

Town of Palmer Lake, Colorado

Financial Statements
with Independent Auditor's Report

December 31, 2025



Town of Palmer Lake, Colorado

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Business Advisors

Independent Auditor's Report

Honorable Mayor and Members of the Board of Trustees
Town of Palmer Lake, Colorado
Palmer Lake, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Palmer Lake, Colorado (the Town), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town'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.

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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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town'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 budgetary comparison schedule - General Fund information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The budgetary comparison schedule - Utility Fund and local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - Utility Fund and local highway finance report listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hill & Company, PC

Management's Discussion and Analysis

Town of Palmer Lake, Colorado

Management's Discussion and Analysis

For the Year Ending December 31, 2025

Introduction

Management's Discussion and Analysis is intended to provide the reader and user of our financial statements with a narrative overview of the Town's financial activities. Management's Discussion and Analysis (MD&A) should be read in conjunction with the Town's financial statements and notes to the financial statements, beginning on page 4.

The Town of Palmer Lake was founded in 1871 by General William Jackson Palmer and was incorporated in 1889 as a political subdivision of the State of Colorado. The Town operates under a Mayor-Council form of government. Under the guidance of the central administration, which includes financial and technical support, the Town provides a range of services. The services include public safety (police and fire), public utilities (water), infrastructure (drainage, streets, and public buildings), and recreation (parks and trails). The Town is nestled at the base of Pike National Forest in the northwest corner of El Paso County, Colorado. The population of Palmer Lake, Colorado, is estimated at approximately 2,575 people.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources (Net Position) by \$16,976,132 at December 31, 2025. Of this amount \$6,482,457 was unrestricted and available to fund future obligations of the Town.
- Net position of governmental activities increased by \$259,756 and net position of business-type activities increased by \$424,772.
- As of December 31, 2025, the General Fund had a fund balance of \$5,373,395. Of this amount \$4,953,311 was unassigned and available for use to meet the Town's current obligations.
- As of December 31, 2025, the Water Enterprise Fund had a fund balance of \$6,630,749 which is an increase of \$424,772 from December 31, 2024.

Overview of the Financial Statements of the Town:

The audited financial statements of the Town are:

- Statement of Net Position
- Statement of Activities
- Balance Sheet - Governmental Funds
- Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Funds
- Statement of Net Position - Proprietary Fund
- Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
- Statement of Cash Flows - Proprietary Fund
- Notes to the Financial Statements

Town of Palmer Lake, Colorado

Management's Discussion and Analysis

For the Year Ending December 31, 2025

The financial statements of the Town are presented as a special purpose government engaged in business and government type activities. These financial statements distinguish between the functions of the Town. Governmental activities are those substantially supported by non-exchange transactions such as taxes. Business-type activities are those substantially supported by exchange transactions such as charges for services.

The **Statement of Net Position** is prepared using the full accrual basis of accounting and provides information about what is owned (assets) by the Town, what is owed (liabilities) by the Town, and what is the Town's equity in its assets (net position). Over time, the comparison of changes in net position may provide a useful method of evaluating whether the financial position of the Town is improving, deteriorating, or maintaining a status quo.

The **Statement of Activities** provides information about the components - Program Expenses, Program Revenue and General Revenue - of the Town's annual operating activities and how those activities affected net position during the current fiscal year.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental or proprietary funds.

Governmental Funds

The **Balance Sheet - Governmental Funds** presents the financial position of the Town's funds using the traditional government modified accrual method of accounting, which does not reflect capital assets and debt obligations.

The **Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds** presents the activities of the Town's funds using the modified accrual method of accounting which includes expenditures for capital assets and debt service obligations. This method approximates the reporting on a cash basis and closely follows the budgetary method.

The two reconciliations, which accompany these governmental funds statements, provide explanations of the specific differences in these statements as compared to the Statement of Net Position and the Statement of Activities.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Town of Palmer Lake, Colorado
Management's Discussion and Analysis
For the Year Ending December 31, 2025

Proprietary Funds

Enterprise funds are used to report any activity for which it is primarily funded by charging a fee to external users for goods and services and operate in a manner similar to private sector businesses. The Town utilizes one enterprise fund to account for water operations. The proprietary fund financial statements provide the same type of information as shown in the government-wide financial statements.

The **Notes to Financial Statements** provide additional, required disclosures about the Town, its accounting policies and practices, its financial position and operating activities, and other required information. The information included in these notes is essential to a full understanding of the information contained in the financial statements.

Condensed Comparative Financial Information:

Statement of Net Position

	Governmental Activities		Business-type Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 6,586,153	\$ 5,919,912	\$ 1,902,755	\$ 1,777,973	\$ 8,488,908	\$ 7,697,885
Noncurrent assets	5,255,752	5,287,583	6,011,095	5,865,225	11,266,847	11,152,808
Total assets	11,841,905	11,207,495	7,913,850	7,643,198	19,755,755	18,850,693
Deferred outflows	296,533	307,672	-	-	296,533	307,672
Long-term debt	214,070	57,663	1,095,487	1,262,376	1,309,557	1,320,039
Other liabilities	211,350	153,538	187,614	174,845	398,964	328,383
Total liabilities	425,420	211,201	1,283,101	1,437,221	1,708,521	1,648,422
Deferred inflows	1,367,635	1,218,339	-	-	1,367,635	1,218,339
Net position						
Net investment in capital assets	4,799,307	4,801,955	5,390,345	5,124,306	10,189,652	9,926,261
Restricted	200,537	209,158	103,486	103,486	304,023	312,644
Unrestricted	5,345,539	5,074,514	1,136,918	978,185	6,482,457	6,052,699
Total net position	\$ 10,345,383	\$ 10,085,627	\$ 6,630,749	\$ 6,205,977	\$ 16,976,132	\$ 16,291,604

Statement of Activities

	Governmental Activities		Business-type Activities		Primary Government	
	2025	2024	2025	2024	2025	2024
Program expenses	\$ 4,753,256	\$ 3,298,923	\$ 1,336,628	\$ 1,266,093	\$ 6,089,884	\$ 4,565,016
Program revenue	1,056,087	547,819	1,703,698	2,089,263	2,759,785	2,637,082
Net program expense (revenue)	3,697,169	2,751,104	(367,070)	(823,170)	3,330,099	1,927,934
General revenue	3,956,925	5,080,585	57,702	66,943	4,014,627	5,147,528
Change in net position	259,756	2,329,481	424,772	890,113	684,528	3,219,594
Net position, beginning of year	10,085,627	7,756,146	6,205,977	5,315,864	16,291,604	13,072,010
Net position, end of year	\$ 10,345,383	\$ 10,085,627	\$ 6,630,749	\$ 6,205,977	\$ 16,976,132	\$ 16,291,604

Town of Palmer Lake, Colorado
Management's Discussion and Analysis
For the Year Ending December 31, 2025

This foregoing information is a summary of the financial information contained in the Town's financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 4.

Discussion of Financial Position and Operating Activities

The Town restricted three percent (3%) of its general revenues for emergencies in accordance with TABOR requirements. The Town had a TABOR reserve of \$135,000 on December 31, 2025.

The Town's total assets are comprised primarily of cash and equivalents, receivables for water service and long-term capital assets. The Town's total liabilities are comprised primarily of long-term debt and current liabilities related to ongoing operations.

In 2025, program expenses exceeded program revenues by \$3,330,099 for the primary government. This was offset by net general revenues of \$4,014,627, which resulted in an overall increase in net position. See the accompanying Financial Statements for details of these revenues and expenses.

Fund Discussion

Governmental Funds

The Governmental Funds - General Fund balance increased to \$5,373,395 in 2025. The fund balance includes \$135,000 for emergencies in accordance with TABOR requirements. The assets and liabilities are comprised primarily of cash and property tax revenues to be realized in 2026. As of December 31, 2025, the Town's combined fund balance for all governmental funds was \$5,438,932.

General Fund Budgetary Discussion

Actual revenues for 2025 were \$19,883 more than the final budget. Actual expenditures for 2025 were \$467,783 less than the final budget primarily due to public works and capital outlay expenditures being less than anticipated. See the accompanying financial statements for more detail.

Proprietary Fund

The Water Enterprise Fund balance was \$6,630,749 on December 31, 2025. The assets and liabilities are comprised primarily of cash, water accounts receivable and capital assets. Actual revenues for 2025 were \$129,083 higher than the final budget. Actual expenses for 2025 were \$239,983 higher than the final budget. See the accompanying financial statements for more detail.

Town of Palmer Lake, Colorado
Management's Discussion and Analysis
For the Year Ending December 31, 2025

Capital Assets and Long-Term Obligations

Capital Assets

At the end of 2025, the Town had \$11,266,848 invested in a broad range of capital assets including major infrastructure such as buildings, roads, bridges, storm water drainage, parks, and water lines and distribution systems. More detailed information on the Town's capital assets is presented in the accompanying notes to the financial statements.

Long-Term Debt

In 2019, the General Fund loaned the Water Enterprise Fund \$500,000. The proceeds of the loan were used to complete the Water Tank project. The loan is secured by a twenty-year note that bears interest at 2% per annum. The remaining activity relating to long-term debt was the scheduled payment of debt.

Economic Factors and Next Year's Budget

Continuing a conservative approach to budgeting, the Town of Palmer Lake continues to provide all services to its citizens. With anticipation of a healthy economy, it was projected that 2026 General Fund revenues and a portion of the fund balance for one-time items and projects, along with increased sales tax revenue, would allow the budgeted expenditures to be funded. While we anticipated a slight increase in sales tax revenue, budgeted expenditures remained within the budget. It was projected that 2026 Water Fund revenues would allow the budgeted expenditures to be funded. We anticipated a slight increase in water billing revenue and budgeted expenditures remain within the budget.

Requests for Information. This financial report is designed to provide a general overview of the Town of Palmer Lake, Colorado's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Palmer Lake, 42 Valley Crescent, PO Box 208, Palmer Lake, CO 80133.

Basic Financial Statements

Town of Palmer Lake, Colorado
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents - Unrestricted	\$ 4,838,808	\$ 1,625,587	\$ 6,464,395
Cash and Cash Equivalents - Restricted	-	103,486	103,486
Accounts Receivable	290,035	153,641	443,676
Taxes Receivable	1,312,852	-	1,312,852
Due from Other Governments	33,750	-	33,750
Due from County Treasurer	39,773	-	39,773
Prepaid Expenses	70,934	20,041	90,975
Total Current Assets	<u>6,586,152</u>	<u>1,902,755</u>	<u>8,488,907</u>
<i>Noncurrent Assets</i>			
Due from Other Funds	456,446	(456,446)	-
Capital Assets, Not Being Depreciated	297,276	560,000	857,276
Capital Assets, Net of Accumulated Depreciation	4,502,031	5,907,541	10,409,572
Total Noncurrent Assets	<u>5,255,753</u>	<u>6,011,095</u>	<u>11,266,848</u>
Total Assets	<u>11,841,905</u>	<u>7,913,850</u>	<u>19,755,755</u>
Deferred Outflows of Resources			
Pensions	296,533	-	296,533
Total Deferred Outflows of Resources	<u>296,533</u>	<u>-</u>	<u>296,533</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	126,575	12,455	139,030
Accrued Expenses	79,950	18,068	98,018
Accrued Interest	-	5,708	5,708
Unearned Revenue	4,825	-	4,825
Loans Payable, Current Portion	-	151,383	151,383
Total Current Liabilities	<u>211,350</u>	<u>187,614</u>	<u>398,964</u>
<i>Non-Current Liabilities</i>			
Compensated Absences	213,123	18,291	231,414
Bonds Payable	-	1,077,196	1,077,196
Net Pension/OPEB Liability	947	-	947
Total Non-Current Liabilities	<u>214,070</u>	<u>1,095,487</u>	<u>1,309,557</u>
Total Liabilities	<u>425,420</u>	<u>1,283,101</u>	<u>1,708,521</u>
Deferred Inflows of Resources			
Property Taxes	1,312,852	-	1,312,852
Pension	54,783	-	54,783
Total Deferred Inflows of Resources	<u>1,367,635</u>	<u>-</u>	<u>1,367,635</u>
Net Position			
Net Investment in Capital Assets	4,799,307	5,390,345	10,189,652
Restricted	200,537	103,486	304,023
Unrestricted	5,345,539	1,136,918	6,482,457
Total Net Position	<u>\$ 10,345,383</u>	<u>\$ 6,630,749</u>	<u>\$ 16,976,132</u>

See Notes to the Financial Statements.

Town of Palmer Lake, Colorado
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 1,435,838	\$ 64,978	\$ 22,353	\$ -	\$ (1,348,507)	\$ -	\$ (1,348,507)
Public Safety	2,577,896	253,540	147,830	542,655	(1,633,871)	-	(1,633,871)
Highways & Streets	604,827	1,009	-	-	(603,818)	-	(603,818)
Culture and Recreation	134,695	-	23,722	-	(110,973)	-	(110,973)
Total Governmental Activities	4,753,256	319,527	193,905	542,655	(3,697,169)	-	(3,697,169)
Business-Type Activities							
Water	1,336,628	1,696,198	-	7,500	-	367,070	367,070
Total Business-Type Activities	1,336,628	1,696,198	-	7,500	-	367,070	367,070
Total Primary Government	\$ 6,089,884	\$ 2,015,725	\$ 193,905	\$ 550,155	(3,697,169)	367,070	(3,330,099)
General Revenues							
Property Taxes					1,167,217	-	1,167,217
Specific Ownership Taxes					123,086	-	123,086
Sales and Use Taxes					1,589,448	-	1,589,448
Highway User Taxes					116,903	-	116,903
Franchise and Other Taxes					844,374	-	844,374
Tap Fees & Development Charges					-	25,030	25,030
Investment Income					86,344	29,255	115,599
Other					29,553	3,417	32,970
Transfers					-	-	-
Total General Revenues					3,956,925	57,702	4,014,627
Change in Net Position					259,756	424,772	684,528
Net Position, Beginning of Year					10,085,627	6,205,977	16,291,604
Net Position, End of Year					\$ 10,345,383	\$ 6,630,749	\$ 16,976,132

Town of Palmer Lake, Colorado
Balance Sheet
Governmental Funds
December 31, 2025

	General	Conservation Trust	Total
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	\$ 4,763,770	\$ 75,038	\$ 4,838,808
Restricted Cash and Cash Equivalents			
Accounts Receivable	290,035	-	290,035
Taxes Receivable	1,312,852	-	1,312,852
Due from Other Governments	33,750	-	33,750
Due from County Treasurer	39,773	-	39,773
Due from Other Funds	456,446	-	456,446
Prepaid Expenses	70,934	-	70,934
Total Assets	6,967,560	75,038	7,042,598
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	117,166	9,409	126,575
Accrued Expenses	79,858	92	79,950
Total Liabilities	197,024	9,501	206,525
Deferred Inflows of Resources			
Unavailable Revenue	84,289	-	84,289
Property Taxes	1,312,852	-	1,312,852
Total Deferred Inflows of Resources	1,397,141	-	1,397,141
Fund Balance			
Nonspendable	70,934	-	70,934
Restricted	135,000	65,537	200,537
Assigned	214,150	-	214,150
Unrestricted	4,953,311	-	4,953,311
Total Fund Balance	\$ 5,373,395	\$ 65,537	\$ 5,438,932

Town of Palmer Lake, Colorado
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For the Year Ended December 31, 2025

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

Fund Balance of Governmental Funds	\$ 5,438,932
Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Capital Assets, net	4,799,307
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.	
Fire Deployment Reimbursement	79,464
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds.	
Compensated Absences	(213,123)
Pension related assets, liabilities, deferred outflows of resources, and deferred inflows of resources are not current financial resources and, therefore, are not reported in the governmental funds.	
Deferred Outflows of Resources	296,533
Pension Liabilities	(947)
Deferred Inflows of Resources	<u>(54,783)</u>
Net Position of Governmental Activities	<u>\$ 10,345,383</u>

Town of Palmer Lake, Colorado
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
December 31, 2025

	General	Conservation Trust	Total
Revenues			
Taxes:			
Property Taxes	\$ 1,167,217	\$ -	\$ 1,167,217
Specific Ownership Taxes	123,086	-	123,086
Sales and Use Taxes	1,589,448	-	1,589,448
Highway User Tax	116,903	-	116,903
Franchise Fees and Other Taxes	844,374	-	844,374
Intergovernmental	8,897	22,619	31,516
Licenses and Permits	65,987	-	65,987
Fines and Forfeitures	59,716	-	59,716
Grant Revenue	262,129	-	262,129
Investment Income	84,993	1,351	86,344
Dispatch Revenue - Fire	382,858	-	382,858
Miscellaneous	29,553	-	29,553
	<u>4,735,161</u>	<u>23,970</u>	<u>4,759,131</u>
Total Revenue			
	<u>4,735,161</u>	<u>23,970</u>	<u>4,759,131</u>
Expenditures			
Current			
General Government	1,230,224	-	1,230,224
Public Safety	2,506,916	-	2,506,916
Public Works	428,109	-	428,109
Culture and Recreation	51,930	37,591	89,521
Capital Outlays	318,183	-	318,183
	<u>4,535,362</u>	<u>37,591</u>	<u>4,572,953</u>
Total Expenditures			
	<u>4,535,362</u>	<u>37,591</u>	<u>4,572,953</u>
Excess of Revenues Over Expenditures	199,799	(13,621)	186,178
Other Financing Sources (Uses)			
Developer Contributions	451,812	-	451,812
Transfers Out	-	-	-
	<u>451,812</u>	<u>-</u>	<u>451,812</u>
Total Other Financing Sources (Uses)			
	<u>451,812</u>	<u>-</u>	<u>451,812</u>
Net Change in Fund Balance	651,611	(13,621)	637,990
Fund Balance, Beginning of Year	4,721,784	79,158	4,800,942
Fund Balance, End of Year	<u>\$ 5,373,395</u>	<u>\$ 65,537</u>	<u>\$ 5,438,932</u>

Town of Palmer Lake, Colorado
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

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

Net Change in Fund Balance of Governmental Funds	\$ 637,990
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. Dispositions of capital assets are reported in governmental funds as revenues. However, for governmental activities, those costs are capitalized in the Statement of Net Position and are allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. Dispositions are reported as reductions in capital assets and in accumulated depreciation on the Statement of Activities.	
Capital Outlay	318,183
Depreciation Expense	(320,831)
Changes in unavailable revenues not available within 60 days of the end of the year are presented in the year in which they become available in the governmental funds and when they are earned in the government-wide statements	(197,931)
Changes in pension assets, liabilities, deferred inflows of resources and deferred outflows of resources related to defined benefit retirement plans do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.	(21,657)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term leases consume current financial resources of governmental funds.	
Compensated Absences	<u>(155,998)</u>
Change in Net Position of Governmental Activities	\$ <u><u>259,756</u></u>

Town of Palmer Lake, Colorado
Statement of Net Position
Proprietary Funds
December 31, 2025

	<u>Water</u>
Assets	
Current Assets	
Cash and Investments	\$ 1,625,587
Restricted Cash and Investments	103,486
Accounts Receivable	153,641
Due from Other Governments	-
Prepaid Expenses	20,041
Total Current Assets	<u>1,902,755</u>
Non-Current Assets	
Capital Assets, <i>Not Being Depreciated</i>	560,000
Capital Assets, <i>Net of Accumulated Depreciation</i>	5,907,541
Total Noncurrent Assets	<u>6,467,541</u>
Total Assets	<u>\$ 8,370,296</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 12,455
Accrued Salaries	18,068
Accrued Interest	5,708
Due to Other Funds	456,446
Long-Term Debt, <i>Current Portion</i>	151,383
Total Current Liabilities	<u>644,060</u>
Non-Current Liabilities	
Compensated Absences	18,291
Bonds Payable	1,077,196
Total Non-current Liabilities	<u>1,095,487</u>
Total Liabilities	<u>1,739,547</u>
Net Position	
Investment in Capital Assets	5,390,345
Restricted for Debt Service	103,486
Unrestricted	1,136,918
Total Net Position	<u>\$ 6,630,749</u>

Town of Palmer Lake, Colorado
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Utility
Operating Revenues	
Charges for Services	\$ 1,696,198
Other Income	3,417
Total Operating Revenues	1,699,615
Operating Expenses	
Administration	151,025
Operations and Maintenance	839,172
Depreciation	310,622
Total Operating Expenses	1,300,819
Net Operating Gain (Loss)	398,796
Nonoperating Revenues (Expenses)	
Grant Revenue	7,500
Water Tap Fees	25,030
Investment Income	29,255
Interest Expense	(35,809)
Transfers Out	-
Total Nonoperating Revenues (Expenses)	25,976
Change in Net Position	424,772
Net Position, Beginning of Year	6,205,977
Net Position, End of Year	\$ 6,630,749

Town of Palmer Lake, Colorado
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	<u>Utility</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 1,667,259
Cash Received from Grants and Contributions	3,417
Cash Paid to Employees	(7,614)
Cash Paid to Suppliers	<u>(1,004,882)</u>
Net Cash Used in Operating Activities	<u>658,180</u>
Cash Flows From Investing Activities	
Interest Received	<u>29,255</u>
Net Cash Provided by Investing Activities	<u>29,255</u>
Cash Flows from Non-Capital Financing Activities	
Cash Received from Connection Charges	<u>25,030</u>
Net Cash Provided by Non-Capital Financing Activities	<u>25,030</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of Capital Assets	(427,310)
Capital Contributions	298,199
Interest Paid	(27,645)
Transfers Between Funds	(29,182)
Principal Payments	<u>(146,409)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(332,347)</u>
Net Change in Cash and Cash Equivalents	380,118
Cash and Cash Equivalents, <i>Beginning of Year</i>	<u>1,257,829</u>
Cash and Cash Equivalents, <i>End of Year</i>	<u><u>\$ 1,637,947</u></u>
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities	
Net Operating Gain/(Loss)	\$ 398,796
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities	
Depreciation	310,622
Changes in Assets and Liabilities Related to Operations	
Accounts Receivable	(28,939)
Prepaid Expenses	(18,784)
Accounts Payable	4,099
Accrued Salaries and Benefits	11,872
Deferred Revenue	-
Compensated Absences Payable	<u>(19,486)</u>
Net Cash Used in Operating Activities	<u><u>\$ 658,180</u></u>

See Notes to the Financial Statements.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 1: Summary of Significant Accounting Policies

The Town of Palmer Lake, Colorado (the Town) was organized as a statutory town in Colorado. The Town provides general government, public works (roads and streets), police, fire and water for the geographical area organized as the Town of Palmer Lake, Colorado.

The accounting policies of the Town conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Town, organizations for which the Town is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Town. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the Town. Legally separate organizations for which the Town is financially accountable are considered part of the reporting entity. Financial accountability exists if the Town appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Town.

Based on the application of these criteria, the Town does not include additional organizations within its reporting entity.

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 activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to 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. Internally dedicated resources are reported as general revenues rather than program revenues.

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

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered measurable and available only when cash is received by the Town.

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.

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

When both restricted and unrestricted resources are available for a specific use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the Town reports the following major governmental fund:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those accounted for in the enterprise fund.

Additionally, the Town reports the following major proprietary fund:

The *Water Fund* is an enterprise fund that accounts for the financial activities associated with the provision of water services.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified on the balance sheet as *interfund receivables* and *interfund payables*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Capital Assets - Capital assets, which include land, water rights, water systems, infrastructure, parks, buildings, vehicles, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Land	30 years
Buildings	30 years
Building Improvements	5 - 10 years
Furniture and Equipment	5 - 10 years
Infrastructure	30 years

Compensated Absences - Employees of the Town are allowed to accumulate up to 120 hours of unused vacation time and up to 240 hours of unused sick time. Upon termination of employment from the Town, an employee will be compensated for all accrued vacation time, and one-half of any accrued sick time. Compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability is recorded in the governmental fund financial statements only when payment is due.

Deferred Inflows of Resources - Deferred inflows of resources are acquisitions of net assets by the government that are applicable to a future reporting period and include property taxes earned but levied for a subsequent year as well as deferred revenues.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. Committed fund balance represents amounts constrained by the Board of Trustees, which is the highest level of decision-making authority, by formal action (resolution). The policy approved by the Board of Trustees established the Town's ideal target reserves at 40% of the current operating budget of the General Fund. The reserves should not be allowed to fall below 20% of the current operating budget, including the emergency reserves required by the TABOR Amendment (See Note 7). The Board of Trustees has authorized the Town Administrator or her designee to assign fund balances for specific purposes consistent with the adopted budget. If both restricted and unrestricted fund balances are available, the Town uses restricted fund balance first, followed by committed, assigned and unassigned.

Property Taxes

Property taxes attached as an enforceable lien on property on January 1, are levied the following December, and collected in the subsequent calendar year. 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 Town on a monthly basis.

Subsequent Events

The Town has evaluated subsequent events through July 29, 2026, the date the financial statements were available to be issued.

Note 2: Cash and Investments

At December 31, 2025, cash consisted of the following:

Petty Cash	\$	200
Cash Deposits		3,667,933
Investments		<u>2,899,748</u>
Total	\$	<u><u>6,567,881</u></u>

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 2: Cash and Investments (Continued)

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels (FDIC) must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2025, the Town had bank deposits of \$3,568,757 collateralized with securities held by the financial institutions' agents but not in their name.

Investments

The Town is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which the Town may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings established by nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the Town may invest in a single issuer of investment securities, except for corporate securities.

Local Government Investment Pool - At December 31, 2025, the Town had \$2,899,748 invested in the Colorado Local Government Liquid Asset Trust (Colotrust).

Colotrust - 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. This investment is valued using the NAV per share (or its equivalent) of the investments.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 2: Cash and Investments (Continued)

Investments (Continued)

Colotrust is an investment vehicle established by state statute for local entities in Colorado to pool surplus funds for investment purposes and are registered with the State Securities Commissioner. The pools operate similarly to money market funds and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. Securities owned by the pools 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 participating governments. Investments of the pools consist of US Treasury bills, notes, and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by US Treasury securities and or US Instrumentalities. Colotrust is rated AAAM by Standard and Poor's. Information regarding Colotrust's financial statements is available at their website www.colotrust.com.

Note 3: Capital Assets

Capital asset activity for the year ended December 31, 2025, is summarized below:

	Balance 12/31/24	Additions	Transfers	Deletions	Balance 12/31/25
Governmental Activities					
<i>Capital Assets, Not Being Depreciated</i>					
Land	\$ 11,005	\$ -	\$ -	\$ -	\$ 11,005
Master Plan	68,639	-	-	-	68,639
Construction in Progress	90,860	318,183	(191,411)	-	217,632
Total Capital Assets, Not Being Depreciated	<u>170,504</u>	<u>318,183</u>	<u>(191,411)</u>	<u>-</u>	<u>297,276</u>
<i>Capital Assets, Being Depreciated</i>					
Buildings	1,191,778	-	18,297	-	1,210,075
Roads and Drainage	3,374,156	-	-	(31,469)	3,342,687
Equipment	2,501,882	-	173,114	(334,089)	2,340,907
Total Capital Assets, Being Depreciated	<u>7,067,816</u>	<u>-</u>	<u>191,411</u>	<u>(365,558)</u>	<u>6,893,669</u>
Less Accumulated Depreciation					
Buildings	(190,565)	(44,868)	-	-	(235,433)
Roads and Drainage	(893,278)	(164,475)	-	31,469	(1,026,284)
Equipment	(1,352,522)	(111,488)	-	334,089	(1,129,921)
Total Accumulated Depreciation	<u>(2,436,365)</u>	<u>(320,831)</u>	<u>-</u>	<u>365,558</u>	<u>(2,391,638)</u>
Total Capital Assets, Being Depreciated	<u>4,631,451</u>	<u>(320,831)</u>	<u>191,411</u>	<u>-</u>	<u>4,502,031</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,801,955</u>	<u>\$ (2,648)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,799,307</u>

Depreciation expense was charged to governmental programs of the Town as follows:

General Government	\$ 49,616
Public Safety	49,323
Public Works	176,718
Culture and Recreation	<u>45,174</u>
Total	<u>\$ 320,831</u>

Town of Palmer Lake, Colorado
Notes to Financial Statements
December 31, 2025

Note 3: Capital Assets (Continued)

	Balance 12/31/24	Additions	Transfers	Deletions	Balance 12/31/25
Business-Type Activities					
Capital Assets, <i>Not Being Depreciated</i>					
Land and Water Rights	\$ 560,000	\$ -	\$ -	\$ -	\$ 560,000
Total Capital Assets, <i>Not Being Depreciated</i>	<u>560,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>560,000</u>
Capital Assets, <i>Being Depreciated</i>					
Reservoirs, Lakes	150,233	-	-	-	150,233
Water Facility	5,533,543	295,488	-	-	5,829,031
Shop Building	121,825	22,960	-	-	144,785
Collection/Transmission/Distribution	4,244,873	73,842	-	-	4,318,715
Wells	846,767	-	-	-	846,767
General Equipment	443,119	49,581	-	(78,119)	414,581
Total Capital Assets, <i>Being Depreciated</i>	<u>11,340,360</u>	<u>441,871</u>	<u>-</u>	<u>(78,119)</u>	<u>11,704,112</u>
Less Accumulated Depreciation					
Reservoirs, Lakes	(99,770)	-	-	-	(99,770)
Water Facility	(3,233,041)	(166,670)	-	-	(3,399,711)
Shop Building	(121,825)	-	-	-	(121,825)
Collection/Transmission/Distribution	(1,241,650)	(79,847)	-	-	(1,321,497)
Wells	(420,766)	(33,934)	-	-	(454,700)
General Equipment	(432,455)	(52,546)	-	85,933	(399,068)
Total Accumulated Depreciation	<u>(5,549,507)</u>	<u>(332,997)</u>	<u>-</u>	<u>85,933</u>	<u>(5,796,571)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>5,790,853</u>	<u>108,874</u>	<u>-</u>	<u>7,814</u>	<u>5,907,541</u>
Business-Type Activities Capital Assets, <i>net</i>	<u>\$ 6,350,853</u>	<u>\$ 108,874</u>	<u>\$ -</u>	<u>\$ 7,814</u>	<u>\$ 6,467,541</u>

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions of the governmental activities for the year ended December 31, 2025:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025	Due Within One Year
Business-Type Activities					
2009 CWRPDA Bond	\$ 544,149	\$ -	\$ (94,558)	\$ 449,591	\$ 96,459
2018 CWRPDA Bond	828,806	-	(51,851)	776,955	52,892
Compensated Absences	<u>39,810</u>	<u>3,982</u>	<u>(23,468)</u>	<u>20,324</u>	<u>2,032</u>
Total	<u>\$ 1,412,765</u>	<u>\$ 3,982</u>	<u>\$ (169,877)</u>	<u>\$ 1,246,870</u>	<u>\$ 151,383</u>

2009 CWRPDA Bond

On July 22, 2009, the Town borrowed \$1,862,552 through the Colorado Water Resource & Power Development Authority (CWRPDA) - Drinking Water Revolving Fund Direct Loan, with an interest rate of 2.0% to fund water resource projects. The loan is payable from the collateralized by the Town's water revenues. The proportion of the pledged revenues to total water revenues can not be determined because annual total fees collected fluctuate.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 4: Long-Term Debt (Continued)

2009 CWRPDA Bond (Continued)

Interest on the bonds is due each May 1 and November 1 and commenced on November 1, 2010. Principal is due annually on November 1 through 2030. Future maturities are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 96,459	\$ 8,512	\$ 104,971
2027	98,398	6,573	104,971
2028	100,376	4,595	104,971
2029	102,393	2,578	104,971
2030	51,965	520	52,485
Total	<u>\$ 449,591</u>	<u>\$ 22,778</u>	<u>\$ 472,369</u>

2018 CWRPDA Bond

On March 16, 2018, the Town borrowed \$1,100,000 through the Colorado Water Resource & Power Development Authority (CWRPDA) - Drinking Water Revolving Fund Direct Loan, with an interest rate of 2.0% to fund water resource projects. The loan is payable from and collateralized by the Town's water revenue. The proportion of the pledged revenues to total water revenues can not be determined because annual total fees collected fluctuate.

Interest on the bonds is due each May 1 and November 1 and commenced on November 1, 2010. Principal is due annually on November 1 through 2030. Future maturities are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 52,892	\$ 15,276	\$ 68,168
2027	53,956	14,213	68,169
2028	55,040	13,128	68,168
2029	56,146	12,022	68,168
2030 - 2034	298,120	42,721	340,841
2035 - 2038	260,801	11,872	272,673
Total	<u>\$ 776,955</u>	<u>\$ 109,232</u>	<u>\$ 886,187</u>

General Fund Loan to Water Enterprise Fund

On May 23, 2019, the Town's Board of Trustees approved a loan of \$500,000 from the General Fund to the Water Enterprise Fund. The loan is a 20-year term and bears interest at a rate of 2.0%. The loan proceeds were utilized to assist in the funding of the Town's Water Tank project. As the loan is between funds within the overall Town government, the loan payable and receivable is reflected in the accompanying financial statements as Due To and From Funds.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 4: Long-Term Debt (Continued)

General Fund Loan to Water Enterprise Fund (Continued)

Interest payments are due semi-annually on May 1st and November 1st. Principal payments are due semi-annually on May 1st and November 1st and commenced in 2024. Future maturities are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 29,767	\$ 8,980	\$ 38,747
2027	30,365	8,383	38,748
2028	30,976	7,772	38,748
2029	31,599	7,150	38,749
2030 - 2034	167,779	25,961	193,740
2035 - 2039	165,960	8,408	174,368
Total	<u>\$ 456,446</u>	<u>\$ 66,654</u>	<u>\$ 523,100</u>

Note 5: Employee Retirement Plans

FPPA Statewide Retirement Plan

Plan Description - The Statewide Retirement Plan (SRP) is a cost-sharing multiple-employer defined benefit pension plan. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). FPPA issues a publicly available comprehensive annual financial report that can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits - A member is eligible for retirement after attainment of age 55 with at least five years of credited service.

The FPPA Board of Directors may change the retirement age on an annual basis, depending upon the results of the actuarial valuation and other circumstances. The Normal Retirement Age should not be less than age 55 or more than age 60. Any member with at least 25 years of service may retire at any time after age 55 and shall be eligible for a normal retirement pension. Members with combined age and years of service totaling 80 or more, with a minimum age of 50 also qualify for a normal retirement pension.

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.

The annual retirement benefit for the Defined Benefit Component is 2.0 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent of the average of the member's highest three years' base salary for each year of service thereafter.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Retirement Plan (Continued)

Beginning January 1, 2007, the annual normal retirement benefit for the Social Security Component is 1.0 percent of the average of the member's highest three years base salary for each year of credited service up to three years plus 1.25 percent of the average of the member's highest three years' base salary for each year thereafter. Prior to 2007, the benefit for members of the Social Security Component will be reduced by the amount of social security income the member receives annually, calculated as if the social security benefit started as of age 62.

The annual retirement benefit of the Hybrid Defined Benefit Component is 1.9 percent of the average of the member's highest three years' base salary for each year of credited service through December 31, 2022 and 1.5 percent of the average of the member's highest three years' base salary for each year of credited service after January 1, 2023.

Benefits paid to retired members and beneficiaries may be increased annually on October 1 via cost-of-living adjustment (COLA). COLAs may be compounding or non-compounding. The increase in benefits, if any, is based on the FPPA Board of Director's discretion. Compounding COLAs can range from 0 percent to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers.

Non-compounding COLAs take into consideration the investment returns, compounding COLAs and other economic factors. COLAs may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

Upon termination, the vested account balance within the Money Purchase Component becomes available to the member.

Upon termination, a member may elect to have their member contributions, along with 5.0 percent as interest, returned as a lump sum distribution in lieu of a retirement benefit.

Contributions - Contribution rates for the Plan are set by state statute. The FPPA Board of Directors may further increase the required contributions, equally between employer and member, upon approval through an election of both employers and members.

Members of the Defined Benefit Component contribute 12.0 percent of base salary. In 2020, legislation was enacted to increase the employer contributions rate to the Plan beginning in 2021. Employer contribution rates will increase 0.5 percent annually through 2030 to a total of 13.0 percent of base salary. These increases result in a combined contribution rate of 25.0 percent of base salary in 2030. In 2023, the total combined member and employer contribution rate was 21.5 percent.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Retirement Plan (Continued)

Contributions from Defined Benefit Component members and employers of plans reentering the Defined Benefit Component are established by resolution and approved by the FPPA Board of Directors. The continuing rate of contribution for reentry groups is determined for each re-entry group. The additional contribution amount is determined locally and may be paid by the member, the employer or split 50/50. Per the 2020 legislation, the required employer contribution rate for reentry departments also increases 0.5 percent annually. These increases result in a minimum combined contribution rate of 25.2 percent in 2030. In 2023, the total minimum required member and employer contribution rate was 21.7 percent.

Members of the Social Security Component contribute 6.0 percent of base salary. Per the 2020 legislation, employer contribution rates will increase 0.25 percent annually through 2030 to a total of 6.5 percent of base salary. These increases result in a combined contribution rate of 12.5 percent of base salary in 2030. In 2023, the total combined member and employer contribution rate was 10.75 percent.

Contributions from members and employers of departments re-entering the system are established by resolution and approved by the FPPA Board of Directors. The re-entry group has a combined contribution rate of 20 percent of base salary through 2014. It is a local decision as to whether the member or employer pays the additional 4 percent contribution. Per the 2014-member election, the re-entry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent in 2022.

The contribution rate for members and employers of affiliated social security employers is 4 percent of base salary for a total contribution rate of 8 percent through 2014. Per the 2014 member election, members of the affiliate social security group will have their required contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

The Town's contributions to the SWDB Plan for the year ended December 31, 2024, were \$72,709, equal to the required contributions.

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

The Town and eligible employees are required to contribute to the SWH Plan at rates established by the Town Council. However, the amount allocated to the defined benefit component is set annually by the FPPA Board of Directors, which currently must be at least 8% of base salary for the employee and the employer.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Retirement Plan (Continued)

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

At December 31, 2025, the Town reported a net pension liability (asset) of \$0 representing its proportionate share of the net pension asset of the Statewide Retirement Plan.

The net pension liability was measured at December 31, 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at January 1, 2023. The Town's proportion of the net pension asset was based on a projection of the Town's contributions to the plans for the calendar year ended December 31, 2024, relative to the projected contributions of all participating employers.

At December 31, 2024, the Town's proportion of the Statewide Retirement Plan was 0.06668254%, which was an increase of 0.0089377% from its proportion measured at December 31, 2023.

For the year ended December 31, 2025, the Town recognized pension expense (Benefit) for the SWDB plan of \$123,092.

At December 31, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Statewide Retirement Plan		
Differences between expected and actual experience	\$ 123,736	\$ 4,011
Net difference between projected and actual earnings on plan investments	3,714	-
Changes in assumptions and other inputs	42,471	-
Changes in proportion	-	50,772
Contributions subsequent to the measurement date	124,274	-
Total	\$ <u>294,195</u>	\$ <u>54,783</u>

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Retirement Plan (Continued)

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

Town contributions to the SWDB plan subsequent to the measurement date were \$124,274 and will be recognized as an increase or decrease to the net pension (asset) liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended December 31,</u>	<u>SWDB</u>
2026	\$ 84,710
2027	12,221
2028	(4,602)
2029	7,071
2030	9,420
Thereafter	<u>6,318</u>
Total	\$ <u><u>115,138</u></u>

Actuarial Assumptions - The actuarial valuation at January 1, 2023, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-Term Investment Rate of Return*	7.5%
Projected Salary Increases	4.25% - 11.25%
Cost of Living Adjustments (COLA)	0.0%
Includes Inflation at	2.5%

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Table for Blue Collar Employees was used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used. For post-retirement members ages 55 through 64, a blend of the previous tables was used.

The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation as of January 1, 2016, based upon the actuary's unchanged analysis and recommendations from the 2015 Experience Study.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Retirement 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	33%	7.00%
Equity Long/Short	6%	6.20%
Private Markets	34%	8.80%
Fixed Income Rates	7%	5.00%
Fixed Income Credit	7%	6.50%
Absolute Return	9%	5.70%
Cash	4%	4.20%
	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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 in the FPPA Board of Director's funding policy, which establishes the contractually required rates under State statutes. Based on this assumption, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 7.0%.

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0%, as well as the Town's proportionate share of the net pension (asset) liability if it were calculated using a discount that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate, as follows:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the SRP net pension (asset) liability	\$ 325,405	\$ -	\$ -

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Statewide Retirement Plan (Continued)

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

Pension Plan Fiduciary Net Position - Detailed information about the Plans' fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at www.fppaco.org.

FPPA Palmer Lake Volunteer Fire Pension Plan - Defined Benefit Plan

Plan Description - The Palmer Lake Volunteer Fire Pension Plan (Volunteer Plan) is an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report can be obtained on FPPA's website at <http://www.fppaco.org>.

Description of Benefits - The Plan, established and amended by the Plan's Board of Trustees through the Bylaws, provides for a monthly pension of \$250 for volunteers who have satisfied the normal age and service requirements and pro rata pensions for volunteers who have satisfied the normal age but only a portion of the service requirement. It further provides death benefits and a partial pension (50% of the amount the volunteer has earned) for surviving spouses. The normal age and service requirement is the date a volunteer reaches 50 years of age and completes 20 years of service. Pro-rata pensions would apply to volunteers who reached 50 years of age and had between 10 and 20 years of service. A one-time \$100 funeral benefit lump sum is also provided.

Contributions - The Town and eligible employees are required to contribute to the Volunteer Plan at rates established by State statutes. Employer contribution rates can only be amended by the State Legislature. Employee contribution rates can be amended by the State Legislature or by election of the membership. The Town and eligible employees each contributed 8% and 11% of base salary, respectively, for the year ended December 31, 2025.

The Town's contributions to the Volunteer Plan for the year ended December 31, 2025, were \$3,808, equal to the required contributions.

At December 31, 2024, the Town reported a net pension liability (asset) of \$947 representing its proportionate share of the net pension asset.

The net pension liability was measured at December 31, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at January 1, 2024. The Town's proportion of the net pension asset was based on a projection of the Town's contributions to the plans for the calendar year ended December 31, 2024, relative to the projected contributions of all participating employers.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Palmer Lake Volunteer Fire Pension Plan - Defined Benefit Plan (Continued)

For the year ended December 31, 2025, the Town recognized pension expense (Benefit) for the Volunteer Plan of \$3,433.

At December 31, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Volunteer		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on plan investments	2,338	-
Changes in assumptions and other inputs	-	-
Changes in proportion	-	-
Contributions subsequent to the measurement date	-	-
Total	\$ <u>2,338</u>	\$ <u>-</u>

Town contributions to the Volunteer Plan subsequent to the measurement date of \$0 will be recognized as an increase or decrease to the net pension (asset) liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows.

<u>Year Ended December 31,</u>	<u>Volunteer Plan</u>
2026	\$ 992
2027	1,572
2028	(256)
2029	30
2030	-
Thereafter	-
Total	\$ <u>2,338</u>

Actuarial Assumptions - The actuarial valuation at January 1, 2024, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Actuarial Method	Entry Age
Amortization Method	Level dollar - open
Remaining Amortization Period	20 years
Asset Valuation Method	5-Year Smoothed Fair Value
Long-Term Investment Rate of Return*	7.0%
Projected Salary Increases	N/A
Cost of Living Adjustments (COLA)	None
*Includes Inflation at	2.5%

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Palmer Lake Volunteer Fire Pension Plan - Defined Benefit Plan (Continued)

Mortality rates were based on the RP-2014 Mortality Table for Blue Collar Employees projected with Scale BB, using a 55% multiplier for off-duty mortality. The RP-2014 Mortality Table for Blue Collar Employees was used in the projection of post-retirement benefits for members under age 55. For post-retirement members ages 65 and older, the RP-2014 Mortality Tables for Blue Collar Healthy Annuitants were used. For post-retirement members ages 55 through 64, a blend of the previous tables was used.

The current actuarial methods and assumptions were adopted by the FPPA Board of Directors for first use in the actuarial valuation as of January 1, 2016, based upon the actuary's unchanged analysis and recommendations from the 2015 Experience Study.

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.50%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2024, are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	10%	7.00%
Equity Long/Short	0%	6.20%
Private Markets	0%	8.80%
Fixed Income Rates	45%	5.00%
Fixed Income Credit	15%	6.50%
Absolute Return	0%	5.70%
Cash	30%	4.20%
	100%	

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 5: Employee Retirement Plans (Continued)

FPPA Palmer Lake Volunteer Fire Pension Plan - Defined Benefit Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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 in the FPPA Board of Director's funding policy, which establishes the contractually required rates under State statutes. Based on this assumption, the plans' fiduciary net position was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 7.0%.

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0%, as well as the Town's proportionate share of the net pension (asset) liability if it were calculated using a discount that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate, as follows:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension (asset)	\$ <u>5,333</u>	\$ <u>947</u>	\$ <u>(2,816)</u>

Pension Plan Fiduciary Net Position - Detailed information about the Plans' fiduciary net position is available in FPPA's separately issued financial report, which may be obtained at www.fppaco.org.

Death and Disability Benefits

Death and disability coverage is provided to full-time police officers through the Statewide Death and Disability Plan, which is administered by the FPPA. During the past year, the Town's required contribution rate was 2.6% of base salary for members. Town contributions to this plan totaled \$47,760 during 2025, with State supplemental contribution of \$0. Employees are not required to contribute to this plan.

Deferred Compensation Plan

Effective May 1, 2010, employees of the Town who are members of the SWDB may voluntarily contribute to the Voluntary Investment Program ("457 Plan"), an Internal Revenue Code Section 457 defined contribution plan administered by FPPA. Plan participation is optional, and contributions are from others made to FPPA. Title 25, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the 457 Plan provisions to the State Legislature.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 6: Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Public Entity Risk Pool

For property, liability and workers compensation risks, the Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes, and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members with defined liability, property, and workers compensation coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. CIRSA is a separate legal entity, and the Town does not approve budgets, nor does it have the ability to significantly affect the operations of CIRSA.

Note 7: Commitments and Contingencies

Litigation

The Town has pending or threatened litigation. Management believes the outcome of any litigation will not have a significant impact on the Town's financial position.

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 governments. On April 2, 1996, voters authorized the Town to collect, retain, use or expend all revenues, including any reduction in debt service, and to spend such revenues for municipal operations, capital projects, reserve increases, and debt service, beginning January 1, 1996, and each subsequent year without limitation by the restrictions of the Amendment. The Amendment is complex and subject to interpretation. However, the Town's management believes it is in compliance with the provisions of the Amendment.

Town of Palmer Lake, Colorado

Notes to Financial Statements

December 31, 2025

Note 7: Commitments and Contingencies (Continued)

TABOR Amendment (Continued)

The Town has established emergency reserves, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2025, the Town reported emergency reserves of \$135,000 as restricted fund balance in the General Fund.

Required Supplementary Information

Town of Palmer Lake, Colorado
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes				
Property Taxes	\$ 1,242,886	\$ 1,172,885	\$ 1,167,217	\$ (5,668)
Specific Ownership Taxes	119,000	119,000	123,086	4,086
Sales and Use Taxes	2,106,000	2,106,000	1,589,448	(516,552)
Highway Use Tax	103,000	103,000	116,903	13,903
Franchise Fees and Other Taxes	182,000	182,000	844,374	662,374
Intergovernmental	9,000	9,000	8,897	(103)
Licenses and Fees	106,725	64,734	65,987	1,253
Fines and Forfeits	60,000	60,000	59,716	(284)
Grants and Donations	1,512,517	325,589	262,129	(63,460)
Investment Income	85,567	85,567	84,993	(574)
Dispatch Revenue	50,000	459,603	382,858	(76,745)
Miscellaneous	37,600	27,900	29,553	1,653
Total Revenues	<u>5,614,295</u>	<u>4,715,278</u>	<u>4,735,161</u>	<u>19,883</u>
Expenditures				
Current				
General Governmental	1,011,153	1,392,321	1,230,224	162,097
Public Safety	2,577,762	2,708,448	2,506,916	201,532
Public Works	512,478	512,479	428,109	84,370
Culture and Recreation	47,600	57,600	51,930	5,670
Capital Outlay	<u>1,899,196</u>	<u>473,297</u>	<u>318,183</u>	<u>155,114</u>
Total Expenditures	<u>6,048,189</u>	<u>5,144,145</u>	<u>4,535,362</u>	<u>608,783</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(433,894)</u>	<u>(428,867)</u>	<u>199,799</u>	<u>628,666</u>
Other Financing Sources				
Developer Contributions	-	420,623	451,812	31,189
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>420,623</u>	<u>451,812</u>	<u>31,189</u>
Net Change in Fund Balance	<u>(433,894)</u>	<u>(8,244)</u>	<u>651,611</u>	<u>659,855</u>
Fund Balance, Beginning of Year	<u>3,276,067</u>	<u>3,661,915</u>	<u>4,721,784</u>	<u>1,059,869</u>
Fund Balance, End of Year	<u>\$ 2,842,173</u>	<u>\$ 3,653,671</u>	<u>\$ 5,373,395</u>	<u>\$ 1,719,724</u>

Town of Palmer Lake, Colorado
Budgetary Comparison Schedule
Water Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water Operations Revenue	\$ 1,753,029	\$ 1,564,772	\$ 1,696,198	\$ 131,426
Tap Fees & Development Charges	75,090	37,545	25,030	(12,515)
Grant Revenue	-	-	7,500	7,500
Interest Income	30,000	30,000	29,255	(745)
Other Income	-	-	3,417	3,417
<i>Total Water Revenue</i>	<u>1,858,119</u>	<u>1,632,317</u>	<u>1,761,400</u>	<u>129,083</u>
Expenditures				
Salaries and Benefits	555,339	535,141	457,474	77,667
Professional Services	196,600	196,600	151,025	45,575
Administrative/Operations	376,000	499,000	381,698	117,302
Capital Outlay	630,389	440,821	441,871	(1,050)
Debt Service	36,298	36,298	35,809	489
<i>Total Water Expenditures</i>	<u>1,794,626</u>	<u>1,707,860</u>	<u>1,467,877</u>	<u>239,983</u>
Excess (Deficiency) of Revenues Over Expenditures	63,493	(75,543)	293,523	369,066
Other Financing Sources				
Transfer to Other Funds	-	-	-	-
<i>Total Other Financing Sources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance (Budgetary Basis)	<u>\$ 63,493</u>	<u>\$ (75,543)</u>	293,523	<u>\$ 369,066</u>
Reconciliation to GAAP Basis				
Capital Outlays			441,871	
Depreciation			(310,622)	
Net Change in Fund Balance (GAAP Basis)			<u>\$ 424,772</u>	

Town of Palmer Lake, Colorado
Required Supplementary Information
Schedule of Changes in the Net Pension Asset Liability and Related Ratios - FPPA
For the Year Ended December 31, 2025

	12/31/24	12/31/23	12/31/22	12/31/21	12/31/20
Proportionate Share of the Net Pension Asset					
Town's Proportion of the Net Pension Assets	0.06668254%	0.06578877%	0.05836051%	0.04892959%	0.03876016%
Town's Proportion Share of the Net Pension Asset (Liability)	\$ -	\$ -	\$ (51,801)	\$ 265,166	\$ 84,148
Town's Covered Payroll	\$ 728,451	\$ 615,250	\$ 507,756	\$ 431,565	\$ 293,012
Town's Proportionate Share of the Net Pension Asset (liability) as a Percentage of Covered Payroll	0.0%	0.0%	-10.2%	61.4%	28.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.0%	100.0%	97.7%	116.0%	107.0%
	12/31/25	12/31/24	12/31/23	12/31/22	12/31/21
Town Contribution					
Statutorily Required Contribution	\$ 124,274	\$ 72,709	\$ 61,402	\$ 45,698	\$ 36,683
Contributions in Relation to the Statutorily Required Contribution	(124,274)	(72,709)	(61,402)	(45,698)	(36,683)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 1,183,564	\$ 728,451	\$ 615,250	\$ 507,756	\$ 431,565
Contributions as a Percentage of Covered Payroll	10.50%	10.00%	10.00%	9.00%	8.50%

This schedule is presented to show information for 10 years.

(Continued)

Town of Palmer Lake, Colorado
Required Supplementary Information
Schedule of Changes in the Net Pension Asset Liability and Related Ratios - FPPA
For the Year Ended December 31, 2025
(Continued)

	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15
Proportionate Share of the Net Pension Asset					
Town's Proportion of the Net Pension Assets	0.29751051%	0.03000101%	0.03844266%	0.02193314%	0.47717000%
Town's Proportion Share of the Net Pension Asset (Liability)	\$ 16,825	\$ (37,841)	\$ 55,306	\$ (7,925)	\$ 173
Town's Covered Payroll	\$ 277,813	\$ 208,036	\$ 115,692	\$ 107,003	\$ 47,590
Town's Proportionate Share of the Net Pension Asset (liability) as a Percentage of Covered Payroll	6.1%	-18.2%	47.8%	-7.4%	0.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.0%	95.0%	98.0%	98.0%	100.0%
	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
Town Contribution					
Statutorily Required Contribution	\$ 23,441	\$ 22,225	\$ 16,643	\$ 9,255	\$ 8,560
Contributions in Relation to the Statutorily Required Contribution	(23,441)	(22,225)	(16,643)	(9,255)	(8,560)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 293,012	\$ 277,813	\$ 208,036	\$ 115,692	\$ 107,003
Contributions as a Percentage of Covered Payroll	8.00%	8.00%	8.00%	8.00%	8.00%

This schedule is presented to show information for 10 years.

Town of Palmer Lake, Colorado
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios - Last Ten Years
Palmer Lake Volunteer Fireman Pension Plan
For the Year Ended December 31, 2025

	2025	2024	2023	2022	2021
Total Pension Liability					
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ 264
Interest on Pension Liability	3,670	3,958	3,882	4,256	4,741
Difference between Expected and Actual Experience	(8,447)	-	7,048	-	(2,213)
Change in Assumptions or Other Inputs	8,489	-	(381)	-	-
Benefit Payments	(6,800)	(9,300)	(9,600)	(9,600)	(9,600)
Net Change in Total Pension Liability	(3,088)	(5,342)	949	(5,344)	(6,808)
Total Pension Liability - Beginning of Year	55,776	61,118	60,169	65,513	72,321
Total Pension Liability - End of Year	52,688	55,776	61,118	60,169	65,513
Plan Fiduciary Net Position					
Contributions - Employer	2,519	3,808	3,808	8,160	15,851
Net Investment Income	3,484	5,142	(4,841)	6,461	4,006
Benefit Payments, Including Refunds of Employee Contributions	(6,800)	(9,300)	(9,600)	(9,600)	(9,600)
Administrative Expenses	(2,700)	(3,973)	(2,631)	(3,153)	(3,012)
State of Colorado Supplemental Discretionary Payments	-	3,427	7,344	14,266	14,954
Net Change in Plan Fiduciary Net Positions	(3,497)	(896)	(5,920)	16,134	22,199
Plan Fiduciary Net Position - Beginning of Year	55,238	56,134	62,054	45,920	23,721
Plan Fiduciary Net Position - End of Year	51,741	55,238	56,134	62,054	45,920
Net Pension Asset (Liability) - End of Year	\$ (947)	\$ (538)	\$ (4,984)	\$ 1,885	\$ (19,593)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.2%	99.0%	91.8%	103.1%	70.1%
Town's Covered-employee Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total Pension Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

This schedule is presented to show information for 10 years.

(Continued)

Town of Palmer Lake, Colorado
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios - Last Ten Years
Palmer Lake Volunteer Fireman Pension Plan
For the Year Ended December 31, 2025
(Continued)

	2020	2019	2018	2017	2016
Total Pension Liability					
Service Cost	\$ 264	\$ 1,265	\$ 1,265	\$ 853	\$ 2,571
Interest on Pension Liability	5,075	6,662	6,891	6,750	4,928
Difference between Expected and Actual Experience	-	(15,268)	-	134	-
Change in Assumptions or Other Inputs	-	2,012	-	5,504	(39,273)
Benefit Payments	<u>(10,600)</u>	<u>(10,400)</u>	<u>(12,000)</u>	<u>(11,143)</u>	<u>(11,500)</u>
Net Change in Total Pension Liability	(5,261)	(15,729)	(3,844)	2,098	(43,274)
Total Pension Liability - Beginning of Year	<u>77,582</u>	<u>93,311</u>	<u>97,155</u>	<u>95,057</u>	<u>138,331</u>
Total Pension Liability - End of Year	<u>72,321</u>	<u>77,582</u>	<u>93,311</u>	<u>97,155</u>	<u>95,057</u>
Plan Fiduciary Net Position					
Contributions - Employer	-	16,616	-	8,925	8,560
Net Investment Income	3,993	(12)	4,128	1,074	331
Benefit Payments, Including Refunds of Employee Contributions	(10,600)	(10,400)	(12,000)	(11,143)	(11,500)
Administrative Expenses	(4,098)	(4,303)	(6,464)	(314)	(1,173)
State of Colorado Supplemental Discretionary Payments	<u>-</u>	<u>8,033</u>	<u>13,662</u>	<u>-</u>	<u>9,608</u>
Net Change in Plan Fiduciary Net Positions	(10,705)	9,934	(674)	(1,458)	5,826
Plan Fiduciary Net Position - Beginning of Year	<u>34,426</u>	<u>24,492</u>	<u>25,166</u>	<u>26,624</u>	<u>20,798</u>
Plan Fiduciary Net Position - End of Year	<u>23,721</u>	<u>34,426</u>	<u>24,492</u>	<u>25,166</u>	<u>26,624</u>
Net Pension Asset (Liability) - End of Year	<u>\$ (48,600)</u>	<u>\$ (43,156)</u>	<u>\$ (68,819)</u>	<u>\$ (71,989)</u>	<u>\$ (68,433)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.8%	44.4%	26.2%	25.9%	28.0%
Town's Covered-employee Payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Total Pension Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A	N/A

This schedule is presented to show information for 10 years.

Town of Palmer Lake, Colorado
Notes to Required Supplementary Information
December 31, 2025

Note 1: Stewardship, Compliance, and Accountability

Budgets

Budgets are legally adopted for all funds of the Town. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons for the Utility Fund are presented on a non-GAAP budgetary basis. Capital outlay and debt principal are budgeted as expenditures, and depreciation is not budgeted.

The Town follows these procedures in establishing the budgetary information reflected in the financial statements:

- Management submits to the Board of Trustees a proposed budget for the fiscal year commencing the following January 1. The 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 an ordinance.
- Management is authorized to transfer budgeted amounts within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Trustees.
- All appropriations lapse at year end.

Supplementary Information

Town of Palmer Lake, Colorado
 Budgetary Comparison Schedule
 Conservation Trust Fund
 For the Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 36,000	\$ 22,619	\$ 58,619
Investment Income	1,425	1,351	2,776
<i>Total CTF Revenue</i>	<u>37,425</u>	<u>23,970</u>	<u>61,395</u>
Expenditures			
Culture and Recreation	17,296	37,591	(20,295)
Capital Outlay	10,000	-	10,000
<i>Total CTF Expenditures</i>	<u>27,296</u>	<u>37,591</u>	<u>(10,295)</u>
Excess (Deficiency) of Revenues Over Expenditures	10,129	(13,621)	51,100
Net Change in Fund Balance	10,129	(13,621)	51,100
Fund Balance, Beginning of Year	<u>(87,992)</u>	<u>79,158</u>	<u>167,150</u>
Fund Balance, End of Year	<u>\$ (77,863)</u>	<u>\$ 65,537</u>	<u>\$ 218,250</u>

State Compliance

LOCAL HIGHWAY FINANCE REPORT				STATE: COLORADO	
THIS INFORMATION FROM THE RECORDS OF:		PREPARED BY:		REPORT YEAR ENDING DATE(mm/yyyy):	
Palmer Lake		Kelly Roy		12/2025	
		kroy@palmer-lake.org			
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. Total (1 - (2 through 4))					
II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL					
ITEM	AMOUNT	ITEM	AMOUNT		
A.3. Other Local Imposts:					
a. Property Taxes and Assessments	90,286.12	A.4. Miscellaneous Local Receipts:			
b. Non-property Taxes and Assessments Imposts	230,101.38	a. Interest on investments			
c. Total (a + b)	\$ 320,387.50	b. Other Misc. Local Receipts			120,402.93
		c. Total (a + b)	\$		120,402.93
ITEM	AMOUNT	ITEM	AMOUNT		
C. Receipts from State Government					
1. Highway-user Taxes (from Item I.C.5.)	127,567.67	D. Receipts from Federal Government			
2. State General Funds		1. FHWA (from Item I.D.5.)			
3. Other State funds:		2. Other Federal Agencies:			
a. State Bond Proceeds					
b. Non-State Bond Proceeds					
c. Total (a + b)	\$ -				
4. Total (1 + 2 + 3c)	\$ 127,567.67	3. Total (1 + 2)	\$		-
III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL					
ITEM	AMOUNT				
A.1. Capital outlay:					
a. Right-Of-Way Costs					
b. Engineering Costs	102,912.15				
c. Construction Costs					
d. Total Capital Outlay (a+ b + c)	\$ 102,912.15				
Form FHWA-536 (Rev. 02-2025) Page 2					

LOCAL HIGHWAY FINANCE REPORT					STATE: COLORADO
REPORT YEAR ENDING DATE(mm/yyyy): 12/2025					
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. Amount used for highway purposes					
II. RECEIPTS FOR ROAD AND STREET PURPOSES					
ITEM	AMOUNT	ITEM	AMOUNT		
A. Receipts from Local Sources:					
1. Local Highway-user Taxes		1. Capital Outlay (from page 1, Item III.A1.d)	\$	102,912.15	
a. Motor Fuel (from Item I.A.1)		2. Maintenance:		121,180.78	
b. Motor Vehicle (from Item I.B.1)		3. Road and Street Services:			
c. Total (a + b)		a. Snow and Ice Removal			
2. General Fund Appropriations		b. Other & Traffic Control Operations			
3. Other Local Imposts (from page 1, Item II.A3.c)	\$ 320,387.50	c. Total (a + b)	\$	-	
4. Miscellaneous Local Receipts (from page 1, Item II.A4.c)	\$ 120,402.93	4. General Administration & Miscellaneous		344,265.17	
5. Transfers from Toll Facilities		5. Highway Law Enforcement and Safety			
6. Proceeds of Sale of Bonds and Notes:		6. Total (1 through 5)	\$	568,358.10	
a. Bonds - Original Issues		B. Debt Service on Local Obligations:			
b. Bonds - Refunding Issues		1. Bonds:			
c. Notes		a. Interest			
d. Total (a + b + c)	\$ -	b. Redemption			
7. Total (1 through 6)	\$ 440,790.43	c. Total (a + b)	\$	-	
B. Private Contributions		2. Notes:			
C. Receipts from State government (from page 1, Item II.C.4)	\$ 127,567.67	a. Interest			
D. Receipts from Federal government (from page 1, Item II.D.3)	\$ -	b. Redemption			
E. Total receipts (A.7 + B + C + D)	\$ 568,358.10	c. Total (a + b)	\$	-	
		3. Total (1c + 2c)	\$	-	
		C. Payments to State for Highways			
		D. Payments to Toll Facilities			
		E. Total Expenditures (A6 + B3 + C + D)	\$	568,358.10	
IV. LOCAL HIGHWAY DEBT STATUS					
(Show all entries at par)					
ITEM	OPENING DEBT	AMOUNT ISSUED	REDEMPTIONS	CLOSING DEBT	
A. Bonds (Total)		\$ -	\$ -	\$ -	
1. Bonds (Refunding Portion)		\$ -			
B. Notes (Total)		\$ -	\$ -	\$ -	