

PUEBLO REGIONAL BUILDING DEPARTMENT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2019 AND 2018

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June 26, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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

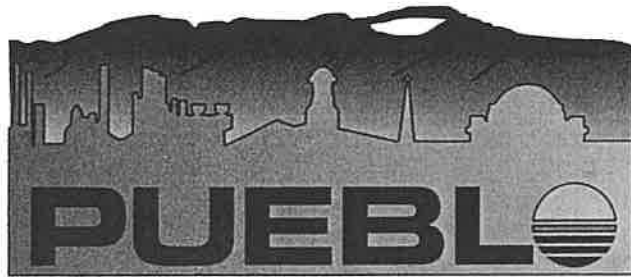
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Department's Annual Financial Report presents management's overview and analysis of the Department's financial performance for the fiscal year ended December 31, 2019. The section should be read in conjunction with the financial statements, which are attached.

FINANCIAL HIGHLIGHTS

- The Department's net position at December 31, 2019 totaled \$5,175,430.
- The Department's change in net position for the year ended December 31, 2019 was \$582,967. The Department's change in net position for 2018 was \$254,213, which is a difference of \$328,754.

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	2019	2018	2017
CURRENT ASSETS	\$ 2,932,545.00	\$ 2,267,148.00	\$ 2,000,071.00
NONCURRENT ASSETS	\$ 2,687,756.00	\$ 2,749,328.00	\$ 2,765,404.00
TOTAL ASSETS	\$ 5,620,301.00	\$ 5,016,476.00	\$ 4,765,475.00
LIABILITIES			
CURRENT LIABILITIES	\$ 329,690.00	\$ 308,098.00	\$ 304,199.00
LONG TERM LIABILITIES	\$ 115,181.00	\$ 115,915.00	\$ 123,026.00
TOTAL LIABILITIES	\$ 444,871.00	\$ 424,013.00	\$ 427,225.00
NET POSITION			
INVESTED IN CAPITAL ASSETS	\$ 1,360,227.00	\$ 1,335,510.00	\$ 1,400,773.00
UNRESTRICTED	\$ 3,815,203.00	\$ 3,256,953.00	\$ 2,937,477.00
	\$ 5,175,430.00	\$ 4,592,463.00	\$ 4,338,250.00
TOTAL LIABILITIES & NET POSITION	\$5,620,301.00	\$5,016,476.00	\$ 4,765,475.00

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

In comparison to 2018, our operating income for 2019 increased \$292,223. In 2019, the Department experienced an increase in both operating revenue and expenses over 2018 and 2017.

	2019	2018	2017
OPERATING REVENUE	\$ 2,929,502.00	\$ 2,463,723.00	\$ 2,834,133.00
OPERATING EXPENSES	\$ 2,509,255.00	\$ 2,335,699.00	\$ 2,287,520.00
OPERATING INCOME/(LOSS)	\$ 420,247.00	\$ 128,024.00	\$ 546,613.00
NONOPERATING REVENUE/(EXPENSES)	\$ 162,720.00	\$ 126,189.00	\$ 122,849.00
CHANGES IN NET POSITION	\$ 582,967.00	\$ 254,213.00	\$ 669,462.00
TOTAL OPERATING EXPENSES			
	2019	2018	2017
SALARIES AND BENEFITS	\$ 2,113,449.00	\$ 1,941,674.00	\$ 1,850,572.00
DEPRECIATION	\$ 82,787.00	\$ 79,263.00	\$ 70,287.00
ALL OTHER	\$ 313,019.00	\$ 314,762.00	\$ 366,661.00
TOTAL OPERATING EXPENSES	\$ 2,509,255.00	\$2,335,699.00	\$ 2,287,520.00

- 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 2019 increased by \$173,556 compared to 2018.

BUDGETARY HIGHLIGHTS

The Department’s budget is prepared according to Colorado Law. For 2019, the Commission appropriated \$2,800,950.

	Final Budget	Actual on Budget Basis
Revenue	\$2,455,750	\$3,066,754
Expenses	\$2,545,750	\$2,515,510

CAPITAL ASSETS

The Department’s investment in capital assets at December 31, 2019 amounted to \$1,360,227, which is net of accumulated depreciation. Capital assets consist mainly of the Department’s office facility and vehicles used in the Department’s operations. Capital assets increased by \$24,717 in 2019 while 2018 reflects a decrease in capital assets of (\$65,263). Capital asset additions totaled \$260,139 during 2019, while net disposals totaled (\$195,958). Capital asset additions for 2018 were \$144,159 while net disposals were (\$172,740). Depreciation expense for 2019 was \$82,787 and \$79,263 for 2018.

ECONOMIC FACTORS AND NEXT YEARS’S BUDGET

Economic factors in the area continue to be somewhat improving in the housing market for 2020. We expect the number of housing permits to be lower than the 2019 total of 482. We believe the commercial projects will remain comparable with in 2019. We anticipate interest rates to decrease in 2020.

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, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 48,151	\$ 214,232
Certificates of deposit	250,000	250,000
Accounts receivable	-	120
Investments	2,622,032	1,748,826
Prepaid expenses and other assets	12,362	53,970
TOTAL CURRENT ASSETS	2,932,545	2,267,148
NONCURRENT ASSETS		
Investments	1,327,529	1,413,818
Capital assets -		
Land	158,324	158,324
Buildings and improvements	1,259,168	1,243,714
Vehicles	300,611	251,886
Furniture and fixtures	48,455	48,455
Equipment	83,746	83,746
Accumulated depreciation	(490,077)	(450,615)
Total Capital Assets	1,360,227	1,335,510
TOTAL NONCURRENT ASSETS	2,687,756	2,749,328
TOTAL ASSETS	5,620,301	5,016,476
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	13,063	15,996
Permit escrow	4,541	2,152
Unearned revenue	199,970	179,030
Accrued compensated absences	112,116	110,920
TOTAL CURRENT LIABILITIES	329,690	308,098
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	115,181	115,915
TOTAL LONG-TERM LIABILITIES	115,181	115,915
TOTAL LIABILITIES	444,871	424,013
NET POSITION		
Net investment in capital assets	1,360,227	1,335,510
Unrestricted	3,815,203	3,256,953
TOTAL NET POSITION	\$ 5,175,430	\$ 4,592,463

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Licenses and permits	\$ 2,923,740	\$ 2,454,444
Code book sales	<u>5,762</u>	<u>9,279</u>
TOTAL OPERATING REVENUES	<u>2,929,502</u>	<u>2,463,723</u>
OPERATING EXPENSES		
Salaries	1,619,327	1,474,402
Employee benefits	476,075	450,535
Depreciation expense	82,787	79,263
Other	<u>331,066</u>	<u>331,499</u>
TOTAL OPERATING EXPENSES	<u>2,509,255</u>	<u>2,335,699</u>
OPERATING INCOME (LOSS)	<u>420,247</u>	<u>128,024</u>
NONOPERATING REVENUES		
Investment revenue	91,920	41,529
Insurance recovery	11,549	16,857
Gain on sale of capital assets	-	5,800
Rental and other revenue	<u>59,251</u>	<u>62,003</u>
TOTAL NONOPERATING REVENUES	<u>162,720</u>	<u>126,189</u>
CHANGE IN NET POSITION	582,967	254,213
NET POSITION, January 1	<u>4,592,463</u>	<u>4,338,250</u>
NET POSITION, December 31	<u>\$ 5,175,430</u>	<u>\$ 4,592,463</u>

The accompanying notes are an integral part of these statements.

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,952,951	\$ 2,466,488
Cash paid to suppliers for goods and services	(768,466)	(795,243)
Cash payments to employees for services	<u>(1,618,865)</u>	<u>(1,477,509)</u>
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>565,620</u>	<u>193,736</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(107,504)	(14,000)
Proceeds from sale of capital assets	-	5,800
Insurance recovery	<u>11,549</u>	<u>16,857</u>
NET CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(95,955)</u>	<u>8,657</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	59,879	41,529
Rents and other revenue received	59,251	62,003
Maturity of certificates of deposit and investments	1,888,999	1,779,280
Purchase of certificates of deposit and investments	<u>(2,643,875)</u>	<u>(1,967,377)</u>
NET CASH FLOWS USED FROM INVESTING ACTIVITIES	<u>(635,746)</u>	<u>(84,565)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(166,081)	117,828
CASH AND CASH EQUIVALENTS, January 1	<u>214,232</u>	<u>96,404</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 48,151</u>	<u>\$ 214,232</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 420,247	\$ 128,024
Adjustments to reconcile operating income to net cash flows from operating activities -		
Depreciation	82,787	79,263
Change in assets and liabilities -		
Accounts and other receivables	120	8,515
Prepaid expenses	41,608	(18,854)
Accounts payable	(2,933)	5,646
Permit escrow	2,389	(5,625)
Unearned revenue	20,940	(125)
Accrued compensated absences	<u>462</u>	<u>(3,108)</u>
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 565,620</u>	<u>\$ 193,736</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	<u>\$ 32,028</u>	<u>\$ 1,644</u>
Net book value of vehicles traded in	<u>\$ 152,635</u>	<u>\$ 130,159</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, 2019 AND 2018**

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 council person 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, 2019 AND 2018**

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, 2019 AND 2018**

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

D. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include 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 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, 2019 AND 2018**

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, 2018 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:

	December 31	
	<u>2019</u>	<u>2018</u>
Cash on hand	\$ 650	\$ 650
Demand deposits	<u>47,501</u>	<u>213,582</u>
	<u>\$ 48,151</u>	<u>\$ 214,232</u>
Certificates of deposit	<u>\$ 250,000</u>	<u>\$ 250,000</u>
U.S. Treasury notes	\$ 2,063,422	\$ 2,285,382
U.S. Treasury bills	625,221	-
U.S. agency securities	837,327	758,078
Money market mutual funds	<u>423,591</u>	<u>119,184</u>
	<u>\$ 3,949,561</u>	<u>\$ 3,162,644</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

DEPOSITS

At December 31, 2019, the carrying value of the Department’s deposits, including certificates of deposit, was \$297,501 and the bank balance was \$316,295. The entire bank balance was covered by federal depository insurance and therefore none of the balance 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, 2019, all deposits are insured, however any bank balances exceeding the FDIC limited 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, 2019, 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	\$ 2,063,422	\$ 898,564	\$ 1,164,858
U.S. Treasury Bills	625,221	625,221	-
U.S. agency securities	837,327	674,656	162,671
Money market mutual funds	423,591	423,591	-
	<u>\$ 3,949,561</u>	<u>\$ 2,622,032</u>	<u>\$ 1,327,529</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, 2019 AND 2018**

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, 2019 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.

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, 2019:

- U.S. Treasury and U.S. agency securities are valued based on quoted prices in active markets for identical assets (level 1 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 2019 and 2018 is as follows:

	Balance January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2019</u>
Depreciable capital assets –				
Buildings and improvements	\$ 1,243,714	\$ 15,454	\$ -	\$ 1,259,168
Vehicles	251,886	244,685	(195,960)	300,611
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>1,627,801</u>	<u>260,139</u>	<u>(195,960)</u>	<u>1,691,980</u>
Accumulated depreciation –				
Buildings and improvements	239,098	38,433	-	277,531
Vehicles	87,654	43,312	(43,325)	87,641
Furniture and fixtures	48,455	-	-	48,455
Equipment	<u>75,408</u>	<u>1,042</u>	<u>-</u>	<u>76,450</u>
Total accumulated depreciation	<u>450,615</u>	<u>82,787</u>	<u>(43,325)</u>	<u>490,077</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,177,186</u>	<u>177,352</u>	<u>(152,635)</u>	<u>1,201,903</u>
Non-depreciable assets – Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,335,510</u>	<u>\$ 177,352</u>	<u>\$ (152,635)</u>	<u>\$ 1,360,227</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 3 – CAPITAL ASSETS (Cont'd.)

	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>
Non-depreciable 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>

NOTE 4 – COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the years ended December 31, 2019 and 2018:

Balance January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2019</u>	Due Within <u>One Year</u>
<u>\$ 226,835</u>	<u>\$ 112,578</u>	<u>\$ 112,116</u>	<u>\$ 227,297</u>	<u>\$ 112,116</u>

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>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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, 2019, employee contributions totaled \$150,971 and the Department recognized pension expense of \$164,811. For the year ended December 31, 2018, employee contributions totaled \$142,223 and the Department recognized pension expense of \$153,744.

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. Non-vested 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 non-vested balances during the years ended December 31, 2019 and 2018.

NOTE 6 – RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts, property and casualty, errors and omissions, injuries to employees and health claims. Risks of loss from torts, errors and omissions, and property and casualty are covered by the District's participation in the property and casualty pool of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), which is a separate and independent governmental public entity risk pool formed through intergovernmental agreement by members to provide defined liability and property coverage. The membership agreement provides that the pool be self-sustaining through member premiums and reinsure with commercial companies for claims in excess of \$250,000 per occurrence for property and \$1,000,000 per occurrence for casualty. Employee health claims and workman's compensation are covered by commercial insurance. Settlement claims for each of the last three years did not exceed insurance coverage amounts in areas where commercial insurance is used to cover the risk of loss.

NOTE 7 – CONTINGENCIES AND COMMITMENTS

Colorado voters passed an amendment to the state constitution in November 1992 which contains several limitations including revenue raising, spending abilities and other specific requirements affecting state and local governments. The amendment, commonly known as the Tabor Amendment, is complex and subject to judicial interpretation; however, the Department believes it is exempt from the provisions of the amendment since it is not a taxing body, nor does it have the power to hold elections.

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 8 – SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As a result, economic uncertainties have arisen which are likely to negatively impact operations or carrying value of assets. Other financial implications may result, and such potential impact is unknown at this time.

ADDITIONAL INFORMATION

PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING REVENUES					
Charges for services	\$2,923,740	\$ -	\$2,923,740	\$2,366,021	\$ 557,719
Code book sales	5,762	-	5,762	-	5,762
TOTAL OPERATING REVENUES	<u>2,929,502</u>	<u>-</u>	<u>2,929,502</u>	<u>2,366,021</u>	<u>563,481</u>
OPERATING EXPENDITURES					
Salaries	1,618,865	-	1,618,865	1,580,000	(38,865)
Compensated absences	462	(462)	-	-	-
Automobile - gasoline	34,947	-	34,947	42,000	7,053
Automobile - repairs and maintenance	20,872	-	20,872	10,000	(10,872)
Building maintenance and repairs	10,782	-	10,782	10,000	(782)
Bank service fees	1,473	-	1,473	5,000	3,527
Code and miscellaneous books	5,140	-	5,140	8,000	2,860
Communications	13,416	-	13,416	15,000	1,584
Computer expense	20,282	-	20,282	25,000	4,718
Credit card fees	29,089	-	29,089	35,000	5,911
Depreciation	82,787	(82,787)	-	-	-
Dues and subscriptions	5,234	-	5,234	5,000	(234)
Equipment and tools	5,002	-	5,002	2,500	(2,502)
Insurance - liability	18,399	-	18,399	17,500	(899)
Insurance - medical	306,037	-	306,037	318,000	11,963
Insurance - unemployment	4,120	-	4,120	4,000	(120)
Insurance - workmen's compensation	11,780	-	11,780	15,000	3,220
Janitorial	15,265	-	15,265	17,500	2,235
Equipment rental	9,644	-	9,644	10,000	356
Payroll taxes	18,047	-	18,047	21,600	3,553
Meetings	3,430	-	3,430	5,000	1,570
Other/contingency	3,141	-	3,141	39,250	36,109
Office supplies	16,966	-	16,966	12,000	(4,966)
Postage	4,305	-	4,305	4,500	195
Professional services	23,601	-	23,601	27,500	3,899
Retirement	170,038	-	170,038	164,000	(6,038)

PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (Cont'd.)
YEAR ENDED DECEMBER 31, 2019

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING EXPENDITURES (Cont'd.)					
Training	7,980	-	7,980	8,500	520
Telephone	7,276	-	7,276	5,800	(1,476)
Title searches	1,158	-	1,158	6,000	4,842
Travel	14,723	-	14,723	11,500	(3,223)
Trash pickup	1,235	-	1,235	1,100	(135)
Utilities	22,665	-	22,665	28,000	5,335
Uniforms	1,094	-	1,094	1,500	406
TOTAL OPERATING EXPENDITURES	<u>2,509,255</u>	<u>(83,249)</u>	<u>2,426,006</u>	<u>2,455,750</u>	<u>29,744</u>
OPERATING INCOME (LOSS)	<u>420,247</u>	<u>83,249</u>	<u>503,496</u>	<u>(89,729)</u>	<u>(593,225)</u>
OTHER REVENUE (EXPENDITURES)					
Interest revenue	91,920	(25,468)	66,452	40,000	26,452
Rental revenue	48,549	-	48,549	49,729	(1,180)
Other revenue	10,702	-	10,702	-	10,702
Insurance Recovery	11,549	-	11,549	-	11,549
Capital outlay	-	(89,504)	(89,504)	(90,000)	496
TOTAL OTHER REVENUE (EXPENDITURES)	<u>162,720</u>	<u>(114,972)</u>	<u>47,748</u>	<u>(271)</u>	<u>48,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 582,968</u>	<u>\$ (31,723)</u>	<u>\$ 551,244</u>	<u>\$ (90,000)</u>	<u>\$ 641,244</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF LICENSES AND PERMITS
YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018**

	2019			2018
	City	County	Total	Total
LICENSES				
Building contractors	\$ -	\$ -	\$ 251,010	\$ 252,315
Wrecking contractors	-	-	-	-
Plumbing contractors	-	-	27,235	24,375
Mechanical contractors	-	-	62,595	60,750
Stationary engineers	-	-	2,375	2,050
Mechanical trades	-	-	6,060	5,700
Application fees	-	-	24,035	25,270
TOTAL LICENSES	<u>-</u>	<u>-</u>	<u>373,310</u>	<u>370,460</u>
PERMITS				
Building	500,157	979,329	1,479,486	1,193,450
Electrical	208,136	213,158	421,294	275,657
Mechanical	37,078	91,668	128,746	144,338
Plumbing	29,375	63,949	93,324	53,313
Wrecking	6,954	625	7,579	6,883
Signs	6,569	3,460	10,029	12,846
Mobile home	23,558	29,534	53,092	29,919
Special inspections	75,833	-	75,833	82,166
Reinspection	14,000	-	14,000	11,935
Release	2,640	-	2,640	2,040
Fire protection	665	-	665	202
Plan check fees	193,316	33,867	227,183	245,651
Temporary T.O.	441	-	441	413
Other	36,118	-	36,118	25,171
TOTAL PERMITS	<u>1,134,840</u>	<u>1,415,590</u>	<u>2,550,430</u>	<u>2,083,984</u>
TOTAL LICENSES AND PERMITS	<u>\$1,134,840</u>	<u>\$1,415,590</u>	<u>\$2,923,740</u>	<u>\$ 2,454,444</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Salaries	1,618,865	1,477,510
Compensated absences	462	(3,108)
Automobile - gasoline	34,947	34,158
Automobile - repairs and maintenance	20,872	14,816
Building maintenance and repairs	10,782	19,331
Bank service fees	1,473	4,888
Code and miscellaneous books	5,140	10,001
Communications	13,416	9,478
Computer expense	20,282	31,085
Credit card fees	29,089	24,174
Depreciation	82,787	79,263
Dues and subscriptions	5,234	3,509
Equipment and tools	5,002	2,407
Insurance - liability	18,399	19,886
Insurance - medical	306,037	291,227
Insurance - unemployment	4,120	3,851
Insurance - workmen's compensation	11,780	14,918
Janitorial	15,265	14,280
Equipment rental	9,644	7,596
Payroll taxes	18,047	16,737
Property taxes	3,852	3,466
Meetings	3,430	4,079
Other	(711)	64
Office supplies	16,966	10,901
Postage	4,305	1,495
Professional services	23,601	29,016
Retirement	170,038	159,308
Training	7,980	9,010
Telephone	7,276	4,613
Title searches	1,158	4,126
Trash pickup	1,235	1,034
Travel	14,723	10,343
Utilities	22,665	21,625
Uniforms	1,094	612
	<u>\$2,509,255</u>	<u>\$2,335,699</u>