

PUEBLO REGIONAL BUILDING DEPARTMENT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020 AND 2019

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July 28, 2021

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, 2020 and 2019, 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, 2020 and 2019, 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

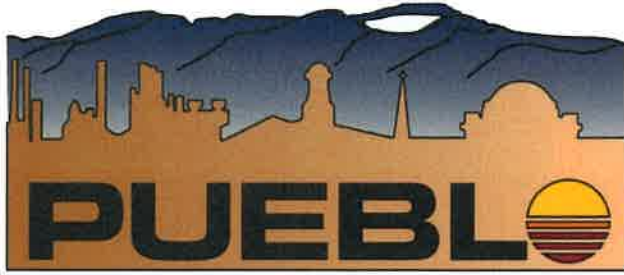
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the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

Samuel Ross & DeNardo, Inc.



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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, 2020. The section should be read in conjunction with the financial statements, which are attached.

FINANCIAL HIGHLIGHTS

- The Department's net position on December 31, 2020 totaled \$5,298,264.
- The Department's change in net position for the year ended December 31, 2020 was \$122,834. The Department's change in net position for 2019 was \$582,967, which is a difference of \$(460,133).

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	2020	2019	2018
CURRENT ASSETS	\$ 1,720,941.00	\$ 2,932,545.00	\$ 2,267,148.00
NONCURRENT ASSETS	\$ 4,137,535.00	\$ 2,687,756.00	\$ 2,749,328.00
TOTAL ASSETS	\$ 5,858,476.00	\$ 5,620,301.00	\$ 5,016,476.00
LIABILITIES			
CURRENT LIABILITIES	\$ 419,649.00	\$ 329,690.00	\$ 308,098.00
LONG TERM LIABILITIES	\$ 140,563.00	\$ 444,871.00	\$ 115,915.00
TOTAL LIABILITIES	\$ 560,212.00	\$ 774,561.00	\$ 424,013.00
NET POSITION			
INVESTED IN CAPITAL ASSETS	\$ 1,722,318.00	\$ 1,360,227.00	\$ 1,335,510.00
UNRESTRICTED	\$ 3,575,946.00	\$ 3,815,203.00	\$ 3,256,953.00
	\$ 5,298,264.00	\$ 5,175,430.00	\$ 4,592,463.00
TOTAL LIABILITIES & NET POSITION	\$ 5,858,476.00	\$ 5,602,301.00	\$ 5,016,476.00

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

In comparison to 2019, our operating income for 2020 increased \$25,479. In 2020, the Department experienced an increase in both operating revenue and expenses over 2019 and 2018.

NONOPERATING REVENUE/(EXPENSES)	\$ 134,370.00	\$ 162,720.00	\$ 126,189.00
CHANGES IN NET POSITION	\$ 122,834.00	\$ 582,967.00	\$ 254,213.00
	2020	2019	2018
SALARIES AND BENEFITS	\$ 2,539,400.00	\$ 2,113,447.00	\$ 1,941,674.00
DEPRECIATION	\$ 99,983.00	\$ 82,787.00	\$ 79,263.00
DEPRECIATION	\$ 99,983.00	\$ 82,787.00	\$ 79,263.00
ALL OTHER	\$ 396,418.00	\$ 313,019.00	\$ 314,762.00
TOTAL OPERATING EXPENSES	\$ 2,966,517.00	\$ 2,509,255.00	\$ 2,335,699.00

- 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 2020 increased by \$457,262 compared to 2019.

BUDGETARY HIGHLIGHTS

The Department's budget is prepared according to Colorado Law. For 2020, the Commission appropriated \$2,800,950.

	Final Budget	Actual on Budget Basis
Revenue	\$3,300,950	\$3,076,152
Expenses	\$3,300,950	\$3,298,273

CAPITAL ASSETS

The Department's investment in capital assets at December 31, 2020 amounted to \$1,722,318, 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 \$362,091 in 2020 while 2019 reflects an increase in capital assets of \$24,717. Capital asset additions totaled \$631,316 during 2020, while net disposals totaled (\$252,665). Capital asset additions for 2019 were \$24,717 while net disposals were (\$195,958). Depreciation expense for 2020 was \$99,983 and \$82,787 for 2019.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET

Economic factors in the area continue to be somewhat improving in the housing market for 2021. We expect the number of housing permits to be higher than the 2020 total of 432. We believe the commercial projects will remain comparable with 2020. We anticipate interest rates to decrease in 2021.

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, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 462,063	\$ 48,151
Certificates of deposit	-	250,000
Investments	1,249,061	2,622,032
Prepaid expenses and other assets	9,817	12,362
TOTAL CURRENT ASSETS	1,720,941	2,932,545
NONCURRENT ASSETS		
Certificates of deposit	500,000	-
Investments	1,915,217	1,327,529
Capital assets -		
Land	158,324	158,324
Buildings and improvements	1,577,354	1,259,168
Vehicles	361,076	300,611
Furniture and fixtures	48,455	48,455
Equipment	83,746	83,746
Accumulated depreciation	(506,637)	(490,077)
Total Capital Assets	1,722,318	1,360,227
TOTAL NONCURRENT ASSETS	4,137,535	2,687,756
TOTAL ASSETS	5,858,476	5,620,301
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	18,450	13,063
Permit escrow	89,436	4,541
Unearned revenue	194,330	199,970
Accrued compensated absences	117,433	112,116
TOTAL CURRENT LIABILITIES	419,649	329,690
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	140,563	115,181
TOTAL LONG-TERM LIABILITIES	140,563	115,181
TOTAL LIABILITIES	560,212	444,871
NET POSITION		
Net investment in capital assets	1,722,318	1,360,227
Unrestricted	3,575,946	3,815,203
TOTAL NET POSITION	\$ 5,298,264	\$ 5,175,430

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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Licenses and permits	\$ 2,949,988	\$ 2,923,740
Code book sales	<u>4,993</u>	<u>5,762</u>
TOTAL OPERATING REVENUES	<u>2,954,981</u>	<u>2,929,502</u>
OPERATING EXPENSES		
Salaries	1,842,864	1,619,327
Employee benefits	605,371	476,075
Depreciation expense	99,983	82,787
Other	<u>418,299</u>	<u>331,066</u>
TOTAL OPERATING EXPENSES	<u>2,966,517</u>	<u>2,509,255</u>
OPERATING INCOME (LOSS)	<u>(11,536)</u>	<u>420,247</u>
NONOPERATING REVENUES		
Investment revenue	83,952	91,920
Insurance recovery	-	11,549
Gain on sale of capital assets	4,636	-
Rental and other revenue	<u>45,782</u>	<u>59,251</u>
TOTAL NONOPERATING REVENUES	<u>134,370</u>	<u>162,720</u>
CHANGE IN NET POSITION	122,834	582,967
NET POSITION, January 1	<u>5,175,430</u>	<u>4,592,463</u>
NET POSITION, December 31	<u>\$ 5,298,264</u>	<u>\$ 5,175,430</u>

The accompanying notes are an integral part of these statements.

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 3,034,236	\$ 2,952,951
Cash paid to suppliers for goods and services	(1,015,738)	(768,466)
Cash payments to employees for services	<u>(1,812,165)</u>	<u>(1,618,865)</u>
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>206,333</u>	<u>565,620</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(462,438)	(107,504)
Proceeds from sale of capital assets	5,000	-
Insurance recovery	<u>-</u>	<u>11,549</u>
NET CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(457,438)</u>	<u>(95,955)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	70,753	59,879
Rents and other revenue received	45,782	59,251
Maturity of certificates of deposit and investments	3,576,506	1,888,999
Purchase of certificates of deposit and investments	<u>(3,028,024)</u>	<u>(2,643,875)</u>
NET CASH FLOWS PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>665,017</u>	<u>(635,746)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	413,912	(166,081)
CASH AND CASH EQUIVALENTS, January 1	<u>48,151</u>	<u>214,232</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 462,063</u>	<u>\$ 48,151</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ (11,536)	\$ 420,247
Adjustments to reconcile operating income to net cash flows from operating activities -		
Depreciation	99,983	82,787
Change in assets and liabilities -		
Accounts and other receivables	-	120
Prepaid expenses	2,545	41,608
Accounts payable	5,387	(2,933)
Permit escrow	84,895	2,389
Unearned revenue	(5,640)	20,940
Accrued compensated absences	<u>30,699</u>	<u>462</u>
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 206,333</u>	<u>\$ 565,620</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	<u>\$ 13,199</u>	<u>\$ 32,028</u>
Net book value of vehicles traded in	<u>\$ 168,878</u>	<u>\$ 152,635</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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2020 AND 2019**

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, 2019 has been presented to provide an understanding of the changes in financial position and operations.

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

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 650	\$ 650
Demand deposits	<u>461,413</u>	<u>47,501</u>
	<u>\$ 462,063</u>	<u>\$ 48,151</u>
 Certificates of deposit	 <u>\$ 500,000</u>	 <u>\$ 250,000</u>
U.S. Treasury notes	\$ 2,801,201	\$ 2,063,422
U.S. Treasury bills	-	625,221
U.S. agency securities	162,119	837,327
Money market mutual funds	<u>200,958</u>	<u>423,591</u>
	<u>\$ 3,164,278</u>	<u>\$ 3,949,561</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

DEPOSITS

At December 31, 2020, the carrying value of the Department’s deposits, including certificates of deposit, was \$961,413 and the bank balance was \$989,876. \$239,876 of the bank balance was not covered by federal depository insurance and therefore 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, 2020, \$239,876 in deposits were not 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, 2020, 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	\$ 2,801,201	\$ 885,984	\$ 1,915,217
U.S. agency securities	162,119	162,119	-
Money market mutual funds	200,958	200,958	-
	<u>\$ 3,164,278</u>	<u>\$ 1,249,061</u>	<u>\$ 1,915,217</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, 2020 AND 2019**

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, 2020 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, 2020:

- 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 2020 and 2019 is as follows:

	Balance January 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2020</u>
Depreciable capital assets –				
Buildings and improvements	\$ 1,259,168	\$ 321,838	\$ (3,652)	\$ 1,577,354
Vehicles	300,611	309,478	(249,013)	361,076
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>1,691,980</u>	<u>631,316</u>	<u>(252,665)</u>	<u>2,070,631</u>
Accumulated depreciation –				
Buildings and improvements	(277,531)	(44,649)	3,287	(318,893)
Vehicles	(87,641)	(54,292)	80,136	(61,797)
Furniture and fixtures	(48,455)	-	-	(48,455)
Equipment	<u>(76,450)</u>	<u>(1,042)</u>	<u>-</u>	<u>(77,492)</u>
Total accumulated depreciation	<u>(490,077)</u>	<u>(99,983)</u>	<u>83,423</u>	<u>(506,637)</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,201,903</u>	<u>531,333</u>	<u>(169,242)</u>	<u>1,563,994</u>
Non-depreciable assets – Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,360,227</u>	<u>\$ 531,333</u>	<u>\$ (169,242)</u>	<u>\$ 1,722,318</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 – CAPITAL ASSETS (Cont'd.)

	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>

NOTE 4 – COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the years ended December 31, 2020 and 2019:

Balance January 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2020</u>	Due Within One Year
<u>\$ 227,297</u>	<u>\$ 148,432</u>	<u>\$ (117,733)</u>	<u>\$ 257,996</u>	<u>\$ 117,733</u>
Balance January 1, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2019</u>	Due Within One Year
<u>\$ 226,835</u>	<u>\$ 112,578</u>	<u>\$ (112,116)</u>	<u>\$ 227,297</u>	<u>\$ 112,116</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020, employee contributions totaled \$165,555 and the Department recognized pension expense of \$192,886. For the year ended December 31, 2019, employee contributions totaled \$150,971 and the Department recognized pension expense of \$164,811.

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 forfeitures of non-vested balances of \$9,402 and \$0 during the years ended December 31, 2020 and 2019, respectively.

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, 2020 AND 2019**

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 may 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, 2020

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING REVENUES					
Charges for services	\$2,949,988	\$ -	\$2,949,988	\$2,675,950	\$ 274,038
Code book sales	4,993	-	4,993	-	4,993
TOTAL OPERATING REVENUES	2,954,981	-	2,954,981	2,675,950	279,031
OPERATING EXPENDITURES					
Salaries	1,812,165	-	1,812,165	1,736,500	(75,665)
Compensated absences	30,699	(30,699)	-	-	-
Automobile - gasoline	26,656	-	26,656	42,000	15,344
Automobile - repairs and maintenance	10,061	-	10,061	12,000	1,939
Building maintenance and repairs	47,467	-	47,467	10,000	(37,467)
Bank service fees	6,227	-	6,227	6,000	(227)
Code and miscellaneous books	9,249	-	9,249	6,000	(3,249)
Communications	9,514	-	9,514	15,000	5,486
Computer expense	61,111	-	61,111	27,200	(33,911)
Credit card fees	34,086	-	34,086	32,000	(2,086)
Depreciation	99,983	(99,983)	-	-	-
Dues and subscriptions	7,175	-	7,175	5,000	(2,175)
Equipment and tools	15,906	-	15,906	2,500	(13,406)
Insurance - liability	18,446	-	18,446	19,700	1,254
Insurance - medical	416,437	-	416,437	420,000	3,563
Insurance - unemployment	4,891	-	4,891	5,000	109
Insurance - workmen's compensation	21,995	-	21,995	23,000	1,005
Janitorial	16,381	-	16,381	17,000	619
Equipment rental	7,085	-	7,085	9,000	1,915
Payroll taxes	21,881	-	21,881	25,000	3,119
Meetings	1,914	-	1,914	5,000	3,086
Other/contingency	4,236	-	4,236	103,250	99,014
Office supplies	20,206	-	20,206	13,500	(6,706)
Postage	1,422	-	1,422	4,500	3,078
Professional services	34,647	-	34,647	27,500	(7,147)
Retirement	188,934	-	188,934	175,000	(13,934)

The accompanying notes are an integral part of this schedule.

PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (Cont'd.)
YEAR ENDED DECEMBER 31, 2020

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING EXPENDITURES (Cont'd.)					
Training	6,776	-	6,776	5,000	(1,776)
Telephone	6,388	-	6,388	6,800	412
Title searches	77	-	77	4,000	3,923
Travel	9,290	-	9,290	14,000	4,710
Trash pickup	1,542	-	1,542	1,500	(42)
Utilities	12,913	-	12,913	26,000	13,087
Uniforms	757	-	757	2,000	1,243
TOTAL OPERATING EXPENDITURES	<u>2,966,517</u>	<u>(130,682)</u>	<u>2,835,835</u>	<u>2,800,950</u>	<u>(34,885)</u>
OPERATING INCOME (LOSS)	<u>(11,536)</u>	<u>130,682</u>	<u>119,146</u>	<u>(125,000)</u>	<u>244,146</u>
OTHER REVENUE (EXPENDITURES)					
Interest revenue	83,952	(13,199)	70,753	75,000	(4,247)
Rental revenue	44,403	-	44,403	50,000	(5,597)
Other revenue	1,379	-	1,379	-	1,379
Gain on sale of capital assets	4,636	-	4,636	-	4,636
Prior year reserves	-	-	-	500,000	(500,000)
Capital outlay	-	(462,438)	(462,438)	(500,000)	37,562
TOTAL OTHER REVENUE (EXPENDITURES)	<u>134,370</u>	<u>(475,637)</u>	<u>(341,267)</u>	<u>125,000</u>	<u>(466,267)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 122,834</u>	<u>\$ (344,955)</u>	<u>\$ (222,121)</u>	<u>\$ -</u>	<u>\$ (222,121)</u>

The accompanying notes are an integral part of this schedule.

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF LICENSES AND PERMITS
YEAR ENDED DECEMBER 31, 2020 WITH COMPARATIVE TOTALS FOR 2019**

	2020			2019
	City	County	Total	Total
LICENSES				
Building contractors	\$ -	\$ -	\$ 245,830	\$ 251,010
Plumbing contractors	-	-	31,785	27,235
Mechanical contractors	-	-	60,095	62,595
Stationary engineers	-	-	2,505	2,375
Mechanical trades	-	-	5,520	6,060
Application fees	-	-	22,515	24,035
TOTAL LICENSES	<u>-</u>	<u>-</u>	<u>368,250</u>	<u>373,310</u>
PERMITS				
Building	536,983	947,258	1,484,241	1,479,486
Electrical	138,619	252,453	391,072	421,294
Mechanical	23,141	120,095	143,236	128,746
Plumbing	15,243	90,361	105,604	93,324
Wrecking	8,035	502	8,537	7,579
Signs	5,877	1,455	7,332	10,029
Mobile home	26,706	31,078	57,784	53,092
Special inspections	91,068	-	91,068	75,833
Reinspection	11,400	-	11,400	14,000
Release	1,860	-	1,860	2,640
Fire protection	487	66	553	665
Plan check fees	192,496	43,133	235,629	227,183
Temporary T.O.	215	-	215	441
Other	43,302	(95)	43,207	36,118
TOTAL PERMITS	<u>1,095,432</u>	<u>1,486,306</u>	<u>2,581,738</u>	<u>2,550,430</u>
TOTAL LICENSES AND PERMITS	<u>\$1,095,432</u>	<u>\$1,486,306</u>	<u>\$2,949,988</u>	<u>\$ 2,923,740</u>

The accompanying notes are an integral part of this schedule.

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Salaries	\$1,812,165	\$1,618,865
Compensated absences	30,699	462
Automobile - gasoline	26,656	34,947
Automobile - repairs and maintenance	10,061	20,872
Building maintenance and repairs	47,467	10,782
Bank service fees	6,227	1,473
Code and miscellaneous books	9,249	5,140
Communications	9,514	13,416
Computer expense	61,111	20,282
Credit card fees	34,086	29,089
Depreciation	99,983	82,787
Dues and subscriptions	7,175	5,234
Equipment and tools	15,906	5,002
Insurance - liability	18,446	18,399
Insurance - medical	416,437	306,037
Insurance - unemployment	4,891	4,120
Insurance - workmen's compensation	21,995	11,780
Janitorial	16,381	15,265
Equipment rental	7,085	9,644
Payroll taxes	21,881	18,047
Property taxes	3,850	3,852
Meetings	1,914	3,430
Other	386	(711)
Office supplies	20,206	16,966
Postage	1,422	4,305
Professional services	34,647	23,601
Retirement	188,934	170,038
Training	6,776	7,980
Telephone	6,388	7,276
Title searches	77	1,158
Trash pickup	1,542	1,235
Travel	9,290	14,723
Utilities	12,913	22,665
Uniforms	757	1,094
	<u>\$2,966,517</u>	<u>\$2,509,255</u>

The accompanying notes are an integral part of this schedule.