

CITY OF DACONO, COLORADO
BASIC FINANCIAL STATEMENTS
December 31, 2021

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dacono (the "City") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dacono as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison schedules for the general and major special revenue funds, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required budgetary and pension information on pages 34-40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial statements and State Compliance information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The individual fund financial statements and State Compliance have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and State Compliance are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John Luther & Associates, LLC

July 22, 2022



Management's Discussion and Analysis Fiscal Year Ending December 31, 2021

As management of the City of Dacono (the City), we offer readers of the City's basic financial statements this narrative and analysis of the financial activities of the City of Dacono for the year ended December 31, 2021. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. We encourage readers to consider the information presented in conjunction with additional information provided by auditors in the Independent Auditor's Report.

2021 FINANCIAL HIGHLIGHTS

The City's assets and deferred outflows of resources exceed its liabilities and deferred inflows of resources by \$56,981,002 (total net position). The City's net position includes all Funds; General, Water, Capital Equipment, Street, Impact Fee, Conservation Trust, and the Urban Renewal Authority of Dacono (URAD) Fund.

Total net position is comprised of the following:

- The net investment in capital assets of \$38,778,432 which includes all property and equipment, net of accumulated depreciation, and is reduced by the amount of outstanding debt related to the purchase and construction of those capital assets.
- Net position of \$297,103 is restricted by constraints imposed from outside the City by law or regulation.
- Unrestricted net position of \$17,905,467 represents the portion of assets available to maintain the City's continued obligations to creditors and the community.

The City's governmental funds reported total ending fund balance of \$13,406,915 which is a decrease of \$4,932,334 from the prior year's total governmental fund balance of \$18,339,249. The reduction in funds was expected, to account for the expense of constructing a new building and the remodel of the existing City Hall complex which primarily occurred in 2021, while the proceeds were received the year prior.

At the end of the current calendar year, the unassigned portion of the General Fund balance was \$4,395,576; 109% of total General Fund expenditures. The presence of a high fund balance to expense ratio indicates a strong, healthy General Fund able to support all the year's expenses without issue.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the aforementioned documents separate the activities performed by those supported through collection of taxes and business-type activities whereby the vast majority of the expenses are paid with user fees and charges. Governmental activities include general government, public safety, public works, parks and recreation. Business-type activities include water and trash.

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

Fund Financial Statements

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

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

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

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

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

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

Notes to Financial Statements

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

Required and Other Supplementary Information

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

Budgetary comparison schedules for the General Fund and the major special revenue funds are included as required supplementary information and can be found on pages 34-38 of this report.

Also included in the supplementary information section is the net pension asset (liability) calculation to comply with GASB statement 68 requirements. A ten-year chart of City contributions to the defined benefit plan (FPPA) is presented. Because this is a fairly recent GASB pronouncement, only nine years of data exist. These items are found on pages 39-40 of this report.

Included in other supplementary information section are the individual fund schedules of non-major fund types and the Proprietary Fund which can be found on pages 41-42 of this report.

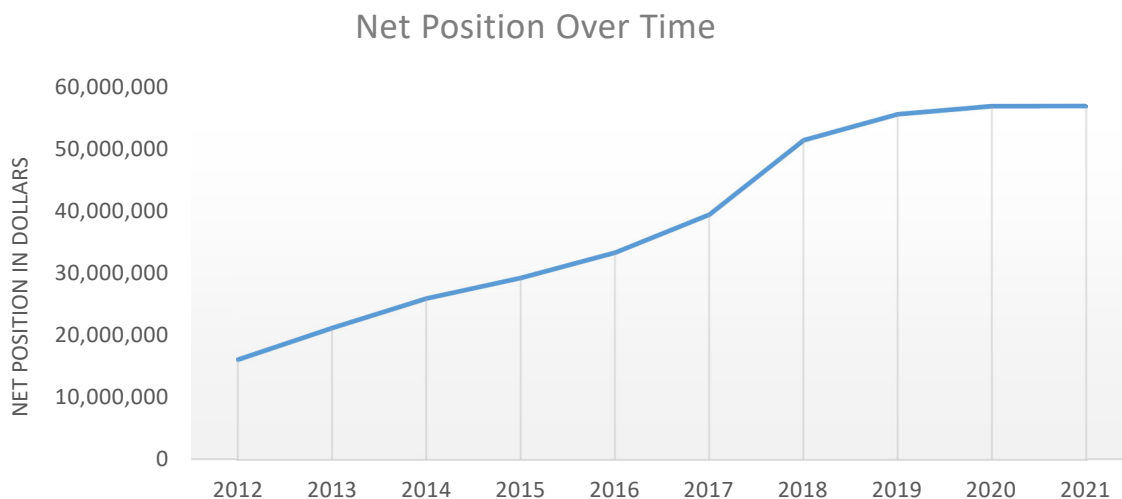
FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's net position at calendar year end is \$56,981,002. The following table shows a summary of the City's net position:

Net Position

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|----------------------------|---------------------|-----------------------------|---------------------|-----------------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets: | | | | | | |
| Current and other assets | \$32,502,466 | \$22,797,499 | \$6,115,222 | \$5,783,188 | \$38,617,688 | \$28,580,687 |
| Capital assets | 30,273,936 | 34,141,035 | 36,880,519 | 23,342,767 | 67,154,455 | 57,483,802 |
| Net pension assets | 301,649 | 69,024 | | | 301,649 | 69,024 |
| Total assets | \$63,078,051 | 57,007,558 | 42,995,741 | 29,125,955 | \$106,073,792 | 86,133,513 |
| Deferred outflow of resources | | | | | | |
| Deferred loss on refunding | 45,666 | 57,082 | - | - | 45,666 | 57,082 |
| Deferred outflows - pension | 486,567 | 462,864 | - | - | 486,567 | 462,864 |
| Total deferred outflow of resources | 532,233 | 519,946 | - | - | 532,233 | 519,946 |
| Liabilities: | | | | | | |
| Current liabilities | 4,216,286 | 1,965,073 | 210,690 | 194,640 | 4,426,976 | 2,159,713 |
| Noncurrent liabilities: | | | | | | |
| Due in one year | 583,948 | 486,619 | 172,036 | 166,231 | 755,984 | 652,850 |
| Due in more than one year | 27,213,646 | 23,133,129 | 532,763 | 704,799 | 27,746,409 | 23,837,928 |
| Net Pension Liability | | | - | - | - | - |
| Total liabilities | 32,013,880 | 25,584,821 | 915,489 | 2,850,950 | 32,929,369 | 26,650,491 |
| Deferred inflow of resources | | | | | | |
| Unearned revenue -property taxes | 16,318,089 | 2,909,855 | - | - | 16,318,089 | 2,909,855 |
| Deferred inflows - pension | 377,565 | 140,035 | - | - | 377,565 | 140,035 |
| Total deferred inflow of resources | 16,695,654 | 3,049,890 | - | - | 16,695,654 | 3,049,890 |
| Net Position: | | | | | | |
| Net investment in capital assets | 2,430,676 | 10,464,205 | 36,347,756 | 22,637,968 | 38,778,432 | 33,102,173 |
| Restricted | 297,103 | 263,258 | | | 297,103 | 263,258 |
| Unrestricted | 12,172,971 | 18,165,330 | 5,732,496 | 5,422,317 | 17,905,467 | 23,587,647 |
| Total net position | \$14,900,750 | \$28,892,793 | \$42,080,252 | \$28,060,285 | \$56,981,002 | \$56,953,078 |

The following chart depicts the total net position balance from fiscal years 2012-2021:



In recent years, the City’s net position has leveled out or flattened. Even though the City accumulated more capital assets in those years than previous years, the City has also accumulated more debt purchasing those assets which offsets the assets value when calculating net position. 2018 was an exceptional year which included some one-time gains and additional public improvements listed under donated capital. In 2019 through 2021 the trend of the chart shows a flattening of the growth rate. This illustrates the slowdown in housing development, and the effects of COVID-19 on the City’s overall economy.

The City reported a loss in net position in governmental activities and a significant gain in net position of business-type activities. This fluctuation was due to the transfer of Windy Gap water shares from the URAD (a governmental fund) to the Water Fund (a proprietary fund). During 2021, net position decreased by \$13,992,042 in governmental activities and increased by \$14,019,967 in business-type activities. The City’s overall net position increased during calendar year 2021 by only \$27,924.

Note that approximately 16.4% of the governmental activities total net position is invested in capital assets. The remainder of net position is available to pay current and future liabilities and are unrestricted for future use or restricted for specific uses such as emergency needs or for parks and recreation. 80.7% of business-type activities net position is invested in capital assets. Those assets are used to provide water and trash removal services to the citizens and generate revenues for the Water Fund. To increase unrestricted net assets in the Water Fund the City would have to raise fees to the customers since that is how the Water Fund is funded. Combining governmental activities and business-type activities, the City has invested 58.2% of its total net position in capital assets, leaving 41.8% to pay existing liabilities and future expenses.

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

Change in Net Position

| | Governmental | | Business-type | | Total | |
|---------------------------------------|---------------------|--------------------|---------------------|--------------------|--------------------|-------------------|
| | Activities | | Activities | | Primary Government | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Program revenues | | | | | | |
| Charges for services | \$368,068 | \$883,219 | \$2,291,101 | \$2,280,271 | \$2,659,169 | \$3,163,490 |
| Operating grants and contributions | 125,403 | 284,057 | | | 125,403 | 284,057 |
| Capital grants and contributions | 322,617 | 310,582 | 13,549,777 | 544,850 | 13,872,394 | 855,432 |
| General revenues | | | | | | |
| Sales and Use taxes | 2,553,044 | 2,455,345 | | | 2,553,044 | 2,455,345 |
| Property taxes | 2,993,105 | 2,588,918 | | | 2,993,105 | 2,588,918 |
| Franchise taxes | 229,739 | 223,984 | | | 229,739 | 223,984 |
| Other taxes | 110,663 | 118,705 | | | 110,663 | 118,705 |
| Interest | 22,847 | 79,085 | 2,370 | 41,050 | 25,217 | 120,135 |
| Other | 461,087 | 270,541 | 784,765 | 14,820 | 1,245,852 | 285,361 |
| Capital Contributions | (13,500,000) | 1,199,959 | | | | |
| Total revenues | -\$6,313,427 | \$8,414,395 | \$16,628,013 | \$2,880,991 | 23,814,586 | 10,095,427 |
| Expenses | | | | | | |
| General government | 2,199,226 | 1,964,824 | | | 2,199,226 | 1,964,824 |
| Public safety | 2,285,364 | 2,360,750 | | | 2,285,364 | 2,360,750 |
| Public works | 1,655,078 | 1,620,081 | | | 1,655,078 | 1,620,081 |
| Parks and recreation | 153,360 | 152,360 | | | 153,360 | 152,360 |
| Interest on long term debt | 1,385,588 | 941,940 | 20,099 | 24,284 | 1,405,687 | 966,224 |
| Water | | | 2,587,947 | 2,919,871 | 2,587,947 | 2,919,871 |
| Total expenses | 7,678,616 | 7,039,955 | 2,608,046 | 2,944,155 | 10,286,662 | 9,984,110 |
| Change in net position | (13,992,043) | 1,374,440 | 14,019,967 | -\$63,164 | 27,924 | 1,311,276 |
| Net position, beginning | \$28,892,793 | 27,518,353 | 28,060,285 | 28,123,449 | \$56,953,078 | 55,641,802 |
| Net position, ending | \$14,900,750 | \$28,892,793 | \$42,080,252 | \$28,060,285 | \$56,981,002 | \$56,953,078 |

Governmental Activity Revenues

The operations of the City are funded primarily by local property tax revenues and sales tax. Other funding sources are use tax, franchise and admissions tax and building permits. Tax revenue for the year was \$5,886,552, an increase of 9.3% from the prior year. Sales and use tax increased in 2021 by 4%, mostly in sales tax collections. Property tax collections increased 15.7% and all other taxes decreased by 0.7%. In total, tax revenue increased \$499,600 for the 2021 calendar year. Property tax increased due to an increase in tax increment funding in the URAD, the City's net assessed value was relatively flat between 2019 and 2020.

Overall, total revenue decreased across all governmental funds from 2020 to 2021 by \$38,269. While charges for services declined significantly in 2021, an increase in tax revenue offset the difference.

Governmental Activity Expenses

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

| Governmental Activities | | | | |
|-------------------------|-----------------------|---------------------|---------------------|---------------------|
| | Total Cost of Service | Percentage of Total | Net Cost of Service | Percentage of Total |
| General Government | \$2,199,226 | 28.6% | (\$1,777,936) | 25.9% |
| Public Safety | \$2,285,364 | 29.8% | (\$2,213,183) | 32.3% |
| Public Works | \$1,655,078 | 21.6% | (\$1,368,460) | 19.9% |
| Parks and Recreation | \$153,360 | 2.0% | (\$117,361) | 1.7% |
| Long-term Debt Interest | \$1,385,588 | 18.0% | (\$1,385,588) | 20.2% |
| Total | \$7,678,616 | 100.0% | (\$6,862,528) | 100.0% |

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

Proprietary-type funds

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

The City’s only proprietary fund, the Water Fund reported \$42,080,252 in net position at the end of 2021, up \$14,019,967 from the prior year’s ending balance of \$28,060,285. The large increase in net position is mainly attributed to the transfer of Windy Gap water shares from the URAD to the Water Fund. The unreserved portion of net position as of December 31, 2021 was \$5,732,496 up from \$5,422,317 as of December 31, 2020. The unreserved portion of net position is that amount that is currently not invested in capital assets, or held to cover liabilities (excluding bonds payable). All costs of the Water Fund are supported by the fund itself.

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

The Water Fund maintained cash and cash equivalents at the end of the calendar year of \$5,767,643 an increase of 5.3% from the prior year's balance of \$5,477,992. The cash and cash equivalents value is the liquid resources available to maintain current operations and pay its creditors. The Water Fund's reserves increased due to lower expenses in 2021 from the prior year. The City received \$767,000 in the cash-in-lieu of water dedication program helping to increase reserves as well. Major changes are forthcoming in the City's water enterprise. Expansion of the City's water portfolio, infrastructure to improve storage, distribution and capacity are all topics of discussion between members of Council, staff and various engineers, consultants and legal professional service providers within the water industry. The goal is that the water system will be ready to meet the demands of future growth coming to the area and that fees charged for those services remain equitable between developers and consumers.

FUND ANALYSIS

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$13,406,915 down from the fund balance of \$18,339,249 as of December 31, 2020. Of that fund balance, \$4,618,485 is unassigned and available for future needs. Non-spendable funds include \$1,940 held in deposit by a vendor for postage liability. Restricted fund balances are those whose purpose is specifically designated by law and include the Conservation Trust for parks and open space of \$95,103, money set aside to meet the TABOR emergency reserve requirement of \$202,000 and URAD funds of \$11,027 restricted for debt service and \$1,887,670 restricted for capital improvements. The committed fund balances are those that are earmarked by resolution, or ordinance as established by City Council; highway and street funds of \$2,694,919, impact fees for roadways, drainage, parks and City facilities of \$2,482,213, and \$878,791 for capital assets and projects.

The total ending fund balance of governmental funds decreased, as expected, by 26.9% from the prior year. The decrease came from using bond proceeds, collected in 2020, to construct a new multi-use annex building adjacent to City Hall and remodel the existing City Hall and Police Department buildings in 2021. The project remained incomplete by the end of 2021 and is expected to be completed by mid-year 2022.

General Fund – The General Fund is the City’s primary operating fund. The General Fund balance is \$4,599,516, less than .01% decrease from the prior year fund balance of \$4,599,913. The ending unassigned fund balance represents the equivalent of 114% of annual expenditures; compared to 107% at December 31, 2020, this ratio is strong, and represents stable General Fund reserves.

Total tax revenue appropriated to the General Fund increased from 2020 levels by .9%. This minor change created very little impact to overall revenue. Increased sales tax collections, brought on by onlines sales, covered the deficiency in use tax from very low development growth, and small decline in net property tax collections. All other tax revenue streams decreased slightly.

Licensing and permit fees decreased significantly from 2020 levels, down 37.8%. The revenue collected for encroachment license agreements made up 42.2% of all licensing and permit fees collected during 2021. The ELA payments in 2021 totaled \$119,612 in revenue; this is an ongoing stream of revenue with an indefinite expiration date. Excluding all ELA revenue, licensing and permit revenue was \$164,243, down \$172,436 in 2021 compared to 2020. There were 2 new home permits pulled in 2021 compared to 66 new homes in 2020. The remainder of the revenue was from commercial applications, and other minor building permits.

Court fines decreased in 2021 by 8.5% from the prior year. This decline was a continuing side effect of the pandemic. Also, the City Hall remodel and new building project closed down the court facilities for a portion of the year, delaying court hearings for a few months.

General fund expenses decreased by 6.1% overall, a difference of \$262,202.

General government expenditures decreased by \$118,180 or 6.2%. This category includes several departments including administration, municipal court, planning, legislative and economic development.

Public Safety expenditures decreased by \$126,838 or 5.6%. This decrease is mainly due to lower code enforcement expenses in 2021. The City covered the upfront cost to demolish two homes that were considered safety hazards in 2020; this is not a typical occurrence in the City. The cost of demolition has been reimbursed back to the City through Weld county liens charged to the property owners.

Parks and recreation expenditures increased \$307 or 0.4%. Lower personnel costs in 2021 were offset by the higher cost of irrigation water and general park maintenance.

Street Fund - This fund is used primarily to track revenue and expenses directly related to the building, repair and maintenance of the streets and sidewalks within the City limits. Tax revenue is the main source of revenue of the Street Fund. Dacono voters approved a tax increase in 2005 for the issuance of GO bonds for a street improvement project which were refunded in 2014. Also, the Street Fund receives 45% of all sales and use tax generated by the City. The fund also receives 100% of the highway user's tax supplied by CDOT and road and bridge fees paid through vehicle registrations. In 2021, the Street Fund operating costs increased \$147,590 or 18.1%. The primary reason for the increase was additional road maintenance in 2021. The ending fund balance of the Street Fund is \$2,694,919, an increase of \$397,902 or 17.4% from the prior year fund balance of \$2,297,017.

Capital Fund – This fund is used exclusively for purchasing capital assets. The main revenue source for this fund is sales and use tax; 10% of all sales and use tax collections have been committed to this fund by Council resolution. Additional funds are transferred in from other governmental funds depending on the primary classification of the asset being purchased. In 2020, the City utilized a financing mechanism known as certificates of participation to finance the construction of a new annex building and to remodel the City Hall and existing Police Department buildings as well. The funds were received in 2020 but most of the construction took place in 2021. \$6.3 million in long term debt proceeds were received for this project and will be paid back over a 20-year term in a similar manner as a bond. The scope of this project included accommodations for additional office space for future personnel and a multi-use space for Council meetings, court and large capacity trainings to be held. There are also men's and women's locker rooms, public restrooms, kitchen, a workout space and a large armory room for weaponry to be stored securely. The remodel of City Hall and the Police Department utilized the existing footprint of each building in the most efficient way possible to accommodate current and future staff while providing improved safety and updated technology. The General Fund transferred \$265,961 to cover some of the debt payment for this COP financing.

Another COP financing took place in 2021, the proceeds of which were used to purchase vacant land. This \$5 million purchase was a strategic move to secure a large, centrally located acreage for the future buildout of a City Center while the land was available and interest rates still low. The land parcels lay adjacent to land that is already owned by the City, providing a perfect addition of space. Part of the cost of the land was offset by impact fees transferred from the impact fee fund, totaling \$572,639. The General Fund is obligated to the payment terms of both COP financings through general revenue and will transfer the necessary funds to the Capital Fund as payments come due.

Other expenses from this fund include a network storage server, a utility truck, boom lift and dump body for Public Works, all of which were purchased outright. The debt payments, including interest, totaled \$491,482 and bond issue costs totaled \$169,705 at year end. The Street Fund transferred \$106,007 to cover equipment purchases and debt payments related to Public Works. The General Fund transferred \$26,340 to cover debt payments for Police department body camera equipment. The fund balance at year end was \$878,791, down \$4,999,946 or 85.1% from the prior year fund balance of \$5,878,737.

Impact Fee Fund – This fund is a special revenue fund created to pay for amenities required for future growth and expansion. There are four designated accounts in this fund; arterial roads, drainage, parks, and City facilities. Impact fees are a requirement of new development to cover the cost of necessary infrastructure and amenities to support additional growth. In 2020, the City and the Town of Frederick partnered together on a drainage study which is partially funded by an energy impact grant through DOLA. Dacono’s fee will be proportionate to the amount of area included in the study. In 2021, Dacono remitted an additional \$137,705 to the project. The impact fee fund also transferred \$572,639 to cover a portion of the land purchase, as previously noted. The ending fund balance is \$2,482,213, a decrease of 21.8% from the 2020 fund balance of \$3,171,511.

Conservation Trust Fund – This fund is a restricted fund with the main revenue source being lottery ticket sales from the state of Colorado. The funds are to be spent on building, restoring, and maintaining parks and open space within the City limits. In 2021, the City used a portion of these funds to maintain lighting at the BMX track as provided in the IGA with the Carbon Valley Parks and Rec District. The ending balance in this fund is \$95,103 up 48% from 2020’s balance of \$64,258.

Dacono Urban Renewal Authority – This special district is a component unit of the City of Dacono and maintains autonomy from the financial reporting of the City. Even though the URAD maintains a completely separate accounting of its finances it is added into the City’s audit and treated as a component unit in governmental funds. The funds held by the Authority are committed funds which are used to develop blighted areas in the City. The Authority covered a \$227,500 deposit issued by the City of Dacono to St. Vrain Sanitation to begin designing and building a lift station which will serve a portion of the URAD plan area. Other capital expenses included an I-25 corridor market analysis (\$84,840) and URAD property site planning (\$13,445). Total operating expenses across the URAD’s three funds are \$530,133 in 2021. The URAD has a balance of \$2,656,373 up 14.2% from the prior year’s balance of \$2,327,813.

Proprietary Funds

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

Water Fund – This fund is responsible for maintaining the entire water system utilizing customer fees as the main source of revenue. Total water revenue for 2021 was \$3,078,236. In comparison, expenses for the year were \$2,812,029, resulting in a net gain of \$266,207 using budget basis. In 2021, Capital projects included a water line replacement performed on Glen Dale Circle, and half the cost of a utility truck for Public Works. Donated Capital assets include five shares of Windy Gap water donated by the URAD and water line installed by the developer for Sweetgrass filing I replat E.

The unreserved net position in the Water Fund at the end of 2021 is \$5,732,496, a 5.8% increase from the prior year's unreserved net position of \$5,442,317.

General Fund Budgetary Highlights

The City budgeted General Fund revenues of \$4,504,685 for the year ending December 31, 2021; actual revenues were \$4,325,132. The increased collection of taxes, licensing and permits was not able to overcome the diminished revenues from court fines, and slowed growth.

The City budgeted for General Fund expenditures of \$4,476,540 for the year ending December 31, 2021; actual expenditures were \$4,033,228. The difference is spread out through all departments but 48% of the savings came from decreases in public safety costs, 11% in information technology and 16% community development costs.

Because of those cost saving measures, the overall fund balance decreased by \$231,253 less than originally budgeted (variance). The fund balance was virtually unmoved year to year.

Street Fund Budgetary Highlights

The City budgeted Street Fund revenues of \$1,622,125 for the year ending December 31, 2021, actual revenues were \$1,688,681. Increases in sales tax and other intergovernmental fees were the primary sources of this variance in revenues.

The City budgeted for Street Fund expenditures of \$1,341,585 for the year ending December 31, 2021; actual expenditures were \$1,184,772. The majority of this budget variance of \$156,813 lies in road and sidewalk maintenance.

The overall fund balance increased by \$230,452 more than originally budgeted (variance).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of December 31, 2021 amounts to \$30,273,936 for governmental activities and \$36,880,519 for business-type activities (net of accumulated depreciation). This investment in capital assets consists of land, buildings, water rights, water system, improvements/infrastructure, vehicles/equipment and construction in progress. The summary of this investment is in Note 4 to the financial statements and additions to capital were addressed in the Fund Analysis section of this document.

Long-term Debt

As of December 31, 2021 the City's long-term debt consisted of \$818,650 in general obligation bonds, \$704,799 in water revenue bonds, \$10,935,944 in certificates of participation, \$16,043,000 in tax increment financing bonds and \$239,834 in accrued compensated employee absences (earned paid time off). The detail of Long-term debt is in Note 5 to the financial statements.

ECONOMIC CONDITIONS AFFECTING THE CITY

COVID-19 – The pandemic continues to be a federal public health emergency that is still effecting employment levels, staff absences, and sick leave requirements both federally and state mandated. In the City, businesses reopened, and by and large the community bounced back into action when able. City services that had experienced some impact to the initial shut-down, regained some momentum, however, court services and development still lagged behind. In 2021, the water enterprise resumed adhering to pre-COVID 19 water procedures. Consumers who had high balances on their water accounts were given the option to pay their balance in full, or make payment arrangements to avoid discontinuation of water service. The payment arrangements were negotiated based on the balance owed on each account and the consumers ability to pay. Some customers violated the terms of the payment arrangement and eventually were turned over to Weld County to certify liens against the property.

On March 11, 2021 the American Rescue Plan Act of 2021 was passed by the 117th United States Congress and signed into law. The purpose of the bill is to send relief to states and local governments affected by the COVID-19 pandemic allowing them to better respond to the resulting public health needs and economic hardships that communities continue to experience across the nation. The City of Dacono was allocated \$1,516,644 from the plan and received the first of two tranches in 2021. Because the City was allocated less than \$10 million dollars (federal standard allowance), 100% of the funds can be used to provide a broad array of services to the community, with very few restrictions. Decisions need to be made by the end of 2024 about how the funds will be used and the funds need to be expended by the end of 2026.

Residential growth- Housing starts declined in 2021, only 2 new homes permitted. This is a decrease from 66 permits issued in 2020. Interest in new development throughout the City remains high, however there is a shortfall in shovel ready projects. Providing due diligence to each project is time consuming. The expectation is that development will start up again in 2022 and continue on into the near future with a few mid-size subdivisions in the site planning phase.

The cost, availability, and certainty of water and sewer infrastructure have historically been the most significant obstacle to growth in the City. Finding a resolution to the City's water supply vs. demand issue is a top priority as well as working toward building additional sewer infrastructure to service underdeveloped parts of the City's plan area. The URAD purchased shares of Windy Gap water, with a bond issue, which were conveyed to the City in 2021. The bond revenue was also used to enter into an agreement between St. Vrain Sanitation District, and the City of Dacono to extend the sewer lines through the City's plan area. Establishing new infrastructure should open up much of the plan area to new development.

In the meantime, the City's cash-in-lieu program is still active through a Water Rights Dedication Assistance Policy adopted by Resolution 18-106. This Resolution allows the City to sell water at market-rate via cash-in-lieu. The program is competitive, and there is limited availability. Development projects deemed to have quality amenities exceeding minimum standards, enhanced architectural design standards, or other features that provide added value to the community receive the highest priority. In 2021, Tamrick Homes purchased 13 shares of C-BT water to be used in Eagle Meadow filing 2B for \$767,000.

Business growth – Commercial and industrial development remained low in 2021. The City does not have many vacant buildings and COVID-19 slowed businesses to a near standstill in 2020. There were no new commercial building permit applications in 2021. The applications the City received were for existing businesses making modifications or expanding their current footprint.

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

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

Oil and Gas - Oil and gas activity in the City of Dacono remains strong. Of note, the City of Dacono permitted ninety-six (96) wells in 2018 through Operator Agreements with two (2) energy companies. By 2022 the URAD and City of Dacono should see the rewards from these efforts in the form of sharp increases in oil and gas production property tax.

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

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

CITY OF DACONO, COLORADO

STATEMENT OF NET POSITION

As of December 31, 2021

| | GOVERNMENTAL ACTIVITIES | BUSINESS TYPE ACTIVITIES | TOTAL | |
|---|----------------------------|--------------------------------|----------------------|----------------------|
| | | | 2021 | 2020 |
| ASSETS | | | | |
| Cash and Investments | \$ 9,805,224 | \$ 2,214,320 | \$ 12,019,544 | \$ 9,600,471 |
| Restricted Cash and Investments | 5,967,442 | 3,553,323 | 9,520,765 | 15,266,341 |
| Receivables | | | | |
| Property Taxes | 16,318,089 | - | 16,318,089 | 2,909,855 |
| Sales and Other | 409,771 | - | 409,771 | 497,579 |
| Accounts | - | 289,987 | 289,987 | 305,196 |
| Deposits | 1,940 | - | 1,940 | 1,245 |
| Prepaid Expenses | - | 57,592 | 57,592 | - |
| Net Pension Asset | 301,649 | - | 301,649 | 69,024 |
| Capital Assets, Not Depreciated | 13,745,483 | 28,108,839 | 41,854,322 | 31,369,096 |
| Capital Assets, Depreciated | | | | |
| Net of Accumulated Depreciation | 16,528,453 | 8,771,680 | 25,300,133 | 26,114,706 |
| TOTAL ASSETS | 63,078,051 | 42,995,741 | 106,073,792 | 86,133,513 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Loss on Refunding | 45,666 | - | 45,666 | 57,082 |
| Related to SWDB Pension | 486,567 | - | 486,567 | 462,864 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 532,233 | - | 532,233 | 519,946 |
| LIABILITIES | | | | |
| Accounts Payable | 806,429 | 142,739 | 949,168 | 463,634 |
| Accrued Salaries and Benefits | 13,891 | 3,784 | 17,675 | 14,051 |
| Accrued Interest | 1,233,397 | 1,572 | 1,234,969 | 204,278 |
| Accrued Compensated Absences | 205,427 | 34,407 | 239,834 | 257,518 |
| Unearned Revenues | 875,345 | 9,188 | 884,533 | 130,482 |
| Developer Escrow | 974,379 | - | 974,379 | 978,988 |
| Deposits | 107,418 | 19,000 | 126,418 | 110,762 |
| Noncurrent Liabilities | | | | |
| Net Pension Liability | - | - | - | - |
| Due within One Year | 583,948 | 172,036 | 755,984 | 652,850 |
| Due in More Than One Year | 27,213,646 | 532,763 | 27,746,409 | 23,837,928 |
| TOTAL LIABILITIES | 32,013,880 | 915,489 | 32,929,369 | 26,650,491 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Property Tax Revenues | 16,318,089 | - | 16,318,089 | 2,909,855 |
| Related to SWDB Pension | 377,565 | - | 377,565 | 140,035 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 16,695,654 | - | 16,695,654 | 3,049,890 |
| NET POSITION | | | | |
| Investment in Capital Assets | 2,430,676 | 36,347,756 | 38,778,432 | 33,102,173 |
| Restricted for Emergencies | 202,000 | - | 202,000 | 199,000 |
| Restricted for Parks and Recreation | 95,103 | - | 95,103 | 64,258 |
| Unrestricted | 12,172,971 | 5,732,496 | 17,905,467 | 23,587,647 |
| TOTAL NET POSITION | \$ 14,900,750 | \$ 42,080,252 | \$ 56,981,002 | \$ 56,953,078 |

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

CITY OF DACONO, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | |
|---------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| General Government | \$ 2,199,226 | \$ 311,565 | \$ 109,725 | \$ - |
| Public Safety | 2,285,364 | 56,503 | 15,678 | - |
| Public Works | 1,655,078 | - | - | 286,618 |
| Parks and Recreation | 153,360 | - | - | 35,999 |
| Interest on Long-Term Debt | 1,385,588 | - | - | - |
| Total Governmental Activities | 7,678,616 | 368,068 | 125,403 | 322,617 |
| Business-Type Activities | | | | |
| Water | 2,587,947 | 2,291,101 | - | 13,549,777 |
| Interest on Long-Term Debt | 20,099 | - | - | - |
| Total Business-Type Activities | 2,608,046 | 2,291,101 | - | 13,549,777 |
| Total Primary Government | \$ 10,286,662 | \$ 2,659,169 | \$ 125,403 | \$ 13,872,394 |

GENERAL REVENUES

Sales and Use Taxes

Property Taxes

Franchise Taxes

Other Taxes

Interest

Other

Dedications of Capital Assets

TOTAL GENERAL REVENUES

CHANGE IN NET ASSETS

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND
CHANGE IN NET ASSETS

| GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | |
|----------------------------|-----------------------------|----------------------|----------------------|
| | | 2021 | 2020 |
| \$ (1,777,936) | \$ - | \$ (1,777,936) | \$ (936,370) |
| (2,213,183) | - | (2,213,183) | (2,221,928) |
| (1,368,460) | - | (1,368,460) | (1,339,148) |
| (117,361) | - | (117,361) | (122,711) |
| (1,385,588) | - | (1,385,588) | (941,940) |
| (6,862,528) | - | (6,862,528) | (5,562,097) |
| - | 13,252,931 | 13,252,931 | (94,750) |
| - | (20,099) | (20,099) | (24,284) |
| - | 13,232,832 | 13,232,832 | (119,034) |
| (6,862,528) | 13,232,832 | 6,370,304 | (5,681,131) |
| 2,553,044 | - | 2,553,044 | 2,455,345 |
| 2,993,105 | - | 2,993,105 | 2,588,918 |
| 229,739 | - | 229,739 | 223,984 |
| 110,663 | - | 110,663 | 118,705 |
| 22,847 | 2,370 | 25,217 | 120,135 |
| 461,087 | 784,765 | 1,245,852 | 285,361 |
| (13,500,000) | - | (13,500,000) | 1,199,959 |
| (7,129,515) | 787,135 | (6,342,380) | 6,992,407 |
| (13,992,043) | 14,019,967 | 27,924 | 1,311,276 |
| 28,892,793 | 28,060,285 | 56,953,078 | 55,641,802 |
| <u>\$ 14,900,750</u> | <u>\$ 42,080,252</u> | <u>\$ 56,981,002</u> | <u>\$ 56,953,078</u> |

CITY OF DACONO, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2021

| | GENERAL FUND | STREET FUND | IMPACT FEE FUND |
|---|---------------------|---------------------|-----------------------|
| ASSETS | | | |
| Cash and Investments | \$ 6,138,909 | \$ 2,575,584 | \$ - |
| Restricted Cash and Investments | 410,813 | - | 2,516,627 |
| Taxes Receivable | 2,575,120 | 220,070 | - |
| Accounts Receivable | 215,157 | 156,912 | - |
| Deposits | 1,940 | - | - |
| TOTAL ASSETS | \$ 9,341,939 | \$ 2,952,566 | \$ 2,516,627 |
| LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 197,790 | \$ 36,057 | \$ 34,414 |
| Accrued Salaries and Benefits | 12,371 | 1,520 | - |
| Unearned Revenues | 875,345 | - | - |
| Deposits | 107,418 | - | - |
| Developer Escrow | 974,379 | - | - |
| TOTAL LIABILITIES | 2,167,303 | 37,577 | 34,414 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Property Tax Revenues | 2,575,120 | 220,070 | - |
| FUND EQUITY | | | |
| Fund Balance | | | |
| Nonspendable | 1,940 | - | - |
| Restricted for Emergencies | 202,000 | - | - |
| Restricted for Parks and Recreation | - | - | - |
| Restricted for Debt Service | - | - | - |
| Restricted for Capital Improvement Projects | - | - | - |
| Committed for Highway and Streets | - | 2,694,919 | - |
| Committed for Roadways, Drainage, Parks, and Facilities | - | - | 2,482,213 |
| Committed for Capital Projects and Equipment | - | - | - |
| Unassigned | 4,395,576 | - | - |
| TOTAL FUND BALANCE | 4,599,516 | 2,694,919 | 2,482,213 |
| TOTAL LIABILITIES, DEFERRED INFLOWS and FUND BALANCE | \$ 9,341,939 | \$ 2,952,566 | \$ 2,516,627 |

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

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

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

These include bonds payable (\$27,887,594), deferred loss on refunding \$57,082, accrued interest payable (\$1,233,397), accrued compensated absences (\$205,427), net pension asset of \$301,649, deferred outflows related to pensions \$456,339, and deferred inflows related to pensions (\$377,565).

Net position of governmental activities

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

| URBAN RENEWAL AUTHORITY | CAPITAL EQUIPMENT FUND | NONMAJOR | TOTAL | |
|-------------------------------|------------------------------|-------------------------------|-----------------------|----------------------|
| | | CONSERVATION TRUST FUND | GOVERNMENTAL FUNDS | |
| | | | 2021 | 2020 |
| \$ 791,965 | \$ 203,663 | \$ 95,103 | \$ 9,805,224 | \$ 7,860,675 |
| 1,924,721 | 1,115,281 | - | 5,967,442 | 11,528,145 |
| 13,522,899 | - | - | 16,318,089 | 2,909,855 |
| 6,878 | 30,824 | - | 409,771 | 497,579 |
| - | - | - | 1,940 | 1,245 |
| <u>\$ 16,246,463</u> | <u>\$ 1,349,768</u> | <u>\$ 95,103</u> | <u>\$ 32,502,466</u> | <u>\$ 22,797,499</u> |
| \$ 67,191 | \$ 470,977 | \$ - | \$ 806,429 | \$ 336,433 |
| - | - | - | 13,891 | 10,418 |
| - | - | - | 875,345 | 123,294 |
| - | - | - | 107,418 | 99,262 |
| - | - | - | 974,379 | 978,988 |
| <u>67,191</u> | <u>470,977</u> | <u>-</u> | <u>2,777,462</u> | <u>1,548,395</u> |
| <u>13,522,899</u> | <u>-</u> | <u>-</u> | <u>16,318,089</u> | <u>2,909,855</u> |
| - | - | - | 1,940 | 1,245 |
| - | - | - | 202,000 | 199,000 |
| - | - | 95,103 | 95,103 | 64,258 |
| 11,027 | - | - | 11,027 | - |
| 1,887,670 | - | - | 1,887,670 | 2,018,276 |
| - | - | - | 2,694,919 | 2,297,017 |
| - | - | - | 2,482,213 | 3,171,511 |
| 534,767 | 878,791 | - | 1,413,558 | 6,188,274 |
| 222,909 | - | - | 4,618,485 | 4,399,668 |
| <u>2,656,373</u> | <u>878,791</u> | <u>95,103</u> | <u>13,406,915</u> | <u>18,339,249</u> |
| <u>\$ 16,246,463</u> | <u>\$ 1,349,768</u> | <u>\$ 95,103</u> | | |
| | | | 30,273,936 | 34,141,035 |
| | | | (28,780,101) | (23,587,491) |
| | | | <u>\$ 14,900,750</u> | <u>\$ 28,892,793</u> |

CITY OF DACONO, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2021

| | GENERAL FUND | STREET FUND | IMPACT FEE FUND |
|---|---------------------|---------------------|-----------------------|
| REVENUES | | | |
| Taxes | \$ 3,428,838 | \$ 1,391,847 | \$ - |
| Impact Fees | - | - | 18,210 |
| Licenses and Permits | 283,855 | 9,500 | - |
| Royalties | - | - | - |
| Intergovernmental | 130,903 | 286,617 | - |
| Court | 56,503 | - | - |
| Interest | 16,884 | 717 | 2,836 |
| Miscellaneous | 408,149 | - | - |
| TOTAL REVENUES | <u>4,325,132</u> | <u>1,688,681</u> | <u>21,046</u> |
| EXPENDITURES | | | |
| General Government | 1,790,211 | - | 137,705 |
| Public Safety | 2,161,156 | - | - |
| Public Works | - | 965,621 | - |
| Parks and Recreation | 81,861 | - | - |
| Bond Issue Costs | - | - | - |
| Debt Service | | | |
| Principal | - | 192,951 | - |
| Interest | - | 26,200 | - |
| Capital Outlay | - | - | - |
| TOTAL EXPENDITURES | <u>4,033,228</u> | <u>1,184,772</u> | <u>137,705</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>291,904</u> | <u>503,909</u> | <u>(116,659)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds of Long-Term Debt | - | - | - |
| Transfers In | - | (106,007) | - |
| Transfers Out | (292,301) | - | (572,639) |
| TOTAL OTHER FINANCING SOURCES | <u>(292,301)</u> | <u>(106,007)</u> | <u>(572,639)</u> |
| NET CHANGE IN FUND BALANCES | (397) | 397,902 | (689,298) |
| FUND BALANCES, Beginning | <u>4,599,913</u> | <u>2,297,017</u> | <u>3,171,511</u> |
| FUND BALANCES, Ending | <u>\$ 4,599,516</u> | <u>\$ 2,694,919</u> | <u>\$ 2,482,213</u> |

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

| URBAN RENEWAL AUTHORITY | CAPITAL EQUIPMENT FUND | NONMAJOR | TOTAL | |
|-------------------------------|------------------------------|-------------------------------|-----------------------|---------------|
| | | CONSERVATION TRUST FUND | GOVERNMENTAL FUNDS | |
| | | | 2021 | 2020 |
| \$ 810,560 | \$ 255,307 | \$ - | \$ 5,886,552 | \$ 5,386,952 |
| - | - | - | 18,210 | 359,210 |
| - | - | - | 293,355 | 462,291 |
| 44,135 | - | - | 44,135 | - |
| 3,303 | - | 35,999 | 456,822 | 594,639 |
| - | - | - | 56,503 | 61,718 |
| - | 1,707 | 8 | 22,152 | 79,085 |
| 695 | - | - | 408,844 | 280,947 |
| 858,693 | 257,014 | 36,007 | 7,186,573 | 7,224,842 |
| 204,348 | - | - | 2,132,264 | 2,107,611 |
| - | - | - | 2,161,156 | 2,287,994 |
| - | - | - | 965,621 | 818,031 |
| - | - | 5,162 | 87,023 | 86,404 |
| - | 169,705 | - | 169,705 | 695,059 |
| - | 296,813 | - | 489,764 | 323,468 |
| - | 194,669 | - | 220,869 | 40,325 |
| 325,785 | 10,272,878 | - | 10,598,663 | 14,525,139 |
| 530,133 | 10,934,065 | 5,162 | 16,825,065 | 20,884,031 |
| 328,560 | (10,677,051) | 30,845 | (9,638,492) | (13,659,189) |
| - | 4,706,158 | - | 4,706,158 | 22,526,204 |
| - | 970,947 | - | 864,940 | 130,000 |
| - | - | - | (864,940) | (130,000) |
| - | 5,677,105 | - | 4,706,158 | 22,526,204 |
| 328,560 | (4,999,946) | 30,845 | (4,932,334) | 8,867,015 |
| 2,327,813 | 5,878,737 | 64,258 | 18,339,249 | 9,472,234 |
| \$ 2,656,373 | \$ 878,791 | \$ 95,103 | \$ 13,406,915 | \$ 18,339,249 |

CITY OF DACONO, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

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

| | |
|--|------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ (4,932,334) |
| 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 \$10,833,270 exceeded depreciation expense (\$1,200,369) and conveyance of assets (\$13,500,000) in the current period. | (3,867,099) |
| Debt proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities. These include amount of bond proceeds issued in the current year. | (4,706,158) |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. These include bond payments of \$489,764, change in accrued interest payable (\$995,014). | (505,250) |
| 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>18,798</u> |
| Change in Net Assets of Governmental Activities | <u>\$ (13,992,043)</u> |

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

CITY OF DACONO, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
As of December 31, 2021

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and Investments | \$ 2,214,320 | \$ 1,739,796 |
| Restricted Cash and Investments | 3,553,323 | 3,738,196 |
| Accounts Receivable | 289,987 | 305,196 |
| Prepaid Expenses | 57,592 | - |
| Total Current Assets | <u>6,115,222</u> | <u>5,783,188</u> |
| Noncurrent Assets | | |
| Capital Assets, net of accumulated depreciation | <u>36,880,519</u> | <u>23,342,767</u> |
| Total Noncurrent Assets | <u>36,880,519</u> | <u>23,342,767</u> |
| TOTAL ASSETS | <u>42,995,741</u> | <u>29,125,955</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 142,739 | 127,201 |
| Accrued Salaries and Benefits | 3,784 | 3,633 |
| Unearned Revenues | 9,188 | 7,188 |
| Accrued Interest Payable | 1,572 | 1,880 |
| Current Portion of Bonds Payable | 172,036 | 166,231 |
| Total Current Liabilities | <u>329,319</u> | <u>306,133</u> |
| Noncurrent Liabilities | | |
| Deposits | 19,000 | 11,500 |
| Accrued Compensated Absences | 34,407 | 43,238 |
| Bonds Payable | 532,763 | 704,799 |
| Total Noncurrent Liabilities | <u>586,170</u> | <u>759,537</u> |
| TOTAL LIABILITIES | <u>915,489</u> | <u>1,065,670</u> |
| NET POSITION | | |
| Investment in Capital Assets | 36,347,756 | 22,637,968 |
| Unreserved | 5,732,496 | 5,422,317 |
| TOTAL NET POSITION | <u>\$ 42,080,252</u> | <u>\$ 28,060,285</u> |

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

CITY OF DACONO, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2021

| | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Water Sales | \$ 2,003,650 | \$ 2,010,257 |
| Trash Charges | 287,451 | 270,014 |
| Miscellaneous Income | 784,765 | 14,820 |
| | <u>3,075,866</u> | <u>2,295,091</u> |
| TOTAL OPERATING REVENUES | | |
| OPERATING EXPENSES | | |
| Water Distribution and Trash Collection | 635,897 | 756,065 |
| General and Administrative | 1,614,550 | 1,839,126 |
| Depreciation and Amortization | 337,500 | 324,680 |
| | <u>2,587,947</u> | <u>2,919,871</u> |
| TOTAL OPERATING EXPENSES | | |
| OPERATING INCOME | <u>487,919</u> | <u>(624,780)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest Income | 2,370 | 41,050 |
| Interest Expense | (20,099) | (24,284) |
| | <u>(17,729)</u> | <u>16,766</u> |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | | |
| INCOME BEFORE CAPITAL CONTRIBUTIONS | 470,190 | (608,014) |
| Capital Contributions | <u>13,549,777</u> | <u>544,850</u> |
| NET INCOME | 14,019,967 | (63,164) |
| NET POSITION, Beginning | <u>28,060,285</u> | <u>28,123,449</u> |
| NET POSITION, Ending | <u>\$ 42,080,252</u> | <u>\$ 28,060,285</u> |

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

CITY OF DACONO, COLORADO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 Year Ended December 31, 2021

Increase (Decrease) in Cash and Cash Equivalents

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 3,093,075 | \$ 2,269,791 |
| Cash Paid to Suppliers | (1,834,651) | (2,133,319) |
| Cash Paid to Employees | (466,530) | (640,830) |
| Net Cash Provided by Operating Activities | <u>791,894</u> | <u>(504,358)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | (375,252) | 13,165,157 |
| Bond Payments | (166,231) | (159,773) |
| Interest Payments | (20,407) | (24,629) |
| Capital Contributions | 49,777 | (13,413,000) |
| Deposits from Customers | 7,500 | (10,050) |
| Net Cash Used by Capital and Related Financing Activities | <u>(504,613)</u> | <u>(442,295)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received | 2,370 | 41,050 |
| Net Cash Provided by Investing Activities | <u>2,370</u> | <u>41,050</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 289,651 | (905,603) |
| CASH AND CASH EQUIVALENTS, Beginning | <u>5,477,992</u> | <u>6,383,595</u> |
| CASH AND CASH EQUIVALENTS, Ending | <u>\$ 5,767,643</u> | <u>\$ 5,477,992</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Income | <u>\$ 487,919</u> | <u>\$ (624,780)</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| Depreciation and Amortization | 337,500 | 324,680 |
| Changes in Assets and Liabilities | | |
| Accounts Receivable | 15,209 | (3,801) |
| Inventory | (57,592) | - |
| Accounts Payable | 15,538 | (175,212) |
| Accrued Salaries and Benefits | 151 | (12,687) |
| Accrued Compensated Absences | (8,831) | 8,941 |
| Deferred Revenues | 2,000 | (21,499) |
| Total Adjustments | <u>303,975</u> | <u>120,422</u> |
| Net Cash Provided by Operating Activities | <u>\$ 791,894</u> | <u>\$ (504,358)</u> |

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

Urban Renewal Authority of Dacono

The Economic Development Authority was established in June 2016 and an agreement was entered into between the City and Authority for administrative services. In June 2021, a resolution was passed to change the name of the organization to the Urban Renewal Authority of Dacono (the “Authority). The Authority intends to provide financial assistance and deliver public improvements on as shown to be necessary, in partnership with property owners and other affected parties, in order to accomplish the objectives stated in the Dacono Area Urban Renewal Plan. The activity of the Authority is blended into the City’s financial statements as a special revenue fund. Separate audited financial statements for the Authority may be obtained from the City.

Government-Wide and Fund Financial Statements

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

The City reports the following major proprietary fund:

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

Cash and Investments

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Unearned Revenues

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

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

Long-Term Obligations

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

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

Net Position

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

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

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classification

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

- Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories, deposits, and prepaid amounts) or are legally or contractually required to be maintained intact. The City has classified \$1,940 for deposits paid as nonspendable as of December 31, 2021.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The City has also restricted the fund balance of the Conservation Trust because their use is restricted by the State for parks and recreation. The Authority has classified a portion of its fund balance as being restricted as their used is restricted by bondholders.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has classified fund balances in the Street Fund, Impact Fee Fund, and URA Fund, and Capital Equipment Fund as committed because revenues are committed by ordinance.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification (continued)

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

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

Property Taxes

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

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

Budgets and Budgetary Accounting

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

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of December 31, 2021 follows:

| | |
|---------------|-----------------------------|
| Petty Cash | \$ 750 |
| Cash Deposits | 3,815,654 |
| Investments | <u>17,723,905</u> |
| Total | <u>\$ 21,540,309</u> |

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

| | |
|---|-----------------------------|
| Governmental Activities – Unrestricted | \$ 9,805,224 |
| Governmental Activities – Restricted | 5,967,442 |
| Business-type Activities – Unrestricted | 2,214,320 |
| Business-type Activities – Restricted | <u>3,553,323</u> |
| Total | <u>\$ 21,540,309</u> |

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2021, 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, 2021, the City had deposits with financial institutions with a carrying amount of \$3,815,654. The bank balances with the financial institutions were \$3,838,895. Of these balances, \$560,136 was covered by federal depository insurance and \$3,278,759 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

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

Credit Risk

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

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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

Local Government Investment Pools

The City had invested \$5,656,636 in the Colorado Surplus Asset Fund Trust CORE Fund (“Colorado Core”) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. Colorado Core is an ultra-short duration enhanced cash fund seeking to maintain a constant share price of \$2.00 with an emphasis placed on limiting the risk of negative fair market valuations while maintaining high credit quality and adequate liquidity. The fund operates under GASB Statements 31 and 72 methodology for calculating fair market values and maintains a weighted average maturity of 180 days or less and a weighted average life of 365 days or less.

Colorado Core is rated AAf/S1 by Fitch Ratings. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Colorado Core investments primarily included, highly rated commercial paper, Colorado depositories in which the deposits are collateralized at 102% of market value under the provisions of the Public Depository Protection Act, and other Colorado LGIP funds inclusive of other funds offered by the Trust as allowed for by C.R.S 24-75-601.1(1)(i). Redemption requests must be made at least one day in advance and are limited to three per month

The City had invested \$12,067,269 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor’s. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions.

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

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Restricted Cash

Cash is restricted for the following purposes:

| | |
|--------------------------------------|--------------------------------|
| Arterial Roadway | \$ 1,393,440 |
| Regional Drainage | 317,172 |
| Parks | 634,338 |
| City Facilities | 171,677 |
| 2020 COPs – Bond Proceeds | 1,526,094 |
| URA | 1,924,721 |
| Water Tower and Related Expenditures | <u>3,553,323</u> |
| Total | <u>\$ 9,520,765</u> |

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021 is summarized below:

| | <u>Balances</u> <u>12/31/2020</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances</u> <u>12/31/2021</u> |
|---|--------------------------------------|----------------------------|-------------------------------|--------------------------------------|
| Governmental Activities | | | | |
| Capital Assets, not depreciated | | | | |
| Land | \$ 2,488,763 | \$ 5,063,139 | \$ - | \$ 7,551,902 |
| Construction in Progress | <u>14,271,494</u> | <u>5,422,087</u> | <u>13,500,000</u> | <u>6,193,581</u> |
| Total Capital Assets, not depreciated | <u>16,760,257</u> | <u>10,485,226</u> | <u>13,500,000</u> | <u>13,745,483</u> |
| Capital Assets, depreciated | | | | |
| Buildings | 1,523,048 | - | - | 1,523,048 |
| Machinery, Equipment, and Vehicles | 2,409,903 | 197,196 | - | 2,607,099 |
| Improvements/Infrastructure | <u>23,554,392</u> | <u>150,848</u> | - | <u>23,705,240</u> |
| Total Capital Assets, depreciated | <u>27,487,343</u> | <u>348,044</u> | - | <u>27,835,387</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | 546,711 | 40,613 | - | 587,324 |
| Machinery, Equipment, and Vehicles | 1,325,115 | 272,290 | - | 1,597,405 |
| Improvements/Infrastructure | <u>8,234,739</u> | <u>887,466</u> | - | <u>9,122,205</u> |
| Total Accumulated Depreciation | <u>10,106,565</u> | <u>1,200,369</u> | - | <u>11,306,934</u> |
| Total Capital Assets, depreciated, Net | <u>17,380,778</u> | <u>(852,325)</u> | - | <u>16,528,453</u> |
| Governmental Activities, Capital Assets, Net | <u>\$ 34,141,035</u> | <u>\$ 9,632,901</u> | <u>\$ (13,500,000)</u> | <u>\$ 30,273,936</u> |

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4: CAPITAL ASSETS (Continued)

| | Balances <u>12/31/2020</u> | <u>Additions</u> | <u>Deletions</u> | Balances <u>12/31/2021</u> |
|--|-------------------------------|----------------------|------------------|-------------------------------|
| Business-Type Activities | | | | |
| Capital Assets, not depreciated | | | | |
| Water Rights | \$ 14,608,839 | \$ 13,500,000 | \$ - | \$ 28,108,839 |
| Total Capital Assets, not depreciated | <u>14,608,839</u> | <u>13,500,000</u> | <u>-</u> | <u>28,108,839</u> |
| Capital Assets, depreciated | | | | |
| Water Tower | 1,507,400 | - | - | 1,507,400 |
| Water System | 10,983,948 | 354,333 | - | 11,338,281 |
| Buildings | 228,341 | - | - | 228,341 |
| Machinery, Equipment, and Vehicles | <u>268,578</u> | <u>20,919</u> | <u>-</u> | <u>289,497</u> |
| Total Capital Assets, depreciated | <u>12,988,267</u> | <u>375,252</u> | <u>-</u> | <u>13,363,519</u> |
| Less: Accumulated Depreciation | | | | |
| Water Tower | 1,206,230 | 37,686 | - | 1,243,916 |
| Water System | 2,740,179 | 285,803 | - | 3,025,982 |
| Buildings | 58,031 | 6,357 | - | 64,388 |
| Machinery, Equipment, and Vehicles | <u>249,899</u> | <u>7,654</u> | <u>-</u> | <u>257,553</u> |
| Total Accumulated Depreciation | <u>4,254,339</u> | <u>337,500</u> | <u>-</u> | <u>4,591,839</u> |
| Total Capital Assets, depreciated, Net | <u>8,733,928</u> | <u>37,752</u> | <u>-</u> | <u>8,771,680</u> |
| Business-Type Activities, Capital Assets, Net | <u>\$ 23,342,767</u> | <u>\$ 13,537,752</u> | <u>\$ -</u> | <u>\$ 36,880,519</u> |

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

Governmental Activities

| | |
|----------------------|---------------------|
| General Government | \$ 66,963 |
| Public Safety | 143,006 |
| Public Works | 924,063 |
| Parks and Recreation | <u>66,337</u> |
| Total | <u>\$ 1,200,369</u> |

During 2021, capital assets of \$13,500,000 were conveyed to the City from the Urban Renewal Authority. These assets are shown as an increase in the Water Fund.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2021.

| | Balance <u>12/31/2020</u> | <u>Additions</u> | <u>Payments</u> | Balance <u>12/31/2021</u> | Due In <u>One Year</u> |
|------------------------------------|------------------------------|----------------------------|--------------------------|------------------------------|---------------------------|
| 2020 COPs | \$ 6,060,000 | \$ - | \$ 215,000 | \$ 5,845,000 | \$ 235,000 |
| 2020 COPs Premium | 423,204 | - | 38,418 | 384,786 | - |
| 2021 COPs | - | 4,300,000 | - | 4,300,000 | 150,000 |
| 2021 COPs Premium | - | 406,158 | - | 406,158 | - |
| Capital Leases | 81,943 | - | 81,943 | - | - |
| Debt from Direct Placements | | | | | |
| General Obligation Bonds | 1,011,601 | - | 192,951 | 818,650 | 198,948 |
| 2020 Series TIF Bonds | 16,043,000 | - | - | 16,043,000 | - |
| Other Obligations | | | | | |
| Compensated Absences | 214,280 | - | 8,853 | 205,427 | - |
| Total | <u>\$ 23,834,028</u> | <u>\$ 4,706,158</u> | <u>\$ 537,165</u> | <u>\$ 28,003,021</u> | <u>\$ 583,948</u> |

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

2020 Certificates of Participation

In November 2020, the City issued \$6,060,000 in Series 2020 Certificates of Participation for the purpose of financing the acquisition, improvement and equipping of facilities to be used as part of the City Hall complex and paying the costs of issuance of the Certificates. The Certificates have been issued in connection with a lease of the City Hall complex and the surrounding area from the City to UMB Bank N.A. Principal payments are due annually on December 1 and interest payments are due semi-annually on June 1 and December 1, through December 1, 2040. Interest accrues at rate of 3.00%.

Pursuant to the provisions of the lease, the Certificates shall be called for redemption if the lease is terminated due to the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under the Lease. The redemption price will be the equal to the principal amount of the Certificates, plus accrued interest to the redemption date.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

2020 Certificates of Participation (Continued)

The Certificates maturing on and after December 1, 2029 are subject to redemption prior to their respective maturity dates, in whole or in part in integral multiples of \$5,000, at a redemption price equal to the principal amount of the Certificates, plus accrued interest to the redemption date (without redemption premium), on December 1, 2028 and any date thereafter, in the event of, and to the extent that moneys are actually received by the Trustee from, the exercise by the City of its option to purchase the Leased Property.

2021 Certificates of Participation

In November 2021, the City issued \$4,300,000 in Series 2021 Certificates of Participation for the purpose of financing the acquisition, improvement and equipping of facilities to be used as part of the City Hall complex and paying the costs of issuance of the Certificates. The Certificates have been issued in connection with a lease of the City Hall complex and the surrounding area from the City to UMB Bank N.A. Principal payments are due annually on November 15 and interest payments are due semi-annually on May 15 and November 15, through November 15, 2041. Interest accrues at rate of 4.00 and 3.00%.

Pursuant to the provisions of the lease, the Certificates shall be called for redemption if the lease is terminated due to the occurrence of an Event of Nonappropriation or the occurrence and continuation of an Event of Default under the Lease. The redemption price will be the equal to the principal amount of the Certificates, plus accrued interest to the redemption date.

The Certificates maturing in the years 2032 and thereafter are subject to redemption at the option of the City on December 1, 2021 and any date thereafter at a redemption price of 100% of their principal amount, without redemption premium, plus accrued interest to the date of redemption.

Capital Leases

On February 27, 2017, the City entered into a capital lease in the amount of \$239,666 for the purchase of motor grader. The lease requires annual payments of \$51,341 through February 2021 and bears interest at a rate of 3.50% per annum. A final payment of \$49,708 made during the year ended December 31, 2021.

On December 3, 2018, the City entered into a capital lease in the amount of \$96,386 for the purchase of a tractor, loader and mower. The lease requires annual payments of \$33,746 through January 2021 and bears interest at a rate of 5.00% per annum. A final payment of \$32,235 made during the year ended December 31, 2021.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Debt from Direct Placements

2014 General Obligation Bonds

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

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

2020 Tax Increment Revenue (TIF) Bonds

In October 2020, the Authority issued \$16,043,000 in Tax Increment Revenue Bonds, Series 2021. Proceeds from the bonds will be used to acquire certain water rights known as the Windy Gap Units, to finance a portion of the costs of the design, construction, acquisition, and equipping of certain water and sewer infrastructure within the TIF Area and elsewhere within the City, and to pay costs of issuing the bonds.

The bonds bear interest rate of 6.250% per annum and are payable annually on December 1, beginning on December 1, 2020 from and to the extent of available pledged revenue. The bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date.

The bonds mature on December 1, 2039 and are subject to mandatory redemption on December 1 of each year to the extent of available pledged revenue. In the event that principal of any bonds is not paid when due, such principal shall remain outstanding until the termination date of December 2, 2044 and shall continue to bear interest at the rate then borne by the bonds. To the extent interest on any bonds is not paid when due, such interest shall compound annually on each interest payment date at the rate then borne by the bonds. The bonds will be deemed discharged on the termination date.

CITY OF DAcono, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Future Debt Service Requirements

Annual debt service requirements for the long-term debt, excluding compensated absences and the Series 2020 TIF Bonds, at December 31, 2021 are as follows:

| <u>Year ended</u> <u>December 31,</u> | <u>Certificates of</u> <u>Participation</u> | | <u>Direct Placement</u> <u>Bonds</u> | | <u>Total</u> |
|--|--|----------------------------|---|-------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2022 | \$ 385,000 | \$ 331,863 | \$ 198,948 | \$ 21,203 | \$ 937,014 |
| 2023 | 395,000 | 309,150 | 199,601 | 16,050 | 919,801 |
| 2024 | 405,000 | 295,750 | 205,020 | 10,881 | 916,651 |
| 2025 | 420,000 | 282,000 | 215,081 | 5,571 | 922,652 |
| 2026 | 435,000 | 267,750 | | | 702,750 |
| 2027–2031 | 2,415,000 | 1,105,800 | - | - | 3,520,800 |
| 2032–2036 | 2,820,000 | 688,950 | - | - | 3,508,950 |
| 2037-2041 | <u>2,870,000</u> | <u>239,400</u> | <u>-</u> | <u>-</u> | <u>3,109,400</u> |
| Total | <u>\$ 10,145,000</u> | <u>\$ 3,520,663</u> | <u>\$ 818,650</u> | <u>\$ 53,705</u> | <u>\$14,538,018</u> |

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2021.

| | <u>Balance</u> <u>12/31/2020</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>12/31/2021</u> | <u>Due In</u> <u>One Year</u> |
|------------------------------------|-------------------------------------|--------------------|--------------------------|-------------------------------------|----------------------------------|
| Debt from Direct Placements | | | | | |
| Water Enterprise | | | | | |
| Refunding Bonds | \$ 871,030 | \$ - | \$ 166,231 | \$ 704,799 | \$ 172,036 |
| Other Obligations | | | | | |
| Compensated Absences | <u>43,238</u> | <u>-</u> | <u>8,831</u> | <u>34,407</u> | <u>-</u> |
| Total | <u>\$ 914,268</u> | <u>\$ -</u> | <u>\$ 175,062</u> | <u>\$ 739,206</u> | <u>\$ 172,036</u> |

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

2014 Water Enterprise Revenue Bonds

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

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

Future Debt Service Requirements

Annual debt service requirements for the long-term debt, excluding compensated absences, at December 31, 2021 are as follows:

| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2022 | \$ 172,036 | \$ 16,026 | \$ 188,062 |
| 2023 | 172,492 | 11,564 | 184,056 |
| 2024 | 177,709 | 7,030 | 184,739 |
| 2025 | <u>182,562</u> | <u>2,364</u> | <u>184,926</u> |
| Total | <u>\$ 704,799</u> | <u>\$ 36,984</u> | <u>\$ 741,783</u> |

NOTE 6: RISK MANAGEMENT

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN

Statewide Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

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

General Information about the Pension Plan

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

Benefits provided. A member is eligible for a normal retirement pension once the member has completed twenty-five years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member’s combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80).

The annual normal retirement benefit is 2 percent of the average of the member’s highest three years’ pensionable earnings 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 covered under Statewide Defined Benefit Social Security Component will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefit adjustments paid to retired members are evaluated annually 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 for Urban Wage Earners and Clerical Workers (CPI-W).

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' pensionable earnings 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. Effective January 1, 2021, contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

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 12.00 percent of pensionable earnings. Employer contributions are 8.00 and 8.50 percent in 2020 and 2021. Employer contributions will increase 0.5 percent annually beginning in 2021 through 2030 to a total of 13.00 percent of pensionable earnings. In 2020, members of the SWDB plan and their employers are contributing at the rate of 11.00 percent and 8.00 percent, respectively, of pensionable earnings for a total contribution rate of 19.00 percent.

Contributions from members and employers of departments reentering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 23.00 percent and 23.50 percent of pensionable earnings in 2020 and 2021, respectively. It is a local decision as to whether the member or employer pays the additional 4.00 percent contribution. The member and employer contribution rates will increase through 2030 as described above for the non-reentering departments. Effective January 1, 2021, reentry departments may submit a resolution to the FPPA Board of Directors to reduce the additional 4.00 percent contribution, to reflect the actual cost of reentry by department, to the plan for reentry contributions. Each reentry department is responsible to remit contributions to the plan in accordance with their most recent FPPA Board of Directors approved resolution.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

The contribution rate for members and employers of affiliated social security employers is 5.50 percent and 4.00 percent, respectively, of pensionable earnings for a total contribution rate of 9.50 percent in 2020 and 9.75 percent in 2021. Per the 2014 member election, members of the affiliate social security group had their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6.00 percent of pensionable earnings. Employer contributions are 4.00 percent in 2020 and 2021. Employer contributions will increase 0.25 percent annually beginning in 2021 through 2030 to a total of 6.50 percent of pensionable earnings.

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

At December 31, 2021, the City reported an asset in the amount of \$301,649 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2021. Standard update procedures were used to roll forward the total pension liability to December 31, 2021. The City's proportion of the net pension asset was based on the City's contributions to the SWDB Plan for the calendar year 2020 relative to the total contributions of participating employers to the SWDB Plan.

At December 31, 2020 the City's proportion was 0.13894%, which was an increase of 0.00449% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2021 the City recognized a pension expense of \$45,660. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$255,828 | \$1,200 |
| Net difference between projected and actual earnings on pension plan investments | N/A | \$309,836 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | \$7,757 | \$66,529 |
| Change in assumptions and other inputs | \$128,996 | N/A |
| Contributions subsequent to the measurement date | \$93,986 | N/A |
| Total | \$486,567 | \$377,565 |

\$93,986 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, 2021. 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 | |
|-------------------------------|------------|
| 2022 | (\$41,204) |
| 2023 | (\$1,017) |
| 2024 | (\$53,143) |
| 2025 | (\$430) |
| 2026 | \$48,039 |
| Thereafter | \$62,071 |

Actuarial assumptions. The actuarial valuations for the SWDB Plan were used to determine the total pension liability and actuarially determined contributions for the fiscal year ending December 31, 2020. The valuations used the following actuarial assumptions and other inputs:

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

Total Pension Liability:

| | |
|--------------------------------------|----------------------|
| Actuarial Valuation Date | January 1, 2021 |
| Actuarial Method | Entry Age Normal |
| Amortization Method | N/A |
| Amortization Period | N/A |
| Long-term investment Rate of Return* | 7.00 percent |
| Projected salary increases* | 4.25 – 11.25 percent |
| Cost of Living Adjustments (COLA) | 0.00 percent |

*Includes Inflation at 2.5%

Actuarially Determined Contributions:

| | |
|--------------------------------------|--------------------------|
| Actuarial Valuation Date | January 1, 2020 |
| Actuarial Method | Entry Age Normal |
| Amortization Method | Level % of Payroll, Open |
| Amortization Period | 30 Years |
| Long-term investment Rate of Return* | 7.0 percent |
| Projected salary increases* | 4.25-11.25 percent |
| Cost of Living Adjustments (COLA) | 0.00 percent |

*Includes Inflation at 2.5%

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

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 2018 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2020. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

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 (assumed at 2.5 percent). 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, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|--------------------------|---|
| Global Equity | 39.00% | 8.23% |
| Equity Long/Short | 8.00% | 6.87% |
| Private Markets | 26.00% | 10.63% |
| Fixed Income - Rates | 10.00% | 4.01% |
| Fixed Income - Credit | 5.00% | 5.25% |
| Absolute Return | 10.00% | 5.60% |
| Cash | 2.00% | 2.32% |
| Total | 100.00% | |

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

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

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Defined Benefit Pension Plan (Continued)

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00 percent; the municipal bond rate is 2.00 percent (based on the weekly rate closest to but not later than the measurement date of the “state & local bonds” rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00 percent.

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

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability (asset) | \$303,562 | (\$301,649) | (\$802,838) |

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

NOTE 8: DEFINED CONTRIBUTION PENSION PLANS

General Money Purchase Pension Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of all employees other than police, which is administered by Security Benefit. Each Employee will be enrolled as a participant of this plan on the first day of the calendar month immediately following or coincident with the completion of three months of continuous employment with the City. Employee and employer contributions are always 100% vested. The contribution requirements of Plan participants and the City are established and may be amended by City Council. The City contributes 8% of an employee’s salary. The City contributed \$99,324, \$114,029 and \$103,646 to the plan for the years ended December 31, 2019, 2020 and 2021, respectively, equal to the required contribution.

CITY OF DACONO, COLORADO

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 9: COMMITMENTS AND CONTINGENCIES

URA Infrastructure Agreement

In October 2020, the City entered into an Acquisition and Construction of Infrastructure Agreement with the Authority, whereby the Authority has agreed to finance the purchase of five shares of Windy Gap Water Units in the amount of \$13,500,000 and to finance certain costs related to sewer expansion. The Authority has determined that the acquisition of the Windy Gap Units and the construction of water and sewer infrastructure for use within Plan areas and elsewhere in the City are in the public interest and will further the goals of the Authority to eliminate and prevent blight which will facilitate private development attracting investment within the Plan areas and surrounding areas, which in turn will prevent and remediate blighted conditions within the City.

The Authority issued the Series 2020 Tax Increment Financing bonds to finance the purchase of the Windy Gap Units and finalized the purchase of the Windy GAP shares in the amount of \$13,500,000. Per the agreement, the Windy Gap Units will be owned by the City, and the Authority transferred the five shares of Windy Gap Units to the City's Water Fund in 2021.

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, 2021, the emergency reserve of \$202,000 was recorded in the General Fund.

NOTE 10: SUBSEQUENT EVENTS

Potential subsequent events were considered through July 22, 2022. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DACONO, COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2021

| | 2021 | | | VARIANCE | 2020 ACTUAL |
|---|---------------------|---------------------|---------------------|------------------------|---------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | Positive (Negative) | |
| REVENUES | | | | | |
| Taxes | \$ 3,448,275 | \$ 3,448,275 | \$ 3,428,838 | \$ (19,437) | \$ 3,399,033 |
| Licenses and Permits | 525,110 | 525,110 | 283,855 | (241,255) | 456,291 |
| Intergovernmental | 275,000 | 275,000 | 130,903 | (144,097) | 284,057 |
| Court | 121,000 | 121,000 | 56,503 | (64,497) | 61,718 |
| Interest | 40,000 | 40,000 | 16,884 | (23,116) | 44,541 |
| Miscellaneous | 95,300 | 95,300 | 408,149 | 312,849 | 194,529 |
| TOTAL REVENUES | <u>4,504,685</u> | <u>4,504,685</u> | <u>4,325,132</u> | <u>(179,553)</u> | <u>4,440,169</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 1,968,160 | 1,968,160 | 1,790,211 | 177,949 | 1,908,391 |
| Public Safety | 2,350,910 | 2,350,910 | 2,161,156 | 189,754 | 2,287,994 |
| Parks and Recreation | 111,470 | 111,470 | 81,861 | 29,609 | 81,554 |
| Capital Outlay | 46,000 | 46,000 | - | 46,000 | 17,491 |
| TOTAL EXPENDITURES | <u>4,476,540</u> | <u>4,476,540</u> | <u>4,033,228</u> | <u>443,312</u> | <u>4,295,430</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>28,145</u> | <u>28,145</u> | <u>291,904</u> | <u>263,759</u> | <u>144,739</u> |
| OTHER FINANCING SOURCED (USES) | | | | | |
| Transfers In (Out) | <u>(291,500)</u> | <u>(259,795)</u> | <u>(292,301)</u> | <u>(32,506)</u> | <u>(130,000)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(291,500)</u> | <u>(259,795)</u> | <u>(292,301)</u> | <u>(32,506)</u> | <u>(130,000)</u> |
| CHANGE IN FUND BALANCE | (263,355) | (231,650) | (397) | 231,253 | 14,739 |
| FUND BALANCE, Beginning | <u>4,408,909</u> | <u>4,599,913</u> | <u>4,599,913</u> | - | <u>4,585,174</u> |
| FUND BALANCE, Ending | <u>\$ 4,145,554</u> | <u>\$ 4,368,263</u> | <u>\$ 4,599,516</u> | <u>\$ 231,253</u> | <u>\$ 4,599,913</u> |

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

STREET FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2021

| | 2021 | | VARIANCE Positive (Negative) | 2020 ACTUAL |
|---|---------------------------------|---------------------|------------------------------------|---------------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | |
| Taxes | \$ 1,347,900 | \$ 1,391,847 | \$ 43,947 | \$ 1,333,771 |
| Licenses and Permits | 10,000 | 9,500 | (500) | 6,000 |
| Intergovernmental | 254,225 | 286,617 | 32,392 | 245,426 |
| Interest | 10,000 | 717 | (9,283) | 8,882 |
| Miscellaneous | - | - | - | 86,000 |
| TOTAL REVENUES | <u>1,622,125</u> | <u>1,688,681</u> | <u>66,556</u> | <u>1,680,079</u> |
| EXPENDITURES | | | | |
| Public Works | 1,122,435 | 944,702 | 177,733 | 818,031 |
| Debt Service | | | | |
| Principal | 192,950 | 192,951 | (1) | 186,286 |
| Interest | 26,200 | 26,200 | - | 31,025 |
| Capital Outlay | - | 20,919 | (20,919) | 193,039 |
| TOTAL EXPENDITURES | <u>1,341,585</u> | <u>1,184,772</u> | <u>156,813</u> | <u>1,228,381</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>280,540</u> | <u>503,909</u> | <u>223,369</u> | <u>451,698</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers Out | <u>(113,090)</u> | <u>(106,007)</u> | <u>7,083</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(113,090)</u> | <u>(106,007)</u> | <u>7,083</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | 167,450 | 397,902 | 230,452 | 451,698 |
| FUND BALANCE, Beginning | <u>2,297,017</u> | <u>2,297,017</u> | <u>-</u> | <u>1,845,319</u> |
| FUND BALANCE, Ending | <u>\$ 2,464,467</u> | <u>\$ 2,694,919</u> | <u>\$ 230,452</u> | <u>\$ 2,297,017</u> |

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

IMPACT FEE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2021

| | 2021 | | | VARIANCE Positive (Negative) | 2020 ACTUAL |
|---|---------------------|---------------------|---------------------|------------------------------------|---------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | | |
| Impact Fees | \$ 195,280 | \$ 12,140 | \$ 18,210 | \$ 6,070 | \$ 359,210 |
| Intergovernmental | - | - | - | - | 35,507 |
| Interest | 20,000 | 3,300 | 2,836 | (464) | 24,361 |
| TOTAL REVENUES | <u>215,280</u> | <u>15,440</u> | <u>21,046</u> | <u>5,606</u> | <u>419,078</u> |
| EXPENDITURES | | | | | |
| General Government | <u>371,200</u> | <u>250,000</u> | <u>137,705</u> | <u>112,295</u> | <u>65,967</u> |
| TOTAL EXPENDITURES | <u>371,200</u> | <u>250,000</u> | <u>137,705</u> | <u>112,295</u> | <u>65,967</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(155,920)</u> | <u>(234,560)</u> | <u>(116,659)</u> | <u>112,295</u> | <u>353,111</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In (Out) | <u>-</u> | <u>(1,376,000)</u> | <u>(572,639)</u> | <u>803,361</u> | <u>-</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>(1,376,000)</u> | <u>(572,639)</u> | <u>803,361</u> | <u>-</u> |
| CHANGE IN FUND BALANCE | (155,920) | (1,610,560) | (689,298) | 915,656 | 353,111 |
| FUND BALANCE, Beginning | <u>3,057,785</u> | <u>3,171,511</u> | <u>3,171,511</u> | <u>-</u> | <u>2,818,400</u> |
| FUND BALANCE, Ending | <u>\$ 2,901,865</u> | <u>\$ 1,560,951</u> | <u>\$ 2,482,213</u> | <u>\$ 915,656</u> | <u>\$ 3,171,511</u> |

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

URBAN RENEWAL AUTHORITY (FORMERLY EDAD)
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2021

| | 2021 | | VARIANCE Positive (Negative) | 2020 ACTUAL |
|---|---------------------------------|--------------|------------------------------------|----------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | |
| Taxes | \$ 829,231 | \$ 810,560 | \$ (18,671) | \$ 410,975 |
| Royalties | - | 44,135 | 44,135 | - |
| Intergovernmental | 3,000 | 3,303 | 303 | - |
| Miscellaneous | 500 | 695 | 195 | 418 |
| TOTAL REVENUES | 832,731 | 858,693 | 25,962 | 411,393 |
| EXPENDITURES | | | | |
| General Government | 320,895 | 204,348 | 116,547 | 133,253 |
| Capital Outlay | 2,315,900 | 325,785 | 1,990,115 | 13,500,000 |
| Bond Costs of Issuance | - | - | - | 525,142 |
| TOTAL EXPENDITURES | 2,636,795 | 530,133 | 2,106,662 | 14,158,395 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,804,064) | 328,560 | 2,132,624 | (13,747,002) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds of Long-Term Debt | - | - | - | 16,043,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | 16,043,000 |
| CHANGE IN FUND BALANCE | (1,804,064) | 328,560 | 2,132,624 | 2,295,998 |
| FUND BALANCE, Beginning | 2,267,691 | 2,327,813 | 60,122 | 31,815 |
| FUND BALANCE, Ending | \$ 463,627 | \$ 2,656,373 | \$ 2,192,746 | \$ 2,327,813 |

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

CAPITAL EQUIPMENT FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2021

| | 2021 | | | VARIANCE Positive (Negative) | 2020 ACTUAL |
|---|--------------------|---------------------|---------------------|------------------------------------|---------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | | |
| Taxes | \$ 242,165 | \$ 242,165 | \$ 255,307 | \$ 13,142 | \$ 243,173 |
| Interest | 700 | 1,600 | 1,707 | 107 | 1,293 |
| TOTAL REVENUES | <u>242,865</u> | <u>243,765</u> | <u>257,014</u> | <u>13,249</u> | <u>244,466</u> |
| EXPENDITURES | | | | | |
| General Government | - | - | - | - | - |
| Capital Outlay | 5,875,150 | 11,961,150 | 10,272,878 | 1,688,272 | 814,609 |
| Bond Costs of Issuance | - | 195,000 | 169,705 | 25,295 | 169,917 |
| Debt Service | | | | | |
| Principal | 297,000 | 297,000 | 296,813 | 187 | 137,182 |
| Interest and Other Charges | 194,700 | 194,700 | 194,669 | 31 | 9,300 |
| TOTAL EXPENDITURES | <u>6,366,850</u> | <u>12,647,850</u> | <u>10,934,065</u> | <u>1,713,785</u> | <u>1,131,008</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(6,123,985)</u> | <u>(12,404,085)</u> | <u>(10,677,051)</u> | <u>1,727,034</u> | <u>(886,542)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds of Long-Term Debt | - | 4,706,155 | 4,706,158 | 3 | 6,483,204 |
| Transfers In | 435,340 | 1,843,045 | 970,947 | (872,098) | 130,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>435,340</u> | <u>6,549,200</u> | <u>5,677,105</u> | <u>(872,095)</u> | <u>6,613,204</u> |
| CHANGE IN FUND BALANCE | (5,688,645) | (5,854,885) | (4,999,946) | 854,939 | 5,726,662 |
| FUND BALANCE, Beginning | <u>5,778,650</u> | <u>5,878,737</u> | <u>5,878,737</u> | <u>-</u> | <u>152,075</u> |
| FUND BALANCE, Ending | <u>\$ 90,005</u> | <u>\$ 23,852</u> | <u>\$ 878,791</u> | <u>\$ 854,939</u> | <u>\$ 5,878,737</u> |

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

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

Years Ended December 31,

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|--------------|--------------|-------------|-------------|--------------|-------------|-------------|--------------|
| City's proportionate share of the Net Pension Liability (Asset) | 0.110% | 0.110% | 0.115% | 0.129% | 0.100% | 0.118% | 0.122% | 0.139% |
| City's proportionate share of the Net Pension Liability (Asset) | \$ (137,851) | \$ (124,456) | \$ (2,028) | \$ 46,589 | \$ (144,052) | \$ 148,622 | \$ (69,024) | \$ (301,649) |
| City's covered payroll | \$ 476,888 | \$ 495,913 | \$ 533,488 | \$ 635,190 | \$ 639,365 | \$ 787,450 | \$ 899,521 | \$ 1,116,009 |
| City's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll | -28.9% | -25.1% | -0.4% | 7.3% | -22.5% | 18.9% | -7.7% | -27.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 106.8% | 105.8% | 100.1% | 98.2% | 106.3% | 95.2% | 101.9% | 106.7% |

Notes:

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

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

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

SCHEDULE OF THE CITY'S CONTRIBUTIONS
STATEWIDE DEFINED BENEFIT PLAN

Years Ended December 31,

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contributions | 38,151 | \$ 39,673 | \$ 42,679 | \$ 50,815 | \$ 51,149 | \$ 62,996 | \$ 71,960 | \$ 89,281 | \$ 93,986 |
| Contributions in relation to the statutorily required contributions | <u>38,151</u> | <u>39,673</u> | <u>42,679</u> | <u>50,815</u> | <u>51,149</u> | <u>62,996</u> | <u>71,960</u> | <u>89,281</u> | <u>93,986</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 476,888 | \$ 495,913 | \$ 533,488 | \$ 635,190 | \$ 639,365 | \$ 787,450 | \$ 899,521 | \$ 1,116,009 | \$ 1,174,245 |
| Contributions as a percentage of covered payroll | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |

Notes:

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

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

CITY OF DACONO, COLORADO

CONSERVATION TRUST FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2021

| | 2021 | | VARIANCE Positive (Negative) | 2020 ACTUAL |
|-------------------------|---------------------------------|------------------|------------------------------------|------------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | |
| Intergovernmental | \$ 25,000 | \$ 35,999 | \$ 10,999 | \$ 29,649 |
| Interest | 25 | 8 | (17) | 8 |
| TOTAL REVENUES | <u>25,025</u> | <u>36,007</u> | <u>10,982</u> | <u>29,657</u> |
| EXPENDITURES | | | | |
| Parks and Recreation | <u>10,000</u> | <u>5,162</u> | <u>4,838</u> | <u>4,850</u> |
| CHANGE IN FUND BALANCE | 15,025 | 30,845 | 15,820 | 24,807 |
| FUND BALANCE, Beginning | <u>64,258</u> | <u>64,258</u> | - | <u>39,451</u> |
| FUND BALANCE, Ending | <u>\$ 79,283</u> | <u>\$ 95,103</u> | <u>\$ 15,820</u> | <u>\$ 64,258</u> |

See the accompanying independent auditors' report.

CITY OF DACONO, COLORADO

WATER FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2021

| | 2021 | | | VARIANCE | 2020 ACTUAL |
|----------------------------------|--------------------|------------------|------------------|------------------------|------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | Positive (Negative) | |
| REVENUES | | | | | |
| Water Sales | \$ 2,025,274 | \$ 2,025,274 | \$ 2,003,650 | \$ (21,624) | \$ 2,010,257 |
| Trash Charges | 262,030 | 262,030 | 287,451 | 25,421 | 270,014 |
| Tap Fees and Other Contributions | 80,000 | 2,500 | 2,500 | - | 87,000 |
| Interest | 30,000 | 30,000 | 2,370 | (27,630) | 41,050 |
| Other Revenues | 1,315,260 | 782,260 | 782,265 | 5 | 14,820 |
| TOTAL REVENUES | 3,712,564 | 3,102,064 | 3,078,236 | (23,828) | 2,423,141 |
| EXPENDITURES | | | | | |
| Water Distribution | 638,630 | 773,130 | 635,897 | 137,233 | 756,065 |
| General and Administrative | 1,935,310 | 1,935,310 | 1,614,550 | 320,760 | 1,839,126 |
| Debt Service | | | | | |
| Principal | 166,235 | 166,235 | 166,231 | 4 | 159,773 |
| Interest | 20,410 | 20,410 | 20,099 | 311 | 24,284 |
| Capital Outlay | 300,000 | 300,000 | 375,252 | (75,252) | 334,843 |
| TOTAL EXPENDITURES | 3,060,585 | 3,195,085 | 2,812,029 | 383,056 | 3,114,091 |
| NET INCOME, Budget Basis | \$ 651,979 | \$ (93,021) | 266,207 | \$ 359,228 | (690,950) |
| GAAP BASIS ADJUSTMENTS | | | | | |
| Capital Outlay | | | 375,252 | | 334,843 |
| Capital Contributions | | | 49,777 | | 457,850 |
| Depreciation Expense | | | (337,500) | | (324,680) |
| Principal Paid on Long-Term Debt | | | 166,231 | | 159,773 |
| Transfers of Assets from URA | | | 13,500,000 | | - |
| NET INCOME, GAAP Basis | | | 14,019,967 | | (63,164) |
| NET ASSETS, Beginning | | | 28,060,285 | | 28,123,449 |
| NET ASSETS, Ending | | | \$ 42,080,252 | | \$ 28,060,285 |

See the accompanying independent auditors' report.

STATE COMPLIANCE

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

| | | |
|--|--|---|
| LOCAL HIGHWAY FINANCE REPORT | | City or County: DACONO |
| | | YEAR ENDING : December 2021 |
| This Information From The Records Of (example - City of _ or County of) CITY OF DACONO | | Prepared By: KELLY STROH Phone: 303-833-2317 X 122 |

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

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

| II. RECEIPTS FOR ROAD AND STREET PURPOSES | | III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES | |
|--|-----------|---|-----------|
| ITEM | AMOUNT | ITEM | AMOUNT |
| A. Receipts from local sources: | | A. Local highway disbursements: | |
| 1. Local highway-user taxes | | 1. Capital outlay (from page 2) | 20,919 |
| a. Motor Fuel (from Item I.A.5.) | | 2. Maintenance: | 257,282 |
| b. Motor Vehicle (from Item I.B.5.) | | 3. Road and street services: | |
| c. Total (a.+b.) | | a. Traffic control operations | 3,263 |
| 2. General fund appropriations | | b. Snow and ice removal | 30,912 |
| 3. Other local imposts (from page 2) | 1,426,583 | c. Other | 10,500 |
| 4. Miscellaneous local receipts (from page 2) | 10,217 | d. Total (a. through c.) | 44,675 |
| 5. Transfers from toll facilities | | 4. General administration & miscellaneous | 663,666 |
| 6. Proceeds of sale of bonds and notes: | | 5. Highway law enforcement and safety | |
| a. Bonds - Original Issues | | 6. Total (1 through 5) | 986,542 |
| b. Bonds - Refunding Issues | | B. Debt service on local obligations: | |
| c. Notes | | 1. Bonds: | |
| d. Total (a. + b. + c.) | 0 | a. Interest | 26,200 |
| 7. Total (1 through 6) | 1,436,800 | b. Redemption | 192,951 |
| B. Private Contributions | | c. Total (a. + b.) | 219,151 |
| C. Receipts from State government (from page 2) | 251,883 | 2. Notes: | |
| D. Receipts from Federal Government (from page 2) | 0 | a. Interest | 3,274 |
| E. Total receipts (A.7 + B + C + D) | 1,688,683 | b. Redemption | 81,813 |
| | | c. Total (a. + b.) | 85,087 |
| | | 3. Total (1.c + 2.c) | 304,238 |
| | | C. Payments to State for highways | |
| | | D. Payments to toll facilities | |
| | | E. Total disbursements (A.6 + B.3 + C + D) | 1,290,780 |

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

| | Opening Debt | Amount Issued | Redemptions | Closing Debt |
|------------------------------|--------------|---------------|-------------|--------------|
| A. Bonds (Total) | 1,011,601 | 0 | 192,951 | 818,650 |
| 1. Bonds (Refunding Portion) | | | | |
| B. Notes (Total) | 81,813 | 0 | 81,813 | 0 |

V. LOCAL ROAD AND STREET FUND BALANCE

| | A. Beginning Balance | B. Total Receipts | C. Total Disbursements | D. Ending Balance | E. Reconciliation |
|--|----------------------|-------------------|------------------------|-------------------|-------------------|
| | 2,297,015 | 1,688,683 | 1,290,780 | 2,694,918 | 0 |

Notes and Comments:
Opening debt on notes is restated on this report to reflect a change in procedure. Notes (lease purchases) for street capital equipment were paid out of the capital fund but reimbursed using a transfer of funds from the street fund. Those lease purchases are now paid in full.

| | |
|-------------------------------------|---------------------------------------|
| LOCAL HIGHWAY FINANCE REPORT | STATE: Colorado |
| | YEAR ENDING (mm/yy): December 2021 |

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 | 218,058 | a. Interest on investments | 717 |
| b. Other local imposts: | | b. Traffic Fines & Penalties | |
| 1. Sales Taxes | 1,148,951 | 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 | 9,500 |
| 5. Specific Ownership &/or Other | 59,574 | g. Other Misc. Receipts | |
| 6. Total (1. through 5.) | 1,208,525 | h. Other | |
| c. Total (a. + b.) | 1,426,583 | i. Total (a. through h.) | 10,217 |
| | (Carry forward to page 1) | | (Carry forward to page 1) |

| ITEM | AMOUNT | ITEM | AMOUNT |
|--|---------|--|---------------------------|
| C. Receipts from State Government | | D. Receipts from Federal Government | |
| 1. Highway-user taxes | 227,044 | 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 | 24,839 | d. Federal Transit Admin | |
| d. Other (Specify) - DOLA Grant | | e. U.S. Corps of Engineers | |
| e. Other (Specify) | | f. Other Federal | |
| f. Total (a. through e.) | 24,839 | g. Total (a. through f.) | 0 |
| 4. Total (1. + 2. + 3.f) | 251,883 | 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 | | | 0 |
| c. Construction: | | | |
| (1). New Facilities | | | 0 |
| (2). Capacity Improvements | | | 0 |
| (3). System Preservation | | | 0 |
| (4). System Enhancement & Operation | | 20,919 | 20,919 |
| (5). Total Construction (1) + (2) + (3) + (4) | 0 | 20,919 | 20,919 |
| d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5) | 0 | 20,919 | 20,919 |
| | | | (Carry forward to page 1) |

Notes and Comments: