



Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2016



**City of Federal Heights,
Colorado**



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CITY OF FEDERAL HEIGHTS, COLORADO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended December 31, 2016

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INTRODUCTORY SECTION

DIRECTORY OF CITY OFFICIALS

ELECTED OFFICIALS

Daniel Dick	Mayor	
John Hamlin	Mayor-Pro Tem	Ward I
Harold Thomas	Council Member	Ward I
Kevin Dougherty	Council Member	Ward II
Carolyn Scharf	Council Member	Ward II
Ted May	Council Member	Ward III
Elaine Sweeney	Council Member	Ward III

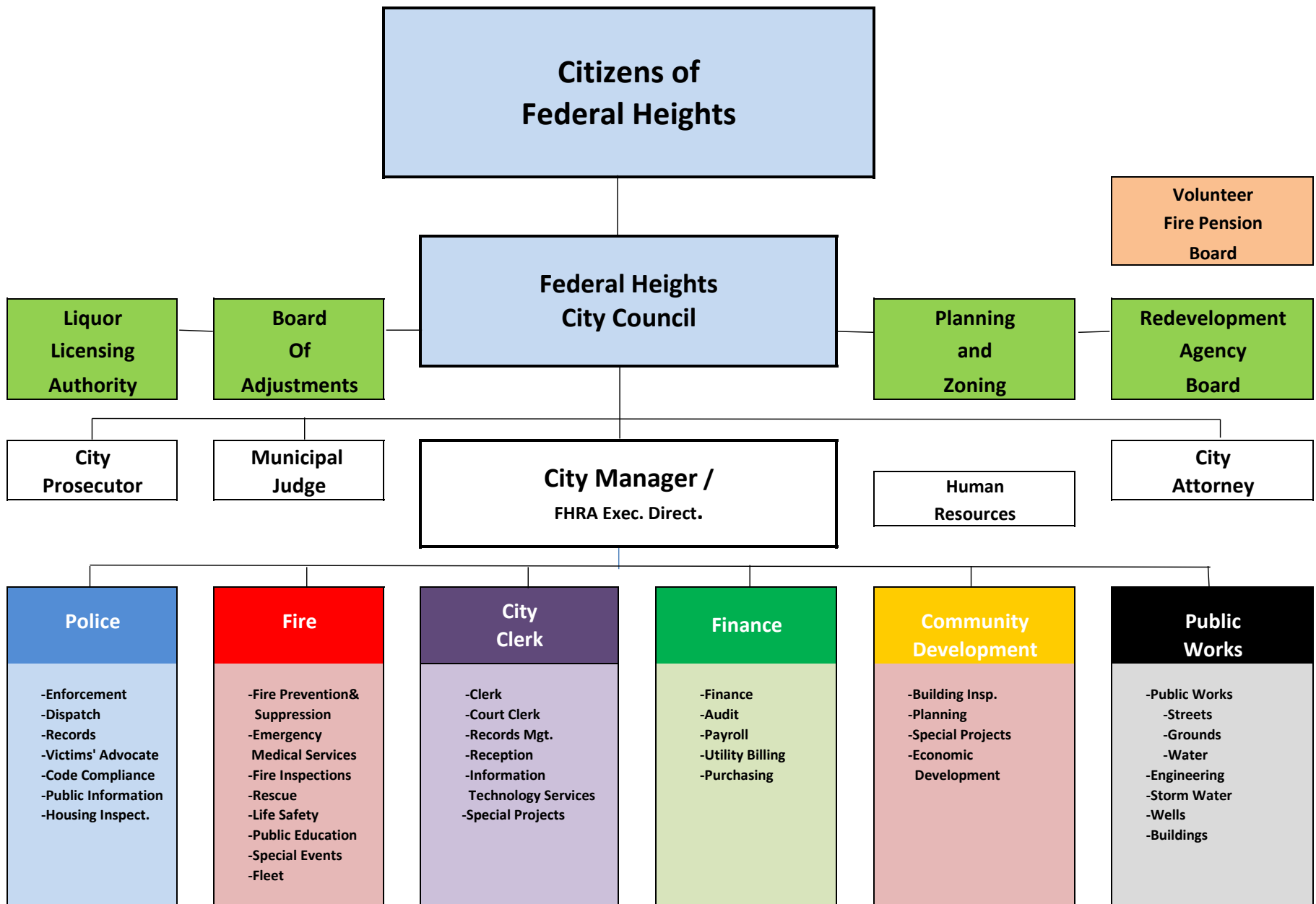
MANAGEMENT AND APPOINTED OFFICIALS

Jacqueline Halburnt	City Manager
Bill Hayashi	City Attorney
Patti Lowell	City Clerk/Director of Admin Services
Ralph Josephsohn	City Prosecutor
Roger Bucholz	Judge
Karl Wilmes	Police Chief
Sean Ellis	Fire Chief
Don Stahurski	Public Works Director
Tim Williams	Community Development Director
Tim Weitzman	Finance Director



Mayor Daniel Dick and City Council

Elaine Sweeney, Harold Thomas, Carolyn Scharf, Daniel Dick and Kevin Dougherty
John Hamlin (not pictured), Ted May (not pictured)





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Federal Heights
Colorado**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

A handwritten signature in black ink, reading "Jeffrey R. Enser". The signature is fluid and cursive.

Executive Director/CEO



The City of Federal Heights MISSION STATEMENT

Our mission is to provide a high quality of life for the citizens of Federal Heights, while preserving a close-knit atmosphere, through responsible and effective stewardship of all resources, prudent economic development, enhancement of our current services, and participation in public, private, and regional partnerships.



June 1, 2017

City Hall
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Federal Heights, CO 80260
303-428-3526
303-412-3598 Fax

To the Citizens of Federal Heights:
To the Mayor and City Council:

City Charter and State law requires that a Comprehensive Annual Financial Report (CAFR) be published within six months of the close of each fiscal year. The report shall be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by independent certified public accountants. This report fulfills that requirement for the City of Federal Heights for the fiscal year ended December 31, 2016.

Responsibility for the accuracy, completeness and fairness of the presentation, including all disclosures, rests with the City, based upon a comprehensive framework of internal control that it has established for this purpose. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the City and results of the operations of its various funds. As the cost of internal controls should not outweigh the benefits, the outcome is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements.

The CAFR is presented in conformity with Statement No. 34 of the Governmental Accounting Standards Board (GASB), titled Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. This reporting standard is intended to parallel private sector reporting by consolidating governmental activities and business-type activities into a single total column for government-wide activities. This statement also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The MD&A can be located in the financial section, immediately following the report of the independent auditors. The 2016 audit was performed by John Cutler and Associates. The independent auditor concluded that the City of Federal Heights’ financial statements for the fiscal year ended December 31, 2016 are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

PROFILE OF THE CITY

The City of Federal Heights is a charter city organized under the laws of the State of Colorado and governed by a Council/Manager form of government. The City Council is composed of seven members – a Mayor elected at large and six Council members elected on a non-partisan basis by their respective wards. There are three wards and two Council members who are elected from each ward. The Council appoints the City Manager, City Attorney, Municipal Judge and City Prosecutor. All other employees are hired by the City Manager. The City had 87 personnel positions in 2016.

The City was established in 1940, has a population of approximately 11,500 according to the 2010 census, and occupies 1.78 square miles (1140 acres). The City is fundamentally built-out with the remaining undeveloped acreage along the Federal Boulevard corridor. Total undeveloped and unplanned areas are less than 75 acres.

The City is a full service City providing police, fire and emergency services, a court system, public works, (parks, streets, water and wastewater service), community development (planning and building), and the general administrative services. Treated water is mostly purchased from our neighbor, the City of Westminster, and the wastewater treatment service is provided by the City of Thornton. The City maintains the City water and wastewater lines, wells producing approximately three percent of customer demand, and the billing of customer accounts. The citizens and business owners enjoy a relatively low 0.68 millage rate for city real and personal property taxation. The City has a four percent rate for sales and use taxes, and a four percent admissions tax.

The City includes the blended component unit, the Federal Heights Redevelopment Agency, in the financial reporting. City Council members are the governing body of this urban renewal authority.

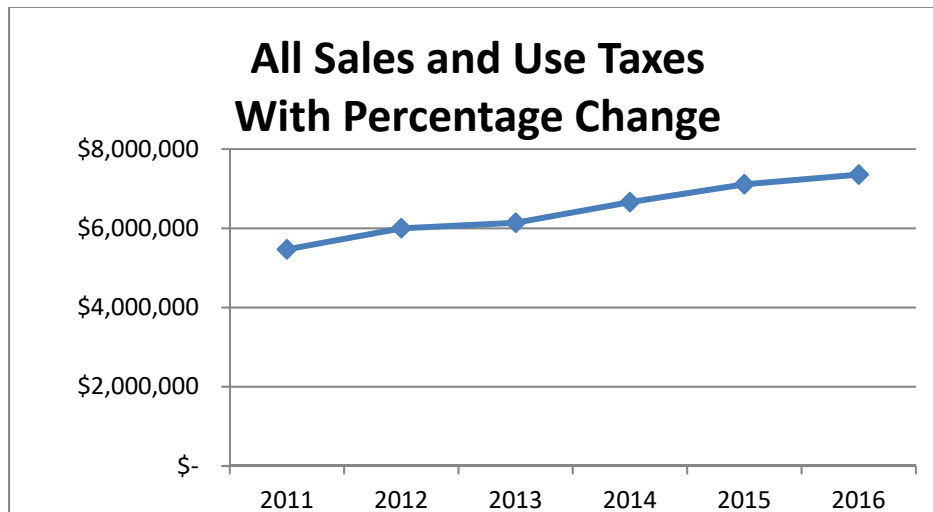
The budget serves as the foundation for the City's financial planning and control. The City Council formally adopts an annual budget for all funds and is required to include a capital plan. City council must adopt the budget by resolution before the close of the prior fiscal year after a public hearing. The budget is prepared at the fund and department levels. Expenditures may not exceed appropriations at the fund level. Any budget revisions that change the total expenditures of any fund must be approved by the City Council.

Economic Condition and Outlook

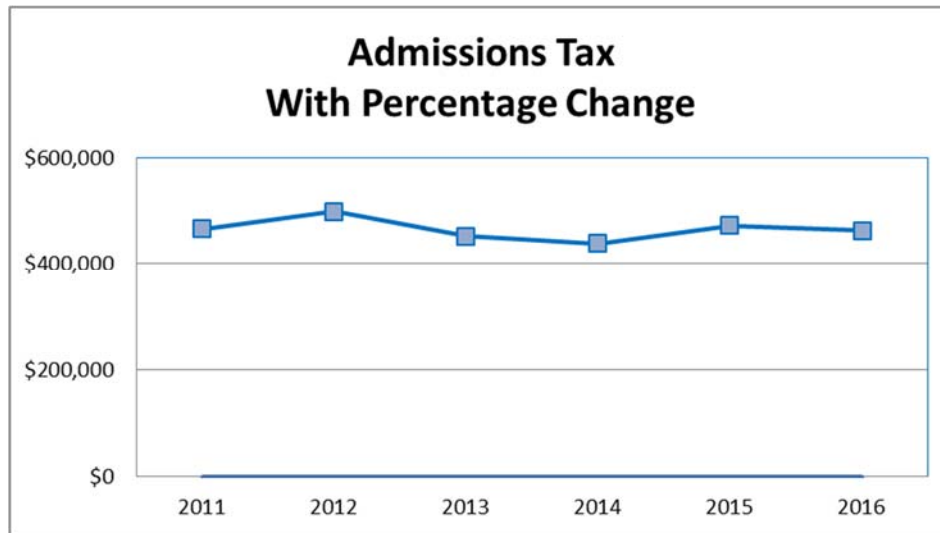
Local Economy: In the Front Range cities, economic growth has continued into 2017. Statewide job growth was 2.2 percent in 2016 and is forecasted to be 2.4 percent in 2017. Colorado unemployment rates are below the national average and the rates across the urban Front Range are among the lowest in the country. Current economic indicators which consist of items such as housing permits and initial unemployment insurance claims suggest continued strong economic growth in the near term. The unemployment rate in Colorado was the 3rd lowest in the US in January 2017 at 2.9 percent. Boulder and Fort Collins had the 3rd and 4th lowest unemployment rates among all U.S. Metro areas and Denver had the 2nd lowest unemployment rates for metro areas in the US with over one million people.

Colorado home values grew faster than the national average in 2016 with prices increasing approximately 10% in the twelve month period ending December 2016. Four of the top twenty cities for home appreciation in 2016 were in Colorado with all of them in the northern Front Range. These four cities consisting of Fort Collins-Loveland, Greeley, Denver and Boulder enjoyed growth rates between 13 and 17 percent. The Denver Boulder Consumer Price Index for all goods grew by 2.8% for 2016 and is expected to increase another 2.8% in 2017. The state's overall sales tax revenues are expected to grow 6.8% for the fiscal year 2017-2018 and increase 4.5% in fiscal year 2017-2018. The 6.8 percent increase for FY 2016-17 is being helped by an accrual accounting adjustment and strong growth in collections on the 10 percent retail marijuana sales tax among other factors.

The City's local economy remains steady. All sales and use taxes grew by 3% in 2016 and increased to approximately \$7.5 million. During 2016, commercial operations were generally stable with an overall net gain in new businesses. Since 2011, all sales and use taxes have increased 35%. Sales tax on motor vehicles has more than doubled in this same timeframe, however, 2016 saw a decrease of approximately 7% in this category from the year before. The city has budgeted a 3% increase in sales tax revenues for 2017.



Admissions tax totaling \$0.5 million in 2016 from all establishments charging for admission within the City decreased from 2015 by approximately 2 percent.



Indications for business confidence, like for the state economy in general, are positive going into 2017. Improved business confidence should help the current economic momentum to continue and help to increase the likelihood for businesses to hire and invest. This overall trend should be a benefit to the City, however, in areas such as housing the benefits can be more limited. With the City largely developed and landlocked, it does not have many current locations ripe for residential or commercial development. In 2016 building permit revenue was approximately 12% higher than in 2015 but is expected to decrease in 2017 as the acquisition of building permits needed for the multi-family residential development at 84th Avenue and Pecos is now complete.

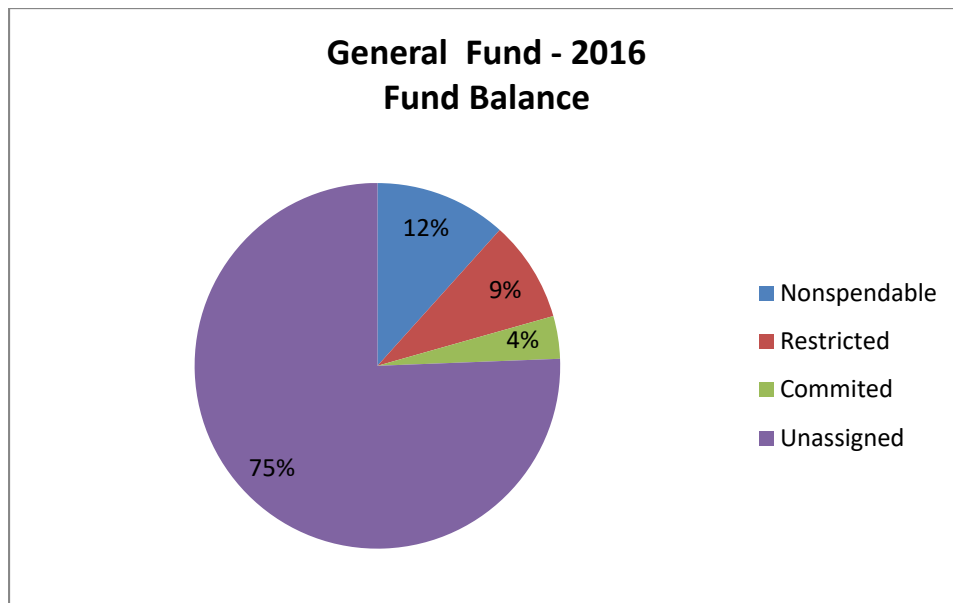
Looking Forward: The “East Parcel” which is within the Redevelopment Agency’s urban renewal zone at 104th Avenue and Federal Boulevard has available pad sites for commercial development. The open 4.5 acres of land at the “East Parcel” is owned by the Redevelopment Agency and has existing infrastructure – roads, power, lighting, common area, drainage detention pond, parking and water and sewer lines. There has been some interest expressed for the sites, currently listed for sale at \$1.4 million. City Council plans to continue to market the property during 2017.

Long-term Financial Planning: The City’s budget process includes the preparation of a 5-year capital improvement plan (CIP). The CIP identifies major construction and equipment needs that are on the horizon, as well as projections of those revenues dedicated for capital purchases. A one-percent sales tax was approved by voters during 2002. The citizen approved ballot item requires 60% of the additional revenue be restricted for capital needs. Thirty-five percent is transferred to the Road Improvement Fund, ten percent restricted for ambulance and fire equipment, and fifteen percent transferred into the City’s Capital Improvement Fund.

A key component of the CIP is the City’s commitment to maintaining its current infrastructure - streets, curbs, gutters, sidewalks, parks, drainage, and the utility system- and dedicating resources to keep infrastructure at acceptable quality levels and to avoid more costly major repairs and reconstruction. While the 5-year planning tool is subject to change, it allows the City to prepare for major capital needs and match those needs with the appropriate projected revenue or available sources.

The City does not plan to issue debt to finance needed projects. Presently, the Utility Fund and the Drainage Fund have more than adequate levels of available working capital to finance major system upgrades. The Road Improvement Fund's long-term financial projections indicate that resources may be depleted and additional resources may be required within the next few years to keep pace with the road CIP program.

The City currently intends on balancing the General Fund budget's appropriated expenditures and other uses with current revenues into the foreseeable future. The General Fund currently maintains an unassigned and available fund balance of \$5.9 million. This represents 76% of the overall General Fund balance and 57% of the budgeted expenditures for the General Fund in 2017. This unassigned fund balance is available to City council for one-time expenditures, or to balance the annual budget on a current basis if absolutely needed.



Major Initiatives: Water- Sewer- Road Maintenance. The City has appropriated \$3.2 million for Water, Sewer and Drainage maintenance including the Federal Blvd Water Main Replacement, W. 100th Ave Water Main Replacement, and sewer lining of clay and concrete pipes, and significant drainage improvements along 96th Avenue and Bryant Drive.

Federal Heights, along with two grant partners the City of Westminster and the Colorado Department of Transportation (CDOT), are working together to widen the 92nd Avenue and Federal Boulevard intersection and traffic lanes. A wider intersection is needed to eliminate traffic backups during peak travel times. The Federal Department of Transportation will pass through CDOT 82% of the funding for this project while each city contributes about 9% of the total project cost. Right-of-away acquisitions and planning have begun.

The 2017 Redevelopment Authority budget includes \$3.0 million for electrical undergrounding along in partnership with Xcel Energy. Also budgeted in 2017 is \$1.0 million for the mill and overlay of W 92nd Ave Federal to Pecos, \$.5 million for rehab of W 100th Avenue and \$.7 million for the rehab of W. 85th Avenue .

Significant projects that took place in 2016 included an emergency water main replacement on Elm Ct. from approximately the 9300 block to 96th Avenue and a scheduled water main replacement from Clay to Zuni St along W 100th Avenue. Additionally the lining of nearly 3,000 feet of older clay and concrete sewer mains was completed. Various street repaving projects completed in 2016 included Clay St from 103rd to 104th Avenue; 102nd Avenue from Federal to Elm Ct.; Elm Ct. from 102nd Ave. to 103rd Avenue; 103rd Ave. from Elm Ct to Hunter's Cove. In addition substantial work was done to help extend the life of existing roads through chip seal work that was performed for the majority of the Northborough and Old Town neighborhoods.

Improvements completed 2017 thus far include a complete reconfiguration of the city's dispatch center. This reconfiguration included two new replacement workstations as well as interconnection with the Front Range Communication Consortium. The interconnection allows for improved control of communications traffic and should help to improve response times.

New Revenue Sources: In November 2016, voters approved the sale of retail marijuana in the city. Current ordinance allows for five locations for medical and or retail marijuana sales. In addition to the city's standard 4 percent sales tax, retail marijuana is subject to an additional 5 percent sales tax. While no recreational marijuana sales have occurred to date, the experience of other state municipalities that have allowed retail marijuana sales indicate that a positive impact to the city's overall sales tax revenue could be significant.

Relevant Financial Information and Policies

Revenue and Spending Limitations: The Colorado Constitutional Amendment passed in November 1992, commonly known as the Taxpayer Bill of Rights (TABOR), restricts growth in governmental spending and revenues, with those amounts adjusted annually for inflation and a local growth factor. In November 1996, Federal Heights' voters approved a referendum that allowed the City to retain revenues that might otherwise have been refundable to citizens under the TABOR limits. As a result, the City is able to retain any "excess" revenues and spend them for capital projects, basic municipal services, and other public purposes. The City continues to be subject to other provisions of TABOR, including maintaining an emergency reserve equal to three percent of annual spending and the requirement for any tax increase or debt issuance for general governmental purposes to be approved by elections.

Pension and Retirement Benefits: City Police and Fire officers participate in various state-wide pension plans sponsored by the Fire and Police Pension Association (FPPA). Since 2005, the City Police and Fire officers have had access to the state-wide defined benefit plan. Previously, uniform personnel participated in FPPA state-wide defined contribution/money purchase plans. The statewide FPPA hybrid money purchase component plan allowed employees of many cities throughout the state to reenter into the FPPA defined benefit program. Very few of our current police and fire officers still participate in the money purchase plans. Both the City and the employee contribute 8 to 11.5 percent, however, they do not participate in or contribute to social security.

The City's general non-uniform employees have money purchase defined contribution plans and participate in social security. The City previously funded 3 percent to these employee retirement plans until 2005. The current employer contribution rate is at least 3 percent and up to 5 percent, if two percent is matched, by the employee.

Currently, the public safety FPPA defined benefit pensions are fully funded based on actuarial studies, and the money purchase defined contribution retirement plans are designed not to create an unfunded debt for the City.

In October of 2011, the City's postretirement health insurance benefit was limited to \$300 per month per retiree. This healthcare benefit terminates when the retiree becomes Medicare eligible. Beginning in 2012, new employees are no longer eligible for this benefit. This liability is included on the City's Statement of Activities, and is addressed in Note No. 6 of the Financial Statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Federal Heights, Colorado for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2015. In order to be awarded a Certificate of Achievement a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both general accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Oversight for the presentation of the Comprehensive Annual Financial Report on a timely basis was made possible by the Finance Department, and many other city staff members who contributed to its preparation. Each contributor has our sincere appreciation for the efforts made in the preparation of this report.

In closing, we wish to thank the members of City Council for their interest, leadership, and support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

Jacqueline Halburnt

Jacqueline Halburnt
City Manager



Timothy Weitzman
Finance Director

FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Honorable Mayor and Members of the City Council
City of Federal Heights
Federal Heights, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Federal Heights, Colorado, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City, 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 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Federal Heights, 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and required pension information on pages 42 - 48 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 of Federal Heights' basic financial statements. The combining and individual fund financial schedules and combining schedules of the non-major funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated in all material respects in relation to the financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

John Luther & Associates, LLC

June 1, 2017

As management of the City of Federal Heights (“City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the City.

A. FINANCIAL HIGHLIGHTS

- The net position of all governmental and business type activities totaled \$49.5 million at the end of 2016 on the Government – Wide Financial Statements. Of this amount, \$19.4 million or 39% is unrestricted and may be used to meet the City’s ongoing obligations.
- The General Fund total equity increased by \$.5 million and totaled \$7.8 million. Unassigned fund balance was \$5.9 million or 58% of General Fund Revenues. The unassigned portion of fund balance is available for the City’s future spending needs at the Council’s discretion.
- Tax revenue in the General Fund increased 3% to \$8.0 million. Sales and use tax and admissions tax revenues increased by \$0.2 million to \$7.5 million, while most other tax revenue sources remained relatively unchanged from the previous year.
- The Redevelopment Agency Fund’s unassigned fund balance totaling \$1 million at the end of 2016 improved from a negative \$(.2) million reported at the end of the previous year. Property tax increment receipts will be used to pay off redevelopment loans and for projects in the redevelopment areas.
- The Road Improvement Fund restricted equity for street improvements increased \$0.8 million and totaled \$2.6 million. Capital outlay of \$1.3 million was spent during the year for infrastructure improvements and repairs.
- Other Governmental Funds reported combined restricted fund equity of \$2.8 million, an increase of \$0.1 million in comparison with the prior year. This increase is related to revenues in the Open Space and Capital Improvement Funds that will be spent on qualified projects in the future.
- The Utility Fund and Drainage Fund (proprietary/business type funds) net positions increased \$0.6 million to \$18.7 million. However, on a budgetary basis including the cost of capital acquisitions, the Utility Fund spent \$0.1 million less than current revenues, while the Drainage Fund spent \$.2 million more than current revenues.
- Utility Fund capital system investment totaled \$.7 million and the Drainage Fund capital system improvement totaled \$.5 million.

B. **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Federal Heights' finances in a manner similar to a private sector business.

The ***Statement of Net Position*** presents the financial condition of the City as a whole at the end of the fiscal year by presenting information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the City is improving or deteriorating.

The ***Statement of Activities*** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (Governmental Activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type Activities). The Governmental Activities of the City include general government, public safety (police, dispatch, victim advocate services, fire and ambulance), community services, parks and recreation, and community development. Business-type Activities include utility (water/sewer) and drainage. The Utility Enterprise and the Drainage Enterprise are the two major Business-type funds.

The Redevelopment Agency, for which the City is financially accountable, is included in the government-wide financial statements. Financial information for this blended component unit is reported separately from the financial information presented for the City itself.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law, however, City Council establishes other funds to help control and manage spendable resources for particular purposes (i.e. Road Improvement Fund). The City's funds can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

GASB 34 requires the designation and highlighting of Major Funds and establishes certain size thresholds that a fund must meet in relation to all the other governmental or business-type activity funds, or in relation to all city funds before a fund is classified as a major fund. The General Fund is always considered a major fund. In highlighting these funds, it is believed that readers will more carefully review the activity of the largest funds. Our major governmental funds are the General Fund, Redevelopment Agency Fund, and the Road Improvement Fund. The non-major funds include the Open Space Fund, Capital Improvements Fund and the Special Investigation Fund.

Governmental funds – Most of the City’s basic services are reported in governmental funds, which focus on how spendable resources flow into and out of those funds and the balances left at year-end that are available for future years. The funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.

An annual appropriated budget is adopted for all governmental funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

Proprietary funds – When the City charges customers for services it provides these services are generally reported in proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund and the Drainage Funds, which are considered to be major funds.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City’s own programs. The method of accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report includes Required Supplementary Budgetary comparisons for the General Fund and Redevelopment Agency. The City’s funding of the Volunteer Firefighters Pension Plan and the retiree healthcare plan are also in this section. These tables are updated every two and three years respectively.

Combining and Individual Fund Schedules

This report presents the combining statements, individual statements and schedules of the non-major Governmental Funds and Enterprise Funds. Schedules of revenues, expenditures and change in net position – budget to actual of all proprietary funds, Road Improvement Fund and non-major governmental funds are also included.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the close of 2016, total net position was \$49.5 million. By far the largest portion of the net position was the investment in capital assets (net of related debt) of \$24.0 million (49%). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position totaling \$6.1 million (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$19.4 million (39%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

The following table summarizes the City's governmental and business-type net position for 2016 and 2015.

Statement of Net Position (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 21,302.3	\$ 19,152.8	\$ 8,385.4	\$ 8,832.3	\$ 29,687.7	\$ 27,985.1
Capital Assets	12,963.9	12,018.9	11,002.2	10,274.4	23,966.1	22,293.3
Total Assets	34,266.2	31,171.7	19,387.6	19,106.7	53,653.8	50,278.4
Deferred Outflow of Resources	1,062.3	310.1	-	-	1,062.3	310.1
Total Assets & Deferred Outflows	35,328.5	31,481.8	19,387.6	19,106.7	54,716.1	50,588.5
Current and Other Liabilities	1,384.3	829.2	617.6	950.8	2,001.9	1,780.0
Long-term Liabilities	1,254.1	1,233.7	48.0	44.7	1,302.1	1,278.4
Total Liabilities	2,638.4	2,062.9	665.6	995.5	3,304.0	3,058.4
Deferred Inflow of Resources	1,910.6	1,991.8	-	-	1,910.6	1,991.8
Total Liabilities & Deferred Inflows	4,549.0	4,054.7	665.6	995.5	5,214.6	5,050.2
Net Position						
Net Investment in Capital Assets	12,963.9	12,018.9	11,002.2	10,274.4	23,966.1	22,293.3
Restricted	6,103.7	5,016.0	-	-	6,103.7	5,016.0
Unrestricted	11,711.9	10,392.1	7,719.8	7,836.8	19,431.7	18,228.9
Total Net Position	30,779.5	27,427.0	18,722.0	18,111.2	49,501.5	45,538.2

The changes in net position from 2015 to 2016 are primarily a result of normal operations and maintenance of the City's capital infrastructure. The positive change of net position is added to current working capital and to the unrestricted portion of net position. Expenditures for business-type (water, wastewater, and drainage) infrastructure increased the net investment in capital assets as well.

Changes in Net Position

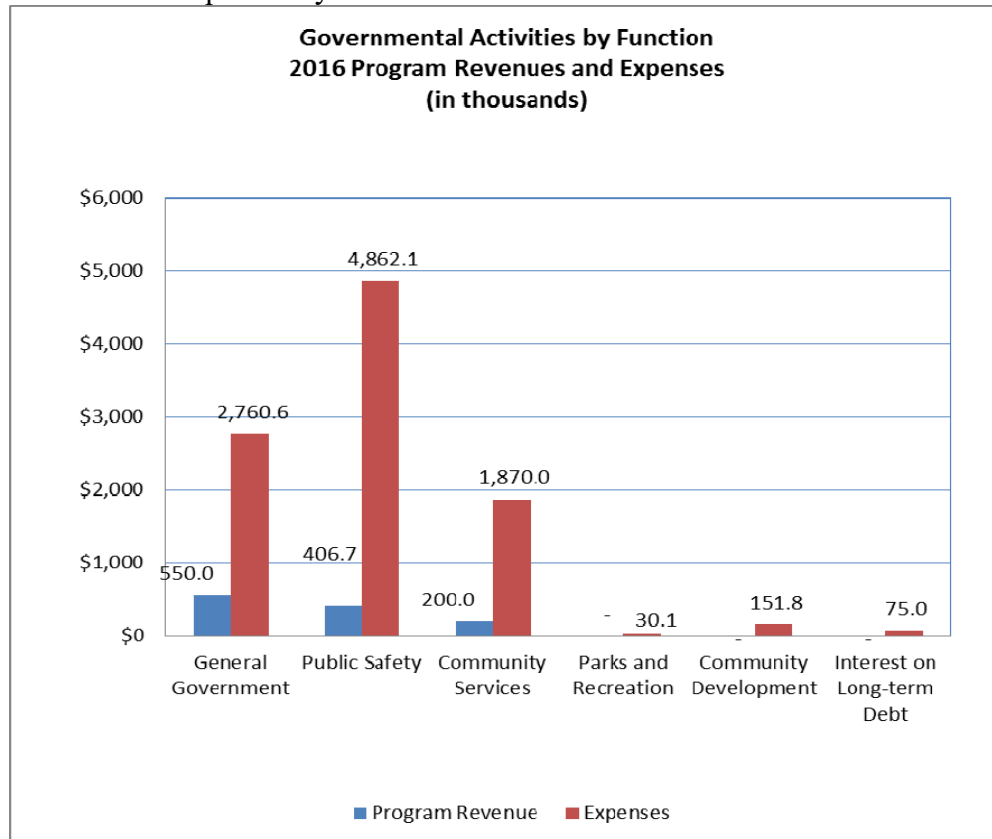
The City's 2016 total revenues of \$17.7 million exceeded program expenses of \$13.7 million. The 2016 increase in net position after special items and transfers was \$4.0 million compared to \$3.4 million during 2015.

Changes in Net Position (in thousands)

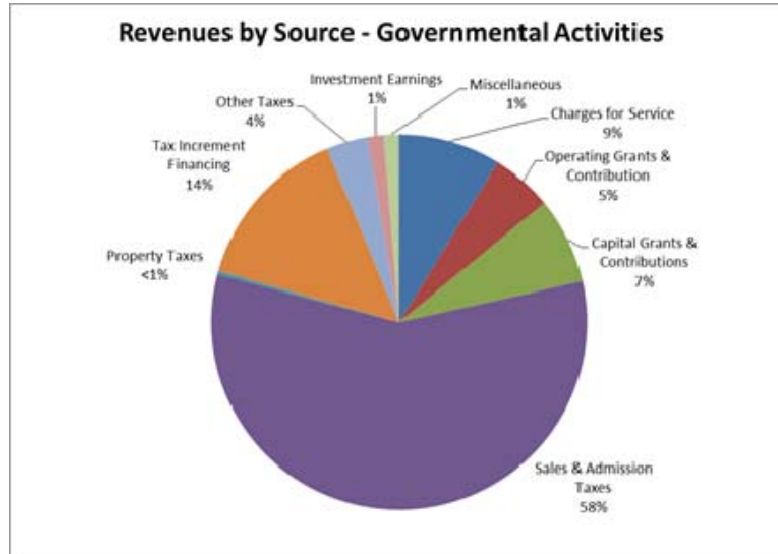
	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for Service	\$ 1,157.2	\$ 1,197.7	\$ 4,749.8	\$ 4,181.9	\$ 5,907.0	\$ 5,379.6
Operating Grants & Contribution	688.2	680.8	-	-	688.2	680.8
Capital Grants & Contributions	973.4	385.4	-	-	973.4	385.4
General Revenues						
Sales & Admission Taxes	7,547.3	7,297.2	-	-	7,547.3	7,297.2
Property Taxes	39.1	31.6	-	-	39.1	31.6
Tax Increment Financing	1,882.6	1,779.5	-	-	1,882.6	1,779.5
Other Taxes	465.7	553.0	-	-	465.7	553.0
Investment Earnings	184.8	120.9	88.0	69.5	272.8	190.4
Miscellaneous	170.1	50.9	11.4	8.3	181.5	59.2
Total Revenues	13,108.4	12,097.0	4,849.2	4,259.7	17,957.6	16,356.7
Program Expenses						
General Government	2,760.6	2,690.1	-	-	2,760.6	2,690.1
Public Safety	4,862.1	4,419.3	-	-	4,862.1	4,419.3
Community Services	1,870.0	1,820.9	-	-	1,870.0	1,820.9
Parks and Recreation	30.1	44.2	-	-	30.1	44.2
Community Development	151.8	132.3	-	-	151.8	132.3
Interest on Long-Term Debt	75.0	75.5	-	-	75.0	75.5
Utility	-	-	3,803.0	3,585.7	3,803.0	3,585.7
Drainage	-	-	180.4	157.1	180.4	157.1
Fire Academy	-	-	-	-	-	-
Total Expenses	9,749.7	9,182.3	3,983.4	3,742.8	13,733.1	12,925.1
Excess before Special Items & Transfers	3,358.8	2,914.7	865.8	516.9	4,224.6	3,431.6
Capital Contribution	-	-	-	-	-	-
Loss on Disposal of Assets	-	(11.9)	-	-	-	(11.9)
Change in Value of Asset	(261.4)	-	-	-	(261.4)	-
Transfers	255.0	255.0	(255.0)	(255.0)	-	-
Increase (decrease) in Net Position	3,352.4	3,157.8	610.8	261.9	3,963.2	3,419.7
Net Position, Beginning	27,427.0	24,269.2	18,111.3	17,849.3	45,538.3	42,118.5
Net Position, Ending	\$ 30,779.4	\$ 27,427.0	\$ 18,722.1	\$ 18,111.2	\$ 49,501.5	\$ 45,538.2

Governmental Activities

Total program expenses of \$9.7 million exceeded program revenue of \$2.8 million by \$6.9 million for 2016 compared to \$6.9 million during 2015. The 2016 increase in net position was \$3.4 million and \$3.2 million in 2015. The following illustrates the governmental activities program revenues and expenses by function:

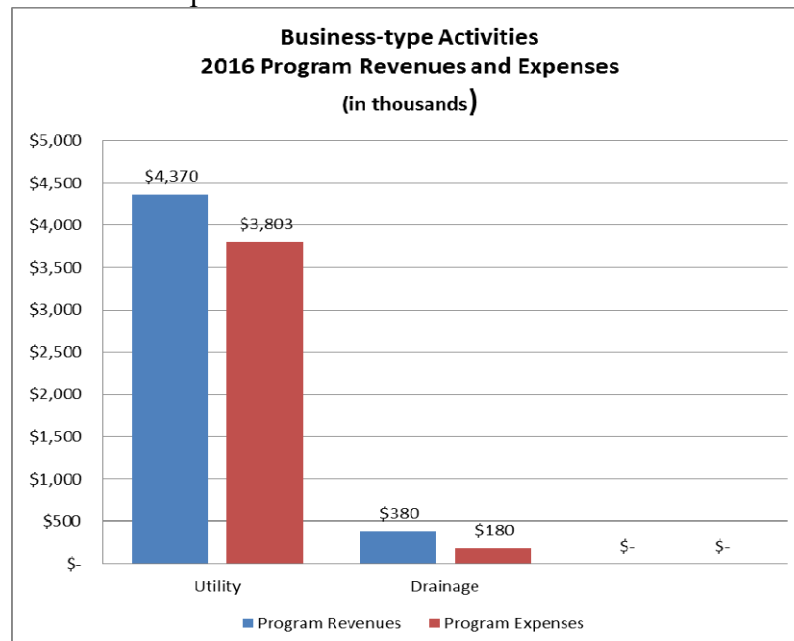


Sales and admission taxes increased 3.4% in 2016, from \$7.3 million to \$7.5 million. Economic activity continues to improve within the city. The Redevelopment Agency property tax increment revenues increased \$0.1 million and totaled \$1.9 million. All sources of Governmental activities revenues increased \$1.0 million or 8.4% and totaled \$13.1 million in 2016.

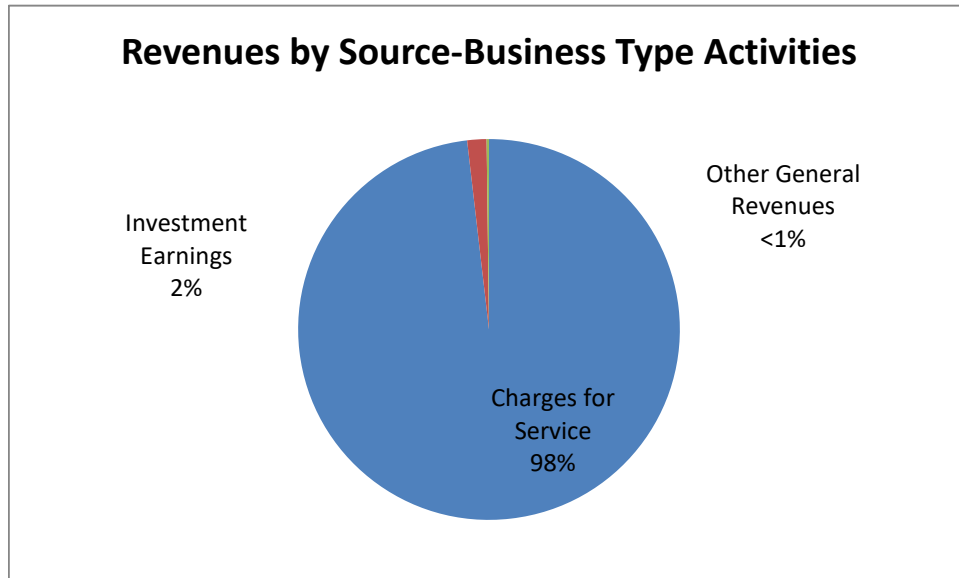


Business-type Activities

Business-type activities including Utilities (water and sewer) and Drainage, for the year resulted in an increase of net position of \$0.6 million. Charges for services in 2016 totaled \$4.7 million and accounted for 98% of total revenues. Charges for services increased \$.6 million compared to 2015 with \$.3 million of that increase due to tap fees. The following illustrates the business-type activities program revenues and expenses:



The 2016 water and sewer customer rates increased 4.0% and 2.75% respectively. Total 2016 business type revenues totaling \$4.5 million increased \$.3 million when compared to 2015.



D. THE CITY'S FUNDS

Governmental funds – The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. The budgets for these funds are prepared on the same basis. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of 2016, the City's governmental funds reported combined ending fund balances of \$15.6 million, an increase of \$2.2 million. The primary positive fluctuations in fund balances were in the Redevelopment Agency Fund which improved \$.9 million, the Road Fund which increased \$.8 million, and the General Fund which improved by \$.5 million in comparison with the prior year. The Redevelopment Agency is a component unit that is blended into the City's financial statements. The General Fund change was the result of higher revenues and lower spending than amounts appropriated. The Road Fund increase was primarily the result of a one-time \$.5 million transfer from the General Fund. The Redevelopment Agency fund balance improves as property tax increment revenues are collected and advances from other funds are reduced. The change in the Redevelopment Agency Fund balance was the result of normal operations and a \$.3 million reduction to adjust the land held for sale to fair value. Committed, restricted, and nonspendable fund balances in all governmental funds amounted to \$8.6 million. The General Fund's unassigned fund balance that is available for subsequent years' spending totaled \$6.9 million.

Balance Sheet - Governmental Funds	
General Fund :	
Unassigned	5,937,498
Committed	295,291
Restricted	700,575
NonSpendable	912,356
Total General Fund	7,845,720
Redevelopment Agency Fund:	
Unassigned	1,032,011
Nonspendable	1,306,800
Total Redevelopment Agency Fund	2,338,811
Road Improvement Fund:	
Restricted	2,569,753
Other Government Funds:	
Restricted	2,833,354
Governmental Funds - Grand Total	15,587,638
Committed, restricted, nonspendable	8,618,129
Unassigned	6,969,509
	15,587,638

Proprietary funds – The focus of proprietary funds is economic resources (net position) and economic gain or loss (change in net position). These funds report on the accrual basis of accounting like the government-wide business-type activities only in more detail. The unrestricted portions of net position are resources that are available at the end of the year. The Utility Fund (water and wastewater) and the Drainage Fund (storm water) are the City’s two major proprietary funds. The unrestricted net positions of the Utility Fund and Drainage Fund decreased \$0.1 million to \$7.7 million. This high level of unrestricted net position is expected to be reduced in the future, and utilized for costly system capital upgrades and major maintenance. The total net position of the proprietary funds was \$18.7 million compared to \$18.1 million at the end of the previous year.

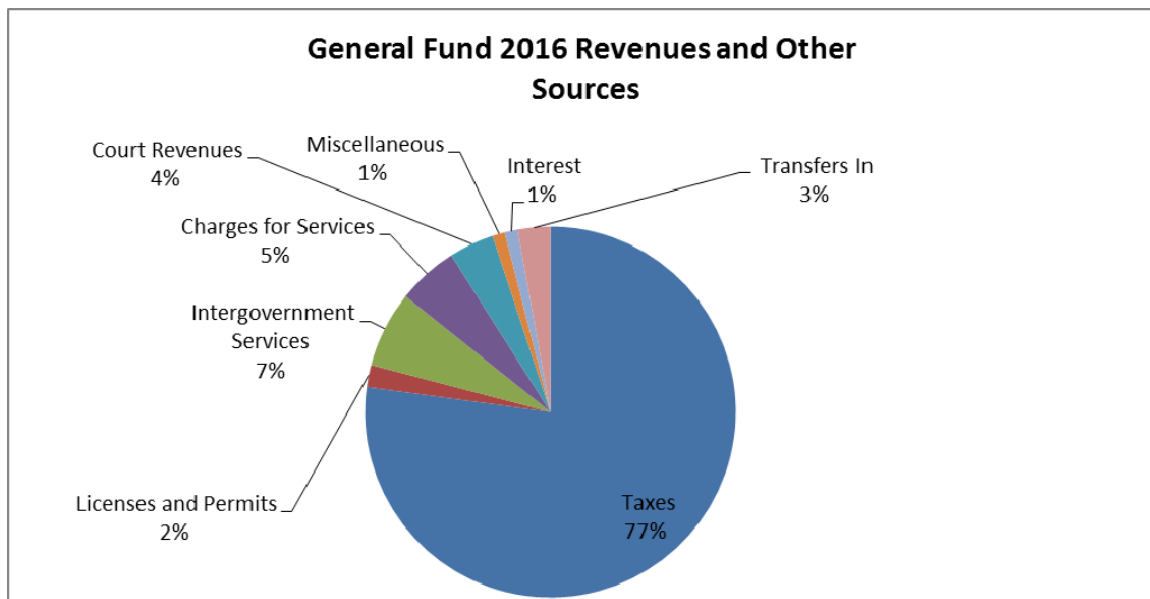
General Fund Budgetary Highlights

The General Fund accounts for all of the general services provided by the City. The amended 2016 budget was balanced on a current annual basis excluding the effect of a one-time transfer of \$0.5 million to the Road Fund. Including this transfer the General Fund Budget included \$9.9 million of revenues/inflows, and \$10.5 million of expenditures/outflows. Fund balance was anticipated to be \$6.1 million at the end of 2016 compared to the \$7.8 million actual ending balance.

Revenues and transfers into the General Fund were \$0.4 million favorable or more than the \$9.9 million anticipated in the budget. Most revenues including taxes were favorable to budget, but court revenue was unfavorable.

**General Fund Revenues and Other Sources
Compared to 2016 Adopted Budget
(In Thousands)**

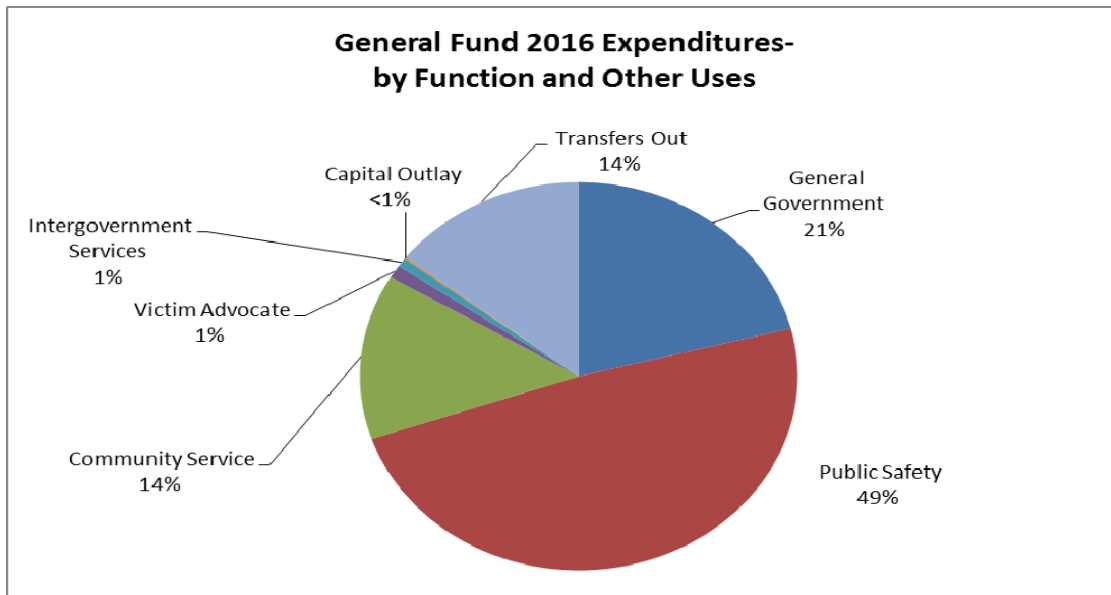
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes	\$ 7,906	\$ 8,006	\$ 100
Licenses and Permits	118	200	82
Intergovernmental Services	655	688	33
Charges for Services	469	550	81
Court Revenues	423	407	(16)
Miscellaneous	32	113	80
Interest	60	117	57
Transfers In	295	295	-
Total	<u>\$ 9,959</u>	<u>\$ 10,376</u>	<u>\$ 417</u>



General Fund expenditures and transfers out totaling \$9.9 million were \$0.6 million favorable to the \$10.5 million appropriation.

**General Fund Expenditures by Function
and Other Uses (In Thousands)
Compared to 2016 Adopted Budget**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government	\$ 2,197	\$ 2,086	\$ 111
Public Safety	5,194	4,835	359
Community Service	1,463	1,362	100
Victim Advocate	109	110	(1)
Intergovernmental Services	66	73	(7)
Capital Outlay	20	14	5
Transfers Out	<u>1,438</u>	<u>1,438</u>	<u>-</u>
Total	<u>\$ 10,487</u>	<u>\$ 9,919</u>	<u>\$ 568</u>



E. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets net of depreciation for its governmental and business-type activities as of December 31, 2016, amounts to \$23.9 compared to \$22.3 million at the end of 2015. The City invests in a broad range of capital assets, including streets, water and wastewater lines, storm drainage, and other infrastructure improvements; municipal facilities; park and trail improvements; and various equipment and vehicles.

The following table provides a comparative summary of total capital assets at December 31, 2016 and 2015:

Capital Assets (Net of Depreciation, In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 145.7	\$ 145.7	\$ -	\$ -	\$ 145.7	\$ 145.7
Construction in Progress	200.7	89.0	-	-	200.7	89.0
Buildings	931.9	989.0	75.9	81.6	1,007.8	1,070.6
Improvements	10,372.4	9,920.9	-	-	10,372.4	9,920.9
Machinery, Equipment, and Furniture	1,313.3	874.4	118.0	116.1	1,431.3	990.5
Sewer Lines	-	-	2,970.9	3,031.0	2,970.9	3,031.0
Water Plant, Tanks, and Wells	-	-	5,767.8	5,382.9	5,767.8	5,382.9
Drainage System	-	-	2,069.7	1,662.9	2,069.7	1,662.9
Total Net Capital Assets	\$ 12,964.0	\$ 12,019.0	\$ 11,002.3	\$ 10,274.5	\$ 23,966.3	\$ 22,293.5

Major expenditures added to capital assets during 2016 included:

Road Improvements	885,199
Water and Sewer System Improvements	722,411
Drainage Improvements	487,466
Communications Equipment and Police and Other Vehicles	697,515

The City remains committed to the upkeep and maintenance of the City's largest assets. More detailed information about capital assets is presented in notes one and five to the financial statements.

Long Term Debt - At the end of 2016, the City did not have any bonded debt or certificate of participations outstanding. The Redevelopment Agency had a combined \$1.4 million advance from the General Fund and the Utility Fund. These advances will be paid by property tax increment revenues from the Agency's redevelopment area.

F. FACTORS EFFECTING THE FUTURE OF THE CITY

The City continues to maintain a strong financial position. Unassigned fund balances and net position exceed levels acceptable by the City Council. In preparing the 2017 budget, the City was conservatively optimistic in projecting revenue increases for sales and use taxes. The City continues to be cautious with its spending, delaying discretionary purchases as necessary and monitoring revenues to continually assess the City's financial position. The 2017 budget reflects the City's continued commitment to capital replacement with maintenance of City infrastructure as a top priority.

Sales tax revenues reflect continued increases during 2016. The 2017 budget anticipated sales and use tax revenues to increase 3.0% over projected 2016 amounts. Through March 2017 receipts, total sales and use tax revenue is up 5% when compared to 2016. With other revenues projected to have modest increases and fund balance well above required levels, the General Fund remains strong.

The Utility Fund water and wastewater rates have been historically increased to adjust for supplier cost increases. For 2017, water rates were increased 8% and wastewater rates 1.4%. Our supplier of water resources has enough water rights to continue to serve our citizens and customers into the foreseeable future. Any future rate increases for water and wastewater as required to offset operating costs and capital needs will be reviewed in detail and approved by council. Water and sewer tap fees are adjusted for the change in consumer price index each year. Drainage Fund stormwater rates have remained constant for many years and no increase is anticipated or needed at this time.

The City continues to seek opportunities for economic growth while improving the quality of services offered and maintaining its financial sustainability.

G. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and customers a general overview of the City's finances and describe the City's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Finance Director at the following address:

City of Federal Heights
2380 W. 90th Ave.
Federal Heights, CO 80260
303-412-3531

BASIC FINANCIAL STATEMENTS

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF NET POSITION

As of December 31, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 14,641,814	\$ 7,396,972	\$ 22,038,786
Receivables			
Property Taxes	1,899,689	-	1,899,689
Accounts	1,467,335	447,381	1,914,716
Accrued Interest Receivable	20,245	-	20,245
Interfund Activity	(541,078)	541,078	-
Prepaid Items	15,738	-	15,738
Assets Held For Sale	1,306,800	-	1,306,800
Net Pension Asset - Volunteer Pension	2,482,460	-	2,482,460
Net Pension Asset - SWDB Pension	9,259	-	9,259
Capital Assets, Not Depreciated	346,427	-	346,427
Capital Assets, Depreciated			
Net of Accumulated Depreciation	12,617,501	11,002,153	23,619,654
TOTAL ASSETS	<u>34,266,190</u>	<u>19,387,584</u>	<u>53,653,774</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Volunteer Pension	134,140	-	134,140
Related to SWDB Pension	928,130	-	928,130
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,062,270</u>	<u>-</u>	<u>1,062,270</u>
LIABILITIES			
Accounts Payable	986,589	548,211	1,534,800
Accrued Expenses	261,153	14,037	275,190
Deposits	75,474	50,000	125,474
Due within One Year	61,046	5,335	66,381
Due in More Than One Year	1,254,051	48,013	1,302,064
TOTAL LIABILITIES	<u>2,638,313</u>	<u>665,596</u>	<u>3,303,909</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Property Tax Revenue	1,899,689	-	1,899,689
Related to SWDB Pension	10,932	-	10,932
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,910,621</u>	<u>-</u>	<u>1,910,621</u>
NET POSITION			
Investment in Capital Assets	12,963,928	11,002,153	23,966,081
Restricted for Emergencies	380,000	-	380,000
Restricted for Capital Expenditures	1,748,035	-	1,748,035
Restricted for Highways and Streets	2,569,753	-	2,569,753
Restricted for Parks and Recreation	500,106	-	500,106
Restricted for Open Space	905,788	-	905,788
Unrestricted	11,711,916	7,719,835	19,431,751
TOTAL NET POSITION	<u>\$ 30,779,526</u>	<u>\$ 18,721,988</u>	<u>\$ 49,501,514</u>

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

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR</u>	<u>OPERATING</u>	<u>CAPITAL</u>
		<u>SERVICES</u>	<u>GRANTS AND</u>	<u>GRANTS AND</u>
			<u>CONTRIBUTIONS</u>	<u>CONTRIBUTIONS</u>
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 2,760,615	\$ 550,302	\$ 443,070	\$ 28,726
Public Safety	4,862,109	406,745	47,196	312,210
Community Services	1,870,024	200,161	146,839	615,404
Parks and Recreation	30,147	-	51,134	17,045
Community Development	151,832	-	-	-
Interest on Long Term Debt	74,956	-	-	-
Total Governmental Activities	9,749,683	1,157,208	688,239	973,385
Business-Type Activities				
Utility	3,803,002	4,369,993	-	-
Drainage	180,448	379,773	-	-
Total Business-Type Activities	3,983,450	4,749,766	-	-
Total Primary Government	\$ 13,733,133	\$ 5,906,974	\$ 688,239	\$ 973,385

GENERAL REVENUES

Property Taxes
Sales and Admission Taxes
Property Tax Increment Financing
Other Taxes
Interest
Miscellaneous
Transfers
Change in Value of Asset

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION Beginning

NET POSITION Ending

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (1,738,517)	\$ -	\$ (1,738,517)
(4,095,958)	-	(4,095,958)
(907,620)	-	(907,620)
38,032	-	38,032
(151,832)	-	(151,832)
(74,956)	-	(74,956)
(6,930,851)	-	(6,930,851)
-	566,991	566,991
-	199,325	199,325
-	766,316	766,316
(6,930,851)	766,316	(6,164,535)
39,128	-	39,128
7,547,332	-	7,547,332
1,882,640	-	1,882,640
465,724	-	465,724
184,833	87,988	272,821
170,127	11,422	181,549
255,000	(255,000)	-
(261,433)	-	(261,433)
10,283,351	(155,590)	10,127,761
3,352,500	610,726	3,963,226
27,427,026	18,111,262	45,538,288
<u>\$ 30,779,526</u>	<u>\$ 18,721,988</u>	<u>\$ 49,501,514</u>

CITY OF FEDERAL HEIGHTS, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2016

	GENERAL	SPECIAL REVENUE REDEVELOPMENT	CAP. PROJECT ROAD	OTHER
	FUND	AGENCY FUND	IMPROVEMENT FUND	GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	\$ 6,396,568	\$ 2,469,927	\$ 2,969,228	\$ 2,806,091
Property Taxes Receivable	39,776	1,859,913	-	-
Accounts Receivable	981,210	-	429,721	56,404
Accrued Interest Receivable	20,245	-	-	-
Prepaid Items	15,738	-	-	-
Advances To Other Funds	896,618	-	-	-
Assets Held for Resale	-	1,306,800	-	-
Due From Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ 8,350,155</u>	<u>\$ 5,636,640</u>	<u>\$ 3,398,949</u>	<u>\$ 2,862,495</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 128,032	\$ 220	\$ 829,196	\$ 29,141
Accrued Expenses	261,153	-	-	-
Due To Other Funds	-	-	-	-
Advances From Other Funds	-	1,437,696	-	-
Deposits	75,474	-	-	-
TOTAL LIABILITIES	<u>464,659</u>	<u>1,437,916</u>	<u>829,196</u>	<u>29,141</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	<u>39,776</u>	<u>1,859,913</u>	<u>-</u>	<u>-</u>
FUND EQUITY				
Nonspendable	912,356	1,306,800	-	-
Restricted for Emergencies	380,000	-	-	-
Restricted for Capital Expenditures	303,058	-	-	1,444,977
Restricted for Highways and Streets	-	-	2,569,753	-
Restricted for Parks and Recreation	17,517	-	-	482,589
Restricted for Open Space	-	-	-	905,788
Committed for Victims Advocate	290,051	-	-	-
Committed for Graffiti	5,239	-	-	-
Unassigned	5,937,499	1,032,011	-	-
TOTAL FUND EQUITY	<u>7,845,720</u>	<u>2,338,811</u>	<u>2,569,753</u>	<u>2,833,354</u>
TOTAL LIABILITIES, DEFERRED INFLOWS INFLOWS, AND FUND EQUITY	<u>\$ 8,350,155</u>	<u>\$ 5,636,640</u>	<u>\$ 3,398,949</u>	<u>\$ 2,862,495</u>

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

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

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

These include OPEB liability (\$704,638), and accrued compensated absences (\$610,459), net pension asset of \$2,491,719, deferred outflows related to pensions of \$1,062,270, and deferred inflows related to pensions of (\$10,932).

Net position of governmental activities

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

TOTAL
GOVERNMENTAL FUNDS

2016	2015
\$ 14,641,814	\$ 11,868,807
1,899,689	1,980,153
1,467,335	1,111,996
20,245	25,324
15,738	16,437
896,618	849,872
1,306,800	1,568,233
-	352,555
<u>\$ 20,248,239</u>	<u>\$ 17,773,377</u>

\$ 986,589	\$ 441,058
261,153	249,478
-	292,986
1,437,696	1,362,740
75,474	76,744
<u>2,760,912</u>	<u>2,423,006</u>

<u>1,899,689</u>	<u>1,980,153</u>
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2,219,156	2,434,542
380,000	337,476
1,748,035	1,634,046
2,569,753	1,787,348
500,106	475,830
905,788	857,352
290,051	311,729
5,239	4,813
6,969,510	5,527,082
<u>15,587,638</u>	<u>13,370,218</u>

12,963,928	12,018,995
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<u>2,227,960</u>	<u>2,037,813</u>
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<u>\$ 30,779,526</u>	<u>\$ 27,427,026</u>
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CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	GENERAL	SPECIAL REVENUE REDEVELOPMENT	CAP. PROJECT ROAD	OTHER
	FUND	AGENCY FUND	IMPROVEMENT FUND	GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 8,005,963	\$ 1,882,640	\$ -	\$ 46,221
Licenses and Permits	200,161	-	-	-
Intergovernmental	688,239	-	615,404	357,981
Charges for Services	550,302	-	-	-
Court Revenues	406,745	-	-	-
Miscellaneous	112,575	-	39,510	18,042
Interest	117,063	20,299	20,685	26,786
TOTAL REVENUES	10,081,048	1,902,939	675,599	449,030
EXPENDITURES				
Current				
General Government	2,086,425	-	-	-
Public Safety	4,835,191	-	-	-
Community Services	1,362,429	-	99,933	-
Victim Advocate	110,063	-	-	-
Parks and Recreation	-	-	-	7,101
Community Development	-	141,576	-	-
Intergovernmental Services	72,713	-	-	-
Debt Service				
Interest	-	74,956	-	-
Capital Outlay	14,470	-	1,333,090	746,816
TOTAL EXPENDITURES	8,481,291	216,532	1,433,023	753,917
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,599,757	1,686,407	(757,424)	(304,887)
OTHER FINANCING SOURCES (USES)				
Transfers In	295,000	-	1,579,829	358,000
Transfers Out	(1,438,000)	(499,829)	(40,000)	-
Change in Value of Asset	-	(261,433)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,143,000)	(761,262)	1,539,829	358,000
NET CHANGE IN FUND BALANCES	456,757	925,145	782,405	53,113
FUND BALANCES, Beginning	7,388,963	1,413,666	1,787,348	2,780,241
FUND BALANCES, Ending	\$ 7,845,720	\$ 2,338,811	\$ 2,569,753	\$ 2,833,354

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

TOTAL
GOVERNMENTAL FUNDS

2016	2015
\$ 9,934,824	\$ 9,661,322
200,161	206,367
1,661,624	1,066,321
550,302	511,420
406,745	479,961
170,127	50,930
184,833	120,863
<u>13,108,616</u>	<u>12,097,184</u>
2,086,425	2,096,601
4,835,191	4,541,834
1,462,362	1,441,761
110,063	95,214
7,101	6,304
141,576	121,030
72,713	49,244
74,956	75,482
<u>2,094,376</u>	<u>1,333,459</u>
<u>10,884,763</u>	<u>9,760,929</u>
<u>2,223,853</u>	<u>2,336,255</u>
2,232,829	1,138,000
(1,977,829)	(883,000)
<u>(261,433)</u>	<u>-</u>
<u>(6,433)</u>	<u>255,000</u>
2,217,420	2,591,255
<u>13,370,218</u>	<u>10,778,963</u>
<u>\$ 15,587,638</u>	<u>\$ 13,370,218</u>

CITY OF FEDERAL HEIGHTS, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

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

Net Changes in Fund Balances - Total Governmental Funds	0	\$ 2,217,420
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$1,694,459 exceeded depreciation expense (\$749,526) in the current period.		944,933
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include a change in OPEB liability \$29,107 and a change in accrued compensated absences of (\$9,694)		(19,413)
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.		<u>209,560</u>
Change in Net Position of Governmental Activities		<u><u>\$ 3,352,500</u></u>

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

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE
 As of December 31, 2016

	UTILITY FUND	DRAINAGE FUND	TOTALS	
			2016	2015
ASSETS				
Current Assets				
Cash and Investments	\$ 5,896,242	\$ 1,500,730	\$ 7,396,972	\$ 7,926,742
Accounts Receivable	411,632	35,749	447,381	452,255
Total Current Assets	6,307,874	1,536,479	7,844,353	8,378,997
Noncurrent Assets				
Capital Assets, Net of Accumulated				
Depreciation	8,932,459	2,069,694	11,002,153	10,274,485
Advances To Other Funds	541,078	-	541,078	512,868
Total Noncurrent Assets	9,473,537	2,069,694	11,543,231	10,787,353
TOTAL ASSETS	15,781,411	3,606,173	19,387,584	19,166,350
LIABILITIES				
Current Liabilities				
Accounts Payable	472,800	75,411	548,211	879,162
Accrued Liabilities	12,288	1,749	14,037	16,583
Due To Other Funds	-	-	-	59,569
Current Portion - Long Term Debt	4,802	533	5,335	4,977
Total Current Liabilities	489,890	77,693	567,583	960,291
Noncurrent Liabilities				
Escrow Deposits	50,000	-	50,000	50,000
Compensated Absences	43,217	4,796	48,013	44,797
Total Noncurrent Liabilities	93,217	4,796	98,013	94,797
TOTAL LIABILITIES	583,107	82,489	665,596	1,055,088
NET POSITION				
Investment in Capital Assets	8,932,459	2,069,694	11,002,153	10,274,485
Unrestricted	6,265,845	1,453,990	7,719,835	7,836,777
TOTAL NET POSITION	\$ 15,198,304	\$ 3,523,684	\$ 18,721,988	\$ 18,111,262

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

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2016

	UTILITY FUND	DRAINAGE FUND	TOTALS	
			2016	2015
OPERATING REVENUES				
Water Sales	\$ 2,561,703	\$ -	\$ 2,561,703	\$ 2,341,454
Sewer Fees	1,551,968	-	1,551,968	1,461,555
Drainage Fees	-	379,773	379,773	378,926
Other Income	9,679	1,743	11,422	8,330
TOTAL OPERATING REVENUES	4,123,350	381,516	4,504,866	4,190,265
OPERATING EXPENSES				
Water Supply	2,046,292	-	2,046,292	1,876,417
Water Distribution	187,762	-	187,762	175,251
Sewer Collection and Treatment	1,109,151	-	1,109,151	1,104,065
General and Administrative	58,277	99,757	158,034	137,465
Depreciation	401,520	80,691	482,211	449,610
TOTAL OPERATING EXPENSES	3,803,002	180,448	3,983,450	3,742,808
OPERATING INCOME	320,348	201,068	521,416	447,457
NON-OPERATING REVENUES				
Interest Income	70,561	17,427	87,988	69,502
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	390,909	218,495	609,404	516,959
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers Out	(200,000)	(55,000)	(255,000)	(255,000)
Capital Contributions	256,322	-	256,322	-
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	56,322	(55,000)	1,322	(255,000)
CHANGE IN NET POSITION	447,231	163,495	610,726	261,959
NET POSITION Beginning	14,751,073	3,360,189	18,111,262	17,849,303
NET POSITION, Ending	\$ 15,198,304	\$ 3,523,684	\$ 18,721,988	\$ 18,111,262

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

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE

Year Ended December 31, 2016

Increase (Decrease) in Cash and Cash Equivalents

	UTILITY FUND	DRAINAGE FUND	TOTALS	
			2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 4,125,326	\$ 384,416	\$ 4,509,742	\$ 4,129,609
Cash Paid to Suppliers	(3,783,934)	(47,228)	(3,831,162)	(3,248,610)
Net Cash Provided by Operating Activities	341,392	337,188	678,580	880,999
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Property and Equipment	(722,413)	(487,466)	(1,209,879)	(986,486)
Capital Contributions	256,322	-	256,322	-
Payments to Other Funds	(279,031)	(63,750)	(342,781)	34,556
Payments From Other Funds	-	-	-	50,819
Net Cash Used by Capital and Related Financing Activities	(745,122)	(551,216)	(1,296,338)	(901,111)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	70,561	17,427	87,988	81,423
Net Increase in Cash and Cash Equivalents	(333,169)	(196,601)	(529,770)	61,311
CASH AND CASH EQUIVALENTS, Beginning	6,229,411	\$ 1,697,331	7,926,742	7,865,431
CASH AND CASH EQUIVALENTS, Ending	\$ 5,896,242	\$ 1,500,730	7,396,972	\$ 7,926,742
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	\$ 320,348	\$ 201,068	521,416	\$ 447,457
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	401,520	80,691	482,211	449,610
Changes in Assets and Liabilities				
Accounts Receivable	1,976	2,900	4,876	(60,656)
Accounts Payable	(378,150)	47,199	(330,951)	49,334
Accrued Expenses	(2,547)	1	(2,546)	(9,362)
Accrued Compensated Absences	(1,755)	5,329	3,574	4,616
Total Adjustments	21,044	136,120	157,164	433,542
Net Cash Provided by Operating Activities	\$ 341,392	\$ 337,188	\$ 678,580	\$ 880,999

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

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

Federal Heights Redevelopment Agency

The Federal Heights Redevelopment Agency (the “Agency”) was established by the City Council to redevelop blighted areas within the City limits. The Agency is blended into the City’s financial statements as a special revenue fund. City Council acts as the Board of the Agency and has significant operational responsibility of the component unit.

Government-Wide and Fund Financial Statements

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

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

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

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

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

The *Redevelopment Agency Fund*, a special revenue fund, accounts for the activity related to the Federal Heights Redevelopment Agency, a component unit established to redevelop blighted areas within the City limits. The major source of revenue for this fund is property tax increment financing.

The *Road Improvement Fund*, a capital projects fund, accounts for the activity related to the funding and related maintenance and upgrades of the City's road infrastructure. The major sources of revenue for this fund are a portion of the 1% sales tax as approved by voters and road tax received from the County.

The City reports the following major proprietary fund:

The *Utility (Water/Sewer) Fund* accounts for the financial activities associated with the provision of utility services.

The *Drainage Fund* accounts for the financial activities associated with the City's drainage system.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

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

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds. The resulting receivables and payable are classified on the balance sheet as “due from other funds” and “due to other funds”, because they are short-term in nature.

Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financials statements as “internal balances”.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has recorded current year infrastructure additions but infrastructure assets purchases or donated prior to January 1, 2003, will be capitalized in the future, as allowed by generally accepted accounting principles.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 assets’ lives are not capitalized.

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

Buildings	40 years
Machinery and Equipment	5-10 years
Distribution System	40 years
Water Plant	40 years
Wells	10 years

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenues

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

Compensated Absences

Accumulated unpaid vacation and sick pay is accrued when earned in the government-wide and proprietary fund financial statements. Employees may accrue up to 480 hours (720 hours for full-time firefighters and ambulance personnel) of vacation time and up to 960 hours of sick time (1,440 hours for full-time firefighters and ambulance personnel). When an employee leaves the City, they are paid 100% of their accumulated vacation time and 50% of their accumulated sick time.

These compensated absences are recognized when due in the governmental fund types. A liability has been recorded in the government-wide financial statements for the accrued compensated absences.

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

Property Taxes

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

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

Post-Employment Benefits

The City offers post-employment health and dental insurance to its retired employees that have either 20 years of service with the City or 10 years of service and have reached age 60. The City may pay up to 50% of the benefit offered to regular full-time employees with a limit of \$300 per month. The City expenses this benefit to the funds as it is paid, the long-term obligation related to this benefit is shown as a governmental activity liability. During 2011, the City revised the benefit to only extend until the retired employee is eligible for Medicare. Employees hired after September 30, 2011 are not allowed to participate in the plan.

Contraband Forfeiture

The Colorado Contraband Forfeiture Act allows law enforcement agencies to retain proceeds from the seizure of contraband. These proceeds are not subject to appropriation in the budget process. Cash proceeds are recorded in the Special Investigation Special Revenue Fund. Property and equipment seized are recorded as capital assets.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification

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

- **Nonspendable** – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. At December 31, 2016, the City reported the following items as nonspendable:

General Fund – Advances to Other Funds	\$ 896,618
General Fund – Prepaid Expenses	15,738
Redevelopment Agency Fund - Inventory	<u>1,306,800</u>
 Total	 <u>\$ 2,219,156</u>

- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. At December 31, 2016, the City has classified the following amounts as restricted:

General Fund – Emergency Reserves (TABOR)	\$ 380,000
General Fund – Other Capital Expenses 1% Sales Tax	303,058
General Fund – Parks and Recreation	17,517
Road Improvement Fund – Highways and Streets	2,569,753
Open Space Fund – Parks and Recreation	482,589
Open Space Fund – Open Space	905,788
Capital Improvement Fund – Capital Expenses	1,424,317
Special Investigations Fund – Capital Expenses	<u>20,660</u>
 Total	 <u>\$ 6,103,682</u>

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance Classification (Continued)

- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. As of December 31, 2016, the City has classified the following amounts as committed:

General Fund – Victims Advocate	\$ 290,051
General Fund - Graffiti	<u>5,239</u>
Total	<u>\$ 295,290</u>

- **Assigned** – This classification includes amounts that are constrained by the City Council intent to be used for specific purposes, but are neither restricted nor committed. As of December 31, 2016, the City did not have any assigned fund balance.
- **Unassigned** – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

NOTE 2: **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets and Budgetary Accounting

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

- In October, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**(Continued)

- **Budgets and Budgetary Accounting** (Continued)
 - Public hearings are conducted to obtain taxpayer comments.
 - Prior to December 16, the budget is legally enacted through passage of a resolution.
 - Revisions of budgeted amounts that alter the total expenditures of any fund must be approved by the City Council. Budgetary control is at the fund level as prescribed by state statute.
 - All appropriations lapse at the end of each fiscal year.
 - Budgets are legally adopted for all funds of the City except the Special Investigation Special Revenue Fund. Budgets for the governmental fund types are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented for the enterprise funds are presented on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted.

NOTE 3: **DEPOSITS AND INVESTMENTS**

A summary of deposits and investments as of December 31, 2016 follows:

Petty Cash	\$ 2,763
Cash Deposits	1,654,768
Investments	<u>20,381,255</u>
Total	<u>\$ 22,038,786</u>

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

Governmental Activities	\$ 14,641,814
Business-type Activities	<u>7,396,972</u>
Total	<u>\$ 22,038,786</u>

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the City are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The City has no policy regarding custodial credit risk for deposits.

At December 31, 2016, the City had deposits with financial institutions with a carrying amount of \$1,654,768. The bank balances with the financial institutions were \$1,720,184. Of these balances, \$250,000 was covered by federal depository insurance and \$1,470,184 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

At December 31, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Investment Maturity (Years)</u>		
	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>One to Five Years</u>
U.S. Agency Securities	\$ 8,165,405	\$ 1,998,963	\$ 6,166,442
Money Market Funds	74,425	74,425	-
Certificates of Deposit	753,485	-	753,485
Local Government Pools	<u>11,387,940</u>	<u>11,387,940</u>	<u>-</u>
Total	<u>\$ 20,381,255</u>	<u>\$ 13,461,328</u>	<u>\$ 6,919,927</u>

Interest Rate Risk

Colorado statutes require that no investment may have a maturity in excess of five years from the date of purchase. 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, other than those contained in state statutes. The City's investment portfolio does not contain any investments that exceed that limitation. Historically, the City has held its investments to maturity or until they are called at par. The City does not routinely trade securities.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

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

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

The City's investment policy controls credit risk by limiting its investments to those allowed by Colorado statutes. Historically, however, the City has only invested in US Treasuries and Instrumentalities. As of December 31, 2016, the City had investments in Federal Home Loan Bank ("FHLB") securities, Federal National Mortgage Association securities ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") securities, and Federal Farm Credit Bank securities which were all rated AA+ by Standard and Poor's and Aaa by Moody's Investor Services. The City also invested in various certificates of deposits from domestic banks.

Fair Value

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

At December 31, 2016, the City held investments in U.S. Agency Securities in the amount of \$8,165,405 with maturity dates of less than one and four years. Given the low risk of this type of investment, the City has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

The City had invested \$11,387,940 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is considered to be a 2a7 like investments and is valued using the NAV per share (or its equivalent) of the investments. The 2a-7 like investments do not have any unfunded commitments, redemption restrictions or redemption notice periods.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value (Continued)

The 2a-7 like investments conform to Colorado Statutes CRS 24-75-601 et. seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. The investments will conform to its Permitted Investments and will meet Standard & Poor's investment guidelines to achieve a AAAm rating, the highest attainable rating for a Local Government Investment Pool.

The City invested \$74,425 in a Money Market Mutual Fund. Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value of investments in money market funds is based on the published net asset values per share of those funds. Money market securities are valued using amortized cost, in accordance with Rule 2a-7 under the 1940 Act. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by Prime Series and Government Series are categorized as Level 2.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. More than 5% of the City's investments are in FHLB, FNMA, and FHLMC securities. The relative percentages of all investments are as follows:

U.S. Treasury Notes	14.15%
Federal Home Loan Bank	2.20%
Federal National Mortgage Association	2.42%
Federal Home Loan Mortgage Corporation	3.43 %
Federal Farm Credit Bank	17.86%
Money Market Funds	0.37%
Certificates of Deposit	3.70%
Local Government Pools	55.87%

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2016, the City's US instrumentality securities were held in safekeeping by US Bank in the name of the City.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 4: INTERFUND BALANCES

The General Fund advanced \$896,618 and the Utility Fund advanced \$541,078 to the Redevelopment Agency Fund. The advances were made to purchase property and for other redevelopment activities. The Redevelopment Agency pays interest to both funds based on outstanding balances.

NOTE 4: INTERFUND BALANCES (Continued)

<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>	<u>Amount</u>
General Fund	Road Improvement Fund	\$ 1,080,000
General Fund	Capital Improvement Fund	358,000
Redevelopment Agency	Road Improvement Fund	499,829
Utility Fund	General Fund	200,000
Drainage Fund	General Fund	55,000
Road Improvement Fund	General Fund	<u>40,000</u>
Total		<u>\$ 2,232,829</u>

The transfers to the General Fund are for reimbursements of costs that were paid on behalf of other funds. Transfers from the General Fund are used to allocate sales taxes collected as required following the November 2002 election and Ordinance 02-12 and for routine operating subsidies. Transfers from the Redevelopment Agency to the Road Improvement Fund are to reimburse costs that were paid on behalf of the Agency.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2016 is summarized below:

	Balances <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/16</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 145,717	\$ -	\$ -	\$ 145,717
Construction in Progress	<u>88,965</u>	<u>111,745</u>	<u>-</u>	<u>200,710</u>
Total Capital Assets, not depreciated	<u>234,682</u>	<u>111,745</u>	<u>-</u>	<u>346,427</u>
Capital Assets, depreciated				
Buildings	2,781,381	-	-	2,781,381
Improvements	16,608,551	885,199	-	17,493,750
Machinery and Equipment	<u>3,269,437</u>	<u>697,515</u>	<u>97,132</u>	<u>3,869,820</u>
Total Capital Assets, depreciated	<u>22,659,369</u>	<u>1,582,714</u>	<u>97,132</u>	<u>24,144,951</u>
Less Accumulated Depreciation				
Buildings	1,792,353	57,177	-	1,849,530
Improvements	6,687,638	433,728	-	7,121,366
Machinery and Equipment	<u>2,395,065</u>	<u>258,621</u>	<u>97,132</u>	<u>2,556,554</u>
Total Accumulated Depreciation	<u>10,875,056</u>	<u>749,526</u>	<u>97,132</u>	<u>11,527,450</u>
Total Capital Assets, depreciated, Net	<u>11,784,313</u>	<u>833,188</u>	<u>-</u>	<u>12,617,501</u>
Governmental Activities, Capital Assets, Net	<u>\$ 12,018,995</u>	<u>\$ 944,933</u>	<u>\$ -</u>	<u>\$ 12,963,928</u>
Business-Type Activities				
Capital Assets, depreciated				
Sewer Lines	\$ 4,739,040	\$ 76,006	\$ -	\$ 4,815,046
Water Plant, Tanks, and Wells	8,339,306	620,858	-	8,960,164
Drainage System	2,246,529	487,467	-	2,733,996
Buildings	254,309	-	-	254,309
Furniture and Equipment	<u>709,320</u>	<u>25,548</u>	<u>28,670</u>	<u>706,198</u>
Total Capital Assets, depreciated	<u>16,288,504</u>	<u>1,209,879</u>	<u>28,670</u>	<u>17,469,713</u>
Less: Accumulated Depreciation				
Sewer Lines	1,708,071	136,093	-	1,844,164
Water Plant, Tanks, and Wells	2,956,432	235,979	-	3,192,411
Drainage System	583,606	80,696	-	664,302
Buildings	172,724	5,732	-	178,456
Furniture and Equipment	<u>593,186</u>	<u>23,711</u>	<u>28,670</u>	<u>588,227</u>
Total Accumulated Depreciation	<u>6,014,019</u>	<u>482,211</u>	<u>28,670</u>	<u>6,467,560</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 10,274,485</u>	<u>\$ 727,668</u>	<u>\$ -</u>	<u>\$ 11,002,153</u>

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: CAPITAL ASSETS (Continued)

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

Governmental Activities

General Government	\$ 72,084
Public Safety	236,478
Community Services	407,662
Parks and Recreation	23,046
Community Development	<u>10,256</u>
Total	<u>\$ 749,526</u>

Business-Type Activities

Water and Sewer Utility	\$ 401,520
Drainage Utility	<u>80,691</u>
Total	<u>\$ 482,211</u>

NOTE 6: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2016.

	Balance <u>12/31/15</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/16</u>	Due In <u>One Year</u>
Governmental Activities					
OPEB Benefits	\$ 675,531	\$ 45,000	\$ 15,893	\$ 704,638	\$ -
Compensated Absences	<u>620,153</u>	<u>296,801</u>	<u>306,495</u>	<u>610,459</u>	<u>61,046</u>
Total	<u>\$ 1,295,684</u>	<u>\$ 341,801</u>	<u>\$ 322,388</u>	<u>\$ 1,315,097</u>	<u>\$ 61,046</u>
Business-Type Activities					
Compensated Absences	<u>\$ 49,774</u>	<u>\$ 22,171</u>	<u>\$ 18,597</u>	<u>\$ 53,348</u>	<u>\$ 5,335</u>

Compensated Absences are expected to be liquidated with resources of the General and Utility Funds. The City currently estimates that 10% of the accrued compensated absences shown above will be liquidated currently.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 7: CONDUIT DEBT

In 2006, the City authorized the issuance of Industrial Development Revenue Bonds (IDRBs) totaling \$4,000,000 for the purpose of assisting with the financing needed by a non-profit for the refinancing of a building. Final maturity of the bonds was March 16, 2016.

The City had no liability for the IDRBs in the event of default by the borrowers. Accordingly, the bonds were not reported as liabilities in the City's financial statements.

NOTE 8: DEFINED BENEFIT PENSION PLANS

Volunteer Firefighters' Pension Plan

Summary of Significant Accounting Policies

The City has established the Volunteer Firefighters' Pension Plan (the "Volunteer Plan"), an agent multiple-employer defined benefit pension fund administered by the Colorado Fire & Police Pension Association ("FPPA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Volunteer Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description. Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a monthly pension. Additionally, any firefighter that has reached the age of fifty with at least ten years of service will receive a pension benefit that is prorated for years of creditable volunteer service between 10 and 20 years. A firefighter who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year, shall be compensated in an amount determined by the Pension Board. The Plan also provides for a lump-sum burial benefit upon the death of an active or retired firefighter. Spouses of deceased firefighters may receive benefits as authorized by State statute. FPPA issues an annual, publicly-available financial report that includes the assets of the Volunteer Plan. That report may be obtained on FPPA's website at <http://www.fppaco.org>.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

Funding Policy. The Plan receives contributions from the City in an amount not to exceed one mill of property tax revenue. Contributions are established and may be amended by the City Board. As established by the legislature, the State of Colorado contributes ninety percent of the City's contribution, not to exceed one-half mill levy on the current assessed valuation. An actuary is used to determine the adequacy of contributions.

The actuarial study as of January 1, 2015, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan.

At December 31, 2016 the City reported an asset of \$2,482,460. The net pension asset was measured as of December 31, 2015, and was determined by an actuarial valuation as of January 1, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

For the year ended December 31, 2016 the City recognized pension income of \$134,868. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$648	N/A
Net difference between projected and actual earnings on pension plan investments	\$133,492	N/A
Change in assumptions and other inputs	N/A	N/A
Contributions subsequent to the measurement date	N/A	N/A
Total	\$134,140	N/A

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2017	\$34,317
2018	\$34,317
2019	\$34,317
2020	\$31,105
2020	\$84

Actuarial assumptions: Method, and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Open*
Remaining Amortization Period:	20 years*
Asset Valuation Method:	5-Year smoothed market
Inflation	3.00%
Salary Increases:	N/A
Investment Rate of Return:	7.50%
Retirement Age:	50% per year of eligibility until 100% at age 65.
Mortality:	Pre-retirement: RP-2000 Combined Mortality Table with Blue Collar Adjustment, 40% multiplier for off-duty mortality. Post-retirement: RP-2000 Combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale AA.

*Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

Assumption Changes: The assumptions shown above pertain to the actuarial valuation as of January 1, 2013 and the associated Actuarially Determined Contribution for the year ending December 31, 2015. Following a regularly scheduled experience study in 2015, the Board adopted a new assumption set for first use in the January 1, 2016 valuations. Due to the biennial valuation process, the new assumptions will first apply to the January 1, 2017 Volunteer valuations.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

The primary changes, which can be observed in the January 1, 2017 valuation, as compared to the assumptions shown are as follows:

Inflation	2.50%
Mortality	<i>Pre-retirement:</i> RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB, 55% multiplier for off-duty mortality. Increased by 0.00020 for on-duty related Fire and Police experience. <i>Post-retirement:</i> For ages less than 55, RP-2014 Mortality Tables for Blue Collar Employees. For ages 65 and older, RP-2014 Mortality Tables for Blue Collar Healthy Annuitants. For ages 55 through 64, a blend of the previous tables. All tables are projected with Scale BB. <i>Disabled:</i> RP-2014 Disabled Generational Mortality Table generationally projected with Scale BB with a minimum 3% rate for males and 2% for females.

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 Real Rate of Return
Global Equity	37.00%	6.50%
Equity Long/Short	10.00%	4.70%
Illiquid Alternatives	20.00%	8.00%
Fixed Income	16.00%	1.50%
Absolute Return	11.00%	4.10%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%*
Total	100.00%	

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

*While expected inflation exceeds the expected rate of return for cash, a 0% real rate of return is utilized.

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment) to determine the total pension liability.

Sensitivity of the City's net pension asset to changes in the discount rate. The following presents the net pension asset calculated using the discount rate of 7.50 percent, as well as the net pension 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% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension asset	(\$2,436,897)	(\$2,482,460)	(\$2,518,743)

FPPA System Description. The Fire & Police Pension Association administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only.

FPPA issues a publicly available comprehensive annual financial report that can be obtained at <http://www.fppaco.org>

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. The City contributes to the Statewide Defined Benefit Pension Plan ("SWDB Plan"), a cost-sharing multiple employer defined benefit pension plan, which is administered by the FPPA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SWDB Plan have been determined using the economic resources measurement focus and the accrual basis of accounting. Assets of the SWDB Plan are commingled for investment purposes in the Fire and Police Member's Benefit Fund.

General Information about the Pension Plan

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

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

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

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

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

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

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

Members of the SWDB Plan and their employers are contributing at the rate of 8.5 percent and 8 percent, respectively, of base salary for a total contribution rate of 16.5 percent through 2015. In 2014, the members elected to increase the member contribution rate to the SWDB Plan beginning in 2015. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20.5 percent of base salary through 2015. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014 member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4.25 percent of base salary for a total contribution rate of 8.25 percent through 2015. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

At December 31, 2016 the City reported an asset in the amount of \$9,259 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 January 1, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The City's proportion of the net pension asset was based on the City's contributions to the SWDB Plan for the calendar year 2015 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2015, the City's proportion was 0.52523%, which was increase of 0.02287% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016 the City recognized pension expense of \$142,103. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$74,885	\$10,932
Net difference between projected and actual earnings on pension plan investments	\$471,246	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$19,769	N/A
Change in assumptions and other inputs	\$145,436	N/A
Contributions subsequent to the measurement date	\$216,794	N/A
Total	\$928,130	\$10,932

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

\$216,794 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 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:

Year ended December 31	
2017	\$ 145,889
2018	\$ 145,889
2019	\$ 145,889
2020	\$ 134,205
2021	\$ 25,157
Thereafter	\$ 103,375

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

Total Pension Liability:

Actuarial Valuation Date	January 1, 2016
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.50 percent
Projected salary increases*	4.0 – 14.0 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

Actuarially Determined Contributions:

Actuarial Valuation Date	January 1, 2015
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.50 percent
Projected salary increases*	4.0 – 14.0 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 3.0%	

For determining the pension liability, the RP-2014 Combined Mortality Table 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, project with Scale AA is used in the projection of post-retirement benefits.

At least every five years the Fire & Police Pension Association'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 Fire & Police Pension Association's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

The assumption changes were effective for actuarial valuations beginning January 1, 2016 and were used in the roll-forward calculation of the 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.

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 Real Rate of Return
Global Equity	37.00%	6.50%
Equity Long/Short	10.00%	4.70%
Illiquid Alternatives	20.00%	8.00%
Fixed Income	16.00%	1.50%
Absolute Return	11.00%	4.10%
Managed Futures	4.00%	3.00%
Cash	2.00%	0.00%
Total	100.00%	

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SWDB Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment) to determine the total pension liability.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

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. Regarding the sensitivity of the net asset liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability, calculated using a Single Discount Rate of 7.50%, as well as what the plan's net pension liability/(asset) would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability (asset)	\$1,297,069	(\$9,259)	(\$1,092,813)

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

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED CONTRIBUTION PENSION PLANS (Continued)

FPPA Statewide Hybrid Plan – Money Purchase Component

The City contributes to the Statewide Hybrid Plan – Money Purchase Component (“SWH”) offered by the Fire and Police Pension Association of Colorado on behalf of its full time sworn police officers and full-time paid firefighters and paramedics. For the City, the member contributions are equally split by the City and the employee at either the 16% or 20% rate depending upon the date of hire. Within the Money Purchase Component, members are always fully vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer’s contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the plan document at 20 percent per year after the first year of service to be 100 percent vested after 5 years of service. Employer and member contributions are invested in funds at the discretion of members. During the years ended December 31, 2016 and 2015, the City and the plan members both made the required contributions of \$6,114 and \$8,880, respectively. The Plan investments are managed by FPPA.

General Employees Money Purchase Pension Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of all full-time employees not covered by the Fire and Police Money Purchase Pension Plan. The General Employees Money Purchase Pension Plan was established and is managed by the City under the authority granted by CRS 24-54-108.

Both the City and the employee contribute 3% of the employee’s base salary as established by City Council. The City will also match up the 2% of additional employee contributions up to a maximum contribution of 5% per employee. The employees are also eligible to make additional contributions to the extent allowed by the Internal Revenue Service. The five-year vesting schedule is as follows: 0% before one year full-time service; 20% at 1 year; 40% at 2 years; 60% at 3 years; 80% at 4 years; and 100% at 5 years. During the years ended December 31, 2016, 2015, and 2014, the City made contributions of \$97,548, \$97,697, and \$102,707, and the employees made contributions of \$87,934, \$87,515, and \$84,889 to the Plan, respectively. The Plan investments are managed by ICMA, however, some plan investments are through AETNA.

City Manager Money Purchase Pension Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of the City Manager. Both the City and the employee contribute 5% of the employee’s base salary as established by City Council. The employee is fully vested in all contributions immediately. During the years ended December 31, 2016, 2015, and 2014, the City and employee each made contributions of \$9,424, \$9,170, and \$350 to the Plan, respectively. The Plan investments are managed by ICMA.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 8: DEFINED CONTRIBUTION PENSION PLANS (Continued)

City Council Money Purchase Pension Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of the mayor and members of City Council. The members are required to make a one-time contribution election and may contribute up to 15% of their base salary. The City matches this contribution at a maximum of 10%. The employee is fully vested in all contributions immediately. During the years ended December 31, 2016, 2015, and 2014, the City and plan members each made contributions of \$6,905, \$5,845, and \$5,630 to the Plan, respectively. The Plan investments are managed by ICMA.

NOTE 9: POST-EMPLOYMENT BENEFITS

Plan Description

The City of Federal Heights Retiree Health Care Plan (the “Retiree Health Care Plan”) is a single employer defined benefit plan. The Retiree Health Care Plan provides a retiree health care benefit by policy to retired employees. This plan is a substantive plan as it is not formalized into a formal plan document. The City provides a benefit to regular employees that have completed either 20 years of continuous service, or have completed 10 years of continuous service and have reached age 60. During the year ended December 31, 2011, the City made modifications to the plan to only allow coverage until a retiree is Medicare eligible with a maximum benefit of \$300 per month. Employees hired after September 30, 2011 are not allowed to participate in the plan.

The benefit offered may be up to one-half of the current medical and dental benefits provided to regular full-time employees and is conditioned on the employee’s total hours worked in the five years preceding retirement. Since current and retired employees participate in the same group plan, the City in effect is providing an “implicit subsidy” for the retirees participating in the plan. Based on the actuarial study conducted as of January 1, 2014, the “implicit subsidy” portion of the cost is projected to be \$19,000 per year. This represents the difference between what the City’s premiums would be if the retirees were not offered coverage as part of the City’s plan as compared to the premiums that the City is currently paying which provide retirees coverage. Employees are required to pay their portion of the medical and dental premiums to be eligible for the benefit. Retiree benefits are awarded to part-time employees in a proportional manner provided they have worked an average of at least 24 hours per week. The required contribution will be the amount of annual premiums based on the projected pay-as-you-go financing requirements. The expense is the net expected cost of providing retiree benefits including the amortization of expected future benefits less the amount of retiree contributions. The Retiree Health Care Plan does not issue a publicly available financial report.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 9: POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy

The plan is funded on a pay-as-you-go basis with payments made by the City's General Fund.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution ("ARC"), and amount actuarially determined in accordance with the parameters of GASB Statement 45. This represents a level of funding that, if paid, on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities on a closed basis over a period not to exceed thirty years. The following table shows the annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the City's net OPEB obligation:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Required Contribution (ARC)	\$ 57,000	\$ 57,000	\$ 57,000
Interest on Net OPEB Obligation (4.5%)	27,000	27,000	27,000
Adjustment to ARC	<u>(39,000)</u>	<u>(39,000)</u>	<u>(39,000)</u>
Annual Post Employment Benefit Cost	45,000	45,000	45,000
Contributions Made	<u>(15,893)</u>	<u>(13,482)</u>	<u>(9,177)</u>
Increase in Net OPEB Obligation	29,107	31,518	35,823
Net OPEB Obligation – Beginning of year	<u>675,531</u>	<u>644,013</u>	<u>608,190</u>
Net OPEB Obligation – End of year	<u>\$ 704,638</u>	<u>\$ 675,531</u>	<u>\$ 644,013</u>
Percentage of Annual OPEB Cost Contributed	35.32%	29.96%	20.39%

Funding Status and Funding Progress

Details of the most recent actuarial study are as follows:

Actuarial Accrued Liability (AAL)	\$ 502,000
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 502,000</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-
Covered Payroll	\$ 4,710,048
UAAL as a Percentage of Covered Payroll	11%

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 9: POST-EMPLOYMENT BENEFITS (Continued)

Funding Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability for occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term prospective of the calculations.

Significant methods and assumptions were as follows:

Actuarial Valuation Date	01/01/2014
Discount Rate	4.50% annual discount rate
Actuarial Cost Method	Projected Unite Credit
Amortization Method	Level Dollar, Closed Basis
Asset Valuation Method	Fair Value
Remaining Amortization Period	27 years
Healthcare cost trend rate	8.5% for 2014 and downgrade by 0.5% until ultimate trend rate of 5.00% is reached.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 10: RISK RELATED ACTIVITIES

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance for workers' compensation claims. Settlements have not exceeded insurance coverage in the past three years.

For other risks of loss, the City is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2). The purposes of CIRSA are to provide members defined liability, property, and workers' compensation coverage and to assist members in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees, and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity and the City does not approve budgets nor does it have the ability to significantly affect the operations of the unit.

The City self-insures for an employee short-term disability plan. Claims paid during the years ended December 31, 2016, 2015, and 2014 were \$415, \$9,637, and \$0, respectively. All transactions of the Plan are recorded in the General Fund.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in various lawsuits. The outcome of this litigation cannot be determined at this time.

CITY OF FEDERAL HEIGHTS, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

Grants

Grants from governmental entities are governed by various rules and regulations of the grantor agencies. Under the term of the grants, costs charged to the grant programs are subject to audit and adjustment by the grantor agency. Such audit could lead to reimbursement to the grantor agency. Management believes there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants the City has received. Therefore, no provision has been recorded in the accompanying financing statements for such contingencies.

Tabor Amendment

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

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2016, the emergency reserve of \$380,000 was recorded in the General Fund.

NOTE 12: CONSERVATION TRUST FUND

The City annually receives funds through the State of Colorado that are restricted for use pursuant to Colorado Revised Statutes Article 21 of Title 29. Funds are to be utilized primarily for parks and recreation purposes. The following is a summary of the City's Conversation Trust activity for the year ended December 31, 2016:

	<u>General Fund</u>	<u>Open Space</u>	<u>Total</u>
Balance 12/31/15	\$ 13,814	\$ 462,016	\$ 475,830
Receipts	51,135	17,044	68,179
Interest Earned	-	3,529	3,529
Expenditures	<u>(47,432)</u>	<u>-</u>	<u>(47,432)</u>
Balance 12/31/16	<u>\$ 17,517</u>	<u>\$ 482,589</u>	<u>\$ 500,106</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FEDERAL HEIGHTS, COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Taxes	\$ 7,905,500	\$ 7,905,500	\$ 8,005,963	\$ 100,463	\$ 7,751,839
Licenses and Permits	118,450	118,450	200,161	81,711	205,644
Intergovernmental	596,637	655,431	688,239	32,808	680,833
Charges for Services	469,300	469,300	550,302	81,002	510,220
Court Revenues	422,950	422,950	406,745	(16,205)	479,961
Miscellaneous	32,250	32,250	112,575	80,325	36,446
Interest	60,000	60,000	117,063	57,063	85,408
 TOTAL REVENUES	 9,605,087	 9,663,881	 10,081,048	 417,167	 9,750,351
EXPENDITURES					
Current					
General Government	2,138,328	2,197,122	2,086,425	110,697	2,096,601
Public Safety	5,127,968	5,194,164	4,835,191	358,973	4,541,834
Community Services	1,462,700	1,462,700	1,362,429	100,271	1,347,814
Victim Advocate	109,072	109,072	110,063	(991)	95,214
Intergovernmental Services	66,150	66,150	72,713	(6,563)	49,244
Capital Outlay	19,795	19,795	14,470	5,325	16,360
 TOTAL EXPENDITURES	 8,924,013	 9,049,003	 8,481,291	 567,712	 8,147,067
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 681,074	 614,878	 1,599,757	 984,879	 1,603,284
OTHER FINANCING SOURCES(USES)					
Transfers In	295,000	295,000	295,000	-	295,000
Transfers Out	(1,438,000)	(1,438,000)	(1,438,000)	-	(843,000)
 TOTAL OTHER FINANCING SOURCES (USES)	 (1,143,000)	 (1,143,000)	 (1,143,000)	 -	 (548,000)
 NET CHANGE IN FUND BALANCE	 (461,926)	 (528,122)	 456,757	 984,879	 1,055,284
 FUND BALANCE, Beginning	 6,626,575	 6,626,575	 7,388,963	 762,388	 6,333,679
 FUND BALANCE, Ending	 <u>\$ 6,164,649</u>	 <u>\$ 6,098,453</u>	 <u>\$ 7,845,720</u>	 <u>\$ 1,747,267</u>	 <u>\$ 7,388,963</u>

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

 REDEVELOPMENT AGENCY FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2016

	2016			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES				
Property Taxes	\$ 1,950,000	\$ 1,882,640	\$ (67,360)	\$ 1,779,492
Charges for Services	-	-	-	1,200
Interest	-	20,299	20,299	4,901
TOTAL REVENUES	1,950,000	1,902,939	(47,061)	1,785,593
EXPENDITURES				
Community Development	196,779	141,576	55,203	121,030
Debt Service				
Principal	-	-	-	-
Interest	150,000	74,956	75,044	75,482
TOTAL EXPENDITURES	346,779	216,532	130,247	196,512
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,603,221	1,686,407	83,186	1,589,081
OTHER FINANCING SOURCES (USES)				
Transfers Out	(4,791,250)	(499,829)	4,291,421	-
Change in Value of Asset	-	(261,433)	(261,433)	-
TOTAL OTHER FINANCING SOURCES (USES)	(4,791,250)	(761,262)	4,029,988	-
NET CHANGE IN FUND BALANCE	(3,188,029)	925,145	4,113,174	1,589,081
FUND BALANCE (DEFICIT), Beginning	834,109	1,413,666	579,557	(175,415)
FUND BALANCE (DEFICIT), Ending	\$ (2,353,920)	\$ 2,338,811	\$ 4,692,731	\$ 1,413,666

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

SCHEDULE OF CONTRIBUTIONS

December 31, 2016

<u>FY Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2006	\$ -	\$ -	\$ -	N/A	N/A
2007	-	-	-	N/A	N/A
2008	-	-	-	N/A	N/A
2009	-	-	-	N/A	N/A
2010	-	-	-	N/A	N/A
2011	-	-	-	N/A	N/A
2012	-	-	-	N/A	N/A
2013	-	-	-	N/A	N/A
2014	-	-	-	N/A	N/A
2015	-	-	-	N/A	N/A
2016	-	-	-	N/A	N/A

*Includes both employer and State of Colorado Supplementary Discretionary Payment

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

VOLUNTEER FIREFIGHTERS' PENSION PLAN

Measurement Period Ending December 31,	2014	2015
Total Pension Liability		
Service Cost	\$ 8,261	\$ 9,684
Interest on the Total Pension Liability	18,016	19,258
Benefit Changes	-	-
Difference Between Expected and Actual Experiences	930	-
Assumption Changes	-	-
Benefit Payments	(11,340)	(11,340)
Net Change in Total Pension Liability	15,867	17,602
Total Pension Liability - Beginning	241,722	257,589
Total Pension Liability - Ending	<u>\$ 257,589</u>	<u>\$ 275,191</u>
Plan Fiduciary Net Position		
Employer Contribution	\$ -	\$ -
Pension Plan Net Investment Income	175,814	48,972
Benefit Payments	(11,340)	(11,340)
Pension Plan Administrative Expenses	(4,992)	(5,673)
State of Colorado Supplemental Discretionary Payment	-	-
Net Change in Plan Fiduciary Net Position	159,482	31,959
Plan Fiduciary Net Position - Beginning	2,566,210	2,725,692
Plan Fiduciary Net Position - Ending	<u>2,725,692</u>	<u>2,757,651</u>
Net Pension Liability/(Asset)	\$ (2,468,103)	\$ (2,482,460)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	1058.16%	1002.09%
Covered Employee Payroll	N/A	N/A
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	N/A	N/A

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

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

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

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportionate share of the Net Pension Liability (Asset)	0.562%	0.502%	0.525%
City's proportionate share of the Net Pension Liability (Asset)	\$ (502,336)	\$ (566,954)	\$ (9,256)
City's covered-employee payroll	\$ 2,198,747	\$ 2,080,599	\$ 2,709,932
City's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	-22.8%	-27.2%	-0.3%
Plan fiduciary net position as a percentage of the total pension liability	106.8%	105.8%	100.1%

Notes:

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

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

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

SCHEDULE OF THE CITY'S CONTRIBUTIONS
STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contributions	195,203	\$ 180,731	\$ 203,697	\$ 216,795
Contributions in relation to the Statutorily required contributions	<u>195,203</u>	<u>180,731</u>	<u>203,697</u>	<u>216,795</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,198,747	\$ 2,080,599	\$ 2,345,907	\$ 2,709,932
Contributions as a percentage of covered-employee payroll	8.88%	8.69%	8.68%	8.00%

Notes:

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

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

SCHEDULE OF FUNDING PROGRESS
RETIREE HEALTH CARE PLAN

December 31, 2016

(Unaudited)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 3,051,476	\$ (3,051,476)	0%	4,608,775	66%
1/1/2011	-	684,000	(684,000)	0%	4,691,802	15%
1/1/2014	-	502,000	(502,000)	0%	4,710,048	11%

Note: GASB 45 was prospectively implemented as of December 31, 2008; therefore, actuarial information on the Retiree Health Care Plan is not available prior to that date.

See the accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND SCHEDULES

CITY OF FEDERAL HEIGHTS, COLORADO

ROAD IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	2016			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES				
Licenses and Permits	\$ 1,000	\$ -	\$ (1,000)	\$ 723
Intergovernmental	3,617,500	615,404	(3,002,096)	371,041
Interest	17,000	20,685	3,685	16,072
Other	371,250	39,510	(331,740)	14,484
TOTAL REVENUES	4,006,750	675,599	(3,331,151)	402,320
EXPENDITURES				
Community Services	140,050	99,933	40,117	93,947
Capital Outlay	6,774,125	1,333,090	5,441,035	1,085,992
TOTAL EXPENDITURES	6,914,175	1,433,023	5,481,152	1,179,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,907,425)	(757,424)	2,150,001	(777,619)
OTHER FINANCING SOURCES (USES)				
Transfers In	2,871,250	1,579,829	(1,291,421)	533,000
Transfers Out	(40,000)	(40,000)	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,831,250	1,539,829	(1,291,421)	493,000
NET CHANGE IN FUND BALANCE	(76,175)	782,405	858,580	(284,619)
FUND BALANCE, Beginning	1,990,695	1,787,348	(203,347)	2,071,967
FUND BALANCE, Ending	<u>\$ 1,914,520</u>	<u>\$ 2,569,753</u>	<u>\$ 655,233</u>	<u>\$ 1,787,348</u>

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
December 31, 2016

	SPECIAL REVENUE		CAPITAL PROJECTS		
	SPECIAL	OPEN SPACE	CAPITAL	TOTALS	
	INVESTIGATIONS	FUND	IMPROVEMENT	2016	2015
	FUND	FUND	FUND		
ASSETS					
Cash and Investments	\$ 20,660	\$ 1,343,207	\$ 1,442,224	\$ 2,806,091	\$ 2,723,296
Accounts Receivable	-	45,170	11,234	56,404	85,070
Due From Other Funds	-	-	-	-	25,833
TOTAL ASSETS	<u>\$ 20,660</u>	<u>\$ 1,388,377</u>	<u>\$ 1,453,458</u>	<u>\$ 2,862,495</u>	<u>\$ 2,834,199</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 29,141	\$ 29,141	\$ 53,958
Due to Other Funds	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>29,141</u>	<u>29,141</u>	<u>53,958</u>
FUND BALANCES					
Restricted	<u>20,660</u>	<u>1,388,377</u>	<u>1,424,317</u>	<u>2,833,354</u>	<u>2,780,241</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,660</u>	<u>\$ 1,388,377</u>	<u>\$ 1,453,458</u>	<u>\$ 2,862,495</u>	<u>\$ 2,834,199</u>

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2016

	SPECIAL REVENUE		CAPITAL PROJECTS	TOTALS	
	SPECIAL	OPEN SPACE	CAPITAL		
	INVESTIGATIONS	FUND	IMPROVEMENT	2016	2015
	FUND	FUND	FUND		
REVENUES					
Taxes	\$ -	\$ 46,221	\$ -	\$ 46,221	\$ 129,991
Intergovernmental	-	17,045	340,936	357,981	14,447
Miscellaneous	-	-	18,042	18,042	-
Interest	11	12,844	13,931	26,786	14,482
TOTAL REVENUES	11	76,110	372,909	449,030	158,920
EXPENDITURES					
Parks and Recreation	-	7,101	-	7,101	6,304
Capital Outlay	-	-	746,816	746,816	231,107
TOTAL EXPENDITURES	-	7,101	746,816	753,917	237,411
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11	69,009	(373,907)	(304,887)	(78,491)
OTHER FINANCING SOURCES					
Transfers In	-	-	358,000	358,000	310,000
CHANGE IN FUND BALANCES	11	69,009	(15,907)	53,113	231,509
FUND BALANCES, Beginning	20,649	1,319,368	1,440,224	2,780,241	2,548,732
FUND BALANCES, Ending	\$ 20,660	\$ 1,388,377	\$ 1,424,317	\$ 2,833,354	\$ 2,780,241

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

OPEN SPACE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	2016		VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Taxes	\$ 82,500	\$ 46,221	\$ (36,279)	\$ 129,991
Intergovernmental	-	17,045	17,045	14,447
Interest	4,000	12,844	8,844	5,821
TOTAL REVENUES	86,500	76,110	(10,390)	150,259
EXPENDITURES				
Parks and Recreation	31,500	7,101	24,399	6,304
Capital Outlay	20,000	-	20,000	-
TOTAL EXPENDITURES	51,500	7,101	44,399	6,304
NET CHANGE IN FUND BALANCE	35,000	69,009	34,009	143,955
FUND BALANCE, Beginning	1,266,962	1,319,368	52,406	1,175,413
FUND BALANCE, Ending	<u>\$ 1,301,962</u>	<u>\$ 1,388,377</u>	<u>\$ 86,415</u>	<u>\$ 1,319,368</u>

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

CAPITAL IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	2016			VARIANCE	2015
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES					
Intergovernmental	\$ 362,690	\$ 362,690	\$ 340,936	\$ (21,754)	\$ -
Miscellaneous	5,000	5,000	18,042	13,042	-
Interest	8,800	8,800	13,931	5,131	8,651
TOTAL REVENUES	376,490	376,490	372,909	(3,581)	8,651
EXPENDITURES					
Capital Outlay	775,407	814,965	746,816	68,149	231,107
TOTAL EXPENDITURES	775,407	814,965	746,816	68,149	231,107
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(398,917)	(438,475)	(373,907)	64,568	(222,456)
OTHER FINANCING SOURCES (USES)					
Transfers In	358,000	358,000	358,000	-	310,000
NET CHANGE IN FUND BALANCE	(40,917)	(80,475)	(15,907)	64,568	87,544
FUND BALANCE, Beginning	1,259,493	1,259,493	1,440,224	180,731	1,352,680
FUND BALANCE, Ending	\$ 1,218,576	\$ 1,179,018	\$ 1,424,317	\$ 245,299	\$ 1,440,224

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

UTILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL
Year Ended December 31, 2016

	2016			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES				
Water Sales	\$ 2,383,400	\$ 2,561,703	\$ 178,303	\$ 2,341,454
Sewer Fees	1,535,300	1,551,968	16,668	1,461,555
Other Income	10,300	9,679	(621)	6,341
Tap Fees and Other Contributions	68,900	256,322	187,422	-
Interest	61,800	70,561	8,761	59,296
TOTAL REVENUES	4,059,700	4,450,233	390,533	3,868,646
EXPENDITURES				
Water Supply	2,022,482	2,046,292	(23,810)	1,876,417
Water Distribution	283,847	187,762	96,085	175,251
Sewer Collection and Treatment	992,921	1,109,151	(116,230)	1,104,065
General and Administrative	64,284	58,277	6,007	52,001
Capital Outlay	1,622,250	722,413	899,837	934,540
Transfer Out	200,000	200,000	-	200,000
TOTAL EXPENDITURES	5,185,784	4,323,895	861,889	4,342,274
NET INCOME, Budget Basis	\$ (1,126,084)	126,338	\$ 1,252,422	(473,628)
GAAP BASIS ADJUSTMENTS				
Capital Outlay		722,413		934,540
Depreciation Expense		(401,520)		(378,002)
NET INCOME, GAAP Basis		447,231		82,910
NET POSITION, Beginning		14,751,073		14,668,163
NET POSITION, Ending		\$ 15,198,304		\$ 14,751,073

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

DRAINAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL
Year Ended December 31, 2016

	2016			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES				
Drainage Fees	\$ 385,000	\$ 379,773	\$ (5,227)	\$ 378,926
Other Income	2,700	1,743	(957)	1,989
Interest	11,000	17,427	6,427	10,206
TOTAL REVENUES	398,700	398,943	243	391,121
EXPENDITURES				
General and Administrative	279,030	99,757	179,273	85,464
Capital Outlay	856,750	487,466	369,284	51,946
Transfers Out	55,000	55,000	-	55,000
TOTAL EXPENDITURES	1,190,780	642,223	548,557	192,410
NET INCOME, Budget Basis	<u>\$ (792,080)</u>	(243,280)	<u>\$ 548,800</u>	198,711
GAAP BASIS ADJUSTMENTS				
Capital Outlay		487,466		51,946
Depreciation Expense		(80,691)		(71,608)
NET INCOME, GAAP Basis		163,495		179,049
NET POSITION, Beginning		3,360,189		3,181,140
NET POSITION, Ending		<u>\$ 3,523,684</u>		<u>\$ 3,360,189</u>

See the accompanying independent auditors' report.

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Federal Heights' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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<u>Financial Trends</u>	56
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

<u>Revenue Capacity</u>	60
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These schedules contain information to help the reader assess the government's most significant local revenue sources – sales taxes and property taxes.

<u>Debt Capacity</u>	66
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

<u>Demographic and Economic Information</u>	71
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

<u>Operating Information</u>	73
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

City of Federal Heights Net Position By Component Fiscal Years 2007 - 2016 (accrual basis of accounting)											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Governmental activities											
Net Investment in capital assets	\$ 11,213,621	11,220,908	11,702,310	\$ 11,729,592	\$ 11,777,253	\$ 11,402,905	\$ 11,815,536	\$ 11,713,411	\$ 12,018,995	\$ 12,963,928	
Restricted	280,000	280,000	280,000	280,000	4,315,692	5,081,452	4,990,859	4,990,859	5,015,859	6,103,682	
Unrestricted	1,471,556	2,339,271	1,740,993	2,658,430	233,937	1,221,810	2,478,838	4,557,394	10,392,172	11,711,916	
Total governmental activities net position	12,965,177	13,840,179	13,723,303	14,668,022	16,326,882	17,706,167	19,285,233	21,261,664	27,427,026	30,779,526	
Business Type Activities											
Net Investment in capital assets	5,705,103	6,388,332	7,110,356	7,519,123	7,799,863	8,089,939	8,750,906	9,737,609	10,274,485	11,002,153	
Restricted	-	-	-	-	-	-	-	-	-	-	
Unrestricted	7,996,058	7,920,825	7,688,353	7,745,493	8,085,842	8,603,756	8,476,924	8,111,694	7,836,777	7,719,835	
Total business-type activities net position	13,701,161	14,309,157	14,798,709	15,264,616	15,885,705	16,693,695	17,227,830	17,849,303	18,111,262	18,721,988	
Primary government											
Net Investment in capital assets	16,918,724	17,609,240	18,812,666	19,248,715	19,577,116	19,492,844	20,566,442	21,451,020	22,293,480	23,966,081	
Restricted	280,000	280,000	280,000	280,000	4,315,692	5,081,452	4,990,859	4,990,859	5,015,859	6,103,682	
Unrestricted	9,467,614	10,260,096	9,429,346	10,403,923	8,319,779	9,825,566	10,955,762	12,669,088	18,228,949	19,431,751	
Total primary government net position	\$ 26,666,338	\$ 28,149,336	\$ 28,522,012	\$ 29,932,638	\$ 32,212,587	\$ 34,399,862	\$ 36,513,063	\$ 39,110,967	\$ 45,538,288	\$ 49,501,514	

Source: City of Federal Heights Financial Statements.

**City of Federal Heights
Changes in Net Position
Fiscal Years 2007-2016**

(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 1,802,858	\$ 1,827,296	\$ 1,784,710	\$ 1,719,000	\$ 1,948,092	\$ 2,286,479	\$ 2,498,600	\$ 2,195,756	\$ 2,690,058	\$ 2,760,615
Public Safety	4,320,763	4,778,864	4,713,953	4,722,786	4,459,743	4,757,564	4,968,971	4,894,313	4,419,375	4,862,109
Community Services	1,542,032	1,683,716	1,632,503	1,618,589	1,658,326	1,534,548	1,788,926	1,737,252	1,820,951	1,870,024
Parks and Recreation	57,497	68,848	68,681	101,636	85,895	70,222	71,534	62,961	44,243	30,147
Community Development	113,225	160,224	159,059	171,039	181,372	303,260	64,800	351,074	132,285	151,832
Intergovernmental Services	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest on Long-Term Debt	444,227	428,061	379,694	331,910	280,794	239,196	186,796	117,767	75,482	74,956
Total governmental activities expenses	8,280,602	8,947,009	8,738,600	8,664,960	8,614,222	9,191,269	9,579,627	9,359,123	9,182,394	9,749,683
Business-type activities:										
Utility	2,467,502	2,740,766	2,688,569	2,777,072	2,920,773	3,163,249	3,213,755	3,341,407	3,585,736	3,803,002
Ambulance	-	-	-	-	-	-	-	-	-	-
Drainage	100,155	100,216	166,865	124,037	98,753	128,306	121,180	121,595	157,072	180,448
Fire Academy	101	105	101	101	101	50	-	-	-	-
Total business-type activities expenses	2,567,758	2,841,087	2,855,535	2,901,210	3,019,627	3,291,605	3,334,935	3,463,002	3,742,808	3,983,450
Total primary government expenses	10,848,360	11,788,096	11,594,135	11,566,170	11,633,849	12,482,874	12,914,562	12,822,125	12,925,202	13,733,133
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	24,336	20,847	27,261	22,774	26,696	42,491	130,259	696,936	511,420	550,302
Public Safety	1,447,547	1,367,805	1,260,987	1,263,825	1,322,184	1,294,416	1,286,289	476,099	479,961	406,745
Community Services	3,604	95,300	84,346	101,667	172,011	149,676	74,926	137,945	206,367	200,161
Parks and Recreation	-	529	1,900	-	-	-	-	-	-	-
Intergovernmental services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	280,366	277,979	332,213	347,603	374,246	611,879	369,615	555,306	680,833	688,239
Capital grants	273,401	170,103	204,865	137,082	372,986	50,286	460,312	304,919	385,488	973,385
Total governmental activities program revenues	2,029,254	1,932,563	1,911,572	1,872,951	2,268,123	2,148,748	2,321,401	2,171,205	2,264,069	2,818,832
Business-type activities:										
Charges for services										
Utility	2,588,182	2,861,059	2,915,395	2,973,843	3,174,933	3,503,115	3,557,308	3,542,121	3,803,009	4,369,993
Ambulance	-	-	-	-	-	-	-	-	-	-
Drainage	369,285	374,211	371,105	369,096	367,252	364,608	371,893	372,657	378,926	379,773
Fire Academy	1,066	-	-	-	-	-	-	-	-	-
Capital grants and contributions	151,811	72,680	63,929	54,830	-	300,033	-	-	-	-
Total business-type activities program revenues	3,110,344	3,307,950	3,350,429	3,397,769	3,542,185	4,167,756	3,929,201	3,914,778	4,181,935	4,749,766
Total primary government program revenues	5,139,598	5,240,513	5,262,001	5,270,720	5,810,308	6,316,504	6,250,602	6,085,983	6,446,004	7,568,598
Net (Expense)/Revenue										
Governmental activities	(6,251,348)	(7,014,446)	(6,827,028)	(6,792,009)	(6,346,099)	(7,042,521)	(7,258,226)	(7,187,918)	(6,918,325)	(6,930,851)
Business-type activities	542,586	466,863	494,894	496,559	522,558	876,151	594,266	451,776	439,127	766,316
Total primary government net expense	(5,708,762)	(6,547,583)	(6,332,134)	(6,295,450)	(5,823,541)	(6,166,370)	(6,663,960)	(6,736,142)	(6,479,198)	(6,164,535)
General Revenues										
Governmental activities:										
Taxes										
Property Taxes	31,199	31,046	31,432	29,338	28,716	28,205	29,080	30,170	31,596	39,128
Sales & Admissions Taxes	4,957,875	4,978,733	4,742,454	5,197,996	5,467,205	5,999,533	6,138,605	6,660,358	7,110,293	7,547,332
Property Tax Increment Financing	1,209,379	1,193,998	1,326,828	1,371,232	1,382,277	1,368,167	1,379,632	1,637,035	1,779,492	1,882,640
Other Taxes	936,160	997,071	647,477	634,197	653,958	468,193	505,267	501,502	739,941	465,724
Interest	443,808	385,636	263,985	252,196	198,909	135,155	96,061	125,751	120,863	184,833
Miscellaneous	77,612	90,963	(514,024)	16,769	38,894	192,384	86,892	131,564	50,930	170,127
Transfers	212,000	212,000	212,000	235,000	235,000	230,169	252,155	252,597	255,000	255,000
Loss On Disposal of Assets -Special Item	-	-	-	-	-	-	-	(174,628)	(11,983)	-
Capital Contributions - Special Item	-	-	-	-	-	-	349,600	-	-	-
Change in Value of Asset	-	-	-	-	-	-	-	-	-	(261,433)
Total governmental activities	7,868,033	7,889,447	6,710,152	7,736,728	8,004,959	8,421,806	8,837,292	9,164,349	10,076,132	10,283,351
Business-type activities:										
Infrastructure Fees	-	-	-	-	132,011	-	-	-	-	-
Interest	440,099	353,133	206,658	204,666	180,120	150,695	82,273	105,836	69,502	87,988
Miscellaneous	-	-	-	(318)	21,400	11,313	16,601	10,343	8,330	11,422
Transfers	(212,000)	(212,000)	(212,000)	(235,000)	(235,000)	(230,169)	(252,155)	(252,597)	(255,000)	(255,000)
Capital Contributions - Special Item	-	-	-	-	-	-	93,150	306,115	-	-
Total business-type activities	228,099	141,133	(5,342)	(30,652)	98,531	(68,161)	(60,131)	169,697	(177,168)	(155,590)
Total primary government	8,096,132	8,030,580	6,704,810	7,706,076	8,103,490	8,353,645	8,777,161	9,334,046	9,898,964	10,127,761
Change in Net Position										
Governmental activities	1,616,685	875,001	(116,876)	944,719	1,658,860	1,379,285	1,579,066	1,976,431	3,157,807	3,352,500
Business-type activities	770,685	607,996	489,552	465,907	621,089	807,990	534,135	621,473	261,959	610,726
Total Change in Net Position	\$ 2,387,370	\$ 1,482,997	\$ 372,676	\$ 1,410,626	\$ 2,279,949	\$ 2,187,275	\$ 2,113,201	\$ 2,597,904	\$ 3,419,766	\$ 3,963,226

Source: City of Federal Heights Financial Statements.

City of Federal Heights
Fund Balance, Governmental Funds
Fiscal Years 2007 - 2016
(modified accrual basis of accounting)

	2007	2008	2009	2010
General Fund				
Reserved for				
Advances to Other Funds	\$ 2,190,008	\$ 3,280,953	\$ 3,479,874	\$ 3,396,503
Prepays and Inventory	-	44,228	10,791	15,669
Emergencies	280,000	280,000	280,000	280,000
Unreserved reported in General Fund	226,729	227,389	227,389	227,389
Designated for Victim Advocate	6,294	5,644	5,644	5,644
Designated for Graffiti	2,387,661	1,186,147	777,931	1,107,442
Undesignated	5,090,692	5,024,361	4,781,629	5,032,647
Total General Fund				
All Other Governmental Funds				
Reserved for:				
Prepays and Inventory	1,965,852	2,121,814	1,568,233	1,568,233
Unreserved, reported in:				
Special revenue funds	406,869	406,869	406,869	406,869
Designated for Curb, Gutter & Sidewalk	(1,708,968)	(3,188,334)	(4,531,906)	(3,862,589)
Undesignated	652,558	645,237	648,240	744,560
Capital projects funds				
Total all other governmental funds	1,316,311	(14,414)	(1,908,564)	(1,142,927)
Total Fund Balance	\$ 6,407,003	\$ 5,009,947	\$ 2,873,065	\$ 3,889,720
General Fund				
Nonspendable	\$ 2,288,577	\$ 2,114,195	\$ 1,701,066	\$ 866,309
Restricted	1,153,925	1,385,545	568,119	524,463
Committed	270,856	323,939	332,783	316,542
Unassigned	1,905,502	2,597,318	3,298,843	5,681,649
Total General Fund	5,618,860	6,420,997	5,900,811	7,388,963
All Other Governmental Funds				
Nonspendable	1,568,233	1,568,231	1,568,233	1,568,233
Restricted	3,161,767	3,695,907	4,422,740	4,620,699
Assigned	234,077	-	-	-
Unassigned	(4,987,696)	(4,195,457)	(3,130,804)	(1,743,648)
Total all other governmental funds	(23,619)	1,068,681	2,860,169	4,445,284
Total Fund Equity	\$ 5,595,241	\$ 7,489,678	\$ 8,760,980	\$ 10,778,963
			\$ 13,370,218	\$ 15,587,638

Source: City of Federal Heights Financial Statements
Financial Information beginning in 2011 presented separately with the implementation of GASB 54.

City of Federal Heights
Changes in Fund Balances, Governmental Funds
Fiscal Years 2007 - 2016
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 6,626,458	\$ 6,700,036	\$ 6,557,085	\$ 7,050,525	\$ 7,344,556	\$ 7,864,098	\$ 8,052,584	\$ 8,829,065	\$ 9,661,322	\$ 9,934,824
Licenses and Permits	116,961	83,654	84,381	101,255	161,172	152,220	105,732	137,945	206,367	200,161
Intergovernmental	1,059,004	948,641	726,411	665,323	932,384	662,166	846,250	860,225	1,066,321	1,661,624
Charges for Services	692,839	749,273	671,224	703,615	706,477	762,282	758,592	696,936	511,420	550,302
Court revenues	707,905	714,471	636,876	624,078	668,551	572,080	627,150	476,099	479,961	406,745
Interest	443,808	385,636	263,985	252,196	198,909	135,155	96,061	125,751	120,863	184,833
Miscellaneous	46,122	36,699	(527,943)	13,581	27,629	192,384	70,569	131,564	50,930	170,127
Total revenues	9,693,097	9,618,410	8,412,019	9,410,573	10,039,678	10,340,385	10,556,938	11,257,585	12,097,184	13,108,616
Expenditures										
General Government	1,648,528	1,658,518	1,666,275	1,640,193	1,838,381	1,951,040	1,972,136	2,040,551	2,096,601	2,086,425
Public Safety	4,126,377	4,307,244	4,330,404	4,307,890	4,182,092	4,498,433	4,729,285	4,706,213	4,541,834	4,835,191
Community Services	974,129	1,126,639	1,071,563	1,083,895	1,098,790	1,193,203	1,380,800	1,373,876	1,441,761	1,462,362
Victim Advocate	63,433	75,162	106,591	106,498	75,458	90,595	103,177	99,215	95,214	110,063
Parks and Recreation	8,420	25,353	43,880	47,877	10,736	8,069	7,823	5,145	6,304	7,101
Community Development	186,176	240,681	151,762	161,290	170,687	290,980	52,520	70,167	121,030	141,576
Intergovernmental Services	77,809	26,384	26,632	26,881	25,221	34,919	36,121	39,244	49,244	72,713
Miscellaneous	18,129	-	-	-	-	-	-	-	-	-
Capital outlay	764,936	911,170	1,302,539	922,484	886,998	369,682	1,069,133	1,040,021	1,333,459	2,094,376
Debt service										
Interest	500,673	444,227	428,061	331,910	280,794	239,196	186,796	117,767	75,482	74,956
Principal	485,176	541,622	1,681,561	-	-	-	-	-	-	-
Total expenditures	8,853,786	9,357,000	10,809,268	8,628,918	8,569,157	8,676,117	9,537,791	9,492,199	9,760,929	10,884,763
Excess of revenues over (under) expenditures	839,311	261,410	(2,397,249)	781,655	1,470,521	1,664,268	1,019,147	1,765,386	2,336,255	2,223,853
Other Financing Sources (Uses)										
Transfers in	774,083	939,997	680,778	715,000	715,000	719,723	1,884,670	1,171,202	1,138,000	2,232,829
Transfers out	(562,083)	(727,997)	(468,778)	(480,000)	(480,000)	(489,554)	(1,632,515)	(918,605)	(883,000)	(1,977,829)
Change in Value of Asset	-	-	-	-	-	-	-	-	-	(261,433)
Total other financing sources (uses)	212,000	212,000	212,000	235,000	235,000	230,169	252,155	252,597	255,000	(6,433)
Net changes in fund balances	1,051,311	473,410	(2,185,249)	1,016,655	1,705,521	1,894,437	1,271,302	2,017,983	2,591,255	2,217,420
Debt services as a percentage of noncapital expenditures (a)	12.2%	11.5%	21.9%	4.2%	3.6%	2.9%	2.2%	1.4%	0.9%	0.8%

Source: City of Federal Heights Financial Statements.

(a) Debt service as a percentage of noncapital expenditures is calculated using the amount of capitalized assets on the *Reconciliation of the Statement of Revenues Expenditures and Changes in Fund Balances of Governmental Funds* to the *Statement of Activities*. As of 12/31/2009 the city has no outstanding debt or capital leases. Interest expense for 2010 - 2014 is interfund interest from the Redevelopment Fund to the Utility Fund and General Fund.

(b) *The Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds* includes a \$80,326 prior period adjustment in the Redevelopment Agency in 2008.

(c) Change of value of asset of (\$261,433) in 2016 due to fair market value adjustment of land held for sale.

City of Federal Heights
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

City of Federal Heights		City of Federal Heights										Assessed	
Fiscal Year		Assessed Value and Actual Value of Taxable Property										Value as a	
Ended		Last Ten Fiscal Years										Percentage of	
December 31		Residential	Commercial	Vacant &	State	Less:	Total Taxable	Total	Estimated	Actual Taxable	Value	Actual Value	
		Property	& Industrial	Agricultural	Assessed	Tax-Exempt	Assessed	Direct	Value	Value	(a)		
			Property	Property		Property		Tax Rate					
2007		23,185,120	22,551,020	787,540	57,780	-	46,581,460	0.68		371,947,386		13%	
2008		23,384,320	22,628,330	803,220	147,720	-	46,963,590	0.68		375,080,692		13%	
2009		20,199,710	23,023,830	801,500	80,300	-	44,105,340	0.68		336,198,408		13%	
2010		20,096,760	22,182,170	717,660	81,900	-	43,078,490	0.68		331,719,204		13%	
2011		19,372,880	22,019,830	669,860	117,930	-	42,180,500	0.68		322,024,855		13%	
2012		21,376,171	20,535,769	729,970	51,090	-	42,693,000	0.68		342,051,169		12%	
2013		22,971,140	22,258,530	624,700	79,200	-	45,933,570	0.68		367,762,954		12%	
2014		23,411,400	23,006,870	581,690	79,780	-	47,079,740	0.68		375,728,031		13%	
2015		33,515,490	24,052,810	575,260	77,190	-	58,220,750	0.68		506,239,421		12%	
2016		34,309,890	23,621,780	494,110	68,240	-	58,494,020	0.68		514,422,321		11%	

Redevelopment Agency		Redevelopment Agency										Assessed	
Fiscal Year		Assessed Value and Actual Value of Taxable Property										Value as a	
Ended		Last Ten Fiscal Years										Percentage of	
December 31		Residential	Commercial	Vacant &	State	Less:	Total Taxable	Total	Estimated	Actual Taxable	Value	Actual Value	
		Property	& Industrial	Agricultural	Assessed	Tax-Exempt	Assessed	Direct	Value	Value	(a)		
			Property	Property		Property		Tax Rate					
2007		3,215,710	8,986,420	508,960	-	-	12,711,090	na		73,141,056		17%	
2008		3,390,240	8,959,160	531,140	-	-	12,880,540	na		75,316,127		17%	
2009		2,995,790	9,746,970	489,540	-	-	13,232,300	na		72,933,863		18%	
2010		3,117,770	9,988,100	495,000	-	-	13,600,870	na		75,316,586		18%	
2011		2,806,280	9,896,080	507,850	-	-	13,210,210	na		71,130,395		19%	
2012		2,921,120	10,009,430	420,220	-	-	13,350,770	na		72,661,798		18%	
2013		3,995,350	12,347,940	399,990	-	-	16,743,280	na		94,151,219		18%	
2014		4,205,750	12,678,560	381,480	2,640	-	17,268,430	na		97,879,779		18%	
2015		5,244,820	13,500,030	376,910	2,450	-	19,124,210	na		113,749,664		17%	
2016		5,334,030	12,675,080	304,880	2,260	-	18,316,250	na		111,776,703		16%	

Source: Adams County Assessors Office.

(a) Property in Federal Heights is reassessed every two years by Adams County. For 2016, the county assessed property at approximately 7.96% of actual for residential properties, at 87.5% for oil and gas, and at 29% for all others. The city does not have oil and gas property. Estimated actual value is calculated by dividing assessed value by those percentages.

(b) Tax rates are per \$1,000 of assessed value. Source documents from the Assessor's Office do not include assessed values for tax exempt properties.

(c) The Redevelopment Agency is a component unit within the City of Federal Heights Financial Statements. The property values are separately identified as a large source of property tax revenues. Revenues are determined by an incremental formula based on an amount of tax generated over a base rather than a direct tax rate.

City of Federal Heights
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City Direct Rate	Total Direct Rate	Overlapping Rates					Rangeview Library District	Rangeview District
			Adams County	Urban Drainage District	School District 12	School District 50	Hyland Hills Recreation District		
2007	0.680	0.680	26.899	0.568	64.595	55.601	5.571	3.504	
2008	0.680	0.680	26.809	0.589	69.671	56.970	5.541	3.659	
2009	0.680	0.680	26.824	0.569	70.179	59.704	5.617	3.659	
2010	0.680	0.680	26.883	0.576	70.359	58.722	5.557	3.659	
2011	0.680	0.680	26.806	0.623	70.276	61.473	5.588	3.659	
2012	0.680	0.680	26.903	0.657	70.602	59.983	5.587	3.659	
2013	0.680	0.680	26.815	0.672	68.605	58.451	5.515	3.659	
2014	0.680	0.680	27.042	0.700	68.781	59.695	5.565	3.659	
2015	0.680	0.680	26.817	0.611	66.017	56.994	5.372	3.659	
2016	0.680	0.680	27.055	0.559	65.922	56.896	5.359	3.659	

Source: Adams County Assessors Office.

Overlapping Rates are those of local and county governments that apply to property owners within the City of Federal Heights. Not all overlapping rates apply to all Federal Heights property owners; for example although the county property tax rate applies to all city property owners, the Adams County School District 50 rate applies only to city property owners whose property is located within that district's geographic boundaries.

The city's basic property tax rate may be increased only by a majority vote of the city's residents.

The city's basic property tax rate is assessed per \$1,000 of assessed valuation. As of 12/31/16 there are no direct debt service mills.

**City of Federal Heights
Principal Property Tax Payers
Current Year and Ten Years Ago**

	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Public Service Co of Colorado	3,807,520	1	7%	1,314,270	4	3%
MHC Holiday Hills Village LLC	3,712,320	2	6%	1,201,960	5	3%
MAR Legacy Heights LLC	3,480,230	3	6%	-	-	-
CR Tuscan Heights Communities LLC	3,361,710	4	6%	-	-	-
Kimberly Hills	2,315,800	5	4%	885,500	10	2%
ROC II CO Lodge on 84th LLC	1,819,900	6	3%	-	-	-
AMC Countryside Village Denver LLC	1,790,560	7	3%	-	-	-
Carmax Auto Superstores West Coast Inc	1,493,330	8	3%	-	-	-
Buckingham West - Federal Plaza LLC	1,474,880	9	3%	2,152,960	2	5%
ADLP - 84th LLC	1,428,740	10	2%	1,371,960	3	3%
Fairfield Legacy Heights	-	-	-	2,391,120	1	5%
Safeway Stores 45 Inc	-	-	-	1,148,100	6	2%
Maples LLC	-	-	-	1,114,400	7	2%
Miller International Inc	-	-	-	1,005,890	8	2%
Hunters Cove Residential	-	-	-	967,150	9	2%
Total	<u>\$ 24,684,990</u>		<u>42%</u>	<u>\$ 13,553,310</u>		<u>29%</u>

Source: Adams County Assessor's Office.

City of Federal Heights
Taxable Sales & Admissions and Sales & Admissions Taxes Collections By Category
Fiscal Years 2007 - 2016

<u>Taxable Sales</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Utility	\$ 12,208,600	\$ 13,868,575	\$ 12,304,300	\$ 12,657,525	\$ 13,258,875	\$ 13,321,850	\$ 13,778,325	\$ 14,124,025	\$ 14,045,325	\$ 14,794,200
Grocery	36,432,225	36,473,750	34,405,425	33,039,525	34,829,900	35,550,100	35,657,900	39,442,600	40,305,125	41,706,475
Retail	14,827,050	15,218,675	14,719,550	15,157,050	15,486,750	18,136,450	21,201,925	22,434,300	24,965,850	26,103,850
Entertainment	4,045,225	4,547,650	4,095,875	3,710,900	3,978,457	4,132,075	4,198,125	3,690,750	3,685,250	3,648,750
Eating and drinking establishments	15,939,550	15,992,000	17,956,775	18,135,550	19,424,575	21,083,500	21,466,250	23,114,750	25,228,725	26,029,900
Auto sales, dealers and auto supplies (a)	26,827,175	24,702,100	23,092,850	22,872,575	24,303,850	27,481,275	31,755,600	34,497,025	41,254,075	41,254,075
Liquor stores	6,084,000	6,247,675	5,969,500	5,891,950	5,894,625	5,727,700	6,782,550	7,751,225	8,313,550	8,889,750
Building materials (b)	2,866,450	2,450,675	1,527,350	1,626,200	2,533,675	6,086,100	1,735,949	4,053,325	463,825	6,384,700
All other outlets	4,716,600	4,567,225	4,489,700	5,638,125	5,523,125	6,009,150	5,586,175	6,444,525	6,789,825	8,304,975
Total	\$ 123,946,875	\$ 124,468,325	\$ 118,561,325	\$ 118,729,400	\$ 125,033,832	\$ 137,528,200	\$ 142,152,799	\$ 155,554,550	\$ 170,631,975	\$ 177,116,675
Taxable Admissions (c)										
	\$ -	\$ -	\$ -	\$ 11,220,500	\$ 11,846,300	\$ 12,460,125	\$ 11,312,325	\$ 10,954,400	\$ 11,798,175	\$ 11,566,825
Total Taxable Sales & Admissions	\$ 123,946,875	\$ 124,468,325	\$ 118,561,325	\$ 129,949,900	\$ 136,880,132	\$ 149,988,325	\$ 153,465,124	\$ 166,508,950	\$ 182,430,150	\$ 188,683,300
Sales Tax Collected	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total	% of Total
Utility	486,344 10%	554,743 11%	492,172 11%	506,301 11%	530,355 11%	532,874 10%	551,133 10%	564,961 9%	561,813 8%	591,768 9%
Grocery	1,457,289 29%	1,458,950 29%	1,376,217 29%	1,321,581 28%	1,393,196 28%	1,422,004 26%	1,426,316 26%	1,577,704 25%	1,612,205 24%	1,668,259 24%
Retail	593,082 12%	608,747 12%	588,782 12%	606,282 12%	619,470 12%	725,458 13%	848,077 17%	897,372 14%	988,634 15%	1,044,154 15%
Entertainment	161,809 3%	181,906 4%	163,835 4%	148,436 3%	158,138 3%	165,283 3%	167,925 3%	147,631 2%	147,410 2%	145,950 2%
Eating and drinking establishments	637,582 13%	639,680 13%	718,271 15%	725,422 15%	776,983 16%	843,340 15%	858,650 15%	924,590 15%	1,009,149 15%	1,041,196 15%
Auto sales, dealers and auto supplies (a)	1,073,087 22%	988,084 20%	923,714 20%	914,903 19%	972,154 19%	1,099,251 20%	1,270,224 22%	1,379,881 22%	1,873,780 27%	1,650,163 24%
Liquor stores	243,360 5%	249,907 5%	238,780 5%	235,678 5%	235,785 5%	229,108 4%	270,502 4%	310,049 5%	332,542 5%	355,590 5%
Building materials (b)	114,858 2%	96,027 2%	61,094 1%	65,048 1%	101,347 2%	243,444 5%	69,438 1%	162,213 3%	18,153 0%	255,388 4%
All other outlets	188,664 4%	198,689 4%	179,588 4%	225,525 5%	212,925 5%	240,366 4%	223,847 2%	257,781 5%	271,593 3%	332,199 3%
Total	4,957,875 100%	4,978,733 100%	4,742,453 100%	4,749,176 100%	5,001,353 100%	5,501,128 100%	5,686,112 100%	6,222,182 100%	6,825,279 100%	7,084,667 100%

Admissions Tax Collected (c)

	\$ -	\$ -	\$ -	\$ 448,820	\$ 465,852	\$ 498,405	\$ 452,493	\$ 438,176	\$ 471,927	\$ 462,665
Total Sales & Admissions Tax Collected	4,957,875	4,978,733	4,742,453	5,197,996	5,467,205	5,999,533	6,138,605	6,660,358	7,297,206	7,547,332
	na	na	na	na	na	na	na	na	na	na

(a) Auto revenues include sales on motorized vehicles garaged in the city at the time the vehicle is titled.

(b) Building materials includes revenues from construction projects in the city. Building Use Tax of \$186,813 is included in Other Taxes in the Statement of Activities in 2015.

(c) In November 2009, the citizens of Federal Heights passed a 4% admissions tax to take effect January 1, 2010.

Revenues and sales taxes are reported by category. Publication of revenues and sales taxes paid by specific individual business is prohibited (Municipal Code 54-40).

Source: City of Federal Heights Finance Department.

**City of Federal Heights
Direct and Overlapping Sales Tax Rates
Last Ten Years**

Fiscal Year	City Direct Rate	Adams County	State of Colorado	Regional Transportation District	Scientific Cultural Facilities District	Stadium District	Total
2007	4.00%	0.75%	2.90%	1.00%	0.10%	0.10%	8.85%
2008	4.00%	0.75%	2.90%	1.00%	0.10%	0.10%	8.85%
2009	4.00%	0.75%	2.90%	1.00%	0.10%	0.10%	8.85%
2010	4.00%	0.75%	2.90%	1.00%	0.10%	0.10%	8.85%
2011	4.00%	0.75%	2.90%	1.00%	0.10%	0.10%	8.85%
2012	4.00%	0.75%	2.90%	1.00%	0.10%	-	8.75%
2013	4.00%	0.75%	2.90%	1.00%	0.10%	-	8.75%
2014	4.00%	0.75%	2.90%	1.00%	0.10%	-	8.75%
2015	4.00%	0.75%	2.90%	1.00%	0.10%	-	8.75%
2016	4.00%	0.75%	2.90%	1.00%	0.10%	-	8.75%

Source: State of Colorado, City of Federal Heights

**City of Federal Heights
Property Tax Levies and Collections
Fiscal Years 2007 - 2016**

Fiscal Year Ended Dec 31	Taxes Levied for the Fiscal Year (a)	Collected in the Fiscal Year of the Levy		Collections in Subsequent Years (b)	Total Collections to Date	
		Amount (b)	Percentage of Levy		Amount	Percentage of Levy
2007	1,317,685	-	-	1,240,578	1,225,044	94.1%
2008	1,397,899	-	-	1,358,260	1,358,260	97.2%
2009	1,443,182	-	-	1,400,570	1,400,570	97.0%
2010	1,483,260	-	-	1,410,993	1,410,993	95.1%
2011	1,442,247	-	-	1,396,371	1,396,371	96.8%
2012	1,442,219	-	-	1,408,712	1,408,712	97.7%
2013	1,771,362	-	-	1,667,205	1,667,205	94.1%
2014	1,839,187	-	-	1,811,088	1,811,088	98.5%
2015	1,980,153	-	-	1,921,768	1,921,768	97.1%
2016	1,899,688	-	-			

Sources: Adams County Assessors Office, Finance Department City of Federal Heights

(a) Property tax collections are presented for the City of Federal Heights and the Federal Heights Redevelopment Agency. The Redevelopment Agency receives a percentage of the Adams County mill levy within which the properties are located. The Redevelopment Agency has no specific mill levy.

(b) Property taxes are levied in year x1 and are paid the following year x2.

City of Federal Heights
Ratios of Outstanding Debt By Type
Fiscal Years 2007 - 2016

Fiscal Year	Governmental Activities		Business - Type Activities	Total Primary Government	Percentage of Personal Income	Outstanding Debt Per Capita
	Sales and Use Tax Revenue Bonds	Capital Leases	Capital Leases			
2007	4,115,000	75,141	-	4,190,141	2.07%	\$ 347
2008	1,665,000	16,561	-	1,681,561	0.83%	\$ 139
2009	-	-	-	-	na	na
2010	-	-	-	-	na	na
2011	-	-	-	-	na	na
2012	-	-	-	-	na	na
2013	-	-	-	-	na	na
2014	-	-	-	-	na	na
2015	-	-	-	-	na	na
2016	-	-	-	-	na	na

Source: Details regarding the city's outstanding debt can be found in the city's financial statements.

Note 1: As of December 31, 2009 the City of Federal Heights has no outstanding bonds or capital leases.

City of Federal Heights
Ratios of General Obligation Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	General Obligation Debt Outstanding
2007	(1)
2008	
2009	
2010	
2011	
2012	
2013	
2014	
2015	
2016	

(1) No general obligation debt is outstanding for the years presented.

City of Federal Heights
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016

<u>Governmental Unit</u>	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Adams County	\$ -	na	\$ -
Adams County School District 12	\$ 239,306,263	3%	\$ 8,175,849
Adams County School District 50	\$ 73,260,000	10%	\$ 7,470,956
Hyland Hills Recreation District	\$ 7,315,000	6%	\$ 462,988
Rangeview Library District	\$ 44,557,219	1%	\$ 666,669
Urban Drainage	\$ -	na	\$ -
Subtotal Overlapping Debt			<u>\$ 16,109,792</u>
City Direct Debt	\$ -	-	\$ -
Total Direct and Overlapping Debt	\$ 364,438,482		<u>\$ 16,109,792</u>

Sources:

Adams County Assessors Office
Adams County Finance Office
Adams County School Districts 12 & 50
Hyland Hills Recreation District
City of Federal Heights

Overlapping debt is determined by multiplying the debt outstanding as provided by the local governments by the percentage applicable to the residents of Federal Heights. Overlapping debt percentage is calculated using Federal Heights total assessed value divided by the local government's assessed value as provided by Adams County.

City of Federal Heights
Legal Debt Margin Information
Fiscal Years 2007 - 2016

<u>Legal Debt Margin Computation for Fiscal Year</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Maximum Debt Allowed:										
Actual value	\$ 445,088,443	450,396,819	409,132,271	407,035,790	393,155,250	414,712,966	461,914,172	473,607,810	619,989,085	626,199,024
Debt limit (3% of valuation)	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Legal debt limit	\$ 13,352,653	\$ 13,511,905	\$ 12,273,968	\$ 12,211,074	\$ 11,794,657	\$ 12,441,389	\$ 13,857,425	\$ 14,208,234	\$ 18,599,673	\$ 18,785,971
Debt Applicable to Limit:										
Total bonds outstanding	4,115,000	1,665,000	-	-	-	-	-	-	-	-
Less: Sales and Use Tax Revenue Bonds	(4,115,000)	(1,665,000)	-	-	-	-	-	-	-	-
Debt subject to limitation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 13,352,653	\$ 13,511,905	\$ 12,273,968	\$ 12,211,074	\$ 11,794,657	\$ 12,441,389	\$ 13,857,425	\$ 14,208,234	\$ 18,599,673	\$ 18,785,971
Total net debt applicable to limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal debt margin	\$ 13,352,653	\$ 13,511,905	\$ 12,273,968	\$ 12,211,074	\$ 11,794,657	\$ 12,441,389	\$ 13,857,425	\$ 14,208,234	\$ 18,599,673	\$ 18,785,971
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	na	na	na	na	na	na	na	na

Note 1: Colorado statutes limit legal debt margin to 3% of valuation, excepting general obligation debt serviced by enterprise funds and revenue bonds.

Note 2: As of December 31, 2009 the City of Federal Heights has no outstanding bonds or capital leases.

Source: Adams County Assessor's Office and City of Federal Heights Financial Statements.

**City of Federal Heights
Pledged Revenue Coverage
Fiscal Years 2007 - 2016**

Sales and Use Tax					
Fiscal Year	Sales and Use Tax Revenue (1)	Debt Service		Coverage	
		Principal	Interest		
2007	\$ 4,957,875	\$ 475,000	\$ 247,413	6.9	
2008	\$ 4,978,733	\$ 2,450,000	\$ 170,947	1.9	
2009	\$ 4,742,453	\$ 1,681,561	\$ 379,694	2.3	
2010	\$ 4,749,176	\$ -	\$ -	na	
2011	\$ 5,001,353	\$ -	\$ -	na	
2012	\$ 5,501,128	\$ -	\$ -	na	
2013	\$ 5,686,112	\$ -	\$ -	na	
2014	\$ 6,222,182	\$ -	\$ -	na	
2015	\$ 6,825,279	\$ -	\$ -	na	
2016	\$ 7,084,667	\$ -	\$ -	na	

Source: City of Federal Heights Financial Statements

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) Sales and Use Tax Revenue Bonds are backed by the general sales and use tax revenue of the city.
- (2) In 2008 the City of Federal Heights retired early \$1,950,000 of its outstanding Sales and Use Tax Revenue Bonds. In 2009 the remaining balance was retired early.

**City of Federal Heights
Demographic and Economic Statistics
Last Ten Years**

Year	Population (a)	Personal Income (a)	Per Capita Personal Income (a)	Median Age (a)	School Enrollment (b)	Unemployment Rate (c)
2007	12,065	202,704,065	13,801	31.3	2,218	4%
2008	12,065	202,704,065	13,801	31.3	2,365	7%
2009	12,065	202,704,065	13,801	31.3	2,413	9%
2010	11,467	201,429,322	17,566	31.2	2,564	10%
2011	11,467	201,429,322	17,566	31.2	2,606	9%
2012	11,467	201,429,322	17,566	31.2	2,690	9%
2013	11,467	201,429,322	17,566	31.2	2,737	7%
2014	11,467	201,429,322	17,566	31.2	2,783	5%
2015	11,467	201,429,322	17,566	31.2	2,614	4%
2016	11,467	201,429,322	17,566	31.2	2,660	4%

Source:

(a) US Census 2000 and 2010

(b) City surveys

(c) State of Colorado Department of Labor and Employment

Unemployment rate is for Adams County. A separate unemployment rate is not readily available for Federal Heights.

**City of Federal Heights
Principal Employers
Current and Ten Years Ago**

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Waterworld (seasonal employer)	948	1	<i>Note 1</i>	950	1	<i>Note 1</i>
Pinnacle Learning Center	233	2		180	3	
Comcast	165	3		237	2	
Miller Stockman	103	4		120	5	
King Soopers	100	5		130	4	
City of Federal Heights	87	6		85	6	
McDonalds	75	7		81	7	
Walgreens	44	8		-	-	
Federal Heights Elementary	51	9		71	9	
Safeway	60	10		80	8	
Fresca Foods	-	-		60	10	
Total	<u>1,866</u>			<u>1,994</u>		

Source: City surveys
State of Colorado Department of Labor and Employment.

Note 1: Information not readily available. Adams County employment as of December 31, 2016 is 244,325. Adams County employment as of December 31, 2007 was 214,000.

City of Federal Heights
Full-time Equivalent City Government Employees by Function/Program
Fiscal Years 2007 - 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	13	13	13	14	14	16	16	13	13	18
Public Safety										
Police	37	37	37	37	37	37	37	37	37	38
Fire /Ambulance	19	19	19	18	18	17	17	18	18	18
Public Works/Parks	10	11	11	11	11	11	12	12	12	8
Utility - Water/Sewer/Drainage	6	6	6	6	6	6	5	6	6	6
Total	85	86	86	86	86	87	87	86	86	87

Source: Various City of Federal Heights Departments.

Note: Full time equivalents are for budgeted positions as of December 31.
In 2016 Community Development was reclassified into General Government.

City of Federal Heights Operating Indicators by Function/Program Fiscal Years 2007 - 2016										
Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Physical arrests	1,340	1,104	988	1,033	1,184	1,099	924	798	1,303	1,260
Traffic violations	6,155	4,718	5,422	5,129	4,647	3,874	4,120	3,106	2,924	2,385
Fire/Ambulance										
Ambulance responses	1,175	1,216	1,164	1,219	1,110	1,373	1,400	1,465	1,383	1,497
Fire responses	381	358	378	377	522	513	432	372	416	449
Ambulance transports	778	832	720	756	824	884	928	986	974	1,162
Fire inspections	509	408	425	427	489	417	474	529	637	522
Water										
Water gallons billed to customers	452,787,000	459,319,000	382,810,000	415,702,000	423,765,220	459,669,000	431,477,000	411,853,000	433,308,000	451,173,000
Average daily consumption in gallons per person per day	103	104	87	99	101	110	103	98	104	108
Public Works										
Street resurfacing (miles)	0.30	0.54	1.4	1.7	0.5	0.15	0.22	0.60	1.20	0.56
Resurfacing as a percentage of total street miles	1.70%	3%	8%	9%	3%	1%	1%	3%	7%	3%
Administration										
Business licenses	213	214	227	219	215	216	216	222	219	219

Source: Various City of Federal Heights Departments.

City of Federal Heights
Capital Asset Indicators by Function/Program
Fiscal Years 2007 - 2016

<u>Function/Program</u>	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	8	8	8	8
Fire Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Street miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles
Streetslights	310	310	310	310	310	310	310	310	310	310
Traffic signals	3	3	4	4	4	4	4	4	4	4
Total City incorporated area	1.775 sq miles	1.775 sq miles	1.775 sq miles	1.775 sq miles	1.775 sq miles	1.775 sq miles	1.775 sq miles	1.775 sq miles	1.775 sq miles	1.775 sq miles
Parks and Recreation										
Number of parks	1	1	1	1	1	1	1	1	1	1
Total acreage	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres
Hyland Hills Recreation District acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres
Utility										
Water main miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles
Sanitary system miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles
Storm system miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles

Source: Various City of Federal Heights Departments.

STATE COMPLIANCE

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

LOCAL HIGHWAY FINANCE REPORT		City or County:
		City of Federal Heights
		YEAR ENDING :
This Information From The Records Of (example - City of _ or County of _):		Prepared By: Tim Weitzman
City of Federal Heights		Phone: 303-412-3531

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

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	436,292
3. Other local imposts (from page 2)	1,858,562
4. Miscellaneous local receipts (from page 2)	310,140
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	0
7. Total (1 through 6)	2,604,994
B. Private Contributions	
C. Receipts from State government (from page 2)	298,793
D. Receipts from Federal Government (from page 2)	380,135
E. Total receipts (A.7 + B + C + D)	3,283,922

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway disbursements:	
1. Capital outlay (from page 2)	1,219,875
2. Maintenance:	74,598
3. Road and street services:	
a. Traffic control operations	7,385
b. Snow and ice removal	80,560
c. Other	73,518
d. Total (a. through c.)	161,463
4. General administration & miscellaneous	95,416
5. Highway law enforcement and safety	950,165
6. Total (1 through 5)	2,501,517
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	0
3. Total (1.c + 2.c)	0
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total disbursements (A.6 + B.3 + C + D)	2,501,517

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				0
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
	1,787,348	3,283,922	2,501,517	2,569,753	0

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	39,128	a. Interest on investments	1,293
b. Other local imposts:		b. Traffic Fines & Penalties	269,337
1. Sales Taxes	1,579,829	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	
5. Specific Ownership &/or Other	239,605	g. Other Misc. Receipts	
6. Total (1. through 5.)	1,819,434	h. Other	39,510
c. Total (a. + b.)	1,858,562	i. Total (a. through h.)	310,140
(Carry forward to page 1)		(Carry forward to page 1)	
III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL			
ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	258,527	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	40,266	d. Federal Transit Admin	
d. Other (Specify) - DOLA Grant		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	380,135
f. Total (a. through e.)	40,266	g. Total (a. through f.)	380,135
4. Total (1. + 2. + 3.f)	298,793	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		475,943	475,943
c. Construction:			
(1). New Facilities			0
(2). Capacity Improvements			0
(3). System Preservation		743,932	743,932
(4). System Enhancement & Operation		0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	743,932	743,932
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	1,219,875	1,219,875
			(Carry forward to page 1)
Notes and Comments:			