



City of Dacono, Colorado

Financial Statements and Supplementary
Information
For the Year Ended December 31, 2016



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City of Dacono, Colorado

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Independent Auditor's Report

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

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, Colorado (the "City"), as of and for the year ended December 31, 2016, 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 basic 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, Colorado as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15 and the budgetary comparison information on pages 49 through 52, the Schedule of the City's Proportionate Share of the Net Pension Liability/(Asset) on page 53 and Schedule of City Contributions on page 54 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 nonmajor fund financial statements, budgetary comparison schedules and Local Highway Finance Report on pages 55 through 61 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules and Local Highway Finance Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
July 26, 2017



Management's Discussion and Analysis
Fiscal Year Ending December 31, 2016

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, 2016. 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.

2016 FINANCIAL HIGHLIGHTS

The City's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources by \$33,371,708 (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 \$24,110,501, 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 \$255,094 is restricted by constraints imposed from outside the City by law or regulation.
- Unrestricted net position of \$9,006,113 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 \$5,374,501 which is an increase of \$969,474 from the prior year's total governmental fund balance of \$4,405,027.

At the end of the current calendar year, the unassigned portion of the General Fund balance was \$1,889,445 or 53.7% of total General Fund expenditures.

Overall, the City continues to maintain a stable financial position.

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 the 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 16 - 18 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 19 - 24 of this report.

Individual fund information for the non-major funds is found in the combining statements on pages 55 and 56 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 25 - 27 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 28 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 49 - 52 of this report.

A new but ongoing addition to the supplementary information section is the net pension liability (asset) calculation to comply with GASB statement 68 requirements. Also, a ten year chart of City contributions to the defined benefit plan (FPPA) is presented. Because of the newness of this requirement, only four years of data exist. These items are found on pages 53 and 54 of this report.

Included in other supplementary information section are the combined and individual fund schedules of non-major fund types and can be found on pages 55 and 56 of this report as previously mentioned.

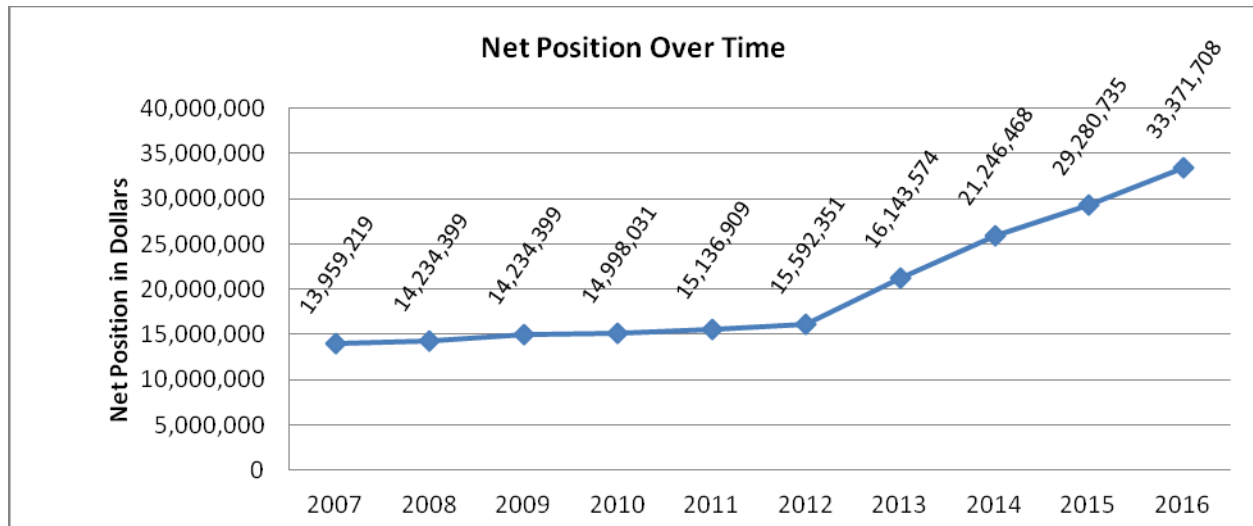
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's net position at calendar year end is \$33,371,708. The following table shows a summary of the City's net position:

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$7,245,051	\$8,082,908	\$5,187,649	\$4,519,985	\$12,432,700	\$12,602,893
Capital assets	12,459,194	11,301,552	15,161,174	14,651,639	27,620,368	25,953,191
Total assets	\$19,704,245	19,384,460	20,348,823	19,171,624	40,053,068	38,556,084
Deferred outflow of resources						
Deferred loss on refunding	102,746	114,163	-	-	102,746	114,163
Deferred outflows - pension	202,383	52,492	-	-	202,383	52,492
Total deferred outflow of resources	305,129	166,655	-	-	305,129	166,655
Liabilities:						
Current liabilities	458,905	1,168,614	1,334,210	2,030,773	1,793,115	3,199,387
Noncurrent liabilities:						
Due in one year	261,920	206,933	148,886	141,240	410,806	348,173
Due in more than one year	1,986,909	1,983,093	1,367,854	1,516,706	3,354,763	3,499,799
Total liabilities	2,707,734	3,358,640	2,850,950	3,688,719	5,558,684	7,047,359
Deferred inflow of resources						
Unearned revenue -property taxes	1,419,938	2,391,691	-	-	1,419,938	2,391,691
Deferred inflows - pension	7,867	2,954	-	-	7,867	2,954
Total deferred inflow of resources	1,427,805	2,394,645	-	-	1,427,805	2,394,645
Net Position:						
Net investment in capital assets	10,438,295	9,234,057	13,672,206	13,021,431	24,110,501	22,255,488
Restricted	255,094	323,639	-	-	255,094	323,639
Unrestricted	5,180,446	4,240,134	3,825,667	2,461,474	9,006,113	6,701,608
Total net position	\$15,873,835	\$13,797,830	\$17,497,873	\$15,482,905	\$33,371,708	\$29,280,735

The following chart reports the total net position balance from fiscal year 2007-2016:



The City maintains a feasible current ratio. The current ratio compares current assets to current liabilities plus non-current liabilities and deferred inflows of resources due in one year and is an indication of the ability to pay current obligations. The current ratio for governmental activities is 3.4 to 1 as compared to 2.1 to 1 at December 31, 2015. For business-type activities, the current ratio is 3.5 to 1 as compared to 2.1 to 1 as of December 31, 2015.

The City reported positive gains in net position for both governmental and business-type activities. During 2016, net position increased by \$2,076,005 for governmental activities and \$2,014,968 for business-type activities. The City's overall financial position increased during calendar year 2016 by \$4,090,973.

Note that approximately 63.3% of the governmental activities total assets are invested in capital assets (with 91.3% of the capital asset cost being depreciable). The City uses these capital assets to provide services to its citizens. 74.5% 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 69.0% 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		
	2016	2015	2016	2015	2016	2015	
Program revenues							
Charges for services	\$827,400	\$901,544	\$1,814,186	\$1,708,706	\$2,641,586	\$2,610,250	
Operating grants and contributions	349,258	583,445	59,282	111,401	408,540	694,846	
Capital grants and contributions	-	-	1,629,860	1,248,500	1,629,860	1,248,500	
General revenues							
Sales taxes	1,425,504	1,351,316	-	-	1,425,504	1,351,316	
Property taxes	2,371,681	1,534,138	-	-	2,371,681	1,534,138	
Franchise taxes	180,489	157,740	-	-	180,489	157,740	
Other taxes	805,939	737,582	-	-	805,939	737,582	
Interest	28,230	10,085	21,371	4,413	49,601	14,498	
Other	441,403	193,250	22,310	13,324	463,713	206,574	
Gain on sale of assets	750	50,000	-	-	750	50,000	
Total revenues	6,430,654	5,519,100	3,547,009	\$3,086,344	9,977,663	8,605,444	
Expenses							
General government	1,513,070	1,436,744	-	-	1,513,070	1,436,744	
Public safety	1,404,238	1,294,108	-	-	1,404,238	1,294,108	
Public works	1,287,654	1,018,079	-	-	1,287,654	1,018,079	
Parks and recreation	79,654	122,048	-	-	79,654	122,048	
Interest on long term debt	70,033	69,693	-	-	70,033	69,693	
Water	-	-	1,532,041	1,499,318	1,532,041	1,499,318	
Total expenses	4,354,649	3,940,672	1,532,041	1,499,318	5,886,690	5,439,990	
Change in net position	2,076,005	1,578,428	2,014,968	\$1,587,026	4,090,973	3,165,454	
Net position, beginning	\$13,797,830	12,081,551	15,482,905	13,895,879	29,280,735	25,977,430	
Prior Period Adjustment		137,851	-	-	-	137,851	
Net position, ending	<u>\$15,873,835</u>	<u>\$13,797,830</u>	<u>\$17,497,873</u>	<u>\$15,482,905</u>	<u>\$33,371,708</u>	<u>\$29,280,735</u>	

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 \$4,783,613, an increase of 26.6% from the prior year. Sales tax increased in 2016 by 5.5%, property tax collections increased 54.6% and all other taxes decreased by 0.6%. In total, tax revenue increased \$1,002,837 for the 2016 calendar year. The unusually high rate of increase in property tax is solely due to the increase in oil and gas production during 2016 and will fluctuate year to year due to the volatility of the industry. Growth is the means by which the City will be able to increase both revenue streams to provide resources for building and maintaining capital infrastructure and amenities for its citizens. Overall, total revenue increased across all governmental funds from 2015 to 2016 by \$911,554.

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			
	<u>Total Cost of Services</u>	<u>Percentage of Total</u>	<u>Net Cost of Services</u>	<u>Percentage of Total</u>
General Government	\$1,513,070	34.7%	\$741,746	23.3%
Public Safety	\$1,404,238	32.2%	\$1,290,151	40.7%
Public Works	\$1,287,654	29.6%	\$1,021,321	32.1%
Parks and Recreation	\$79,654	1.9%	\$54,740	1.7%
Long-term Debt Interest/Exp	<u>\$70,033</u>	<u>1.6%</u>	<u>\$70,033</u>	<u>2.2%</u>
Total	<u>\$4,354,649</u>	<u>100.0%</u>	<u>\$3,177,991</u>	<u>100.0%</u>

The public safety function is the highest cost function of government due to the necessity to upgrade technologies, expensive capital assets, and staffing requirements.

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 \$17,497,873 in net position at the end of 2016, up \$2,014,968 from the prior year's ending balance of \$15,482,905. The unrestricted portion of net position as of December 31, 2016 was \$3,825,667 up from \$2,461,474 as of December 31, 2015. 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 \$4,871,795, an increase of 17.7% from the prior year's balance of \$4,140,350. 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 policy changes, growth, rate schedule adjustments and developer programs created to improve reserves for future water needs.

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 \$5,374,501 up from the fund balance of \$4,405,027 as of December 31, 2015. Of that fund balance, \$1,889,445 is unassigned and available for future needs. Non-spendable funds include \$1,245 held in deposit by a vendor for postage liability. Legally restricted fund balances are those whose purpose is specifically designated by law and include the Conservation Trust for parks and open space of \$61,983 and money set aside to meet the TABOR emergency reserve requirement of \$191,083. The committed fund balances are those that are earmarked by resolution, or ordinance as established by City Council; highway and street funds of \$1,543,647, impact fees for roadways, drainage, parks and City facilities of \$1,394,874, \$291,557 for capital equipment and other assets, and \$667 in the EDAD fund.

The total ending fund balance of governmental funds increased 22.0% from the prior year.

General Fund – The General Fund is the City’s primary operating fund. The General Fund balance is \$2,081,773, a 31.9% increase from the prior year fund balance of \$1,578,174. The ending unassigned fund balance represents the equivalent of 53.6% of annual expenditures; compared to 40.3% at December 31, 2015, this ratio is strong and represents stable General Fund reserves.

Total tax revenue appropriated to the General Fund rose from 2015 levels by 37.8%, this increase is shared by virtually all tax types but mostly property tax, which increased in 2016 by 76.5% from oil and gas production.

Licensing and permit fees increased from 2015 levels, up 11.3%. The increase came from plan review fees and penalty fees assessed for non-compliance. There were 125 new home permits pulled in 2016 compared to 131 new homes in 2015. Even though fewer permits were pulled, the fees collected were stable between 2015 and 2016 because Sweetgrass applied for a pool permit and Garage Unitz also applied for a new construction permit driving up the building permit fee totals.

Court fines decreased in 2016 by 30.6 % from the prior year.

Grants and other donations increased by 2.5 times 2015 levels. This was mostly due to a developer utilizing the water dedication assistance program and donating \$150,000 to the Veterans Memorial; in return the developer paid cash in lieu of water dedication to the City at a discounted price.

In total, revenues increased 39.1% from 2015 levels, even after transferring \$406,776 to the EDAD Fund to purchase property.

General Fund expenditures increased 23.0%.

Overall general government expenditures rose \$59,482 or 4.3%. This category includes several departments including administration, municipal court, planning, legislative economic development, and the library. Some of these departments incurred higher expenses, like the legislative and planning departments, but were offset by those that lowered their expenses, like municipal court, and economic development.

Public Safety expenditures rose \$103,539 or 8.2%. This increase is mainly due to personnel costs.

Parks and recreation expenditures decreased \$39,183 or 42.4%. This decrease was mostly due to lower park maintenance costs.

Capital Outlay made up 18.6% of the total general fund budget. These expenditures included a new computer server, remodeling the exterior of City Hall, remodel interior and update the police department building exterior, purchasing an infrared camera with grant money for the police department, start building the Carbon Valley Veterans Memorial and also build the splash park at Clem DuFour Park. In total, \$652,391 was spent on capital outlay 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. In 2016, Street Fund revenues were used to complete the water line replacement at MacLean Street and finish paving Summit Blvd between York Street and Colorado Blvd. Also, a new engine was installed in the Kubota tractor. The ending fund balance of this fund is \$1,543,647, an increase of 2.0% from the prior year fund balance of \$1,513,155.

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 2016, this fund was used to purchase two Chevy pickups for Public Works, purchase a 2015 Chevy Impala for use by the Police Detective, and a Ford Explorer for use as a Sergeant vehicle. The second payment was also made for the Tymco street sweeper out of this fund. In total, the Capital Fund expenditures in 2016 were \$170,603. The ending fund balance is \$291,557.

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. No expenses were incurred from this fund in 2016. The ending fund balance is \$1,394,874.

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. No expenses were incurred from this fund in 2016. The ending fund balance is \$61,983.

Economic Development Authority of Dacono Fund – This fund is a committed fund which was created to support the urban renewal efforts in Dacono. Currently, all expenses paid from this fund are supported by General Fund transfers with the intention of being recovered as the Authority begins to produce revenues. Because of the unknown timing of the future revenues, these funds are not treated as a loan in the current financial statements. The Authority purchased

property in 2016 which will be marketed to specific retail enterprises to be determined at a point in the near future. The purchase produced capital outlay of \$638,120. The ending balance in the fund is \$667.

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 2016 was \$3.55 million. In comparison, the expenses covered by that revenue reached \$1.53 million, resulting in a gain of about \$2.01 million. In 2016, the City spent \$118,565 replacing the water line on MacLean Street. The increase in Water Fund balance will be placed in reserves for future capital projects.

To help revive new construction heavily burdened by the high cost of water and related expenses, Council implemented the Water Dedication Assistance Program, in 2014, which is a limited program to provide developers access to discounted CBT water shares allotted to the City for their designated projects. This cash-in-lieu program offers a 25% discount from market rates for project water. In turn, the developer must provide an upgraded amenity in the project for the benefit of its residents and the City. The project was a success and all the available shares were sold to three developers in two years. As these developers apply for permits, the revenue is recognized as capital contributions. In 2016, \$914,700 was generated from this project. The revenue created by this program will provide reserves for future water projects such as NISP. The unrestricted net position in the Water Fund at the end of 2016 is \$3,825,667; a 54.6% increase from the prior year.

General Fund Budgetary Highlights

The City budgeted General Fund revenues of \$4,102,280 for the year ending December 31, 2016. Actual revenues were \$4,434,121. The primary reason for the \$331,841 increase was higher than anticipated tax revenue and increased building permit activity.

The City budgeted for General Fund expenditures of \$3,774,415 for the year ending December 31, 2016. Actual expenditures were \$3,523,746. The primary reason for the \$250,669 decrease was lower than anticipated economic development, public safety, and parks and recreation expenses.

The overall fund balance increased by \$622,734 more than was budgeted.

Street Fund Budgetary Highlights

The City budgeted Street Fund revenues of \$1,286,290 for the year ending December 31, 2016. Actual revenues were \$1,391,214. The primary reason for the \$104,924 increase was higher sales and use tax collections.

The City budgeted for Street Fund expenditures of \$1,587,590 for the year ending December 31, 2016. Actual expenditures were \$1,360,722. The main reason for the \$226,868 decrease comes from lower actual cost of the water line replacement at MacLean Street and lower operating costs make up the difference.

The overall fund balance increased by \$331,792 more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of December 31, 2016 amounts to \$12,459,194 for governmental activities and \$15,161,174 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, 2016 the City's long-term debt consisted of \$3,765,569 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 is the new trend – The housing market is strong; 125 new homes were permitted in 2016 and the expectation is that will continue through 2017 but at a slower rate. The subdivisions of Sharpe Farms, Sweetgrass, Eagle Meadows, Sundance Townhomes, Autumn Valley Ranch, and Mountain View Estates all expanded in 2016. Sundance Townhomes completed their project in 2016 and Sharpe Farms will be completed by the beginning of 2017. All the others continue growing and building well into 2017 and beyond.

The biggest concern affecting the growth rate in Dacono's residential market is water availability and cost. The cost of CBT water has increased to around \$26,500 per share. Add to that the cost

of a tap plus other building fees and it is challenging for developers to stay within the price point that serves a majority of consumers. The City took a look at actual water use and lot size and made some adjustments to the water dedication model which should help some developers with their costs. Another issue is lack of finished lots. For continued growth, the developers will need to update their outdated plans to conform to new City standards so that development can continue during this favorable market.

Business growth – In 2016, there was some movement in commercial and industrial business growth. Businesses such as Montgomery Electric, Corso Fitness, Air Gas, Barbican LLC, Ford, Burger King, Kum and Go, and Distant Thunder have all initiated new projects in the City in 2016. The City has made efforts to improve the marketability of the City in 2016 and will continue to do so in future years. As residential growth improves the City hopes new businesses will see that as reason to set up shop in Dacono.

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

December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 4,270,515	\$ 3,003,500	\$ 7,274,015
Restricted cash and investments	1,394,874	1,868,295	3,263,169
Receivables	1,576,389	313,041	1,889,430
Inventory	-	2,813	2,813
Deposits	1,245	-	1,245
Capital assets:			
Not being depreciated	1,086,802	7,952,496	9,039,298
Being depreciated, net of accumulated depreciation	11,372,392	7,208,678	18,581,070
Net pension asset	2,028	-	2,028
Total assets	19,704,245	20,348,823	40,053,068
Deferred outflows of resources			
Deferred loss on refunding	102,746	-	102,746
Deferred outflows of resources relating to pensions	202,383	-	202,383
Total deferred outflows of resources	305,129	-	305,129
Liabilities			
Accounts payable	137,039	152,330	289,369
Accrued salaries and benefits	36,183	9,585	45,768
Accrued interest payable	10,321	3,170	13,491
Unearned revenues	110,219	890,625	1,000,844
Developer escrow	152,018	-	152,018
Deposits	13,125	278,500	291,625
Noncurrent liabilities:			
Accrued compensated absences	125,184	27,772	152,956
Due within one year	261,920	148,886	410,806
Due in more than one year	1,861,725	1,340,082	3,201,807
Total liabilities	2,707,734	2,850,950	5,558,684
Deferred inflows of resources			
Unearned revenues - property taxes	1,419,938	-	1,419,938
Deferred inflows of resources relating to pensions	7,867	-	7,867
Total deferred inflows of resources	1,427,805	-	1,427,805
Net position			
Net investment in capital assets	10,438,295	13,672,206	24,110,501
Restricted			
Emergencies	191,083	-	191,083
Parks and recreation	61,983	-	61,983
Pensions	2,028	-	2,028
Unrestricted	5,180,446	3,825,667	9,006,113
Total net position	\$ 15,873,835	\$ 17,497,873	\$ 33,371,708

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

City of Dacono, Colorado
Statement of Activities

Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 1,513,070	\$ 753,187	\$ 18,137	\$ -
Public safety	1,404,238	69,713	44,374	-
Public works	1,287,654	4,500	261,833	-
Parks and recreation	79,654	-	24,914	-
Interest on long-term debt	70,033	-	-	-
Total government activities	4,354,649	827,400	349,258	-
Business-type activities:				
Water	1,532,041	1,814,186	59,282	1,629,860
Total business-type activities	1,532,041	1,814,186	59,282	1,629,860
Total primary government	\$ 5,886,690	\$ 2,641,586	\$ 408,540	\$ 1,629,860
General revenues				
Taxes:				
Property taxes				
Specific ownership taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Earnings on investments				
Other revenues				
Gain on sale of capital assets				
Total general revenues				
Changes in net position				
Net position at beginning of year				
Net position at end of year				

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (741,746)	\$ -	\$ (741,746)
(1,290,151)	-	(1,290,151)
(1,021,321)	-	(1,021,321)
(54,740)	-	(54,740)
(70,033)	-	(70,033)
(3,177,991)	-	(3,177,991)
-	1,971,287	1,971,287
-	1,971,287	1,971,287
(3,177,991)	1,971,287	(1,206,704)
2,371,681	-	2,371,681
146,679	-	146,679
1,425,504	-	1,425,504
180,489	-	180,489
659,260	-	659,260
28,230	21,371	49,601
441,403	22,310	463,713
750	-	750
5,253,996	43,681	5,297,677
2,076,005	2,014,968	4,090,973
13,797,830	15,482,905	29,280,735
\$ 15,873,835	\$ 17,497,873	\$ 33,371,708

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

City of Dacono, Colorado
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Street Fund
Assets		
Cash and investments	\$ 2,409,718	\$ 1,517,169
Restricted cash and investments	-	-
Receivables	1,296,412	269,398
Deposits	1,245	-
Total assets	\$ 3,707,375	\$ 1,786,567
Liabilities, deferred inflows of resources and fund balances		
Liabilities		
Accounts payable	\$ 121,976	\$ 15,063
Accrued salaries and benefits	28,047	8,136
Unearned revenues	110,219	-
Deposits	13,125	-
Developer escrow	152,018	-
Total liabilities	425,385	23,199
Deferred inflows of resources		
Unearned revenues - property taxes	1,200,217	219,721
Total deferred inflows of resources	1,200,217	219,721
Fund balances		
Nonspendable	1,245	-
Restricted	191,083	-
Committed	-	1,543,647
Unassigned	1,889,445	-
Total fund balances	2,081,773	1,543,647
Total liabilities, deferred inflows of resources and fund balances	\$ 3,707,375	\$ 1,786,567

Impact Fee Fund	Economic Development Authority Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 667	\$ 342,961	\$ 4,270,515
1,394,874	-	-	1,394,874
-	-	10,579	1,576,389
-	-	-	1,245
<u>\$ 1,394,874</u>	<u>\$ 667</u>	<u>\$ 353,540</u>	<u>\$ 7,243,023</u>

\$ -	\$ -	\$ -	\$ 137,039
-	-	-	36,183
-	-	-	110,219
-	-	-	13,125
-	-	-	152,018
-	-	-	448,584
-	-	-	1,419,938
-	-	-	1,419,938
-	-	-	1,245
-	-	61,983	253,066
1,394,874	667	291,557	3,230,745
-	-	-	1,889,445
<u>1,394,874</u>	<u>667</u>	<u>353,540</u>	<u>5,374,501</u>
<u>\$ 1,394,874</u>	<u>\$ 667</u>	<u>\$ 353,540</u>	<u>\$ 7,243,023</u>

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

City of Dacono, Colorado
Reconciliation of the Governmental Funds Balance Sheet with the
Government-wide Statement of Net Position
December 31, 2016

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

Fund balances of governmental funds		\$ 5,374,501
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the fund financial statements.

Capital assets	\$ 19,642,472		
Less: accumulated depreciation	<u>(7,183,278)</u>		12,459,194

Pension asset and related deferred inflows and deferred outflows of resources are not current financial resources and, therefore, are not reported in the fund financial

Pension asset	\$ 2,028		
Deferred outflows of resources relating to pensions	202,383		
Deferred inflows of resources relating to pensions	<u>(7,867)</u>		196,544

Losses on issuance of refunding bonds are reported as a deferred outflow of resources and are amortized over the life of the bonds in the statement of net position.		102,746
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Long-term liabilities are not due and payable from current financial resources, and therefore, are not reported as liabilities on the fund financial statements. Long-term liabilities consist of:

Bonds payable	\$ (1,734,394)		
Capital lease payable	(389,251)		
Accrued interest payable	(10,321)		
Accrued compensated absences	<u>(125,184)</u>		<u>(2,259,150)</u>

Total net position of governmental activities		\$ 15,873,835
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The accompanying notes are an integral part of these financial statements.

City of Dacono, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2016

	General	Street Fund
Revenues		
Taxes	\$ 3,469,568	\$ 1,117,801
Impact fees	-	-
Licenses and permits	377,192	4,500
Intergovernmental	62,511	261,833
Court	69,713	-
Earnings on investments	13,734	7,080
Miscellaneous	441,403	-
Total revenues	4,434,121	1,391,214
Expenditures		
Current:		
General government	1,443,136	-
Public safety	1,374,984	-
Public works	-	759,636
Parks and recreation	53,235	-
Debt service:		
Principal	-	166,951
Interest	-	49,245
Capital outlay	652,391	384,890
Total expenditures	3,523,746	1,360,722
Excess (deficiency) of revenues over expenditures	910,375	30,492
Other financing sources (uses)		
Proceeds from capital lease	-	-
Proceeds from sale of capital assets	-	-
Transfers in	-	-
Transfers out	(406,776)	-
Total other financing sources (uses)	(406,776)	-
Net change in fund balances	503,599	30,492
Fund balances at beginning of year	1,578,174	1,513,155
Fund balances at end of year	\$ 2,081,773	\$ 1,543,647

Impact Fee Fund	Economic Development Authority Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 196,244	\$ 4,783,613
375,995	-	-	375,995
-	-	-	381,692
-	-	24,914	349,258
-	-	-	69,713
6,358	-	1,058	28,230
-	-	-	441,403
382,353	-	222,216	6,429,904
-	29,079	-	1,472,215
-	-	-	1,374,984
-	-	-	759,636
-	-	-	53,235
-	23,917	39,982	230,850
-	1,993	4,237	55,475
-	638,120	126,384	1,801,785
-	693,109	170,603	5,748,180
382,353	(693,109)	51,613	681,724
-	287,000	-	287,000
-	-	750	750
-	406,776	-	406,776
-	-	-	(406,776)
-	693,776	750	287,750
382,353	667	52,363	969,474
1,012,521	-	301,177	4,405,027
\$ 1,394,874	\$ 667	\$ 353,540	\$ 5,374,501

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

City of Dacono
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances with the Government-wide Statement of Activities
Year Ended December 31, 2016

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

Net change in fund balances - governmental funds. \$ 969,474

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay and donated assets exceeded depreciation during the period.

Capital outlay	\$ 1,801,785	
Depreciation expense	<u>(644,143)</u>	1,157,642

Increase in accrued interest payable reflected as an expense on the statement of activities and not reflected as an expense on the governmental fund statement of revenues, expenditures and changes in fund balances. (3,142)

The issuance of long-term debt is reported as other financing sources in the governmental funds; however, issuing debt increases long-term debt liabilities in the statement of net position. (287,000)

Repayment of bond and capital lease principal are expenditures in the governmental funds but are shown as reductions in long-term liabilities in the statement of net position and do not affect the statement of activities. 230,850

Increase in accrued compensated absences liability reflected in expense on the statement of activities and not reflected as an expense on the government fund statement of revenue, expenditures and changes in fund balances. (2,653)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the amortization of the deferred loss on refunding. (11,416)

Pension expense relating to the City's defined benefit retirement plan is recognized on the statement of activities and not included in the fund financial statements. 22,250

Change in net position of governmental activities \$ 2,076,005

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

City of Dacono, Colorado
Statement of Net Position
Water Fund
December 31, 2016

Assets	
Current assets	
Cash and investments	\$ 3,003,500
Restricted cash and investments	1,868,295
Accounts receivable	313,041
Inventory	2,813
Total current assets	5,187,649
Noncurrent assets	
Capital assets, net of accumulated depreciation	15,161,174
Total noncurrent assets	15,161,174
Total assets	20,348,823
Liabilities and Net Position	
Current liabilities	
Accounts payable	152,330
Accrued salaries and benefits	9,585
Unearned revenue	890,625
Deposits	278,500
Accrued interest payable	3,170
Current portion of bonds payable	148,886
Total current liabilities	1,483,096
Noncurrent liabilities	
Accrued compensated absences	27,772
Bonds payable	1,340,082
Total noncurrent liabilities	1,367,854
Total liabilities	2,850,950
Net position	
Net investment in capital assets	13,672,206
Unrestricted	3,825,667
Total net position	\$ 17,497,873

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

City of Dacono, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Water Fund
Year Ended December 31, 2016

Operating revenues	
Water sales	\$ 1,581,250
Trash charges	232,936
Miscellaneous income	22,310
Total operating revenues	1,836,496
Operating expenses	
Water distribution and trash collection	576,555
General and administrative	650,070
Depreciation	265,323
Total operating expenses	1,491,948
Operating income	344,548
Nonoperating revenues (expenses)	
Earnings on investments	21,371
Grants	59,282
Interest expense	(40,093)
Total nonoperating revenues (expenses)	40,560
Income before contributions	385,108
Capital contributions	1,629,860
Changes in net position	2,014,968
Net position at beginning of year	15,482,905
Net position at end of year	\$ 17,497,873

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

City of Dacono, Colorado
Statement of Cash Flows
Water Fund
Year Ended December 31, 2016

Cash flows from operating activities	
Cash received from customers	\$ 1,900,277
Cash paid to suppliers	(735,835)
Cash payments to employees	(435,894)
Net cash flows from operating activities	728,548
Cash flows from noncapital activities	
Grants	59,282
Net cash flows from noncapital activities	59,282
Cash flows from capital and related financing activities	
Capital contributions	129,075
Change in restricted cash and cash equivalents	(229,822)
Acquisitions of capital assets	(181,198)
Deposits from customers	156,000
Principal paid on long-term debt	(141,240)
Interest paid on long-term debt	(40,393)
Net cash flows from capital and related financing activities	(307,578)
Cash flows from investing activities	
Earnings on investments	21,371
Net cash flows from investing activities	21,371
Net change in cash and cash equivalents	501,623
Cash and cash equivalents at beginning of year	2,501,877
Cash and cash equivalents at end of year	\$ 3,003,500
Reconciliation of operating income to net cash flows from operating activities	
Operating income	\$ 344,548
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation	265,323
Decrease in operating assets:	
Receivables	63,781
Increase in operating liabilities:	
Accounts payable	54,862
Accrued compensated absences	34
Net cash flows from operating activities	\$ 728,548
Non-cash investing, capital and financing activities	
Capital assets contributed	\$ 593,660

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

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

1. Summary of Significant Accounting Policies

Form of Organization

The City of Dacono, Colorado (the “City”) 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 financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the City’s accounting policies are described below.

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit’s governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Blended Component Unit

The Economic Development Authority of Dacono (the “Authority”) was created in June 2015 and an agreement was entered into between the City and the Authority for administrative services. The Economic Development Authority of Dacono intends to provide financial assistance and deliver public improvements only 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 Economic Development Authority is reported as blended component unit of the City, a major 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 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, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 those 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

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

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 a 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.

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources generally are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances present increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, a reconciliation is presented that briefly explains the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in November, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15.

Governmental funds are used to account for all or most of a government's general activities. The following are the City's major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

Street Fund - The Street Fund is a special revenue fund of the City. It is used to account for the allocated sales and use tax revenue which by City Ordinance must be used for public works projects.

Impact Fee Fund - The Impact Fee Fund is a special revenue fund of the City. It is used to account for the impact fee revenues from developers which by City Ordinance must be used for specific purposes.

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

The other governmental funds (nonmajor funds) are special revenue funds (Capital Equipment Fund and Conservation Trust Fund) and have been established to account for revenues derived from specific earmarked revenue sources which finance specific activities as required by law or administrative action.

The proprietary fund (Water Fund) accounts for the financial activities associated with the provision of water services. This fund is accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into amounts invested in capital assets and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

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.

Budgets

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 beginning 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.
- 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 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.

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

- 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.

The following table summarizes the individual fund budgeted expenditures, as originally adopted, and as revised:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General fund	\$ 3,842,595	\$ 378,820	\$ 4,221,415
Street fund	1,418,940	168,650	1,587,590
Impact Fee fund	-	-	-
Economic Development Authority fund	658,000	76,000	734,000
Conservation Trust fund	-	-	-
Capital Equipment fund	153,730	40,000	193,730
Enterprise fund:			
Water fund	1,992,340	(34,600)	1,957,740
Total funds	\$ 8,065,605	\$ 628,870	\$ 8,694,475

Cash and Cash Equivalents

The City considers all highly liquid investments with original maturities of three months or less, to be cash equivalents.

Investments

Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, based on quoted market values.

Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in November, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the City by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the City.

In the fund financial statements, property taxes are recognized in the year for which levied provided they become available and measurable.

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

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

Unearned Revenue

The City reports unearned revenue on its financial statements. Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period, under the modified accrual basis of accounting, or is measurable but not earned under the accrual basis of accounting. Unearned revenues also arise when resources are received by the City before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability is removed from the financial statements and revenue is recognized. In the Water Fund, the unearned revenue represents amounts received for tap fees that have not been certified by the City.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as internal balances on the government-wide statement of net position and classified as due from other funds or due to other funds on the balance sheet.

Bond Premium, Deferred Loss on Refunding and Debt Issuance Costs

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Debt issuance costs are recognized during the period of issuance.

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

A deferred charge on refunding arises from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., streets and roads, bridges, water lines, and similar items) 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, or estimated fair value, of \$5,000 or more 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 estimated fair market 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 asset lives are not capitalized.

City of Dacono, Colorado
Notes to Financial Statements
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Assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities. Estimated useful lives for asset types are as follows:

Description	Governmental Activities	Business-Type Activities
Buildings	20-50 years	5-40 years
Water tower	N/A	40 years
Water system	N/A	10-50 years
Machinery and equipment	5-10 years	5-10 years
Vehicles	5-10 years	5-10 years
Improvements/Infrastructure	10-30 years	N/A

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the City will compensate the employees for the benefits earned.

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 at a one to one ratio for the first 80 to 160 hours, depending on years of service, and the remaining hours shall be paid at a two to one ratio. Accrued time off is paid at the employee's current pay rate.

Amounts of vested or accumulated compensated absences that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. The City has recorded a liability of \$125,184 for the governmental activities and \$27,772 for the business-type activities on the statement of net position at December 31, 2016.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Outflows/Inflows of Resources

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

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

Fund Balance and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position, which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council (the "Council"). The Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City has the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts. Only the General Fund reports a positive unassigned fund balance. In other governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to other purposes, the funds would report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

City of Dacono, Colorado
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At December 31, 2016, fund balances are composed of the following:

	General Fund	Street Fund	Impact Fee Fund	Economic Development Authority Fund	Other Governmental Funds	Total
Nonspendable:						
Deposits	\$ 1,245	\$ -	\$ -	\$ -	\$ -	\$ 1,245
Restricted:						
Emergencies	191,083	-	-	-	-	191,083
Parks and recreation	-	-	-	-	61,983	61,983
Committed						
Highways and streets	-	1,543,647	-	-	-	1,543,647
Impact fees	-	-	1,394,874	-	-	1,394,874
Economic development	-	-	-	667	-	667
Capital equipment	-	-	-	-	291,557	291,557
Unassigned:	1,889,445	-	-	-	-	1,889,445
Total fund balances	\$ 2,081,773	\$ 1,543,647	\$ 1,394,874	\$ 667	\$ 353,540	\$ 5,374,501

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Pensions

The City contributes to the Statewide Defined Benefit Plan (“SWDB”), a cost-sharing multiple-employer defined benefit pension plan administered by the Fire and Police Pension Association of Colorado (“FPPA”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SWDB plan and additions to/deductions from the SWDB plan fiduciary net position have been determined on the same basis as they are reported by the FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments at FPPA are reported at fair value.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

2. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2016, the City had deposits with financial institutions with a carrying amount (book balance) of \$2,785,359. The bank balances with the financial institutions were \$2,888,493, of which \$500,000 was covered by federal depository insurance. The remaining balance of \$2,388,493 was collateralized with securities held by the financial institutions' agents but not in the City's name.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the City may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a specific policy for custodial credit risk. As of December 31, 2016, the City had no investments exposed to custodial credit risk outside of its investments in the Colorado Local Government Liquid Asset Trust and Colorado Surplus Asset Fund Trust (COLOTRUST and CSAFE), discussed below.

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. Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

Fair Value

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Local Government Investment Pools

At December 31, 2016, the City had invested \$1,635,933 in CSAFE and \$6,115,392 with COLOTRUST, the local government investment pools. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST and CSAFE are exempt from registration with the Securities and Exchange Commission. Both pools are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities, and the highest rated commercial paper.

CSAFE is considered to be a 2a7-like investment and is valued using NAV per share (or its equivalent) of the investments and is not shown in the fair value hierarchy table.

Investments in COLOTRUST are measured at fair value on recurring basis which represents the amount invested with a local government investment pool, measured at the fair value of the investment pool's share price multiplied by the number of shares held (Level 2).

At December 31, 2016, the City had cash and cash equivalent balances, including restricted cash, as follows:

Cash on hand	\$ 500
Cash deposits	2,785,359
ColoTrust	6,115,392
CSAFE	1,635,933
Total cash deposits	\$ 10,537,184

The above amounts are classified in the statement of net position as follows:

Unrestricted cash and investments:	
Governmental activities	\$ 4,270,515
Business-type activities	3,003,500
Restricted cash and investments:	
Governmental activities	1,394,874
Business-type activities	1,868,295
Total	\$ 10,537,184

City of Dacono, Colorado
Notes to Financial Statements
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Restricted Cash and Cash Equivalents

Cash is restricted for the following purposes, as designated by the Council:

Arterial Roadway	\$ 444,815
Regional Drainage	246,712
Parks	595,833
City Facilities	107,515
Water Tower and Related Expenditures	1,868,294
Total	\$ 3,263,169

3. Receivables

Receivables at December 31, 2016, consisted of the following:

Types	Governmental Activities	Business-Type Activities	Total
Taxes	\$ 1,564,471	\$ -	\$ 1,564,471
Trade accounts	-	187,370	187,370
Other	11,918	125,671	137,589
Total	\$ 1,576,389	\$ 313,041	\$ 1,889,430

4. Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The only transfer made during the year was \$406,776 from the General Fund to the Economic Development Authority Fund.

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

5. Capital Assets

A summary of changes in governmental-activities capital assets for the year ended December 31, 2016, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 253,799	\$ 479,000	\$ -	\$ 732,799
Construction in progress	970,737	354,003	(970,737)	354,003
Total capital assets, not being depreciated	1,224,536	833,003	(970,737)	1,086,802
Capital assets, being depreciated:				
Buildings	820,513	-	-	820,513
Equipment	1,830,731	190,846	(33,916)	1,987,661
Improvements/Infrastructure	13,998,823	1,748,673	-	15,747,496
Total capital assets, being depreciated	16,650,067	1,939,519	(33,916)	18,555,670
Less accumulated depreciation for:				
Buildings	(388,857)	(25,922)	-	(414,779)
Equipment	(1,339,825)	(115,845)	33,916	(1,421,754)
Improvements/Infrastructure	(4,844,369)	(502,376)	-	(5,346,745)
Total accumulated depreciated	(6,573,051)	(644,143)	33,916	(7,183,278)
Total capital assets, being depreciated, net	10,077,016	1,295,376	-	11,372,392
Governmental activities capital assets, net	\$11,301,552	\$ 2,128,379	\$ (970,737)	\$12,459,194

Depreciation expense for governmental activities has been allocated to various activities as follows:

Governmental Activities:	
General government	\$ 40,300
Public safety	49,888
Public works	527,536
Parks and Recreation	26,419
Total depreciation expense - governmental activities	\$ 644,143

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Notes to Financial Statements
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A summary of changes in business-type activities capital assets for the year ended December 31, 2016, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Water rights	\$ 7,730,935	\$ 158,928	\$ -	\$ 7,889,863
Construction in Progress	-	62,633	-	62,633
Total capital assets, not being depreciated	7,730,935	221,561	-	7,952,496
Capital assets, being depreciated:				
Water Tower	1,507,400	-	-	1,507,400
Water System	7,947,033	553,297	-	8,500,330
Buildings	91,619	-	-	91,619
Equipment	416,308	-	-	416,308
Total capital assets, being depreciated	9,962,360	553,297	-	10,515,657
Less accumulated depreciation for:				
Water Tower	(1,017,805)	(37,685)	-	(1,055,490)
Water System	(1,624,098)	(208,507)	-	(1,832,605)
Buildings	(35,158)	(3,252)	-	(38,410)
Equipment	(364,595)	(15,879)	-	(380,474)
Total accumulated depreciation	(3,041,656)	(265,323)	-	(3,306,979)
Total capital assets, being depreciated, net	6,920,704	287,974	-	7,208,678
Total business-type activities capital assets, net	\$14,651,639	\$ 509,535	\$ -	\$15,161,174

6. Long-Term Debt

Governmental Activities:

2014 General Obligation Bond

On June 19, 2014, the City issued \$1,943,579 in general obligation refunding bonds with interest at 2.59%. The City issued the bonds to advance refund \$1,770,000 of the outstanding series 2005A bonds with interest at between 4.45% and 5.0%. 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 2005A series bonds are considered defeased, and the City has removed this portion of the liability from its accounts. The remaining \$135,000 outstanding on the 2005A series bond was paid in full by the City during 2015.

The deferred loss on refunding is the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt. This difference, reported in the statement of net position as a deferred outflow of resources totaling \$102,746, will be charged to operations through 2025 using the effective-interest method.

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

Capital Leases

During 2015, the City entered into a capital lease for the purchase of a street sweeper. The lease requires four annual payments of \$44,219 beginning in May 2016. The lease bears interest at the rate of 2.55% per annum. The City has capitalized \$266,150 of assets under this capital lease.

During 2016, the Development Authority entered into a capital lease for the purchase of vacant land. The lease requires three payments of \$57,400 and a final payment of \$152,321 in October 2018. The lease bears interest at the rate of 5.00% per annum. The City has capitalized \$287,000 of land under this capital lease.

Changes in long-term debt for the year ended December 31, 2016 were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
Capital leases	\$ 166,150	\$ 287,000	\$ (63,899)	\$ 389,251	\$ 87,120
General obligation refunding bond	1,901,345	-	(166,951)	1,734,394	174,800
Accrued compensated absences	122,531	140,918	(138,265)	125,184	-
Total	\$ 2,190,026	\$ 427,918	\$ (369,115)	\$ 2,248,829	\$ 261,920

The following table represents future debt service requirements on the governmental activity debt as December 31, 2016:

Year	Principal	Interest
2017	\$ 174,800	\$ 44,921
2018	177,278	40,393
2019	184,429	35,802
2020	186,286	31,025
2021	192,951	26,200
2022-2025	818,650	53,705
Total	\$ 1,734,394	\$ 232,046

The present value of the future minimum lease payments on the capital lease are as follows:

Year	Amount
2017	\$ 101,619
2018	101,619
2019	223,210
Total future minimum payments	426,448
Less: discount for interest	(37,197)
Present value of future minimum payments	\$ 389,251

City of Dacono, Colorado
Notes to Financial Statements
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Business-type Activities:

2014 Water Enterprise Revenue Bond

On June 19, 2014, the City issued \$1,772,092 in water enterprise revenue refunding bonds with interest at 2.59%. The City issued the bonds and paid the remaining funds to advance refund \$1,790,000 of the outstanding series 2005 water enterprise revenue bonds with interest at between 4.45% and 4.75%. The bond requires annual payments ranging from \$141,884 to \$182,562 and are payable through December 2025. The bond bears an interest rate of 2.59%. The net proceeds were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2005 water revenue bonds. As a result, the 2005 water revenue bonds are considered defeased, and the City has removed the liability from its accounts.

Changes in long-term debt for the year ended December 31, 2016 were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<i>Business-type activities:</i>					
2014 water enterprise refunding bonds	\$ 1,630,208	\$ -	\$ (141,240)	\$ 1,488,968	\$ 148,886
Accrued compensated absences	27,738	36,033	(35,999)	27,772	-
Total	\$ 1,657,946	\$ 36,033	\$ (177,239)	\$ 1,516,740	\$ 148,886

The following table represents future debt service requirements on the business-type activity debt as December 31, 2016:

Year	Principal	Interest
2017	\$ 148,886	\$ 36,636
2018	151,162	32,751
2019	158,117	28,745
2020	159,773	24,629
2021	166,231	20,407
2022-2025	704,799	36,985
Total	\$ 1,488,968	\$ 180,153

7. Retirement Plans

State of Colorado Fire and Police Pension Association - Defined Benefit Plan

Plan description. The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire Citys whose services are auxiliary to fire protection. The Plan became effective January 1, 1980 and as of December 31, 2015 has 212 participating employer fire and police departments.

Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

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Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at www.fppaco.org.

Benefits provided. 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 Statewide Defined Benefit Plan ("SWDB"). 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.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result their Separate Retirement Account ("SRA") has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

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 at least five years of accredited service may leave contributions with the 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.

A member may elect to participate in the deferred retirement option plan ("DROP") after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2015 was \$55,176,831. This amount was not included in the SWDB Plan Net Position.

Contributions. The 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 this 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 by election of the membership.

Members of this Plan and their employers are contributing at the rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent in 2016. In 2014, the members

City of Dacono, Colorado
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December 31, 2016

elected to increase the member contribution rate to the 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 plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5 percent of base salary in 2016. The City is contributing 8 percent of base salary and the employees are contributing 12.5 percent of base salary for the reentry group. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the reentry 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.

The contribution rate for members and employers of affiliated social security employers is 4.25 percent and 4 percent, respectively, of base salary for a total contribution rate of 8.25 percent in 2015. Per the 2014 member election, the affiliated social security group will also have their required member 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. Contributions to the Plan from the City were \$50,921 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At December 31, 2016, the City reported an asset of \$2,028 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined. At December 31, 2016, the City's proportion was 0.1150 percent, which was an increase of 0.0048 from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$729,304. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,401	\$ 2,394
Changes of assumptions or other inputs	31,852	-
Net difference between projected and actual earnings on pension plan investments	103,209	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions		5,473
City contributions subsequent to the measurement date	50,921	-
	\$ 202,383	\$ 7,867

The \$50,921 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

Year Ended December 31,	Amortization
2017	\$ 30,779
2018	30,779
2019	30,779
2020	28,326
2021	4,363
Thereafter	18,569
	\$ 143,595

Actuarial assumptions. The actuarial valuations for the plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2015. The valuations used the following actuarial assumption and other inputs:

	Total Pension Liability	Actuarially Determined Contributions
Actuarial Valuation Date	January 1, 2016	January 1, 2015
Actuarial Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level % of Payroll, Open	Level % of Payroll, Open
Amortization Period	30 Years	30 Years
Long-term Investment rate of return *	7.5 percent	7.5 percent
Projected salary increases *	4.0 - 14.0 percent	4.0 - 14.0 percent
Cost of Living Adjustment	0.0 percent	0.0 percent
* Includes Inflation at	2.5 percent	3.0 percent

For determining the total pension liability, the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2014 Mortality Table for Blue Collar Employees, projected with Scale BB is used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants, projected with Scale BB are used. For post-retirement members ages 55 through 64, a blend of the previous tables is used.

For determining the actuarially determined contributions, the RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA, 40 percent multiplier for off-duty mortality is used in the valuation for off-duty mortality of active members. On-duty related mortality is assumed to be 0.00020 per year for all members. The RP-2000 Combined Mortality Table with Blue Collar Adjustment, projected with Scale AA is used in the projection of post-retirement benefits.

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 2015 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, 2016 and were used in the rollforward calculation of total pension liability as of December 31, 2015. Actuarial assumptions effective for actuarial valuations prior to January 1, 2016 were used in the determination of the actuarially determined contributions as of December 31, 2015. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

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. 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	37.0%	6.5%
Equity Long/Short	10.0%	4.7%
Illiquid Alternatives	20.0%	8.0%
Fixed Income	16.0%	1.5%
Absolute Return	11.0%	4.1%
Managed Futures	4.0%	3.0%
Cash	2.0%	0.0%*
Total	100.0%	

*While the expected inflation exceeds the expected rate of return for cash, a 0.0 percent real rate of return is utilized.

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 7.50%; the municipal bond rate is 3.57% (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 7.50%.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate. The following presents the City’s proportionate share of the net pension liability/ (asset) calculated using the discount rate of 7.50 percent, as well as what the City’s proportionate share of the net pension liability/ (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1.00% Decrease*	Current Discount Rate*	1.00% Increase*
City’s proportionate share of the net pension liability/ (asset)	\$284,074	\$(2,028)	\$(239,340)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

City of Dacono, Colorado
Notes to Financial Statements
December 31, 2016

General Money Purchase Pension Plan

The City of Dacono contributes to a single employer defined contribution money purchase pension plan on behalf of all employees other than police. The contribution requirements of the General Money Purchase Pension 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 \$82,210, \$74,813, and \$61,816 for the years ended December 31, 2016, 2015 and 2014, respectively, equal to the required contribution.

8. Risk Management

The City is self insured for property and liability insurance. In order to mitigate risk, the City is a member of the Colorado Intergovernmental Risk Sharing Agency ("CIRSA"), CIRSA has a legal obligation for claims against their members to the extent that funds are available in their annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although they are not legally required to do so. Additionally, the City may receive credit on future contributions in the event of a surplus.

CIRSA has entered into various excess insurance contracts to limit large losses and minimize exposure on large risks. Excess of loss contracts in effect during 2015 limit CIRSA's per occurrence exposure to \$1,000,000 for property coverage, \$1,000,000 for excess property coverage and provide coverage to specified upper limits. The excess of loss contract for workers' compensation coverage limits CIRSA's per occurrence exposure to \$500,000 for 2015 and provides coverage to statutory limits for the State of Colorado.

The City's 2016 contributions were \$80,778 and share of surplus at December 31, 2016, amounted to approximately (\$968) for the property and casualty pool.

The ultimate liability to the City resulting from claims not covered by CIRSA is not presently determinable. Management is of the opinion that the final outcome of such claims, if any, will not have a material adverse effect on the City's financial statements.

9. Taxes, Spending, and Debt Limitations

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserve (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the City under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary of fringe benefit increase. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The City has restricted \$191,083 for this purpose.

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

City of Dacono, Colorado
Notes to Financial Statements

December 31, 2016

projects, basic municipal services and/or lawful municipal purposes, notwithstanding the provisions of the Amendment. This effectively removed all revenue and spending limits imposed by TABOR.

10. Subsequent Events

The City has evaluated subsequent events through July 26, 2017, the date these financial statements were available to be issued. The City entered into lease-purchase transactions for police vehicles totaling approximately \$99,000 and a motor grader totaling approximately \$229,000. In addition, the City has approved contracts totaling approximately \$1.5 million for the Glen Ayre Street Rehabilitation Project.

No additional transactions or events that would require adjustment to the financial statements or note disclosures were identified.

Required Supplementary Information

City of Dacono, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 3,309,795	\$ 3,254,795	\$ 3,469,568	\$ 214,773
Licenses and permits	259,775	284,000	377,192	93,192
Intergovernmental	18,000	43,925	62,511	18,586
Court	102,050	107,250	69,713	(37,537)
Earnings on investments	4,000	8,500	13,734	5,234
Miscellaneous	384,610	403,810	441,403	37,593
Total revenues	4,078,230	4,102,280	4,434,121	331,841
Expenditures				
Current:				
General government	1,578,545	1,548,565	1,443,136	105,429
Public safety	1,409,000	1,435,300	1,374,984	60,316
Parks and recreation	58,350	59,850	53,235	6,615
Capital outlay	662,700	730,700	652,391	78,309
Total expenditures	3,708,595	3,774,415	3,523,746	250,669
Excess of revenues over expenditures	369,635	327,865	910,375	582,510
Other financing uses				
Transfers out	(134,000)	(447,000)	(406,776)	40,224
Total other financing uses	(134,000)	(447,000)	(406,776)	40,224
Net change in fund balance	\$ 235,635	\$ (119,135)	503,599	\$ 622,734
Fund balance at beginning of year			1,578,174	
Fund balance at end of year			\$ 2,081,773	

See accompanying Independent Auditor's Report.

City of Dacono, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Street Fund
Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 964,200	\$ 1,024,200	\$ 1,117,801	\$ 93,601
Licenses and permits	3,000	3,000	4,500	1,500
Intergovernmental	217,040	254,090	261,833	7,743
Earnings on investments	1,000	5,000	7,080	2,080
Total revenues	1,185,240	1,286,290	1,391,214	104,924
Expenditures				
Public works	738,265	816,915	759,636	57,279
Debt service				
Principal	166,950	166,950	166,951	(1)
Interest	49,250	49,250	49,245	5
Capital outlay	464,475	554,475	384,890	169,585
Total expenditures	1,418,940	1,587,590	1,360,722	226,868
Net change in fund balance	\$ (233,700)	\$ (301,300)	30,492	\$ 331,792
Fund balance at beginning of year			<u>1,513,155</u>	
Fund balance at end of year			<u>\$ 1,543,647</u>	

See accompanying Independent Auditor's Report.

City of Dacono, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Impact Fee Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Impact fees	\$ 148,045	\$ 235,660	\$ 375,995	\$ 140,335
Earnings on investments	1,200	5,000	6,358	1,358
Total revenues	149,245	240,660	382,353	141,693
Net change in fund balance	\$ 149,245	\$ 240,660	382,353	\$ 141,693
Fund balance at beginning of year			1,012,521	
Fund balance at end of year			\$ 1,394,874	

See accompanying Independent Auditor's Report.

City of Dacono, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Economic Development Authority Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
General government	\$ 37,000	\$ 37,000	\$ 29,079	7,921
Capital outlay	578,000	670,000	638,120	31,880
Debt service				
Principal	38,000	22,200	23,917	(1,717)
Interest	5,000	3,800	1,993	1,807
Total expenditures	658,000	733,000	693,109	39,891
Other financing sources				
Transfers in	159,000	447,000	406,776	(40,224)
Proceeds from capital leases	499,000	287,000	287,000	-
Other financing sources	658,000	734,000	693,776	(40,224)
Net change in fund balance	\$ -	\$ 1,000	667	\$ (333)
Fund balance at beginning of year			-	
Fund balance at end of year			\$ 667	

See accompanying Independent Auditor's Report.

City of Dacono
Schedule of the City's Proportionate Share of the Net Pension Liability/(Asset)

Last Ten Years

	2016	2015	2014
FPPA - Defined Benefit Plan			
City's proportion of the net pension liability/(asset)	\$ (2,028)	\$ (124,456)	\$ (137,851)
City's proportionate share of the net pension liability/(asset)	0.1150%	0.1103%	0.1098%
City's covered-employee payroll	\$ 737,684	\$ 613,011	\$ 609,177
City's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	0.27%	20.30%	22.63%
Plan fiduciary net position as a percentage of the total pension	100.10%	106.80%	105.80%

* The amounts presented for each fiscal year were determined as of December 31 of the prior year.

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report.

City of Dacono
Schedule of City Contributions

Last Ten Years

	2016	2015	2014	2013
FPPA - Defined Benefit Plan				
Statutorily Required Contribution	\$ 50,921	\$ 42,679	\$ 39,673	\$ 38,151
Contributions in Relation to the Statutorily Required Contribution	50,921	42,679	39,673	38,151
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 830,040	\$ 737,684	\$ 613,011	\$ 609,177
Contributions as a Percentage of Covered Employee Payroll	6.13%	5.79%	6.47%	6.26%

Pension schedules are intended to show information for ten years, additional years' information will be displayed as it becomes available.

See accompanying Independent Auditor's Report.

Other Supplementary Information

City of Dacono, Colorado
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016

	Capital Equipment Fund	Conservation Trust Fund	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 280,978	\$ 61,983	\$ 342,961
Receivables	10,579	-	10,579
Total assets	\$ 291,557	\$ 61,983	\$ 353,540
Liabilities and fund balances			
Fund balances			
Restricted	\$ -	\$ 61,983	\$ 61,983
Committed	291,557	-	291,557
Total fund balances	291,557	61,983	353,540
Total liabilities and fund balances	\$ 291,557	\$ 61,983	\$ 353,540

See accompanying Independent Auditor's Report.

City of Dacono, Colorado
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2016

	Capital Equipment Fund	Conservation Trust Fund	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 196,244	\$ -	\$ 196,244
Intergovernmental	-	24,914	24,914
Earnings on investments	998	60	1,058
Total revenues	197,242	24,974	222,216
Expenditures			
Debt service			
Principal	39,982		39,982
Interest	4,237	-	4,237
Capital outlay	126,384	-	126,384
Total expenditures	170,603	-	170,603
Excess of revenues over expenditures	26,639	24,974	51,613
Other financing sources			
Proceeds from sale of capital assets	750	-	750
Total other financing sources	750	-	750
Net change in fund balance	27,389	24,974	52,363
Fund balance at beginning of year	264,168	37,009	301,177
Fund balance at end of year	\$ 291,557	\$ 61,983	\$ 353,540

See accompanying Independent Auditor's Report.

City of Dacono, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Conservation Trust Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 22,000	\$ 22,000	\$ 24,914	\$ 2,914
Earnings on investments	50	50	60	10
Total revenues	22,050	22,050	24,974	2,924
Net change in fund balance	\$ 22,050	\$ 22,050	24,974	\$ 2,924
Fund balance at beginning of year			37,009	
Fund balance at end of year			\$ 61,983	

See accompanying Independent Auditor's Report.

City of Dacono, Colorado
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Capital Equipment Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 162,220	\$ 175,540	\$ 196,244	\$ 20,704
Interest	300	800	998	198
Total revenues	162,520	176,340	197,242	20,902
Expenditures				
Debt service:				
Principal	-	-	39,982	(39,982)
Interest	-	-	4,237	(4,237)
Capital outlay	153,730	193,730	126,384	67,346
Total expenditures	153,730	193,730	170,603	23,127
Deficiency of revenues over expenditures	8,790	(17,390)	26,639	44,029
Other financing sources				
Proceeds from sale of capital assets	-	-	750	750
Total other financing sources	-	-	750	750
Net change in fund balance	\$ 8,790	\$ (17,390)	27,389	\$ 44,779
Fund balance at beginning of year			264,168	
Fund balance at end of year			\$ 291,557	

See accompanying Independent Auditor's Report.

City of Dacono, Colorado
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Non-GAAP Basis) - Water Fund
Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Water sales	\$ 1,428,435	\$ 1,448,435	\$ 1,581,250	\$ 132,815
Trash charges	226,360	226,360	232,936	6,576
Tap fees and other contributions	1,041,500	1,041,500	1,629,860	588,360
Grants	-	59,280	59,282	2
Earnings on investments	4,000	15,000	21,371	6,371
Miscellaneous income	13,610	26,810	22,310	(4,500)
Total revenues	2,713,905	2,817,385	3,547,009	729,624
Budgetary expenditures				
Water distributions	611,610	616,610	576,555	40,055
General and administrative	758,995	759,495	650,070	109,425
Debt Service				
Principal paid	141,240	141,240	141,240	-
Interest	40,395	40,395	40,093	302
Depreciation	250,000	280,000	265,323	14,677
Capital outlay	190,100	120,000	181,198	(61,198)
Total operating expenses	1,992,340	1,957,740	1,854,479	103,261
Excess (deficiency) of revenues over expenditures	\$ 721,565	\$ 859,645	1,692,530	\$ 832,885
Reconciliation to GAAP basis				
Capital outlay			181,198	
Principal paid			141,240	
Change in net position - GAAP basis			2,014,968	
Net position at beginning of year			15,482,905	
Net position at end of year			\$ 17,497,873	

See accompanying Independent Auditor's 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 2016
This Information From The Records Of (example - City of _ or County of _) City of Dacono	Prepared By: Kelly Stroh Phone: 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)	368,939
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	288,611
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	10,127
2. General fund appropriations	0	b. Snow and ice removal	37,234
3. Other local imposts (from page 2)	1,166,458	c. Other	19,979
4. Miscellaneous local receipts (from page 2)	11,580	d. Total (a. through c.)	67,340
5. Transfers from toll facilities		4. General administration & miscellaneous	419,637
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	
a. Bonds - Original Issues		6. Total (1 through 5)	1,144,527
b. Bonds - Refunding Issues		B. Debt service on local obligations:	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	49,245
7. Total (1 through 6)	1,178,038	b. Redemption	166,951
B. Private Contributions		c. Total (a. + b.)	216,196
C. Receipts from State government (from page 2)	176,122	2. Notes:	
D. Receipts from Federal Government (from page 2)	37,054	a. Interest	
E. Total receipts (A.7 + B + C + D)	1,391,214	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	216,196
		C. Payments to State for highways	
		D. Payments to toll facilities	
		E. Total disbursements (A.6 + B.3 + C + D)	1,360,723

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

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	1,901,345		166,951	1,734,394
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
	1,222,585	1,391,214	1,360,723	1,513,156	(260,080)

Notes and Comments:

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2016

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	213,451	a. Interest on investments	7,080
b. Other local imposts:		b. Traffic Fines & Penalties	
1. Sales Taxes	883,087	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	4,500
5. Specific Ownership &/or Other	69,920	g. Other Misc. Receipts	
6. Total (1. through 5.)	953,007	h. Other	
c. Total (a. + b.)	1,166,458	i. Total (a. through h.)	11,580
	(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	154,859	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	37,054
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	21,263	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	21,263	g. Total (a. through f.)	37,054
4. Total (1. + 2. + 3.f)	176,122	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		21,378	21,378
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation			0
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	347,561	347,561
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	368,939	368,939
			(Carry forward to page 1)

Notes and Comments: