

PUEBLO REGIONAL BUILDING DEPARTMENT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2021 AND 2020

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT DISCUSSION & ANALYSIS	i
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	4
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	6
Notes to Financial Statements	7
ADDITIONAL INFORMATION	
Schedule of Revenues and Expenditures – Budget to Actual	16
Schedules of Licenses and Permits	18
Schedules of Operating Expenses	19

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Independent Auditor's Report

June 15, 2022

Board of Commission
Pueblo Regional Building Department
Pueblo, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Pueblo Regional Building Department (the Department) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Department, as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Board of Commission
Pueblo Regional Building Department

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 to 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Harvey 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, 2021. The section should be read in conjunction with the financial statements, which are attached.

FINANCIAL HIGHLIGHTS

- The Department's net position on December 31, 2021 totaled \$5,362,550.
- The Department's change in net position for the year ended December 31, 2021 was \$64,286. The Department's change in net position for 2020 was \$122,834, which is a difference of \$(58,548).

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	2021	2020	2019
CURRENT ASSETS	\$ 2,775,304.00	\$ 1,790,941.00	\$ 2,932,545.00
NONCURRENT ASSETS	\$ 3,283,428.00	\$ 4,137,535.00	\$ 2,687,756.00
TOTAL ASSETS	\$ 6,058,732.00	\$ 5,928,476.00	\$ 5,620,301.00
LIABILITIES			
CURRENT LIABILITIES	\$ 568,709.00	\$ 419,649.00	\$ 329,690.00
LONG TERM LIABILITIES	\$ 127,473.00	\$ 140,563.00	\$ 444,871.00
TOTAL LIABILITIES	\$ 696,182.00	\$ 560,212.00	\$ 774,561.00
NET POSITION			
INVESTED IN CAPITAL ASSETS	\$ 1,649,814.00	\$ 1,722,318.00	\$ 1,360,227.00
UNRESTRICTED	\$ 3,712,736.00	\$ 3,575,946.00	\$ 3,815,203.00
	\$ 5,362,550.00	\$ 5,298,264.00	\$ 5,175,430.00
TOTAL LIABILITIES & NET POSITION	\$ 6,058,732.00	\$ 5,858,476.00	\$ 5,602,301.00

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

In comparison to 2020, our operating income for 2021 increased \$997,191.00. In 2021, the Department experienced an increase in both operating revenue and expenses over 2020 and 2019.

OPERATING REVENUE	4,164,092.00	\$ 2,954,981.00	\$ 2,929,502.00
OPERATING EXPENSES	<u>3,155,362.00</u>	<u>\$ 2,966,517.00</u>	<u>\$ 2,509,255.00</u>
OPERATING INCOME/(LOSS)	\$ 1,008,730.00	\$ (11,536.00)	\$ 420,247.00
NONOPERATING REVENUE/(EXPENSES)	(944,441.00)	\$ 134,370.00	\$ 162,720.00
CHANGES IN NET POSITION	64,286.00	\$ 122,834.00	\$ 582,967.00
2021			
SALARIES AND BENEFITS	\$ 2,634,653.00	\$ 2,470,116.00	\$ 2,113,449.00
DEPRECIATION	\$ 121,704.00	\$ 99,983.00	\$ 82,787.00
ALL OTHER	<u>\$ 399,008.00</u>	<u>\$ 396,418.00</u>	<u>\$ 313,019.00</u>
TOTAL OPERATING EXPENSES	\$ 3,155,365.00	\$ 2,966,517.00	\$ 2,509,255.00

- 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.
- Included in nonoperating expenses is \$1,000,000 relating to an intergovernmental agreement between the City and County for the Pueblo Means Business project.

Overall expenses for 2021 increased by \$188,848.00 compared to 2020.

BUDGETARY HIGHLIGHTS

The Department's budget is prepared according to Colorado Law. For 2021, the Commission appropriated \$3,222,950.

	Final Budget	Actual on Budget Basis
Revenue	\$3,222,950	\$4,247,115
Expenses	\$4,222,950	\$4,079,977

CAPITAL ASSETS

The Department's investment in capital assets at December 31, 2021 amounted to \$1,649,814, which is net of accumulated depreciation. Capital assets consist mainly of the Department's office facility and vehicles used in the Department's operations. Capital assets decreased by (\$72,504) in 2021 while 2020 reflects a increase in capital assets of \$362,091. Capital asset additions totaled \$156,984 during 2021, while net disposals totaled (\$136,094). Capital asset additions for 2020 were \$631,316 while net disposals were (\$252,665). Depreciation expense for 2021 was \$121,704 and \$99,983 for 2020.

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET

Economic factors in the area continue to be somewhat decreasing due to the higher interest rates for 2022. We expect the number of housing permits to be lower than the 2021 total of 680. We believe the commercial and industrial projects will remain comparable with 2021. We anticipate interest rates to increase in 2022.

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, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 496,214	\$ 462,063
Certificates of deposit	500,000	-
Investments	1,776,457	1,249,061
Prepaid expenses and other assets	<u>2,633</u>	<u>9,817</u>
TOTAL CURRENT ASSETS	<u>2,775,304</u>	<u>1,720,941</u>
NONCURRENT ASSETS		
Certificates of deposit	-	500,000
Investments	1,633,614	1,915,217
Capital assets -		
Land	158,324	158,324
Buildings and improvements	1,577,354	1,577,354
Vehicles	381,966	361,076
Furniture and fixtures	48,455	48,455
Equipment	83,746	83,746
Accumulated depreciation	<u>(600,031)</u>	<u>(506,637)</u>
Total Capital Assets	<u>1,649,814</u>	<u>1,722,318</u>
TOTAL NONCURRENT ASSETS	<u>3,283,428</u>	<u>4,137,535</u>
TOTAL ASSETS	<u>6,058,732</u>	<u>5,858,476</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	39,291	18,450
Permit escrow	145,586	89,436
Unearned revenue	250,425	194,330
Accrued compensated absences	<u>133,407</u>	<u>117,433</u>
TOTAL CURRENT LIABILITIES	<u>568,709</u>	<u>419,649</u>
LONG-TERM LIABILITIES		
Accrued compensated absences, net of current portion	<u>127,473</u>	<u>140,563</u>
TOTAL LONG-TERM LIABILITIES	<u>127,473</u>	<u>140,563</u>
TOTAL LIABILITIES	<u>696,182</u>	<u>560,212</u>
NET POSITION		
Net investment in capital assets	1,649,814	1,722,318
Unrestricted	<u>3,712,736</u>	<u>3,575,946</u>
TOTAL NET POSITION	<u>\$ 5,362,550</u>	<u>\$ 5,298,264</u>

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Licenses and permits	\$ 4,161,564	\$ 2,949,988
Code book sales	<u>2,528</u>	<u>4,993</u>
TOTAL OPERATING REVENUES	<u>4,164,092</u>	<u>2,954,981</u>
OPERATING EXPENSES		
Salaries	1,963,264	1,842,864
Employee benefits	647,966	605,371
Depreciation expense	121,704	99,983
Other	<u>422,431</u>	<u>418,299</u>
TOTAL OPERATING EXPENSES	<u>3,155,365</u>	<u>2,966,517</u>
OPERATING INCOME (LOSS)	<u>1,008,727</u>	<u>(11,536)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment revenue	535	83,952
Gain on sale of capital assets	-	4,636
Rental and other revenue	55,024	45,782
Contribution to Pueblo County	<u>(1,000,000)</u>	<u>-</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(944,441)</u>	<u>134,370</u>
CHANGE IN NET POSITION	64,286	122,834
NET POSITION, January 1	<u>5,298,264</u>	<u>5,175,430</u>
NET POSITION, December 31	<u>\$ 5,362,550</u>	<u>\$ 5,298,264</u>

The accompanying notes are an integral part of these statements.

**PUEBLO REGIONAL BUILDING DEPARTMENT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,276,337	\$ 3,034,236
Cash paid to suppliers for goods and services	(1,042,372)	(1,015,738)
Cash payments to employees for services	(1,960,380)	(1,812,165)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>1,273,585</u>	<u>206,333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(49,200)	(462,438)
Proceeds from sale of capital assets	-	5,000
Capital contribution paid to Pueblo County	(1,000,000)	-
NET CASH FLOWS PROVIDED (USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,049,200)</u>	<u>(457,438)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	25,856	70,753
Rents and other revenue received	55,024	45,782
Maturity of certificates of deposit and investments	3,655,245	3,576,506
Purchase of certificates of deposit and investments	(3,926,359)	(3,028,024)
NET CASH FLOWS PROVIDED (USED) FROM INVESTING ACTIVITIES	<u>(190,234)</u>	<u>665,017</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	34,151	413,912
CASH AND CASH EQUIVALENTS, January 1	<u>462,063</u>	<u>48,151</u>
CASH AND CASH EQUIVALENTS, December 31	<u>\$ 496,214</u>	<u>\$ 462,063</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 1,008,727	\$ (11,536)
Adjustments to reconcile operating income to net cash flows from operating activities -		
Depreciation	121,704	99,983
Change in assets and liabilities -		
Prepaid expenses	7,184	2,545
Accounts payable	20,841	5,387
Permit escrow	56,150	84,895
Unearned revenue	56,095	(5,640)
Accrued compensated absences	2,884	30,699
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 1,273,585</u>	<u>\$ 206,333</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Change in fair value of investments	<u>\$ (27,465)</u>	<u>\$ 13,199</u>
Net book value of vehicles traded in	<u>\$ 107,784</u>	<u>\$ 168,878</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, 2021 AND 2020**

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, 2021 AND 2020**

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, 2021 AND 2020**

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 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, 2021 AND 2020**

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, 2020 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>2021</u>	<u>2020</u>
Cash on hand	\$ 650	\$ 650
Demand deposits	<u>495,564</u>	<u>461,413</u>
	<u>\$ 496,214</u>	<u>\$ 462,063</u>
 Certificates of deposit	 <u>\$ 500,000</u>	 <u>\$ 500,000</u>
U.S. Treasury notes	\$ 3,039,582	\$ 2,801,201
U.S. agency securities	-	162,119
Money market mutual funds	<u>370,489</u>	<u>200,958</u>
	<u>\$ 3,410,071</u>	<u>\$ 3,164,278</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

DEPOSITS

At December 31, 2021, the carrying value of the Department's deposits, including certificates of deposit, was \$995,564 and the bank balance was \$988,142. \$238,142 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, 2021, \$238,142 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, 2021, 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	\$ 3,039,582	\$ 1,405,968	\$ 1,633,614
Money market mutual funds	370,489	370,489	-
	<u>\$ 3,410,071</u>	<u>\$ 1,776,457</u>	<u>\$ 1,633,614</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, 2021 AND 2020**

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, 2021 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, 2021:

- U.S. Treasury 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 2021 and 2020 is as follows:

	Balance January 1, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2021</u>
Depreciable capital assets –				
Buildings and improvements	\$ 1,577,354	\$ -	\$ -	\$ 1,577,354
Vehicles	361,076	156,984	(136,094)	381,966
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>2,070,631</u>	<u>156,984</u>	<u>(136,094)</u>	<u>2,091,521</u>
Accumulated depreciation –				
Buildings and improvements	(318,893)	(54,132)	-	(373,025)
Vehicles	(61,797)	(66,530)	28,310	(100,017)
Furniture and fixtures	(48,455)	-	-	(48,455)
Equipment	<u>(77,492)</u>	<u>(1,042)</u>	<u>-</u>	<u>(78,534)</u>
Total accumulated depreciation	<u>(506,637)</u>	<u>(121,704)</u>	<u>28,310</u>	<u>(600,031)</u>
Depreciable capital assets, net of accumulated depreciation	<u>1,563,994</u>	<u>35,280</u>	<u>(107,784)</u>	<u>1,491,490</u>
Non-depreciable assets – Land	<u>158,324</u>	<u>-</u>	<u>-</u>	<u>158,324</u>
Total capital asset, net	<u>\$ 1,722,318</u>	<u>\$ 35,280</u>	<u>\$ (107,784)</u>	<u>\$ 1,649,814</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 – CAPITAL ASSETS (Cont'd.)

	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>

NOTE 4 – COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the years ended December 31, 2021 and 2020:

Balance January 1, <u>2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2021</u>	Due Within <u>One Year</u>
<u>\$ 257,996</u>	<u>\$ 136,291</u>	<u>\$ (133,407)</u>	<u>\$ 260,880</u>	<u>\$ 133,407</u>
Balance January 1, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance December 31, <u>2020</u>	Due Within <u>One Year</u>
<u>\$ 227,297</u>	<u>\$ 148,432</u>	<u>\$ (117,733)</u>	<u>\$ 257,996</u>	<u>\$ 117,733</u>

**PUEBLO REGIONAL BUILDING DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 9.7% of covered compensation, while employees are required to contribute 4%. Employees may make voluntary contributions that are matched one-half of the amount contributed by the employee, not to exceed 2% of compensation. For the year ended December 31, 2021, employee contributions totaled \$230,141 and the Department recognized pension expense of \$206,082. For the year ended December 31, 2020, employee contributions totaled \$161,131 and the Department recognized pension expense of \$158,148.

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, 2021 and 2020.

NOTE 6 – INTERGOVERNMENTAL AGREEMENT

The Department entered into an intergovernmental agreement between the Board of County Commissioners of Pueblo and the City of Pueblo. Nonoperating expenses at December 31, 2021 include a \$1,000,000 contribution to Pueblo County for the Pueblo Means Business project.

NOTE 7 – 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 Department'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, 2021 AND 2020**

NOTE 7 – CONTINGENCIES AND COMMITMENTS (Cont'd.)

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

In November 2021, a charge against the Department was filed with the U.S. Equal Employment Opportunity Commission. The Department intends to vigorously defend this matter. At this time, it is not possible to determine the outcome or estimate any potential loss.

ADDITIONAL INFORMATION

PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING REVENUES					
Charges for services	\$ 4,161,564	\$ -	\$ 4,161,564	\$ 3,136,950	\$ 1,024,614
Code book sales	<u>2,528</u>	<u>-</u>	<u>2,528</u>	<u>-</u>	<u>2,528</u>
TOTAL OPERATING REVENUES	<u>4,164,092</u>	<u>-</u>	<u>4,164,092</u>	<u>3,136,950</u>	<u>1,027,142</u>
OPERATING EXPENDITURES					
Salaries	1,960,380	-	1,960,380	2,002,000	41,620
Compensated absences	2,884	(2,884)	-	-	-
Automobile - gasoline	51,257	-	51,257	41,000	(10,257)
Automobile - repairs and maintenance	19,898	-	19,898	12,000	(7,898)
Building maintenance and repairs	12,282	-	12,282	10,000	(2,282)
Bank service fees	7,507	-	7,507	8,000	493
Code and miscellaneous books	8,872	-	8,872	8,000	(872)
Computer expense	12,085	-	12,085	15,000	2,915
Credit card fees	52,018	-	52,018	34,000	(18,018)
Depreciation	121,704	(121,704)	-	-	-
Dues and subscriptions	9,057	-	9,057	8,000	(1,057)
Equipment and tools	2,341	-	2,341	5,000	2,659
Insurance - liability	14,286	-	14,286	21,000	6,714
Insurance - medical	436,581	-	436,581	450,000	13,419
Insurance - unemployment	5,231	-	5,231	6,000	769
Insurance - workmen's compensation	16,690	-	16,690	26,000	9,310
Janitorial	18,175	-	18,175	19,000	825
Equipment rental	7,780	-	7,780	9,500	1,720
Payroll taxes	23,423	-	23,423	27,500	4,077
Meetings	8,109	-	8,109	5,000	(3,109)
Other/contingency	5,733	-	5,733	23,250	17,517
Office supplies	19,099	-	19,099	15,000	(4,099)
Postage	1,335	-	1,335	4,500	3,165
Professional services	74,133	-	74,133	36,000	(38,133)
Retirement	211,385	-	211,385	199,000	(12,385)

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, 2021

	Actual GAAP Basis	Adjustments to Actual	Actual Budget Basis	Final Budget	Variance Positive (Negative)
OPERATING EXPENDITURES (Cont'd.)					
Training	8,246	-	8,246	5,000	(3,246)
Telephone	26,760	-	26,760	28,000	1,240
Title searches	13	-	13	5,000	4,987
Travel	4,189	-	4,189	16,000	11,811
Trash pickup	1,483	-	1,483	1,700	217
Utilities	11,412	-	11,412	15,000	3,588
Uniforms	1,017	-	1,017	2,500	1,483
TOTAL OPERATING EXPENDITURES	<u>3,155,365</u>	<u>(124,588)</u>	<u>3,030,777</u>	<u>3,057,950</u>	<u>27,173</u>
OPERATING INCOME (LOSS)	<u>1,008,727</u>	<u>124,588</u>	<u>1,133,315</u>	<u>79,000</u>	<u>1,054,315</u>
OTHER REVENUE (EXPENDITURES)					
Interest revenue	535	27,464	27,999	36,000	(8,001)
Rental revenue	41,976	-	41,976	50,000	(8,024)
Other revenue	13,048	-	13,048	-	13,048
IGA contribution	(1,000,000)	-	(1,000,000)	(1,000,000)	-
Prior year reserves	-	-	-	1,000,000	(1,000,000)
Capital outlay	-	(49,200)	(49,200)	(165,000)	115,800
TOTAL OTHER REVENUE (EXPENDITURES)	<u>(944,441)</u>	<u>(21,736)</u>	<u>(966,177)</u>	<u>(79,000)</u>	<u>(887,177)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 64,286</u>	<u>\$ 102,852</u>	<u>\$ 167,138</u>	<u>\$ -</u>	<u>\$ 167,138</u>

The accompanying notes are an integral part of this schedule.

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF LICENSES AND PERMITS
YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020**

	2021			2020
	City	County	Total	Total
LICENSES				
Building contractors	\$ -	\$ -	\$ 258,610	\$ 245,830
Plumbing contractors	-	-	35,945	31,785
Mechanical contractors	-	-	61,400	60,095
Stationary engineers	-	-	2,245	2,505
Mechanical trades	-	-	5,420	5,520
Application fees	-	-	31,920	22,515
TOTAL LICENSES	<u>-</u>	<u>-</u>	<u>395,540</u>	<u>368,250</u>
PERMITS				
Building	580,758	1,215,493	1,796,251	1,484,241
Electrical	84,502	492,696	577,198	391,072
Mechanical	17,442	151,342	168,784	143,236
Plumbing	17,445	94,755	112,200	105,604
Wrecking	4,129	855	4,984	8,537
Signs	8,201	1,095	9,296	7,332
Mobile home	50,472	37,733	88,205	57,784
Special inspections	42,936	-	42,936	91,068
Reinspection	16,257	-	16,257	11,400
Release	3,480	-	3,480	1,860
Fire protection	646	-	646	553
Plan check fees	831,348	54,372	885,720	235,629
Temporary T.O.	430	-	430	215
Other	59,829	(192)	59,637	43,207
TOTAL PERMITS	<u>1,717,875</u>	<u>2,048,149</u>	<u>3,766,024</u>	<u>2,581,738</u>
TOTAL LICENSES AND PERMITS	<u>\$1,717,875</u>	<u>\$2,048,149</u>	<u>\$4,161,564</u>	<u>\$ 2,949,988</u>

The accompanying notes are an integral part of this schedule.

**PUEBLO REGIONAL BUILDING DEPARTMENT
SCHEDULES OF OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Salaries	\$1,960,380	\$1,812,165
Compensated absences	2,884	30,699
Automobile - gasoline	51,257	26,656
Automobile - repairs and maintenance	19,898	10,061
Building maintenance and repairs	12,282	47,467
Bank service fees	7,507	6,227
Code and miscellaneous books	8,872	9,249
Communications	-	9,514
Computer expense	12,085	61,111
Credit card fees	52,018	34,086
Depreciation	121,704	99,983
Dues and subscriptions	9,057	7,175
Equipment and tools	2,341	15,906
Insurance - liability	14,286	18,446
Insurance - medical	436,581	416,437
Insurance - unemployment	5,231	4,891
Insurance - workmen's compensation	16,690	21,995
Janitorial	18,175	16,381
Equipment rental	7,780	7,085
Payroll taxes	23,423	21,881
Property taxes	5,555	3,850
Meetings	8,109	1,914
Other	178	386
Office supplies	19,099	20,206
Postage	1,335	1,422
Professional services	74,133	34,647
Retirement	211,385	188,934
Training	8,246	6,776
Telephone	26,760	6,388
Title searches	13	77
Trash pickup	1,483	1,542
Travel	4,189	9,290
Utilities	11,412	12,913
Uniforms	1,017	757
	<u>\$3,155,365</u>	<u>\$2,966,517</u>

The accompanying notes are an integral part of this schedule.