions to the LGDTF Division. Employer contributions recognized by the LGDTF Division from the Department were \$931,602 for the year ended December 31, 2019.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2019, the Department reported a liability of \$14,082,714 for its proportionate share of the collective net pension liability. The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined as of December 31, 2018 using standard roll-forward techniques based upon the December 31, 2017 actuarial valuation. The Department's proportion of the net pension liability was based on the Department's contributions to LGDTF Division for the calendar year 2018 relative to the total contributions of participating employers to the LGDTF Division. The Department does not have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. At December 31, 2018, the Department's proportion was 1.12% which was an increase of .05% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Department's recognized pension gain was \$2,085,470. At December 31, 2019, the Department's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 588,842	
Net difference between projected and actual earnings on pension plan investments	1,833,971	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	607,052	\$ 231,819
Changes in assumption or other inputs		
Contributions subsequent to measurement date	<u>931,602</u>	
Total	<u><u>\$ 3,961,467</u></u>	<u><u>\$ 231,819</u></u>

The Department reported \$3,729,648 as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2020	\$ 1,115,207
2021	254,427
2022	102,473
2023	<u>1,001</u>
Total	<u>\$ 1,473,108</u>

Actuarial Assumptions — The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 10.45%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Future post-retirement benefit increases; PERA Benefit Structure hired prior to January 1, 2007; and LGDTF Benefit Structure (automatic)	0% for 2019 and 1.5% compounded annually thereafter
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the annual increase reserve

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocations	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42	4.80
Non U.S. Equity – Developed	18.55	5.20
Non U.S. Equity – Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Bonds	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	<u>1.00</u>	0.20
Total	<u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate — The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law. Based on those assumptions, the LGDTF Division’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate — The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net pension liability	\$ 21,543,641	\$ 14,082,714	\$ 7,840,894

Pension Plan Fiduciary Net Position — Detailed information about the LGDTF Division's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

The Department is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements for the Department are established under Part 4, Title 24, Article 51 of the CRS, as amended. The contribution rate for members is 8%, and for the Department is 10% of covered salary. A portion of the Department's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (see Note 5). The Department is also required to pay an amortization equalization disbursement (AED) equal to 2.20% of the total payroll for the calendar years 2019 and 2018. Additionally, the Department is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.50% of the total payroll for the calendar years 2019 and 2018. If the Department rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and SAED on the amounts paid for the retiree; however, no member contributions are required. For the year ending December 31, 2019 the employer contribution to the LGDTF was \$931,602, equal to their required contribution for the year.

5. POST-RETIREMENT HEALTHCARE BENEFITS

The Department contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. In accordance with GASB 75, the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Department have been determined using the same basis as they are reported by LGDTF which uses the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description — Eligible employees of the Department are provided with OPEB through the HCTF, a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF is established under Title 24, Article 51 of the CRS, as amended. Title 24, Article 51, Part 12 of the C.R.S. as amended sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purpose of the PERACare program including the administration of premium subsidies. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Benefits Provided — The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

The maximum service-based premium subsidy is \$230 (actual dollars) per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 (actual dollars) per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions — Eligible employees and the Department are required to contribute to the HCTF Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-208, et seq. Eligible employees are required to contribute 1.02% of their PERA-includable salary.

Employer contributions are recognized by HCTF in the period in which compensation becomes payable to the member and the Department is statutorily committed to pay the contributions. Employer contributions recognized by HCTF from the Department were \$74,940 for the year ended December 31, 2019.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, the Department reported a liability of \$1,181,876 for its proportionate share of the collective net OPEB liability. The net OPEB liability was measured as of December 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined as of December 31, 2018 using standard roll-forward techniques based upon the December 31, 2016 actuarial valuation. The Department's proportion of the net OPEB liability was based on the Department's contributions to LGDTF Division for the calendar year 2017 relative to the total contributions of participating employers to the LGDTF Division. The Department has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA.

At December 31, 2018, the Department's proportion was .08% which was an increase of .003% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the Department's recognized OPEB expense was \$28,974. At December 31, 2019, the Department's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,290	\$ 1,799
Net difference between projected and actual earnings on pension plan investments	6,797	
Changes in proportion and differences between contributions recognized and proportionate share of contributions	88,785	
Changes in assumptions or other inputs	8,290	
Contributions subsequent to measurement date	<u>74,939</u>	
Total	<u>\$ 183,101</u>	<u>\$ 1,799</u>

The Department reported \$181,302 as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	
2020	\$ 20,371
2021	20,371
2022	20,373
2023	25,091
2024	9,879
Thereafter	<u>50</u>
Total	<u>\$ 96,135</u>

Actuarial Assumptions — The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in the aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates;	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premium	3.00% for 2017 gradually rising to 4.25% in 2023

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA’s Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA Board’s actuary, as needed.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5%	3.00%
2018	5	3.25
2019	5	3.50
2020	5	3.75
2021	5	4.00
2022	5	4.00
2023	5	4.25
2024+	5	4.25

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocations	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42	4.80
Non U.S. Equity – Developed	18.55	5.20
Non U.S. Equity – Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Bonds	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	<u>1.00</u>	0.20
Total	<u><u>100.00%</u></u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate — The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law. Based on those assumptions, the HCTF Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Department's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates — The following presents the proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Proportionate share of the net OPEB liability	\$ 1,149,240	\$ 1,181,876	\$ 1,219,414

Sensitivity of the Department's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate — The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) of one-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Proportionate share of the net OPEB liability	\$ 1,322,417	\$ 1,181,876	\$ 1,061,727

OPEB Plan Fiduciary Net Position — Detailed information about the HCTF Division's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

The Department is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements for the Department are established under Part 4, Title 24, Article 51 of the CRS, as amended. The contribution rate for members is 8% and for the Department is 10% of covered salary. A portion of the Department's contribution (8.98% of covered salary) is allocated to the Local Government Division Trust Fund (see Note 4). The Department is also required to pay an amortization equalization disbursement (AED) equal to 2.20% of the total payroll for the calendar years 2019 and 2018. Additionally, the Department is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.50% of the total payroll for the calendar years 2019 and 2018. If the Department rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and SAED on the amounts paid for the retiree; however, no member contributions are required. For the year ending December 31, 2019 the employer contribution to the HCTF was \$74,940, equal to their required contribution for the year.

6. LEASES

In 2004, the Department occupied new office space under the terms of a sublease agreement between El Paso County, Colorado as lessor and the Department as lessee. Base rental payments under the agreement are \$951,042 as of 2019. The Department has in turn leased a portion of the space under the terms of a sub-sub lease to El Paso County and the City of Colorado Springs, Colorado. Rental payments for each year under the agreement are \$373,194 from El Paso County and \$252,808 from the City of Colorado Springs. The Department records the net amount of the payments as rental expense in financial statements.

In 2017, the Department sub-leased a portion of an office building to El Paso County. Rent revenue under this lease for the year ended December 31, 2019 was \$19,740. As of December 31, 2019, future minimum lease payments under these this lease is as follows:

2020	\$ 19,740
2021	19,740
2022	19,740
2023	<u>18,095</u>
Total minimum lease payments	\$ <u>77,315</u>

7. AMENDMENT TO COLORADO CONSTITUTION

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax spending, revenue and debt limitation that apply to the State of Colorado and all local governments.

TABOR excludes enterprise governments from its provisions. Enterprise governments, defined as governmental-owned businesses that are authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined are excluded from the provisions of TABOR. The Department is of the opinion that the enterprise operations qualify for the exclusion. The amendment is complex and subject to judicial interpretation. The Department believes it is in compliance with the requirements of the amendment.

8. SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Department's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Department is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

REQUIRED SUPPLEMENTAL SCHEDULES

AND

NOTES TO SUPPLEMENTAL SCHEDULE

PIKES PEAK REGIONAL BUILDING DEPARTMENT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017, 2016, 2015, 2014 AND 2013**

	2018	2017	2016	2015	2014	2013
Department's proportion of the net pension liability	1.12%	1.07%	1.02%	1.04%	1.06%	1.04%
Department's proportionate share of the net pension liability	\$ 14,082,714	\$ 11,967,835	\$ 16,940,431	\$ 11,411,181	\$ 9,499,996	\$ 8,699,911
Department's covered-employee payroll	\$ 7,347,020	\$ 6,780,681	\$ 6,215,530	\$ 5,762,778	\$ 5,728,896	\$ 5,479,964
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.68%	176.50%	272.55%	198.02%	165.83%	158.76%
Department's plan fiduciary net position as a percentage of the total pension liability	75.96%	79.37%	73.65%	76.87%	80.72%	77.66%

Note: Information is not available prior to 2013. In future reports, additional years will be added until 10 years of historical data are presented.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31, 2018, 2017, 2016, 2015, 2014, 2013 AND 2012

	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 931,602	\$ 859,791	\$ 787,494	\$ 745,972	\$ 736,428	\$ 706,915	\$ 626,845
Contributions in relation to the contractually required contribution	<u>931,602</u>	<u>859,791</u>	<u>787,494</u>	<u>745,972</u>	<u>736,428</u>	<u>706,915</u>	<u>626,845</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Department covered-employee payroll	\$ 7,347,020	\$ 6,780,681	\$ 6,215,530	\$ 5,762,778	\$ 5,728,896	\$ 5,479,964	\$ 4,863,034
Contributions as a percentage of covered-employee payroll	12.68%	12.68%	12.67%	12.94%	12.85%	12.90%	12.89%

Information is not available prior to 2012. In future reports, additional years will be added until 10 years of historical data are presented.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
Department's proportion of the net OPEB liability	0.09%	0.08%
Department's proportionate share of the net OPEB liability	\$ 1,181,876	\$ 1,085,448
Department's covered-employee payroll	\$ 7,347,020	\$ 6,780,681
Department's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.09%	16.01%
Department's plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%

Note: Information is not available prior to 2017. In future reports, additional years will be added until 10 years of historical data are presented.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017	2016
Contractually required contribution	\$ 74,940	\$ 69,163	\$ 63,398
Contributions in relation to the contractually required contribution	<u>74,940</u>	<u>69,163</u>	<u>63,398</u>
Contribution deficiency	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Department covered-employee payroll	\$ 7,347,020	\$ 6,780,681	\$ 6,215,530
Contributions as a percentage of covered- employee payroll	1.02%	1.02%	1.02%

Information is not available prior to 2017. In future reports, additional years will be added until 10 years of historical data are presented.

PIKES PEAK REGIONAL BUILDING DEPARTMENT

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES:				
Permits	\$ 12,281,500	\$ 12,281,500	\$ 13,725,733	\$ 1,444,233
Fees, licenses and inspections	3,491,950	3,491,950	2,594,441	(897,509)
Rental income	15,000	15,000	19,740	4,740
Intergovernmental income	40,000	40,000	96,860	56,860
Interest income	200,000	200,000	443,907	243,907
Miscellaneous income	59,000	59,000	209,347	150,347
Code sales	200,000	200,000	95,238	(104,762)
Gain on disposal of assets			81,963	81,963
Total revenue	<u>16,287,450</u>	<u>16,287,450</u>	<u>17,267,229</u>	<u>979,779</u>
EXPENDITURES				
Employee wages and benefits	13,118,182	13,118,182	10,448,011	2,670,171
Occupancy expenses	578,848	578,848	580,066	(1,218)
Supplies	519,150	519,150	148,925	370,225
Repairs, maintenance and small equipment	339,000	339,000	475,222	(136,222)
Insurance	259,705	259,705	289,103	(29,398)
Services	1,253,263	1,253,263	648,667	604,596
Common Area Maintenance	357,707	357,707	357,706	1
Educational programs	292,000	292,000	351,076	(59,076)
Other	800,450	800,450	754,900	45,550
Resale items - code books and permits	325,000	325,000	240,627	84,373
Capital outlay	<u>1,345,000</u>	<u>1,345,000</u>	<u>1,093,940</u>	<u>251,060</u>
Total expenditures	<u>19,188,305</u>	<u>19,188,305</u>	<u>15,388,243</u>	<u>3,800,062</u>
Revenue over (under) expenditures	<u>\$ (2,900,855)</u>	<u>\$ (2,900,855)</u>	<u>\$ 1,878,986</u>	<u>\$ 4,779,841</u>
		Capital Outlay	<u>1,093,940</u>	
		Change in net position (GAAP Basis)	<u>\$ 2,972,926</u>	

PIKES PEAK REGIONAL BUILDING DEPARTMENT

NOTES TO SUPPLEMENTAL SCHEDULE

1. BUDGET AND BUDGETARY ACCOUNTING

Procedures followed by the Department in establishing its budget:

1. Prior to October 15, the Department is required to submit to the Advisory Board and the Building Commission Board a budget for the fiscal year commencing the following January 1. The operating budget includes estimated revenues and expenditures, as well as recommendations regarding other financial matters. Once it has been approved by the Advisory Board and the Building Commission Board, the budget is presented to the City of Colorado Springs and the Board of County Commissioners of the County El Paso, Colorado for final approval.
2. Prior to December 31, the budget is approved by the City of Colorado Springs and the El Paso County Board of Commissioners.
3. The budget for the Department is approved on a basis that is not consistent with accounting principles generally accepted in the United States of America (GAAP). As permitted by Colorado Local Government Budget law, the budget for the Department is prepared on a cash basis.
4. All annual appropriations lapse at year-end.

2. SCHEDULE OF BUDGET AND ACTUAL (NON-GAAP BASIS)

The schedule of budget and actual (non-GAAP basis) is presented on a basis of accounting other than accounting principles generally accepted in the United States of America. As permitted by Colorado government Budget law, the budget for the Department is prepared on a cash basis rather than accrual (GAAP) basis.