

Agenda Item No: V-A
Meeting Date: July 13, 2020

Subject: Consideration and Approval of the 2019 Annual Audit

Presenter: Kelly Stroh

Background: The State of Colorado requires that each local government conduct an annual audit performed by an independent auditor. John Cutler and Associates, LLC has completed the audit and John Cutler will present the findings.

Because of requirements of the State, and the Federal Governmental Accounting Standards Board (GASB), the local government audit has become more of a technical document than a management tool, but it provides a valuable snapshot of the financial condition of the City.

Because of the documents technical nature, the Management Discussion and Analysis presented at the front of the document provides a summary narrative of the important aspects of the document and explains pivotal events that occurred and important financial statistics relevant to the year being examined. Also, the footnotes beginning on page 9, explain in better detail certain procedures and policies, the City's accounting methodology, debt and investment strategy, and capital resources. The notes are a critical piece of the financial statements as they explain the relationship between the various statements and provide a detailed narrative explaining the totals and values presented. A copy of the audited financial statements is available at City Hall and will be posted on the website, after approval, for the general public to view.

The audit can be adopted by motion. It must be submitted to the State by July 31.

Recommended Action: Consideration and approval of the 2019 Annual Audit.

CITY OF DACONO, COLORADO
BASIC FINANCIAL STATEMENTS
December 31, 2019

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Honorable Mayor and Members of the City Council
City of Dacono
Dacono, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dacono, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dacono as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 and budgetary comparison and pension information on pages 33 - 39 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund schedules and State Compliance listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

July 7, 2020



Management's Discussion and Analysis
Fiscal Year Ending December 31, 2019

As management of the City of Dacono (the City), we offer readers of the City's basic financial statements this narrative and analysis of the financial activities of the City of Dacono for the year ended December 31, 2019. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. We encourage readers to consider the information presented in conjunction with additional information provided by auditors in the Independent Auditor's Report.

2019 FINANCIAL HIGHLIGHTS

The City's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources by \$55,641,802 (total net position). The City's net position includes all Funds; General, Water, Capital Equipment, Street, Impact Fee, Conservation Trust, and the Economic Development Authority of Dacono (EDAD) Fund.

Total net position is comprised of the following:

- The net investment in capital assets of \$39,743,116, which includes all property and equipment, net of accumulated depreciation, and is reduced by the amount of outstanding debt related to the purchase and construction of capital assets.
- Net position of \$321,451 is restricted by constraints imposed from outside the City by law or regulation.
- Unrestricted net position of \$15,577,235 represents the portion of assets available to maintain the City's continued obligations to creditors and the citizens.

The City's governmental funds reported total ending fund balance of \$9,472,234 which is an increase of \$3,176,671 from the prior year's total governmental fund balance of \$6,295,563.

At the end of the current calendar year, the unassigned portion of the General Fund balance was \$4,301,929 or nearly 100% of total General Fund expenditures.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. These statements provide both short-term and long-term information about the City's overall financial status.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the categories being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement among other non-financial factors such as diversification of the taxpayer base (commercial vs. residential), and the age and condition of the City infrastructure, would need to be evaluated to judge the City's overall condition.

The Statement of Activities presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows, otherwise known as accrual accounting. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end or capital proceeds funded through lease purchase agreements).

Both government-wide financial statements separate the activities performed by those supported by taxes and those business-type activities intended to recover most all of the costs through user fees and charges. Governmental activities include general government, public safety, public works, parks and recreation. Business-type activities include water and trash.

The government-wide financial statements are found on pages 1 - 2 of this report.

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City keeps track of these funds to ensure and demonstrate compliance with finance-related legal and code requirements.

The City has two types of funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Major funds are reported separately while the smaller funds are reported in combination.

Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds provide a reconciliation to assist in understanding the difference between them and the government-wide financial statements.

The basic governmental fund financial statements are found on pages 3 - 5 of this report.

Individual fund information for the non-major fund is found in the statement on page 40 of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's proprietary fund is classified as an enterprise fund or more specifically, the Water Fund. The Water Fund encompasses the same functions reported as business-type activities in the government-wide financial statements.

The basic proprietary fund financial statements are located on pages 6 - 8 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements, both government-wide and at the fund level. The notes to the basic financial statements begin on page 9 of this report.

Required and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning the City's budget presentations.

Budgetary comparison schedules for the General Fund and the major special revenue funds are included as required supplementary information and can be found on pages 33 - 39 of this report.

Also included in the supplementary information section is the net pension liability (asset) calculation to comply with GASB statement 68 requirements. A ten-year chart of City contributions to the defined benefit plan (FPPA) is presented. Because of the newness of this requirement, only seven years of data exist. These items are found on pages 38 and 39 of this report.

Included in other supplementary information section are the individual fund schedules of non-major fund types and the proprietary fund which can be found on pages 40 and 41 of this report.

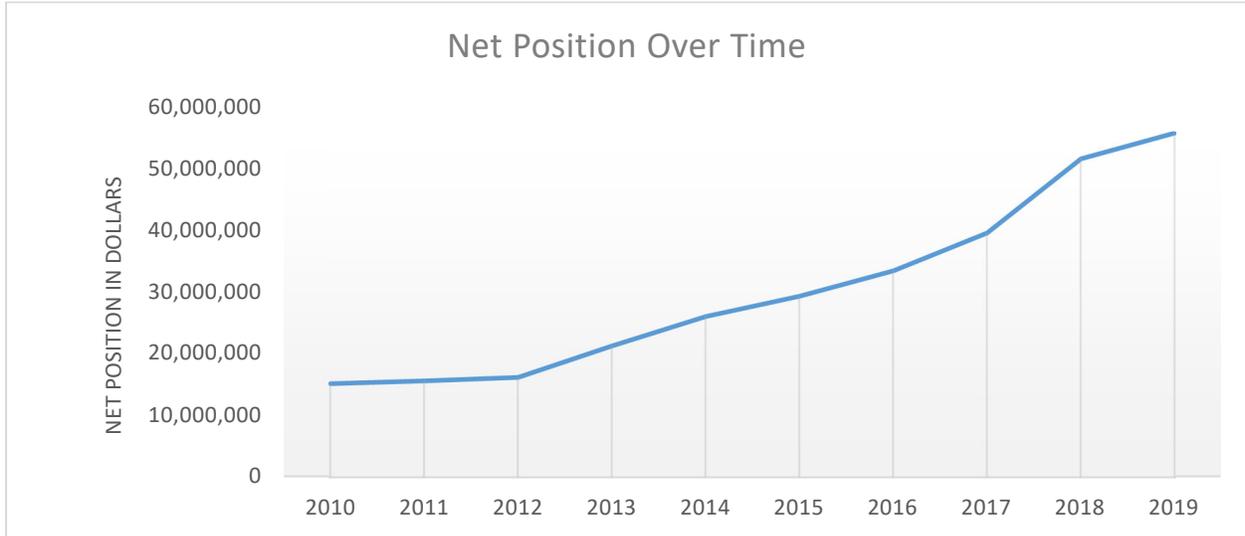
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's net position at calendar year end is \$55,641,802. The following table shows a summary of the City's net position:

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$13,151,670	\$9,320,484	\$6,684,990	\$6,149,473	\$19,836,660	\$15,469,957
Capital assets	19,224,902	19,633,643	22,874,754	22,612,696	42,099,656	42,246,339
Net pension assets		144,052				
Total assets	\$32,376,572	29,098,179	29,559,744	28,762,169	61,936,316	57,716,296
Deferred outflow of resources						
Deferred loss on refunding	68,498	79,914	-	-	68,498	79,914
Deferred outflows - pension	510,981	199,855	-	-	510,981	199,855
Total deferred outflow of resources	579,479	279,769	-	-	579,479	279,769
Liabilities:						
Current liabilities	1,767,860	1,090,915	405,492	325,192	2,173,352	1,416,107
Noncurrent liabilities:						
Due in one year	323,468	493,307	159,773	158,117	483,241	651,424
Due in more than one year	1,093,544	1,536,400	871,030	1,059,160	1,964,574	2,595,560
Net Pension Liability	148,622	-	-	-	148,622	-
Total liabilities	3,333,494	3,120,622	1,436,295	2,850,950	4,769,789	4,663,091
Deferred inflow of resources						
Unearned revenue -property taxes	2,080,152	1,943,981	-	-	2,080,152	1,943,981
Deferred inflows - pension	24,052	50,506	-	-	24,052	50,506
Total deferred inflow of resources	2,104,204	1,994,487	-	-	2,104,204	1,994,487
Net Position:						
Net investment in capital assets	17,739,392	17,825,006	22,003,724	21,423,776	39,743,116	39,248,782
Restricted	321,451	241,045			321,451	241,045
Unrestricted	9,457,510	6,196,788	6,119,725	5,795,924	15,577,235	11,992,712
Total net position	\$27,518,353	\$24,262,839	\$28,123,449	\$27,219,700	\$55,641,802	\$51,482,539

The following chart depicts the total net position balance from fiscal year 2010-2019:



Since the great recession ended, the City has been on a positive trajectory upward, improving net position and growth. With the exception of 2018, the increase year to year has been relatively steady and even. 2018 was an exceptional year which included some one-time gains and significant additions to donated capital by developers.

The City reported positive gains in net position for both governmental and business-type activities. During 2019, net position increased by \$3,255,514 for governmental activities and \$903,749 for business-type activities. The City's overall financial position increased during calendar year 2019 by \$4,159,263.

Note that approximately 59.4% of the governmental activities total assets are invested in capital assets (with 86.1% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. 77.4% of the business-type activity assets are tied up in capital assets. Those assets are used to provide water and trash removal services to the citizens and generate revenues for the Water fund. Combining governmental activities and business-type activities, the City has invested 68% of its total assets in capital assets.

The following table provides a summary of the City's changes in net position:

Change in Net Position

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$2,920,244	\$1,329,101	\$2,169,086	\$2,142,754	\$5,089,330	\$3,471,855
Operating grants and contributions	55,890	384,251	-	-	55,890	384,251
Capital grants and contributions	324,924	4,332,192	664,120	5,409,965	989,044	9,742,157
General revenues						
Sales and Use taxes	2,595,751	2,053,824			2,595,751	2,053,824
Property taxes	2,190,133	2,136,633			2,190,133	2,136,633
Franchise taxes	219,874	207,192			219,874	207,192
Other taxes	215,471	328,199			215,471	328,199
Interest	197,401	123,158	120,992	92,405	318,393	215,563
Other	581,982	357,434	14,392	13,970	596,374	371,404
Gain on sale of assets		5,000				
Total revenues	9,301,670	\$11,256,984	\$2,968,590	\$7,659,094	12,270,260	18,911,078
Expenses						
General government	2,220,350	1,826,742			2,220,350	1,826,742
Public safety	1,972,646	1,753,172			1,972,646	1,753,172
Public works	1,647,419	1,245,303			1,647,419	1,245,303
Parks and recreation	146,662	124,802			146,662	124,802
Interest on long term debt	59,079	81,273	27,801	-	86,880	81,273
Water		-	2,037,040	1,896,086	2,037,040	1,896,086
Total expenses	6,046,156	5,031,292	2,064,841	1,896,086	8,110,997	6,927,378
Change in net position	3,255,514	6,225,692	903,749	\$5,763,008	4,159,263	11,988,700
Net position, beginning	\$24,262,839	18,037,147	27,219,700	21,456,692	\$51,482,539	39,493,839
Net position, ending	\$27,518,353	\$24,262,839	\$28,123,449	\$27,219,700	\$55,641,802	\$51,482,539

Governmental Activity Revenues

The operations of the City are funded primarily by local property tax revenues and sales tax. Other funding sources are use tax, franchise and admissions tax and building permits. Tax revenue for the year was \$5,221,229, an increase of 10.5% from the prior year. Sales tax increased in 2019 by 26.4%, property tax collections increased 2.5% and all other taxes decreased by 18.7%. In total, tax revenue increased \$495,381 for the 2019 calendar year. The high rate of increase in sales and use taxes is primarily due to passing HB19-1240 related to destination sourcing which requires sellers to collect sales tax based on the buyer's address when the product is delivered, including online sales. Overall, total revenue decreased across all governmental funds from 2018 to 2019 by \$6,640,818. Capital contributions in 2018 make up the majority of this revenue shortfall; this included developer infrastructure and dedicated water shares.

Governmental Activity Expenses

The following table represents the cost of each of the City's programs, including the net cost (total cost less revenues generated by the activities). The net cost illustrates the burden placed on the taxpayers by each of these functions.

Governmental Activities				
	Total Cost of Service	Percentage of Total	Net Cost of Service	Percentage of Total
General Government	\$2,220,350	36.7%	\$570,206	-20.8%
Public Safety	\$1,972,646	32.6%	(\$1,787,068)	65.1%
Public Works	\$1,647,419	27.2%	(\$1,353,707)	49.3%
Parks and Recreation	\$146,662	2.4%	(\$115,450)	4.2%
Long-term Debt Interest	\$59,079	1.0%	(\$59,079)	2.2%
Total	\$6,046,156	100.0%	(\$2,745,098)	100.0%

The table illustrates that without property tax and sales tax, the services required to maintain vital City functions would not be covered by service fees alone.

Proprietary-type funds

Proprietary-type funds are used to account for activities that have the characteristics of business activities. Fund balances in these funds are similar to retained earnings in the private sector. TABOR limits governmental grants and outside sources of funding to 10% of the total revenues for an enterprise fund. TABOR is the commonly used acronym for the Taxpayers Bill of Rights, which is an amendment to the Colorado Constitution known as Article X, Section 20.

The City's only proprietary fund, the Water Fund reported \$28,123,449 in net position at the end of 2019, up \$903,749 from the prior year's ending balance of \$27,219,700. The unrestricted portion of net position as of December 31, 2019 was \$6,199,725 up from \$5,795,924 as of December 31, 2018. The unrestricted portion of net position is that amount that is currently not invested in capital assets, or held to cover liabilities. All costs in the Fund are supported by the Fund itself.

Proprietary funds generally report services for which the City charges customers a fee. The City's Water Fund receives its revenue from water distribution services, capital improvement fees, and trash collection services. Trash collections fees are passed through the Water Fund as an expense and therefore do not create any additional revenue for the City. Capital improvement fees are committed funds for the maintenance and construction of water system capital and infrastructure, including bond payments.

The Water Fund maintained cash and cash equivalents at the end of the calendar year of \$6,383,595, an increase of 8.4% from the prior year's balance of \$5,887,337. The cash and cash equivalents value is the liquid resources available to maintain current operations and pay its creditors.

The Water Fund's reserves are increasing due to growth and developer programs created to improve reserves for future water needs; there was no increase in rates charged for water in 2019. The City will need to undergo a water rate study to analyze future demand, sustainability and potential fee increases to meet the needs of the community.

FUND ANALYSIS

Governmental Funds

The focus for the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for ongoing service delivery requirements.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$9,472,234 up from the fund balance of \$6,295,563 as of December 31, 2018. Of that fund balance, \$4,301,929 is unassigned and available for future needs. Non-spendable funds include \$1,245 held in deposit by a vendor for postage liability. Restricted fund balances are those whose purpose is specifically designated by law and include the Conservation Trust for parks and open space of \$39,451 and money set aside to meet the TABOR emergency reserve requirement of \$282,000. The committed fund balances are those that are earmarked by resolution, or ordinance as established by City Council; highway and street funds of \$1,845,319, impact fees for roadways, drainage, parks and City facilities of \$2,818,400, \$152,075 for capital equipment and other assets, and \$31,815 in the Economic Development Authority of Dacono, Dacono's urban renewal authority fund.

The total ending fund balance of governmental funds increased 50% from the prior year.

General Fund – The General Fund is the City's primary operating fund. The General Fund balance is \$4,585,174, an 86% increase from the prior year fund balance of \$2,463,967. The ending unassigned fund balance represents the equivalent of 106% of annual expenditures; compared to 60% at December 31, 2018, this ratio is strong and represents growing General Fund reserves.

Total tax revenue appropriated to the General Fund increased from 2018 levels by 3.3 %, this increase is mostly due to rising sales tax, which increased in 2019 by 27.5% from online sales tax collections.

Licensing and permit fees increased from 2018 levels, up 240.8%. There were 88 new home permits pulled in 2019 compared to 79 new homes in 2018. The biggest cause of the large increase in licensing was encroachment licenses. The City entered into four more encroachment licenses in 2019; three of which will continue to provide yearly payments. The one time payments in 2019 totaled \$1,669,123 in revenue.

Court fines increased in 2019 by 14.4% from the prior year.

General Fund expenditures increased 14.9%.

Overall general government expenditures rose \$276,536 or 15.7%. This category includes several departments including administration, municipal court, planning, legislative and economic development. The increase was primarily due to salary increases and upcoming residential and commercial planning; mostly developer reimbursable costs which ultimately are reimbursed by the developer.

Public Safety expenditures increased by \$146,201 or 8.2%. This increase is mainly due to higher personnel costs.

Parks and recreation expenditures decreased \$12,141 or 16.4%. This modest decrease came from generally lower maintenance costs despite an increase in personnel costs for adding a position in the public works department and some seasonal help as well.

Capital Outlay made up 6.8% of the total general fund budget. These expenditures included paving the Carbon Valley Veteran's Memorial parking lot, a new police department roof, permanent electric power at Centennial field, additional security cameras and irrigation at Clem Dufour Park, and rebuilding and installation of a new server. In total, \$294,119 was spent on capital assets through the General Fund.

Street Fund - This fund is used primarily to track revenue and expenses directly related to the building, repair and maintenance of the streets and sidewalks within the City limits. Tax revenue is the main source of revenue of the Street Fund. Dacono voters approved a tax increase in 2005 for the issuance of GO bonds for a street improvement project which were refunded in 2014. Also, the street fund receives 45% of all sales and use tax generated by the City. The fund also receives 100% of the highway user's tax supplied by CDOT and road and bridge fees paid through vehicle registrations. In 2019, Street Fund revenues were used to improve drainage on the streets in Sharpe Farms, and completed a storage building for the Public Works department; both of which started in 2018. Additional expenses in the Street Fund included a digital and portable message board to alert citizens of important information affecting roadways in Dacono. Some projects were started and will continue in subsequent years including the design of Forest Avenue and the Grandview bridge deck. The ending fund balance of the Street Fund is \$1,845,319, an increase of 36.7% from the prior year fund balance of \$1,350,112.

Capital Equipment Fund – This fund is used exclusively for purchasing capital assets. The main revenue source for this fund is sales and use tax; 10% of all sales and use tax collections have been committed to this fund by Council resolution. In 2019, this fund was used to purchase new MDT units and docking stations for the police vehicles and to begin installing a new generator at City Hall. This fund is also used to make recurring lease purchase payments for other equipment purchase in prior years. In total, the cost of equipment purchased through the Capital Equipment Fund totaled \$59,672; the debt payments totaled \$224,810. The ending fund balance is \$152,075, a decrease of 16% from the prior year fund balance of \$181,163.

Impact Fee Fund – This fund is a special revenue fund created to pay for amenities required for future growth and expansion. There are four designated accounts in this fund; arterial roads, drainage, parks, and City facilities. Impact fees are a requirement of new development to cover the cost of necessary infrastructure and amenities to support the additional growth.

In 2019, this fund covered design fees related to paving York Street in the future. The ending fund balance is \$2,818,400, an increase of 24.5% from the 2018 fund balance of \$2,264,353.

Conservation Trust Fund – This fund is a restricted fund with the main revenue source being lottery ticket sales from the state of Colorado. The funds are to be spent on building, restoring, and maintaining parks and open space within the City limits. In 2019, the City used a portion of these funds to maintain the BMX track as provided in the IGA with the Carbon Valley Parks and Rec District. The ending balance in this fund is \$39,451 up 10.8% from 2018’s balance of \$35,605.

Economic Development Authority of Dacono Fund – This fund is a committed fund which was created to support the Dacono urban renewal special district. The Authority used tax increment financing to cover legal expense related to the modification of the special district including the addition of another plan area. Total operating expenses were \$94,587. The Authority also paid debt payments of \$77,008 for property purchased in 2016. The General Fund supplied the funds to purchase this property. The Authority will pay back the borrowed funds in future years. The Fund has a balance of \$31,815 at year end.

Proprietary Funds

As previously explained, proprietary funds are established as a business-type activity, therefore are accounted for much like a privately held business and net assets are essentially retained earnings. The City of Dacono maintains only one proprietary fund.

Water Fund – This fund is responsible for maintaining the entire water system utilizing customer fees as the main source of revenue. Total water revenue for 2019 was \$2.49 million. In comparison, the expenses covered by that revenue reached \$2.01 million, resulting in a gain of about \$480,000. In 2019, Capital projects included the Forest Avenue water line tie in project, purchased new handheld readers for the billing system, shared responsibility for the new storage building and virtual server rebuild. The increase in Water Fund balance will be placed in reserves for future capital projects.

The unrestricted net position in the Water Fund at the end of 2019 is \$6,279,492; an 8.3% increase from the prior year.

General Fund Budgetary Highlights

The City budgeted General Fund revenues of \$6,294,940 for the year ending December 31, 2019. Actual revenues were \$6,515,985.

The City budgeted for General Fund expenditures of \$4,533,195 for the year ending December 31, 2019. Actual expenditures were \$4,317,778. The difference is spread out through all departments but the majority came from decreases in the police department, information technology and parks and recreation.

The overall fund balance increased by \$436,462 more than budgeted (variance).

Street Fund Budgetary Highlights

The City budgeted Street Fund revenues of \$1,578,630 for the year ending December 31, 2019. Actual revenues were \$1,734,875. The primary reason for the \$156,245 increase was higher sales and use tax collections.

The City budgeted for Street Fund expenditures of \$1,423,955 for the year ending December 31, 2019. Actual expenditures were \$1,239,668. The main reason for the \$184,287 decrease comes over budgeting for capital projects and road maintenance.

The overall fund balance increased by \$340,532 more than budgeted (variance).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of December 31, 2019 amounts to \$19,224,902 for governmental activities and \$22,874,754 for business-type activities (net of accumulated depreciation). This investment in capital assets consists of land, buildings, water rights, water system, improvements/infrastructure, vehicles and equipment. The detail of this investment is in Note 5 to the financial statements.

Long-term Debt

As of December 31, 2019 the City's long-term debt consisted of \$2,643,430 in capital leases, street general obligation bonds, water revenue bonds, and accrued compensated employee absences (earned paid time off). The detail of Long-term debt is in Note 6 to the financial statements.

ECONOMIC CONDITIONS AFFECTING THE CITY

Residential growth- Housing starts remained stable in 2019, with 88 new homes permitted. This is an increase from 79 permits issued in 2018. Interest in new development throughout the City remains high, with the most active developers being KB Home in Sweetgrass and Century Communities in Autumn Valley Ranch. Tamrick Homes also continues building a 15-lot filing in Eagle Meadow.

The cost, availability, and certainty of water remain the most significant obstacle to growth in the City. The cost of Colorado-Big Thompson water continues to rise dramatically; the market rate is between \$60,000-\$65,000 per share. Water costs factor into the overall development cost and attainability of housing. The City's cash-in-lieu program is still active through a Water Rights Dedication Assistance Policy adopted by Resolution 18-106. This Resolution allows the City to sell water at market-rate via cash-in-lieu. The program is competitive, and there is limited availability. Development projects deemed to have quality amenities exceeding minimum standards, enhanced architectural design standards, or other features that provide added value to the community receive the highest priority.

Business growth – The City continues to see growth in commercial and industrial development. In 2019, Interstate Ford began building a new larger site, Maverik Store opened its doors, and the Van's/Sunbelt Rentals expansion project kicked off as well as the Stericycle expansion.

Approximately 4-square miles of Dacono is part of the Federal Opportunity Zone. The Opportunity Zones incentive is a new community investment tool established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. The City is proactively marketing this program through international publications, trade show journals, and creating a community prospectus.

Additionally, in 2019 development of the ChooseDacono.com economic development website further supported the City of Dacono's business recruitment and retention efforts. The City continues to partner with Upstate Colorado for the State of Colorado-Weld County Enterprise Zone administration. The Enterprise Zone provides state income tax credits to encourage businesses to locate/expand in designated areas of the state.

Oil and Gas - Oil and gas activity in the City of Dacono remains strong. The City of Dacono has 96 permitted wells in various stages of development through Operator Agreements and annexation. By the end of 2020, all wells are anticipated to be producing.

Urban Renewal Authority - In 2019, the Urban Renewal Authority of Dacono adopted the Dacono II Urban Renewal Plan. The Dacono II Plan, includes 19 legal parcels comprising approximately 1,278 acres, as well as adjacent rights-of-way. Dacono II Urban Renewal Plan intends to provide for the use of incremental revenues as a tool to facilitate investment and reinvestment in the plan area. The principal objective of the Plan is to use available resources to eliminate and prevent the development or spread of blight, and to encourage needed rehabilitation of improvements within designated locations.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the City. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Dacono
Attn: Kelly Stroh
512 Cherry St
P. O. Box 186
Dacono, CO 80514

BASIC FINANCIAL STATEMENTS

CITY OF DACONO, COLORADO

STATEMENT OF NET POSITION

As of December 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 7,884,677	\$ 2,489,147	\$ 10,373,824
Restricted Cash and Investments	2,887,351	3,894,448	6,781,799
Receivables			
Property Taxes	2,080,152	-	2,080,152
Sales and Other	298,245	-	298,245
Accounts	-	301,395	301,395
Deposits	1,245	-	1,245
Capital Assets, Not Depreciated	2,679,299	14,370,403	17,049,702
Capital Assets, Depreciated			
Net of Accumulated Depreciation	16,545,603	8,504,351	25,049,954
TOTAL ASSETS	32,376,572	29,559,744	61,936,316
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding	68,498	-	68,498
Related to SWDB Pension	510,981	-	510,981
TOTAL DEFERRED OUTFLOWS OF RESOURCES	579,479	-	579,479
LIABILITIES			
Accounts Payable	370,993	302,413	673,406
Accrued Salaries and Benefits	68,902	16,320	85,222
Accrued Interest	7,258	2,225	9,483
Accrued Compensated Absences	161,318	34,297	195,615
Unearned Revenues	133,446	28,687	162,133
Developer Escrow	1,000,768	-	1,000,768
Deposits	25,175	21,550	46,725
Noncurrent Liabilities			
Net Pension Liability	148,622	-	148,622
Due within One Year	323,468	159,773	483,241
Due in More Than One Year	1,093,544	871,030	1,964,574
TOTAL LIABILITIES	3,333,494	1,436,295	4,769,789
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenues	2,080,152	-	2,080,152
Related to SWDB Pension	24,052	-	24,052
TOTAL DEFERRED INFLOWS OF RESOURCES	2,104,204	-	2,104,204
NET POSITION			
Investment in Capital Assets	17,739,392	22,003,724	39,743,116
Restricted for Emergencies	282,000	-	282,000
Restricted for Parks and Recreation	39,451	-	39,451
Unrestricted	9,457,510	6,119,725	15,577,235
TOTAL NET POSITION	\$ 27,518,353	\$ 28,123,449	\$ 55,641,802

The accompanying notes are an integral part of the financial statements.

CITY OF DACONO, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 2,220,350	\$ 2,790,556	\$ -	\$ -
Public Safety	1,972,646	129,688	55,890	-
Public Works	1,647,419	-	-	293,712
Parks and Recreation	146,662	-	-	31,212
Interest on Long-Term Debt	59,079	-	-	-
Total Governmental Activities	<u>6,046,156</u>	<u>2,920,244</u>	<u>55,890</u>	<u>324,924</u>
Business-Type Activities				
Water	2,037,040	2,169,086	-	664,120
Interest on Long-Term Debt	27,801	-	-	-
Total Business-Type Activities	<u>2,064,841</u>	<u>2,169,086</u>	<u>-</u>	<u>664,120</u>
Total Primary Government	<u>\$ 8,110,997</u>	<u>\$ 5,089,330</u>	<u>\$ 55,890</u>	<u>\$ 989,044</u>
GENERAL REVENUES				
Sales and Use Taxes				
Property Taxes				
Franchise Taxes				
Other Taxes				
Interest				
Other				
TOTAL GENERAL REVENUES				
CHANGE IN NET ASSETS				
NET POSITION, Beginning				
NET POSITION, Ending				

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND
CHANGE IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ 570,206	\$ -	\$ 570,206
(1,787,068)	-	(1,787,068)
(1,353,707)	-	(1,353,707)
(115,450)	-	(115,450)
(59,079)	-	(59,079)
(2,745,098)	-	(2,745,098)
-	796,166	796,166
-	(27,801)	(27,801)
-	768,365	768,365
(2,745,098)	768,365	(1,976,733)
2,595,751	-	2,595,751
2,190,133	-	2,190,133
219,874	-	219,874
215,471	-	215,471
197,401	120,992	318,393
581,982	14,392	596,374
6,000,612	135,384	6,135,996
3,255,514	903,749	4,159,263
24,262,839	27,219,700	51,482,539
\$ 27,518,353	\$ 28,123,449	\$ 55,641,802

CITY OF DACONO, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2019

	GENERAL FUND	STREET FUND	IMPACT FEE FUND
ASSETS			
Cash and Investments	\$ 5,788,383	\$ 1,877,762	\$ -
Restricted Cash and Investments	-	-	2,887,351
Taxes Receivable	1,862,840	217,312	-
Accounts Receivable	163,274	110,864	-
Deposits	1,245	-	-
TOTAL ASSETS	<u>\$ 7,815,742</u>	<u>\$ 2,205,938</u>	<u>\$ 2,887,351</u>
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY			
LIABILITIES			
Accounts Payable	\$ 152,504	\$ 130,240	\$ 68,951
Accrued Salaries and Benefits	55,835	13,067	-
Unearned Revenues	133,446	-	-
Deposits	25,175	-	-
Developer Escrow	1,000,768	-	-
TOTAL LIABILITIES	<u>1,367,728</u>	<u>143,307</u>	<u>68,951</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenues	<u>1,862,840</u>	<u>217,312</u>	<u>-</u>
FUND EQUITY			
Fund Balance			
Nonspendable	1,245	-	-
Restricted for Emergencies	282,000	-	-
Restricted for Parks and Recreation	-	-	-
Committed for Highway and Streets	-	1,845,319	-
Committed for Roadways, Drainage, Parks, and Facilities	-	-	2,818,400
Committed for Capital Projects and Equipment	-	-	-
Unassigned	4,301,929	-	-
TOTAL FUND BALANCE	<u>4,585,174</u>	<u>1,845,319</u>	<u>2,818,400</u>
TOTAL LIABILITIES, DEFERRED INFLOWS and FUND BALANCE	<u>\$ 7,815,742</u>	<u>\$ 2,205,938</u>	<u>\$ 2,887,351</u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Long-term liabilities and related assets are not due and payable in the current period and are not reported in the funds.

These include bonds payable (\$1,197,887), capital leases payable (\$219,125), deferred loss on refunding \$68,498, accrued interest payable (\$7,258), accrued compensated absences (\$161,318), net pension liability of (\$148,622), deferred outflows related to pensions \$510,981, and deferred inflows related to pensions (\$24,052).

Net position of governmental activities

The accompanying notes are an integral part of the financial statements.

ECONOMIC DEVELOPMENT AUTHORITY	CAPITAL EQUIPMENT FUND	NONMAJOR CONSERVATION TRUST FUND	TOTAL GOVERNMENTAL FUNDS
\$ 47,332	\$ 131,749	\$ 39,451	\$ 7,884,677
-	-	-	2,887,351
-	-	-	2,080,152
-	24,107	-	298,245
-	-	-	1,245
<u>\$ 47,332</u>	<u>\$ 155,856</u>	<u>\$ 39,451</u>	<u>\$ 13,151,670</u>

\$ 15,517	\$ 3,781	\$ -	\$ 370,993
-	-	-	68,902
-	-	-	133,446
-	-	-	25,175
-	-	-	1,000,768
<u>15,517</u>	<u>3,781</u>	<u>-</u>	<u>1,599,284</u>

-	-	-	2,080,152
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-	-	-	1,245
-	-	-	282,000
-	-	39,451	39,451
-	-	-	1,845,319
-	-	-	2,818,400
31,815	152,075	-	183,890
-	-	-	4,301,929

<u>31,815</u>	<u>152,075</u>	<u>39,451</u>	<u>9,472,234</u>
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<u>\$ 47,332</u>	<u>\$ 155,856</u>	<u>\$ 39,451</u>	
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19,224,902

(1,178,783)

\$ 27,518,353

CITY OF DACONO, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	GENERAL FUND	STREET FUND	IMPACT FEE FUND
REVENUES			
Taxes	\$ 3,451,631	\$ 1,401,105	\$ -
Impact Fees	-	-	576,672
Licenses and Permits	2,202,384	11,500	-
Intergovernmental	55,890	293,712	-
Court	129,688	-	-
Interest	109,185	28,558	57,946
Miscellaneous	567,207	-	-
 TOTAL REVENUES	 <u>6,515,985</u>	 <u>1,734,875</u>	 <u>634,618</u>
EXPENDITURES			
General Government	2,036,758	-	-
Public Safety	1,925,021	-	-
Public Works	-	801,917	-
Parks and Recreation	61,880	-	-
Debt Service			
Principal	-	184,429	-
Interest	-	35,802	-
Capital Outlay	294,119	217,520	80,571
 TOTAL EXPENDITURES	 <u>4,317,778</u>	 <u>1,239,668</u>	 <u>80,571</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>2,198,207</u>	 <u>495,207</u>	 <u>554,047</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	(77,000)	-	-
 TOTAL OTHER FINANCING SOURCES	 <u>(77,000)</u>	 <u>-</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCES	 2,121,207	 495,207	 554,047
FUND BALANCES, Beginning	<u>2,463,967</u>	<u>1,350,112</u>	<u>2,264,353</u>
FUND BALANCES, Ending	<u>\$ 4,585,174</u>	<u>\$ 1,845,319</u>	<u>\$ 2,818,400</u>

The accompanying notes are an integral part of the financial statements.

<u>ECONOMIC DEVELOPMENT AUTHORITY</u>	<u>CAPITAL EQUIPMENT FUND</u>	<u>NONMAJOR CONSERVATION TRUST FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 111,272	\$ 257,221	\$ -	\$ 5,221,229
-	-	-	576,672
-	-	-	2,213,884
-	-	31,212	380,814
-	-	-	129,688
-	1,673	39	197,401
14,775	-	-	581,982
<u>126,047</u>	<u>258,894</u>	<u>31,251</u>	<u>9,301,670</u>
94,587	3,500	-	2,134,845
-	-	-	1,925,021
-	-	-	801,917
-	-	27,405	89,285
75,543	211,697	-	471,669
1,465	13,113	-	50,380
-	59,672	-	651,882
<u>171,595</u>	<u>287,982</u>	<u>27,405</u>	<u>6,124,999</u>
<u>(45,548)</u>	<u>(29,088)</u>	<u>3,846</u>	<u>3,176,671</u>
77,000	-	-	77,000
-	-	-	(77,000)
<u>77,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
31,452	(29,088)	3,846	3,176,671
363	181,163	35,605	6,295,563
<u>\$ 31,815</u>	<u>\$ 152,075</u>	<u>\$ 39,451</u>	<u>\$ 9,472,234</u>

CITY OF DACONO, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ 3,176,671
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$1,060,623), exceeded capital outlay \$651,882, in the current period.	(408,741)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These include bond payments of \$184,429, payments of capital leases of \$287,110, change in accrued interest payable \$2,717, amortization of deferred loss on refunding (\$11,416), and change in accrued compensated absences of (\$20,162).	442,678
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>44,906</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 3,255,514</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF DACONO, COLORADO

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE
 As of December 31, 2019

ASSETS	
Current Assets	
Cash and Investments	\$ 2,489,147
Restricted Cash and Investments	3,894,448
Accounts Receivable	<u>301,395</u>
Total Current Assets	<u>6,684,990</u>
Noncurrent Assets	
Capital Assets, net of accumulated depreciation	<u>22,874,754</u>
Total Noncurrent Assets	<u>22,874,754</u>
TOTAL ASSETS	<u>29,559,744</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	302,413
Accrued Salaries and Benefits	16,320
Unearned Revenues	28,687
Accrued Interest Payable	2,225
Current Portion of Bonds Payable	<u>159,773</u>
Total Current Liabilities	<u>509,418</u>
Noncurrent Liabilities	
Deposits	21,550
Accrued Compensated Absences	34,297
Bonds Payable	<u>871,030</u>
Total Noncurrent Liabilities	<u>926,877</u>
TOTAL LIABILITIES	<u>1,436,295</u>
NET POSITION	
Investment in Capital Assets	22,003,724
Unreserved	<u>6,119,725</u>
TOTAL NET POSITION	<u>\$ 28,123,449</u>

The accompanying notes are an integral part of the financial statements.

CITY OF DACONO, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2019

OPERATING REVENUES	
Water Sales	\$ 1,917,561
Trash Charges	251,525
Miscellaneous Income	<u>14,392</u>
 TOTAL OPERATING REVENUES	 <u>2,183,478</u>
OPERATING EXPENSES	
Water Distribution and Trash Collection	695,887
General and Administrative	1,023,697
Depreciation and Amortization	<u>317,456</u>
 TOTAL OPERATING EXPENSES	 <u>2,037,040</u>
 OPERATING INCOME	 <u>146,438</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	120,992
Interest Expense	<u>(27,801)</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>93,191</u>
 INCOME BEFORE CAPITAL CONTRIBUTIONS	 239,629
Capital Contributions	<u>664,120</u>
 NET INCOME	 903,749
NET POSITION, Beginning	<u>27,219,700</u>
NET POSITION, Ending	<u><u>\$ 28,123,449</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF DACONO, COLORADO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 Year Ended December 31, 2019

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 2,158,905
Cash Paid to Suppliers	(1,019,214)
Cash Paid to Employees	(559,668)
Net Cash Provided by Operating Activities	<u>580,023</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(102,894)
Bond Payments	(158,117)
Interest Payments	(28,746)
Capital Contributions	187,500
Deposits from Customers	(102,500)
Net Cash Used by Capital and Related Financing Activities	<u>(204,757)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>120,992</u>
Net Cash Provided by Investing Activities	<u>120,992</u>
Net Increase (Decrease) in Cash and Cash Equivalents	496,258
CASH AND CASH EQUIVALENTS, Beginning	<u>5,887,337</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 6,383,595</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	<u>\$ 146,438</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization	317,456
Changes in Assets and Liabilities	
Accounts Receivable	(42,072)
Inventory	2,813
Accounts Payable	128,529
Accrued Salaries and Benefits	3,420
Accrued Compensated Absences	5,940
Deferred Revenues	17,499
Total Adjustments	<u>433,585</u>
Net Cash Provided by Operating Activities	<u><u>\$ 580,023</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dacono, Colorado was formed in 1908, and became a home rule city in 1994. The City is governed by a Mayor and six-member council elected by the residents.

The accounting policies of the City of Dacono, Colorado (the “City”) conform to generally accepted accounting principles as applicable to governments. Following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the City of Dacono has considered the possibility of inclusion of additional entities in its basic financial statements.

The definition of the reporting entity is based primarily on financial accountability. The City is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if City officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the City. The City may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the application of these criteria, the following organization is included in the City’s reporting entity.

Economic Development Authority of Dacono

The Economic Development Authority of Dacono (the “Authority”) was established in June 2016 and an agreement was entered into between the City and Authority for administrative services. The Authority intends to provide financial assistance and deliver public improvements on as shown to be necessary, in partnership with property owners and other affected parties, in order to accomplish the objectives stated in the Dacono Area Urban Renewal Plan. The activity of the Authority is blended into the City’s financial statements as a special revenue fund. Separate financial statements are not issued for the Authority.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, specific ownership taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Street Fund* accounts for allocated sales tax revenues which by City Ordinance must be used for Public Works projects.

The *Impact Fee Fund* accounts for impact fee revenues from developers which by City Ordinance must be used for specific purposes.

The *Economic Development Authority Fund* is a blended component unit and is reported as a special revenue fund of the City. It reports the activities of the Authority.

The *Capital Equipment Fund* accounts for revenues and expenditures which may only be used to purchase capital assets.

The City reports the following major proprietary fund:

The *Water Fund* accounts for the financial activities associated with the provision of water services.

Cash and Investments

Cash equivalents include investments with original maturities of three months or less. Investments are recorded at fair value.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Buildings	20 - 50 years
Water Tower	40 years
Water System	10 - 50 years
Machinery and Equipment	5 - 10 years
Vehicles	5 - 10 years
Infrastructure	10 - 30 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unearned Revenues

Unearned revenues include grant or other funds that have been collected but the corresponding expenditures have not been incurred.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the City are allowed to accumulate a maximum of paid time off ranging from 352 to 512 hours depending on the employees' years of service. Upon termination of employment from the City, an employee will be compensated for accrued time off for the first 80 to 160 hours, depending on the employees' years of service. Remaining hours accrued above the limits will be paid at a ratio of one hour for every two hours accrued. Accrued time off is paid at the employee's current pay rate.

These compensated absences are recognized as current salary costs when earned in the proprietary fund types and when due in the governmental fund types. A liability has been recorded in the government-wide financial statements for the accrued compensated absences.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position - are liquid assets, which have third party limitations on their use.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Position - represents assets that do not have any third party limitation on their use. While City management may have categorized and segmented portion for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories, deposits, and prepaid amounts) or are legally or contractually required to be maintained intact. The City has classified \$1,245 for deposits paid as nonspendable as of December 31, 2019.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The City has also restricted the fund balance of the Conservation Trust because their use is restricted by the State for parks and recreation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has classified fund balances in the Street Fund, Impact Fee Fund, and EDAD Fund, and Capital Equipment Fund as committed because revenues are committed by ordinance.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (continued)

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned

Property Taxes

Property taxes are levied on November 1 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the City on a monthly basis.

Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred revenue are recorded at December 31. As the tax is collected in the succeeding year, the deferred revenue is recognized as revenue and the receivable is reduced.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- In October, the City staff submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

Budgets and Budgetary Accounting

- The City Administration is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Budgets are legally adopted for all funds of the City. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Budgetary comparison presented for the Enterprise Fund is presented on a non-GAAP budgetary basis. Capital outlay and debt payments are budgeted as expenditures.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the City Council. All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2019 follows:

Petty Cash	\$ 700
Cash Deposits	2,839,164
Investments	<u>14,315,759</u>
Total	<u>\$ 17,155,623</u>

Cash and investments are reported in the financial statements as follows:

Governmental Activities – Unrestricted	\$ 7,884,677
Governmental Activities – Restricted	2,887,351
Business-type Activities – Unrestricted	2,489,147
Business-type Activities – Restricted	<u>3,894,448</u>
Total	<u>\$ 17,155,623</u>

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the City are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The City has no policy regarding custodial credit risk for deposits.

At December 31, 2019, the City had deposits with financial institutions with a carrying amount of \$2,839,164. The bank balances with the financial institutions were \$3,160,250. Of these balances, \$355,485 was covered by federal depository insurance and \$2,804,765 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Local Government Investment Pools

The City had invested \$5,605,278 in the Colorado Surplus Asset Fund Trust CORE Fund (“Colorado Core”) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. Colorado Core is an ultra-short duration enhanced cash fund seeking to maintain a constant share price of \$2.00 with an emphasis placed on limiting the risk of negative fair market valuations while maintaining high credit quality and adequate liquidity. The fund operates under GASB Statements 31 and 72 methodology for calculating fair market values and maintains a weighted average maturity of 180 days or less and a weighted average life of 365 days or less.

Colorado Core is rated AA+ by Fitch Ratings. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Colorado Core investments primarily included, highly rated commercial paper, Colorado depositories in which the deposits are collateralized at 102% of market value under the provisions of the Public Depository Protection Act, and other Colorado LGIP funds inclusive of other funds offered by the Trust as allowed for by C.R.S 24-75-601.1(1)(i). Redemption requests must be made at least one day in advance and are limited to three per month

The City had invested \$8,710,481 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AA+ by Standard and Poor’s. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions.

Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool’s share price multiplied by the number of shares held. The government-investor does not “look through” the pool to report a pro rata share of the pool’s investments, receivables, and payables.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Restricted Cash

Cash is restricted for the following purposes:

Arterial Roadway	\$ 1,240,212
Regional Drainage	414,293
Parks	1,074,731
City Facilities	158,115
Water Tower and Related Expenditures	<u>3,894,448</u>
 Total	 <u>\$ 6,781,799</u>

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019 is summarized below:

	Balances <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/2019</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 2,355,099	\$ -	\$ -	\$ 2,335,099
Construction in Progress	<u>257,378</u>	<u>187,080</u>	<u>100,258</u>	<u>344,200</u>
Total Capital Assets, not depreciated	<u>2,592,477</u>	<u>187,080</u>	<u>100,258</u>	<u>2,679,299</u>
Capital Assets, depreciated				
Buildings	1,222,442	115,632	-	1,338,074
Machinery, Equipment, and Vehicles	2,040,482	62,096	21,570	2,081,008
Improvements/Infrastructure	<u>21,740,815</u>	<u>387,332</u>	<u>-</u>	<u>22,128,147</u>
Total Capital Assets, depreciated	<u>25,003,739</u>	<u>565,060</u>	<u>21,570</u>	<u>25,547,229</u>
Less Accumulated Depreciation				
Buildings	470,840	34,820	-	505,660
Machinery, Equipment, and Vehicles	895,530	223,030	21,570	1,096,990
Improvements/Infrastructure	<u>6,596,203</u>	<u>802,773</u>	<u>-</u>	<u>7,398,976</u>
Total Accumulated Depreciation	<u>7,962,573</u>	<u>1,060,623</u>	<u>21,570</u>	<u>9,001,626</u>
Total Capital Assets, depreciated, Net	<u>17,041,166</u>	<u>(495,563)</u>	<u>-</u>	<u>16,545,603</u>
Governmental Activities, Capital Assets, Net	<u>\$ 19,633,643</u>	<u>\$ (308,483)</u>	<u>\$ (100,258)</u>	<u>\$ 19,244,902</u>

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4: CAPITAL ASSETS (Continued)

	Balances <u>12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/2019</u>
Business-Type Activities				
Capital Assets, not depreciated				
Water Rights	\$ 13,893,783	\$ 476,620	\$ -	\$ 14,370,403
Construction in Progress	<u>17,845</u>	<u>-</u>	<u>17,845</u>	<u>-</u>
Total Capital Assets, not depreciated	<u>13,911,628</u>	<u>476,620</u>	<u>17,845</u>	<u>14,370,403</u>
Capital Assets, depreciated				
Water Tower	1,507,400	-	-	1,507,400
Water System	10,405,037	34,380	-	10,439,417
Buildings	154,252	74,089	-	228,341
Machinery, Equipment, and Vehicles	<u>246,583</u>	<u>12,269</u>	<u>-</u>	<u>258,852</u>
Total Capital Assets, depreciated	<u>12,313,272</u>	<u>120,738</u>	<u>-</u>	<u>12,434,010</u>
Less: Accumulated Depreciation				
Water Tower	1,130,860	37,685	-	1,168,545
Water System	2,196,734	268,430	-	2,465,164
Buildings	47,169	4,505	-	51,674
Machinery, Equipment, and Vehicles	<u>237,441</u>	<u>6,835</u>	<u>-</u>	<u>244,276</u>
Total Accumulated Depreciation	<u>3,612,204</u>	<u>317,455</u>	<u>-</u>	<u>3,929,659</u>
Total Capital Assets, depreciated, Net	<u>8,701,068</u>	<u>(196,717)</u>	<u>-</u>	<u>8,504,351</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 22,612,696</u>	<u>\$ 279,903</u>	<u>\$ 17,845</u>	<u>\$ 22,874,754</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities

General Government	\$ 65,343
Public Safety	92,531
Public Works	845,372
Parks and Recreation	<u>57,377</u>
Total	<u>\$ 1,060,623</u>

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 5: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2019.

	Balance <u>12/31/2018</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/2019</u>	Due In <u>One Year</u>
General Obligation Bonds	\$ 1,382,316	\$ -	\$ 184,429	\$ 1,197,887	\$ 186,286
Capital Leases	506,235	-	287,110	219,125	137,182
Compensated Absences	<u>141,156</u>	<u>20,162</u>	<u>-</u>	<u>161,318</u>	<u>-</u>
Total	<u>\$ 2,029,707</u>	<u>\$ 20,162</u>	<u>\$ 471,539</u>	<u>\$ 1,578,330</u>	<u>\$ 323,468</u>

Accrued Compensated Absences are being paid from resources generated by the General Fund.

2014 General Obligation Bonds

In June 2014, the City issued \$1,943,579 in Series 2014 General Obligation Refunding Bonds to advance refund \$1,770,000 of the outstanding Series 2005A bonds. The Series 2014 bonds are a private placement loan refunding. The net proceeds were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2005A series bonds. As a result, \$1,770,000 of the Series 2005A bonds are considered defeased, and the City has removed this portion of the liability. Principal payments are due annually on December 1 and interest payments are due semi-annually on June 1 and December 1, through December 1, 2025. Interest accrues at rate of 2.59%.

The Bonds are subject to redemption prior to maturity, at the option of the City, as a whole or in integral multiples of \$100,000, in any order of maturity and in whole or partial maturities, on June 1, 2019, or on any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without a redemption premium.

Capital Leases

On May 13, 2015, the City entered into a capital lease in the amount of \$266,150 for the purchase of a street sweeper. The lease requires annual payments of \$44,219 through May 2019. The lease bears interest at a rate of 2.55% per annum.

On August 12, 2016, the Authority entered into a capital lease in the amount of \$287,000 for the purchase of vacant land. The lease bears interest at a rate of 5.00% per annum and matured during the year ended December 31, 2019.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

Capital Leases (Continued)

On February 27, 2017, the City entered into a capital lease in the amount of \$239,666 for the purchase of motor grader. The lease requires annual payments of \$51,341 through February 2022 and bears interest at a rate of 3.50% per annum.

On March 1, 2017, the City entered into a capital lease in the amount of \$99,050 for the purchase of three trucks. The lease bears interest at a rate of 2.67% per annum and matured during the year ended December 31, 2019.

On December 14, 2017, the City entered into a capital lease in the amount of \$228,828 for the purchase of a dump truck. The lease requires annual payments of \$61,395 through December 2020 and bears interest at a rate of 4.924% per annum.

On December 3, 2018, the City entered into a capital lease in the amount of \$96,386 for the purchase of a tractor, loader and mower. The lease requires annual payments of \$44,746 through January 2021 and bears interest at a rate of 5.00% per annum.

Future Debt Service Requirements

Annual debt service requirements for the outstanding bonds at December 31, 2019 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 186,286	\$ 31,025	\$ 217,311
2021	192,951	26,200	219,151
2022	198,948	21,203	220,151
2023	199,601	16,050	215,651
2024	205,020	10,881	215,901
2025	<u>215,081</u>	<u>5,571</u>	<u>220,652</u>
Total Debt Service Requirements	<u>\$ 1,197,887</u>	<u>\$ 110,930</u>	<u>\$ 1,308,817</u>

CITY OF DACONO, COLORADO
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

Future Debt Service Requirements (Continued)

Following is a schedule of the future minimum lease payments required under the outstanding capital lease obligations at December 31, 2019.

Year Ended December 31,

2020	\$ 146,482
2021	<u>85,086</u>
 Total Minimum Lease Payments	 231,568
Less: Interest	<u>(12,443)</u>
 Present Value of Future Minimum Lease Payments	 <u>\$ 219,125</u>

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2019.

	Balance <u>12/31/2018</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/2019</u>	Due In <u>One Year</u>
Water Enterprise					
Refunding Bonds	\$ 1,188,920	\$ -	\$ 158,117	\$ 1,030,803	\$ 159,773
Compensated Absences	<u>28,357</u>	<u>5,940</u>	<u>-</u>	<u>34,297</u>	<u>-</u>
 Total	 <u>\$ 1,217,277</u>	 <u>\$ 5,940</u>	 <u>\$ 158,117</u>	 <u>\$ 1,065,100</u>	 <u>\$ 159,773</u>

2014 Water Enterprise Revenue Bonds

In June 2014, the City issued \$1,772,092 in Series 2014 Water Enterprise Revenue Refunding Bonds to advance refund \$1,790,000 of the outstanding Series 2005 Water Revenue Bonds. The Series 2014 bonds are a private placement loan refunding. The net proceeds were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the Series 2005 Revenue Bonds. As a result, the Series 2005 Revenue Bonds are considered defeased, and the City has removed this portion of the liability. Principal payments are due annually on June 1 and interest payments are due semi-annually on June 1 and December 1, through June 1, 2025. Interest accrues at rate of 2.59%.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 5: LONG-TERM DEBT (Continued)

The Bonds are subject to redemption prior to maturity, at the option of the City, as a whole or in integral multiples of \$100,000, in any order of maturity and in whole or partial maturities, on June 1, 2019, or on any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date, without a redemption premium.

Future Debt Service Requirements

Annual debt service requirements for the outstanding bonds at December 31, 2019 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 159,773	\$ 24,629	\$ 184,402
2021	166,231	20,407	186,638
2022	172,036	16,026	188,062
2023	172,492	11,564	184,056
2024	177,709	7,030	184,739
2025	<u>182,562</u>	<u>2,364</u>	<u>184,926</u>
Total Debt Service Requirements	<u>\$ 1,030,803</u>	<u>\$ 82,020</u>	<u>\$ 1,112,823</u>

NOTE 6: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City purchases commercial insurance for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7: DEFINED BENEFIT PENSION PLAN

Statewide Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The City contributes to the Statewide Defined Benefit Pension Plan (“SWDB Plan”), a cost-sharing multiple employer defined benefit pension plan, which is administered by the FPPA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting.

The Plan assets are included in the Fire & Police Members’ Benefit Investment Fund and the Fire & Police Members’ Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Separate Retirement Account assets from eligible retired members).

General Information about the Pension Plan

Plan description. The SWDB Plan provides retirement benefits for members and beneficiaries according to plan provisions as enacted and governed by FPPA’s Pension Fund Board of Trustees. Colorado Revised Statutes (“CRS”), as amended, establishes basic benefit provisions under the SWDB Plan. FPPA issues an annual, publicly-available financial report that includes the assets of the SWDB Plan. That report may be obtained on FPPA’s website at <http://www.fppaco.org>.

Benefits provided. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55.

The annual normal retirement benefit is 2 percent of the average of the member’s highest three years’ base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually.

Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the SWDB Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board’s discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with a least five years of accredited service may leave contributions with the SWDP Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Contributions. The SWDB Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for the SWDB Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or election of the membership.

Members of the SWDB Plan and their employers are contributing at the rate of 10 percent and 8 percent, respectively, of base salary for a total contribution rate of 18 percent in 2018. In 2014, the members elected to increase the member contribution rate to the SWDB Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 22 percent of base salary in 2018. It is a local decision as to whether the member or employer pays the additional 4 percent contribution.

Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

The contribution rate for members and employers of affiliated social security employers is 5 and 4 percent, respectively, of base salary for a total contribution rate of 9 percent in 2018. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

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

At December 31, 2019 the City reported a net pension liability in the amount of \$148,622 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The City's proportion of the net pension asset was based on the City's contributions to the SWDB Plan for the calendar year 2018 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2018, the City's proportion was 0.11755%, which was an increase of 0.01743% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019 the City recognized pension expense of \$4,157. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$190,966	\$22,464
Net difference between projected and actual earnings on pension plan investments	\$116,914	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$10,103	\$1,588
Change in assumptions and other inputs	\$143,935	N/A
Contributions subsequent to the measurement date	\$49,063	N/A
Total	\$510,981	\$24,052

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

\$49,063 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	
2020	\$83,972
2021	\$59,565
2022	\$50,514
2023	\$84,515
2024	\$40,413
Thereafter	\$118,887

Actuarial assumptions. The actuarial valuations for the SWBP were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2018. The valuations used the following actuarial assumptions and other inputs:

Total Pension Liability:

Actuarial Valuation Date	January 1, 2019
Actuarial Method	Entry Age Normal
Amortization Method	N/A
Amortization Period	N/A
Long-term investment Rate of Return*	7.00 percent
Projected salary increases*	4.25 – 11.25 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

Actuarially Determined Contributions:

Actuarial Valuation Date	January 1, 2018
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.50 percent
Projected salary increases*	4.00 – 14.00 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the 2006 central rates from the RP-2014 Annuitant Mortality Tables projected to 2018 using the MP-2017 projection scales, and the projected prospectively using the ultimate rates of the scale for all years. The pre-retirement off-duty mortality tables are adjusted to 50% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00015.

For determining the actuarial determined contributions, the post-retirement mortality tables for non-disabled retirees is a blend of the Annuitant and Employee RP-2014 generational mortality tables with blue collar adjustment projected with Scale BB. The pre-retirement off-duty mortality tables are adjusted to 55% of the RP-2014 mortality tables for active employees. The on-duty mortality rate is 0.00020.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2019 and were used in the rollforward calculation of total pension liability as of December 31, 2018. Actuarial assumptions effective for actuarial valuations prior to January 1, 2019 were used in the determination of the actuarially determined contributions as of December 31, 2018. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.00%	8.03%
Equity Long/Short	9.00%	6.45%
Illiquid Alternatives	24.00%	10.00%
Fixed Income	15.00%	2.90%
Absolute Return	9.00%	5.08%
Managed Futures	4.00%	5.35%
Cash	2.00%	2.52%
Total	100.00%	

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment) to determine the total pension liability.

Discount rate. Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate, based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.71% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. Regarding the sensitivity of the net asset liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.00%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability (asset)	\$576,337	\$148,622	(\$206,160)

Pension plan fiduciary net position. Detailed information about the SWDB Plan's fiduciary net position is available in FPPA's comprehensive annual financial report which can be obtained at <http://www.fppaco.org>.

NOTE 8: DEFINED CONTRIBUTION PENSION PLANS

General Money Purchase Pension Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of all employees other than police, which is administered by Security Benefit. Each Employee will be enrolled as a participant of this plan on the first day of the calendar month immediately following or coincident with the completion of three months of continuous employment with the City. Employee and employer contributions are always 100% vested. The contribution requirements of Plan participants and the City are established and may be amended by City Council. The City contributes 8% of an employee's salary. The City contributed \$80,521, 90,132 and \$99,324 to the plan for the years ended December 31, 2017, 2018 and 2019, respectively, equal to the required contribution.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 8: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. On November 5, 1996, voters within the City approved the collection, retention and expenditure of the full revenues generated by the City in 1996 and subsequent years for street improvement projects, capital projects, basic municipal services and/or lawful municipal purposes, notwithstanding the provisions of the Amendment.

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2019, the emergency reserve of \$282,000 was recorded in the General Fund.

NOTE 9: SUBSEQUENT EVENTS

Potential subsequent events were considered through July 7, 2020. It was determined that the following event is required to be disclosed through this date.

COVID-19

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the City. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DACONO, COLORADO

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 3,202,235	\$ 3,320,175	\$ 3,451,631	\$ 131,456
Licenses and Permits	297,450	2,029,365	2,202,384	173,019
Intergovernmental	94,000	77,215	55,890	(21,325)
Court	99,350	112,700	129,688	16,988
Interest	55,000	88,000	109,185	21,185
Miscellaneous	799,385	667,485	567,207	(100,278)
TOTAL REVENUES	4,547,420	6,294,940	6,515,985	221,045
EXPENDITURES				
Current				
General Government	1,975,025	2,066,965	2,036,758	30,207
Public Safety	2,033,095	2,084,545	1,925,021	159,524
Parks and Recreation	91,395	77,585	61,880	15,705
Capital Outlay	374,800	304,100	294,119	9,981
TOTAL EXPENDITURES	4,474,315	4,533,195	4,317,778	215,417
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	73,105	1,761,745	2,198,207	436,462
OTHER FINANCING SOURCED (USES)				
Transfers Out	(108,000)	(77,000)	(77,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(108,000)	(77,000)	(77,000)	-
CHANGE IN FUND BALANCE	(34,895)	1,684,745	2,121,207	436,462
FUND BALANCE, Beginning	2,315,680	2,463,967	2,463,967	-
FUND BALANCE, Ending	\$ 2,280,785	\$ 4,148,712	\$ 4,585,174	\$ 436,462

See the accompanying independent auditors' report.

CITY OF DAcono, COLORADO

STREET FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 1,206,430	\$ 1,249,430	\$ 1,401,105	\$ 151,675
Licenses and Permits	10,000	10,000	\$ 11,500	1,500
Intergovernmental	251,360	289,200	293,712	4,512
Interest	30,000	30,000	28,558	(1,442)
TOTAL REVENUES	<u>1,497,790</u>	<u>1,578,630</u>	<u>1,734,875</u>	<u>156,245</u>
EXPENDITURES				
Public Works	1,155,380	918,040	801,917	116,123
Debt Service				
Principal	184,430	184,430	184,429	1
Interest	35,805	35,805	35,802	3
Capital Outlay	161,130	285,680	217,520	68,160
TOTAL EXPENDITURES	<u>1,536,745</u>	<u>1,423,955</u>	<u>1,239,668</u>	<u>184,287</u>
CHANGE IN FUND BALANCE	(38,955)	154,675	495,207	340,532
FUND BALANCE, Beginning	<u>1,120,737</u>	<u>1,350,112</u>	<u>1,350,112</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 1,081,782</u>	<u>\$ 1,504,787</u>	<u>\$ 1,845,319</u>	<u>\$ 340,532</u>

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

IMPACT FEE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Impact Fees	\$ 485,600	\$ 508,209	\$ 576,672	\$ 68,463
Interest	50,000	50,000	57,946	7,946
TOTAL REVENUES	<u>535,600</u>	<u>558,209</u>	<u>634,618</u>	<u>76,409</u>
EXPENDITURES				
Capital Oulay	-	80,620	80,571	49
TOTAL EXPENDITURES	<u>-</u>	<u>80,620</u>	<u>80,571</u>	<u>49</u>
CHANGE IN FUND BALANCE	535,600	477,589	554,047	76,458
FUND BALANCE, Beginning	<u>2,222,630</u>	<u>2,264,353</u>	<u>2,264,353</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 2,758,230</u>	<u>\$ 2,741,942</u>	<u>\$ 2,818,400</u>	<u>\$ 76,458</u>

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

ECONOMIC DEVELOPMENT AUTHORITY FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 20,125	\$ 110,600	\$ 111,272	\$ 672
Miscellaneous	-	-	14,775	14,775
TOTAL REVENUES	<u>20,125</u>	<u>110,600</u>	<u>126,047</u>	<u>15,447</u>
EXPENDITURES				
General Government	50,000	105,000	94,587	10,413
Capital Outlay	-	-	-	-
Debt Service				
Principal	73,000	75,560	75,543	17
Interest	5,000	1,450	1,465	(15)
TOTAL EXPENDITURES	<u>128,000</u>	<u>182,010</u>	<u>171,595</u>	<u>10,415</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(107,875)</u>	<u>(71,410)</u>	<u>(45,548)</u>	<u>25,862</u>
OTHER FINANCING SOURCES				
Transfers In	<u>108,000</u>	<u>77,000</u>	<u>77,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>108,000</u>	<u>77,000</u>	<u>77,000</u>	<u>-</u>
CHANGE IN FUND BALANCE	125	5,590	31,452	25,862
FUND BALANCE, Beginning	<u>2,660</u>	<u>363</u>	<u>363</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 2,785</u>	<u>\$ 5,953</u>	<u>\$ 31,815</u>	<u>\$ 25,862</u>

See the accompanying independent auditors' report.

CITY OF DAcono, COLORADO

CAPITAL EQUIPMENT FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Taxes	\$ 214,090	\$ 223,640	\$ 257,221	\$ 33,581
Interest	3,800	2,000	1,673	(327)
TOTAL REVENUES	<u>217,890</u>	<u>225,640</u>	<u>258,894</u>	<u>33,254</u>
EXPENDITURES				
General Government	-	-	3,500	(3,500)
Capital Outlay	71,500	71,500	59,672	11,828
Debt Service				
Principal	213,075	213,075	211,697	1,378
Interest	14,360	14,360	13,113	1,247
TOTAL EXPENDITURES	<u>298,935</u>	<u>298,935</u>	<u>287,982</u>	<u>10,953</u>
CHANGE IN FUND BALANCE	(81,045)	(73,295)	(29,088)	44,207
FUND BALANCE, Beginning	<u>173,084</u>	<u>181,163</u>	<u>181,163</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 92,039</u>	<u>\$ 107,868</u>	<u>\$ 152,075</u>	<u>\$ 44,207</u>

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City's proportionate share of the Net Pension Liability (Asset)	0.110%	0.110%	0.115%	0.129%	0.100%	0.118%
City's proportionate share of the Net Pension Liability (Asset)	\$ (137,851)	\$ (124,456)	\$ (2,028)	\$ 46,589	\$ (144,052)	\$ 148,622
City's covered payroll	\$ 476,888	\$ 495,913	\$ 533,488	\$ 635,190	\$ 639,365	\$ 787,450
City's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll	-28.9%	-25.1%	-0.4%	7.3%	-22.5%	18.9%
Plan fiduciary net position as a percentage of the total pension liability	106.8%	105.8%	100.1%	98.2%	106.3%	95.2%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

SCHEDULE OF THE CITY'S CONTRIBUTIONS
STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contributions	38,151	\$ 39,673	\$ 42,679	\$ 50,815	\$ 51,149	\$ 62,996	\$ 49,063
Contributions in relation to the statutorily required contributions	<u>38,151</u>	<u>39,673</u>	<u>42,679</u>	<u>50,815</u>	<u>51,149</u>	<u>62,996</u>	<u>49,063</u>
Contribution deficiency (excess)	<u>\$ -</u>						
City's covered payroll	\$ 476,888	\$ 495,913	\$ 533,488	\$ 635,190	\$ 639,365	\$ 787,450	\$ 613,301
Contributions as a percentage of covered payroll	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

CITY OF DACONO, COLORADO

CONSERVATION TRUST FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Intergovernmental	\$ 23,500	\$ 30,000	\$ 31,212	\$ 1,212
Interest	50	50	39	(11)
TOTAL REVENUES	<u>23,550</u>	<u>30,050</u>	<u>31,251</u>	<u>1,201</u>
EXPENDITURES				
Parks and Recreation	<u>30,000</u>	<u>30,000</u>	<u>27,405</u>	<u>2,595</u>
CHANGE IN FUND BALANCE	(6,450)	50	3,846	3,796
FUND BALANCE, Beginning	<u>33,584</u>	<u>35,605</u>	<u>35,605</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 27,134</u>	<u>\$ 35,655</u>	<u>\$ 39,451</u>	<u>\$ 3,796</u>

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

WATER FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Water Sales	\$ 1,796,640	\$ 1,905,120	\$ 1,917,561	\$ 12,441
Trash Charges	247,000	247,000	251,525	4,525
Tap Fees and Other Contributions	395,000	192,000	187,500	(4,500)
Interest	100,000	128,000	120,992	(7,008)
Other Revenues	14,385	14,385	14,392	7
TOTAL REVENUES	<u>2,553,025</u>	<u>2,486,505</u>	<u>2,491,970</u>	<u>5,465</u>
EXPENDITURES				
Water Distribution	760,345	761,925	695,887	66,038
General and Administrative	973,955	1,043,695	1,023,697	19,998
Debt Service				
Principal	173,515	173,515	158,117	15,398
Interest	28,745	28,745	27,801	944
Capital Outlay	82,930	94,630	102,895	(8,265)
TOTAL EXPENDITURES	<u>2,019,490</u>	<u>2,102,510</u>	<u>2,008,397</u>	<u>94,113</u>
NET INCOME, Budget Basis	<u>\$ 533,535</u>	<u>\$ 383,995</u>	483,573	<u>\$ 99,578</u>
GAAP BASIS ADJUSTMENTS				
Capital Outlay			102,895	
Capital Contributions			476,620	
Depreciation Expense			(317,456)	
Principal Paid on Long-Term Debt			158,117	
NET INCOME, GAAP Basis			903,749	
NET ASSETS, Beginning			<u>27,219,700</u>	
NET ASSETS, Ending			<u>\$ 28,123,449</u>	

See the accompanying independent auditors' report.

STATE COMPLIANCE

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT		City or County: Dacono
		YEAR ENDING : December 2019
This Information From The Records Of (example - City of _ or County of City of Dacono)	Prepared By: Phone:	Kelly Stroh 303-833-2317

I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES		III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES	
ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	216,021
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	124,337
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	14,571
2. General fund appropriations		b. Snow and ice removal	67,153
3. Other local imposts (from page 2)	1,441,353	c. Other	16,534
4. Miscellaneous local receipts (from page 2)	40,058	d. Total (a. through c.)	98,258
5. Transfers from toll facilities		4. General administration & miscellaneous	580,824
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,019,440
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	35,802
7. Total (1 through 6)	1,481,411	b. Redemption	184,429
B. Private Contributions		c. Total (a. + b.)	220,231
C. Receipts from State government (from page 2)	253,464	2. Notes:	
D. Receipts from Federal Government (from page 2)	0	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,734,875	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	220,231
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,239,671

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	1,382,316		184,429	1,197,887
1. Bonds (Refunding Portion)				
B. Notes (Total)				0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	1,350,112	1,734,875	1,239,671	1,845,316	0

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2019

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	220,016	a. Interest on investments	28,558
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	1,157,485	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	11,500
5. Specific Ownership &/or Other	63,852	g. Other Misc. Receipts	
6. Total (1. through 5.)	1,221,337	h. Other	
c. Total (a. + b.)	1,441,353	i. Total (a. through h.)	40,058
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	229,860	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	23,604	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	23,604	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	253,464	3. Total (1. + 2.g)	
			(Carry forward to page 1)

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			0
b. Engineering Costs		61,802	61,802
c. Construction:			
(1). New Facilities		58,074	58,074
(2). Capacity Improvements		79,935	79,935
(3). System Preservation			0
(4). System Enhancement & Operation		16,210	16,210
(5). Total Construction (1) + (2) + (3) + (4)	0	154,219	154,219
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	216,021	216,021
			(Carry forward to page 1)

Notes and Comments: