# CITY OF DACONO, COLORADO

## FINANCIAL STATEMENTS
**AND THE INDEPENDENT AUDITOR'S REPORT**

## FOR THE FISCAL YEAR ENDED
## DECEMBER 31, 2025

**CITY OF DACONO, COLORADO**
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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Dacono, Colorado (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City 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.

We did not audit the financial statements of the Dacono Urban Renewal Authority, a blended component unit of the City, which represent 40%, 44%, and 42%, respectively, of the assets, net position / fund balance, and revenues of the governmental activities and each major fund as of December 31, 2025. Those statements were audited by other auditors whose report(s) has been furnished to us, and our opinion(s), insofar as it relates to the amounts included for the Urban Renewal Authority, is based solely on the report(s) of the other auditors.

### 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 City 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 these 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 the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 risk 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 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.

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

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying budgetary comparison schedules and the 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 the 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 schedules and the local highway finance report, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DMC Auditing and Consulting, LLC

July 27, 2026
Bailey, Colorado

# Management's Discussion and Analysis

As management of the City of Dacono (the City), we are pleased to present this Management's Discussion and Analysis (MD&A) of the City's financial performance for the fiscal year ended December 31, 2025. This narrative provides an overview and analysis of the City's financial activities and should be read together with the accompanying audited financial statements and notes.

Dacono spent 2025 strengthening its financial foundation while deliberately preparing for the next phase of growth. Responsible budgeting, strategic capital investment, prudent debt management, organizational modernization, and enhanced risk management allowed the City to improve its financial position while continuing to provide essential services.

Total net position increased by approximately $6.0 million during 2025. Governmental activities increased by approximately $3.6 million and business-type activities increased by approximately $2.4 million. At year-end, the City reported total net position of approximately $120.7 million.

Although development activity remained slower than anticipated, management continued advancing the plans and infrastructure needed to support future growth. The City completed the Transportation Master Plan, finalized the City Facilities Master Plan for future building and space requirements, and continued improving the Outfall System Plan. Approximately 8,000 residential lots remain in various stages of entitlement across the community.

Throughout the year, the City continued investing in transportation infrastructure, water system reliability, municipal facilities, public safety technology, and cybersecurity. Together, these investments enhanced service delivery, strengthened organizational resilience, and positioned the City to meet future community needs.

## 2025 Financial Highlights

**MANAGEMENT TAKEAWAY** The City finished 2025 with positive results in both governmental and business-type activities while reducing long-term obligations and investing in infrastructure, technology, and organizational resilience.

- Total net position increased by $6.0 million, or 5.2 percent, to $120.7 million.
- Governmental activities increased net position by $3.6 million; business-type activities increased net position by $2.4 million.
- Cash and investments totaled $48.3 million at year-end, and investment income totaled $1.7 million government-wide.
- The remaining 2021 Certificates of Participation were defeased, reducing future debt service requirements.
- Capital additions totaled approximately $9.8 million for governmental activities and $1.4 million for business-type activities.
- Public safety investments included Axon systems, updating body-worn and in-car cameras, Tasers, a drone program, Draft One and My90 software, Flock cameras, vehicles, and other safety equipment.
- Independent cybersecurity testing identified external vulnerabilities and penetration risks; corrective actions were implemented and ongoing testing continues.
- Long-range planning included the drafting of a Transportation Master Plan, completion of the City Facilities Master Plan, and modifications to the Outfall System Plan.

# 2025 Year in Review

Several decisions made in 2025 will influence the City's financial and operational position for years to come. The Urban Renewal Authority of Dacono (URAD) acquired strategically located properties to support redevelopment and future municipal facility needs. The acquisition of property at 530 Cherry Avenue created opportunities for expanded parking near City Hall and the Court/Annex Building while preserving land for a future possible Police Department expansion. URAD also acquired the former Elliott Salvage property along Colorado Boulevard and began environmental cleanup and site preparation for what could be a future location of a Public Works facility, among other potential options.

One of the year's most significant financial accomplishments was the defeasance of the 2021 Certificates of Participation. Proceeds generated through URAD's purchase of City Center property were used to retire the obligation, reducing long-term liabilities and preserving future financial capacity.

Transportation investment included completion of the York Street paving project and Forest Avenue improvements and the beginning of construction on Grandview Boulevard following design and engineering completed in 2024. Design began for the 6th Street roundabout. Water projects included completion of the new Supervisory Control and Data Acquisition (SCADA) system, purchasing of replacement water meters for a City-wide meter replacement project to begin in 2026, and design of the Grandview waterline to improve distribution-system redundancy.

Facilities and technology investments included renovation of the former donated fire station into an Engineering Building, improvements to City Hall, modernization of public safety technology, and enhancements to the City's cybersecurity program. The City also finalized its Facilities Master Plan to guide future municipal building and space needs as the community continues to grow.

*Using This Annual Financial Report*

The basic financial statements present the City's finances from two complementary perspectives. Government-wide statements provide a long-term view of the City as a whole, while fund statements show how resources are accounted for and used within individual funds.

## Government-wide Financial Statements

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position using the accrual basis of accounting. The Statement of Activities reports the full cost of services and the revenues that support them. Governmental activities include general government, public safety, public works, parks and recreation, and related services. Business-type activities consist of the Water Fund, which also includes trash-service revenues and expenses.

## Fund Financial Statements

Governmental fund statements use the modified accrual basis of accounting and emphasize current financial resources. The City reports the General, Impact Fee, Street, Capital Equipment, and Urban Renewal Authority funds as major governmental funds, with Conservation Trust reported as a nonmajor governmental fund. URAD is a blended component unit and is reported as a special revenue fund of the City. The Water Fund is reported as a proprietary fund using the accrual basis of accounting.

## Notes and Required Supplementary Information

The notes explain accounting policies, capital assets, debt, leases, pensions, commitments, and other matters needed to understand the statements. Required and other supplementary schedules provide budget-to-actual comparisons and pension information.

# Financial Analysis of the City as a Whole

**MANAGEMENT TAKEAWAY** The City's total net position increased 5.2 percent in 2025. The increase occurred while the City added capital assets, reduced long-term debt, maintained positive unrestricted net position, and continued preparing for future growth.

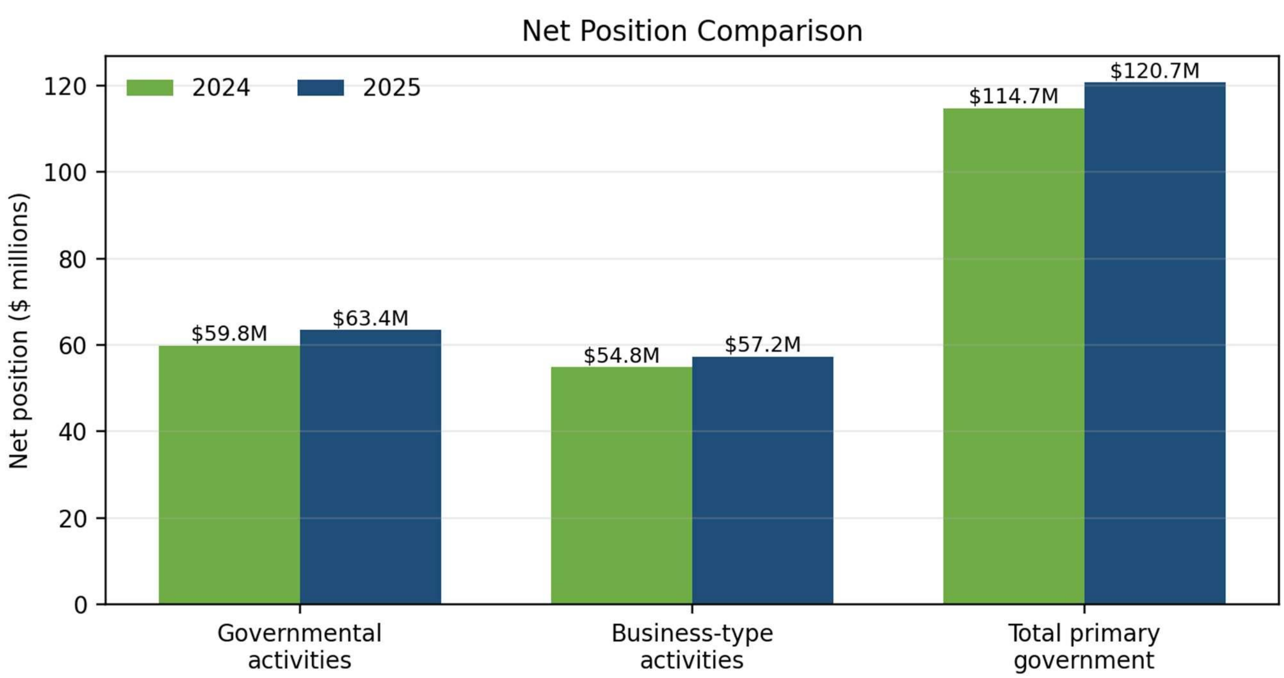
## Statement of Net Position

At December 31, 2025, the City reported total assets of $150.1 million, deferred outflows of resources of $0.8 million, liabilities of $20.4 million, deferred inflows of resources of $9.8 million, and total net position of $120.7 million. Capital assets remained the largest component of the City's financial position.

**Table 1 — Condensed Statement of Net Position, 2025 and 2024**

| Primary Government | 2025 | 2024 |
|---|---|---|
| **Total assets** | $150,128,362 | $139,032,214 |
| **Deferred outflows of resources** | $751,045 | $806,190 |
| **Total liabilities** | $20,357,897 | $12,269,886 |
| **Deferred inflows of resources** | $9,848,952 | $12,911,045 |
| **Net investment in capital assets** | $82,376,295 | $69,797,069 |
| **Restricted net position** | $9,324,621 | $17,433,347 |
| **Unrestricted net position** | $28,971,642 | $27,427,057 |
| **Total net position** | $120,672,558 | $114,657,473 |

**Figure 1 — Net Position Comparison, 2024 and 2025**



Total assets increased $11.1 million, largely reflecting additions to transportation infrastructure, land, facilities, equipment, and the water system. Governmental capital assets increased from $41.4 million to $48.9 million, while business-type capital assets increased from $38.8 million to $39.7 million.

Total liabilities increased primarily because developer deposits were substantially higher at year-end. Long-term debt, however, declined sharply. Governmental long-term obligations decreased from approximately $10.2 million to $6.4 million as the 2021 COPs and the remaining 2014 General Obligation Bonds were retired. The Water Revenue Bonds were also paid in full.

Net investment in capital assets increased to $82.4 million and represented approximately 68 percent of total net position. Unrestricted net position increased to $29.0 million, preserving the City's ability to respond to future needs and opportunities.

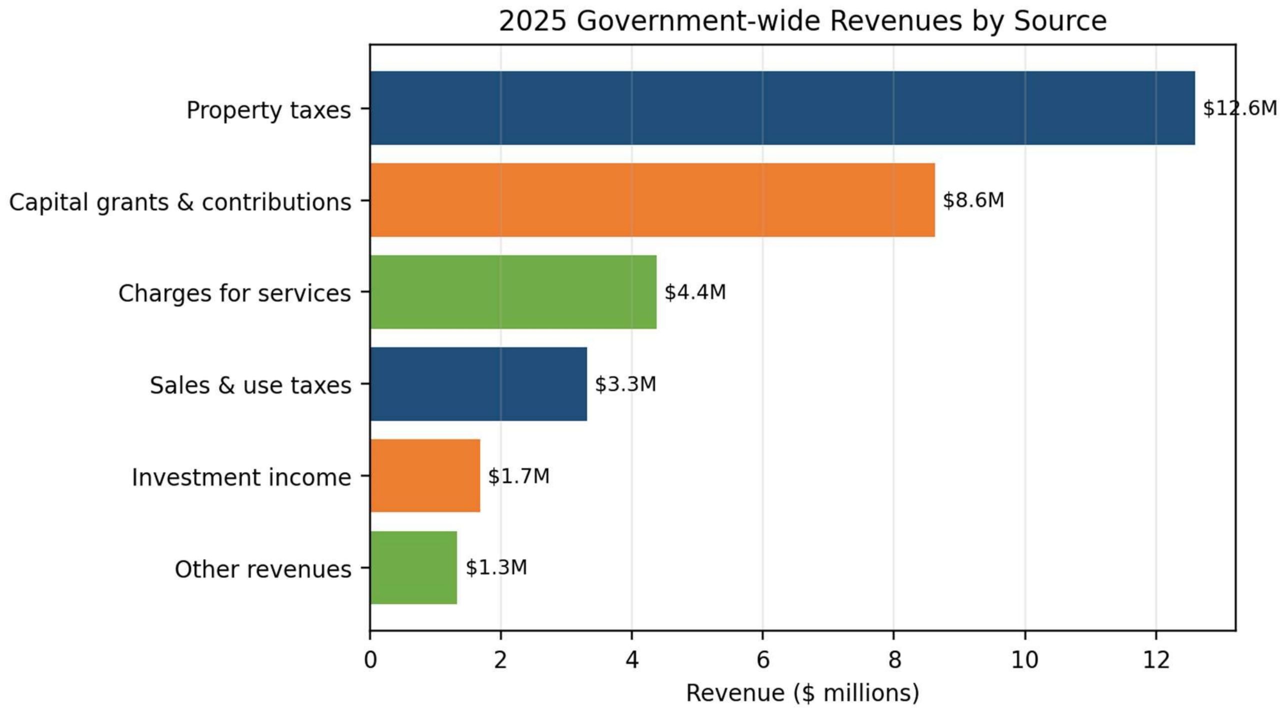
## Statement of Activities

The Statement of Activities explains how net position changed during the year. Total government-wide revenues were $31.9 million and total expenses were $25.9 million, producing a $6.0 million increase in net position. The much larger increase reported in 2024 reflected exceptional property-tax increment and water-dedication activity that did not recur at the same level in 2025.

**Table 2 — Changes in Net Position, 2025 and 2024**

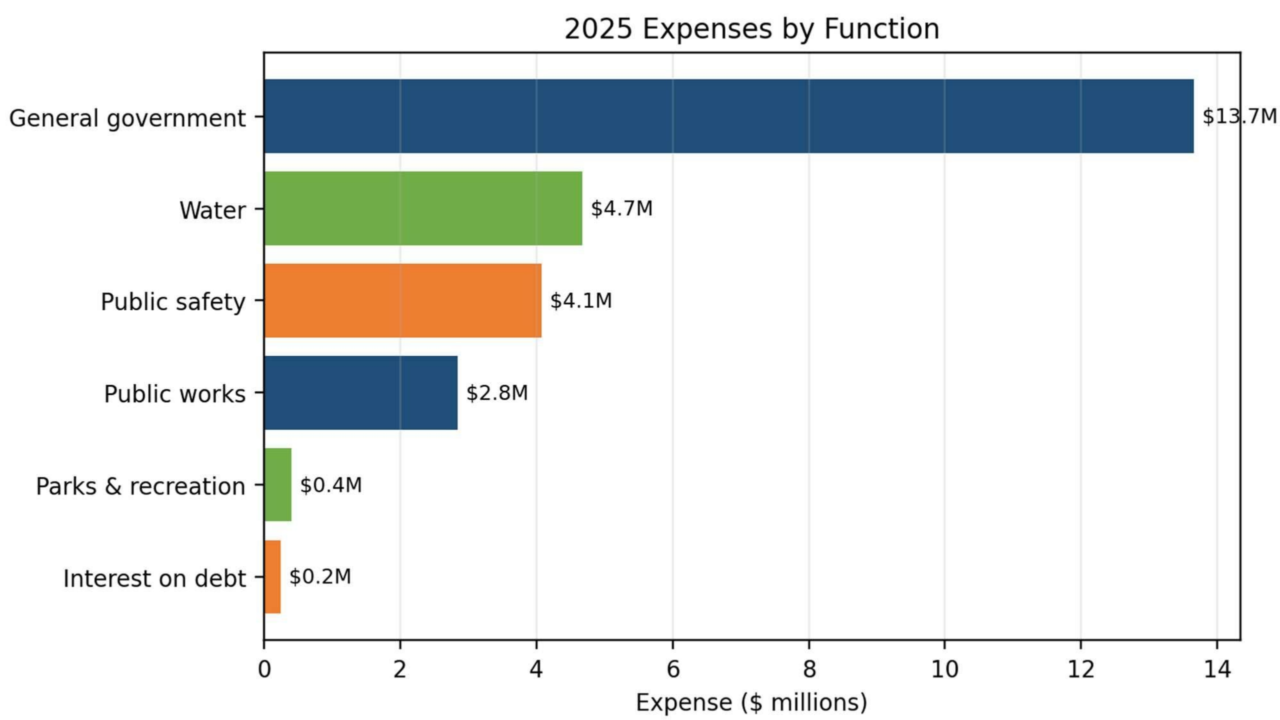
| Primary Government | 2025 | 2024 |
|---|---|---|
| **Charges for services** | $4,377,520 | $3,629,462 |
| **Operating grants and contributions** | $463,836 | $508,620 |
| **Capital grants and contributions** | $8,623,345 | $18,824,825 |
| **Property taxes** | $12,589,795 | $25,734,401 |
| **Sales and use taxes** | $3,312,261 | $3,423,828 |
| **Investment income** | $1,684,423 | $1,948,491 |
| **Other general revenues** | $877,038 | $822,128 |
| **Total revenues** | $31,928,218 | $54,891,755 |
| **General government** | $13,656,885 | $12,945,558 |
| **Public safety** | $4,081,738 | $3,564,766 |
| **Public works** | $2,845,606 | $2,715,971 |
| **Parks and recreation** | $402,217 | $314,444 |
| **Interest on long-term debt** | $246,518 | $288,721 |
| **Water** | $4,680,169 | $4,059,683 |
| **Total expenses** | $25,913,133 | $23,889,143 |
| **Change in net position** | $6,015,085 | $31,002,612 |

**Figure 2 — 2025 Government-wide Revenues by Source**




Property taxes were the City's largest revenue source in 2025. Capital grants and contributions were also significant and primarily reflected capital support and contributions associated with governmental and water activities. Charges for services supported water and trash operations and offset a portion of governmental program costs. Investment earnings remained favorable because of higher interest rates and the City's strong cash position.

**Figure 3 — 2025 Expenses by Function**



General government was the largest reported functional expense, influenced by URAD redevelopment activity and other City-wide administrative functions. Water, public safety, and public works represented the next largest areas of cost. These expenses supported day-to-day services as well as long-term investments in infrastructure, redevelopment, and operational technology.

## Governmental Activities

Governmental activities increased net position by $3.6 million. Program revenues offset approximately one-third of governmental expenses, with the remaining cost supported primarily by property taxes, sales and use taxes, investment income, franchise fees, and other general revenues. Public works generated positive net program revenue because capital grants and contributions exceeded current-year functional expenses.

The City continued advancing Grandview Boulevard, York Street, Forest Avenue, the 6th Street roundabout design, facility improvements, public safety technology, and long-range planning. URAD supported transportation and redevelopment projects through tax increment financing and strategic property acquisition.

## Business-type Activities

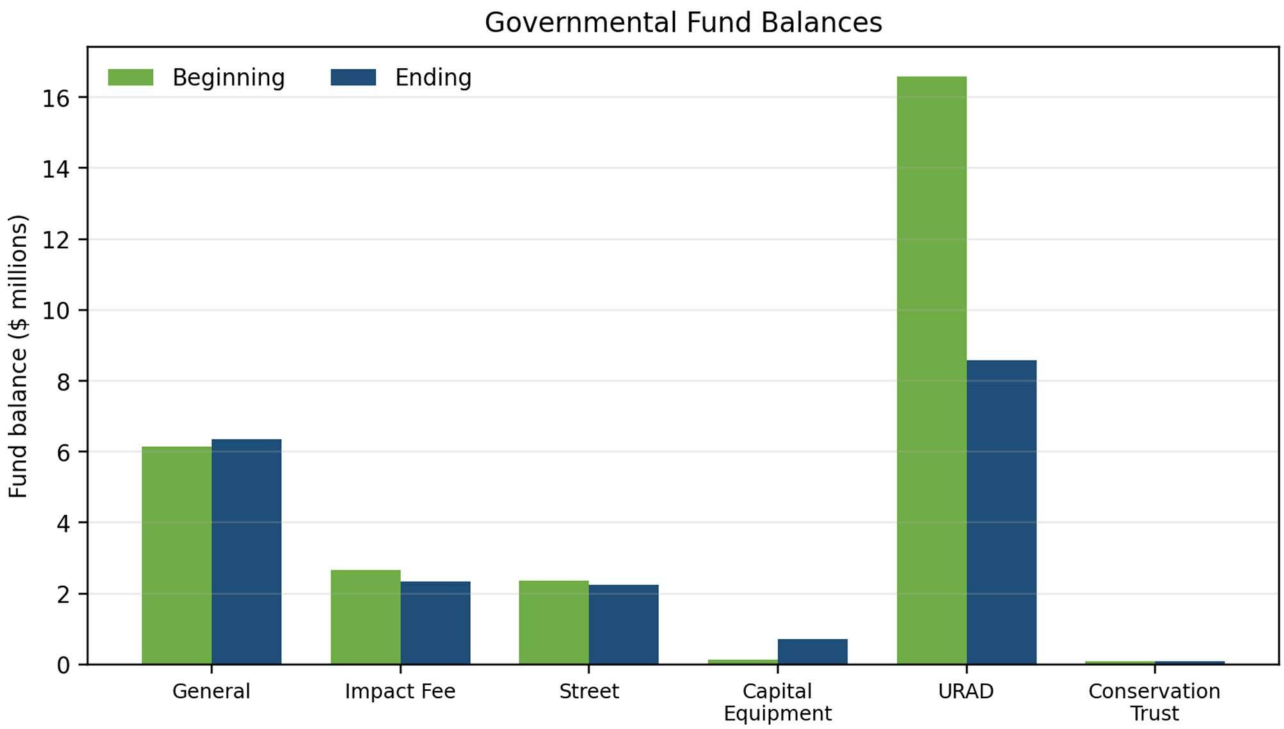
Business-type activities increased net position by $2.4 million. Water and trash charges totaled $2.6 million, while operating expenses totaled $4.7 million, resulting in an operating loss of $2.1 million. The Water Fund's overall increase in net position was supported by $3.0 million of cash-in-lieu fees, $0.9 million of tap fees, and $0.6 million of investment income.

The City completed the SCADA replacement, purchased smart technology water meters to start replacing aging meters, and advanced design of the Grandview waterline. The Water Fund ended the year with $17.8 million of unrestricted net position and $17.5 million in cash and investments, providing capacity for future water-rights and infrastructure needs. Because operating charges alone did not cover the full cost of operations and depreciation, management will continue evaluating rate sufficiency, affordability, and long-term capital requirements.

# Financial Analysis of the City's Funds

**MANAGEMENT TAKEAWAY** Each fund has a distinct purpose. Together, the funds show how Dacono combines operating revenues, restricted resources, strategic funding allocations, grants, and URAD reimbursements to provide services and finance long-term priorities.

**Figure 4 — Governmental Fund Balances**

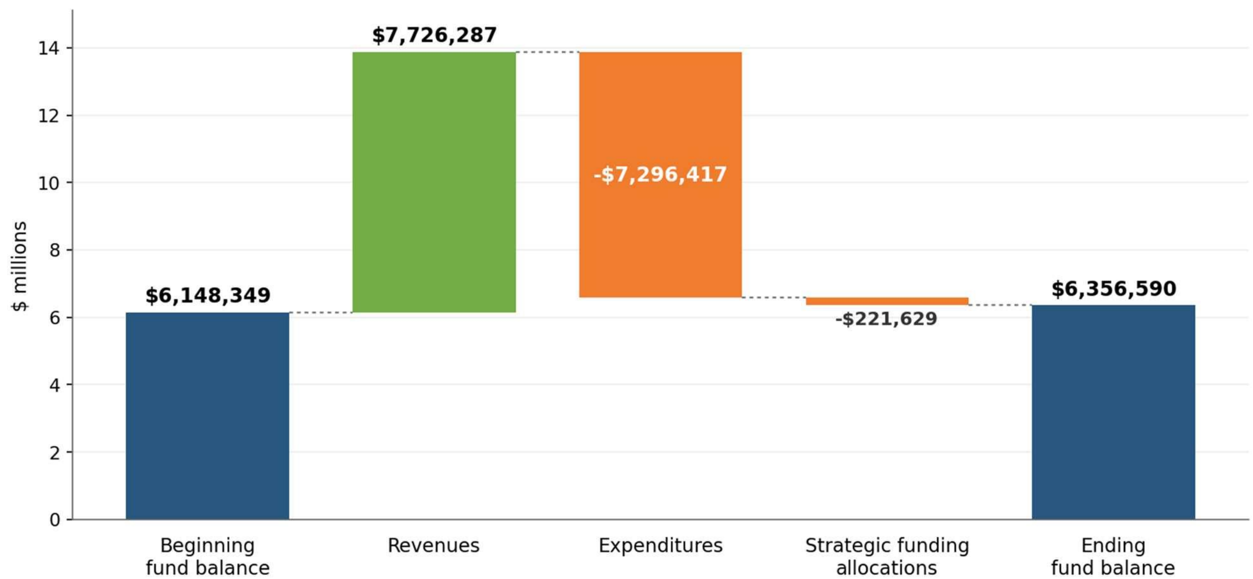



Governmental funds reported combined ending fund balance of $20.3 million, compared with $28.0 million at the beginning of the year. The decrease was concentrated in URAD and reflected planned redevelopment and capital activity. The General and Capital Funds increased, while the Impact Fee and Street funds decreased modestly.

## General Fund

The General Fund is the City's primary operating fund. Revenues totaled $7.7 million and expenditures totaled $7.3 million. After transfers out of $0.2 million, fund balance increased by $0.2 million to $6.4 million. Unassigned fund balance was $5.7 million, and $0.7 million was restricted for emergencies.

**Figure 5 — General Fund: How the Ending Balance Was Reached**




Stable tax collections, investment earnings, and disciplined expenditure management supported a positive result despite slower development. The General Fund also transferred resources to the Capital Fund to support community-wide capital priorities.

## Street Fund

The Street Fund reported $1.8 million in revenues and $1.3 million in expenditures before strategic funding allocations. After allocating $0.6 million to the Capital Fund, fund balance decreased by $0.1 million to $2.2 million. The fund supported the City's ongoing street maintenance and operations, including pavement preservation, drainage improvements, traffic control, snow removal, engineering, and other transportation-related services.

## Impact Fee Fund

The Impact Fee Fund ended the year with $2.3 million in committed fund balance. Current impact fees primarily support transportation, municipal facilities, drainage, and parks. Fund balance decreased by $0.3 million as eligible capital outlay exceeded current-year fee collections.

## Capital Fund

The Capital Fund finances major City capital investments that do not have a dedicated revenue source. During 2025, the fund was supported through strategic funding allocations from the General and Street funds, reimbursements from the Dacono Urban Renewal Authority (URAD) for eligible capital projects, and financing proceeds associated with leases and subscription-based technology arrangements. These resources funded investments in municipal facilities, transportation infrastructure, public safety equipment, technology, and other capital improvements. The fund ended the year with a fund balance of $0.7 million.

## Urban Renewal Authority of Dacono

URAD is a blended component unit and is reported as a major special revenue fund of the City. Through tax increment financing, URAD captures a portion of the incremental property-tax revenue generated within urban renewal areas and uses those resources for eligible redevelopment and public improvements.

During 2025, URAD funded or helped fund Grandview Boulevard, Forest Avenue, York Street, and design of the 6th Street roundabout. It also completed strategic property acquisitions and redevelopment activity. URAD fund balance decreased from $16.6 million to $8.6 million as planned projects and acquisitions moved forward.

## Conservation Trust Fund

The Conservation Trust Fund accounts for State lottery proceeds restricted for eligible parks, recreation, and open-space purposes. The fund ended 2025 with restricted fund balance of $84,154.

## How Dacono Funds Its Priorities

Dacono's capital and operating strategy relies on multiple funding sources rather than a single tax or repeated debt issuance. The following summary shows the primary role of each fund.

| Funding source | Primary purpose | How it supports priorities |
|---|---:|---:|
| **General Fund** | Daily operations and transfers | Core services; flexible support for capital needs |
| **Street Fund** | Transportation operations | Maintenance, preservation, and transportation transfers |
| **Capital Fund** | Major City capital investment | Facilities, equipment, technology, and infrastructure |
| **Impact Fee Fund** | Growth-related infrastructure | Transportation, facilities, drainage, and parks |
| **URAD** | Redevelopment and eligible public improvements | Tax increment financing and strategic acquisitions |
| **Water Fund** | Water and trash utility | Operations, water rights, and water-system capital |
| **Conservation Trust** | Parks and recreation | Restricted lottery proceeds |

## General Fund Budget Highlights

The annual budget is the City's primary financial plan. Management monitors revenues, expenditures, cash, and economic conditions throughout the year and recommends amendments when necessary to maintain legal compliance and align appropriations with actual conditions.

### Revenue Performance

General Fund revenues totaled $7.7 million. Taxes provided $5.5 million; intergovernmental revenues provided $1.0 million; licenses and permits provided $0.4 million; and investment income provided $0.3 million. Sales tax remained an important operating revenue source, while property-tax trends continued to reflect declining oil and gas valuation offset in part by residential and commercial values.

### Expenditure Performance

General Fund expenditures totaled $7.3 million. General government accounted for $3.5 million, public safety for $3.5 million, and parks and recreation for $0.2 million. Expenditures supported service delivery, public safety, planning, technology, and organizational capacity.

### Budget Amendments and Collaborative Monitoring

Budget amendments recognized additional revenues, authorized capital and grant activity, and adjusted appropriations to reflect changing needs. Department directors regularly reviewed budget performance with the Finance Department, allowing management to identify trends, prioritize resources, and address issues before year-end.

## Capital Assets and Capital Improvement Program

**MANAGEMENT TAKEAWAY** The City invested in both physical and digital infrastructure. Capital planning focused on transportation, water reliability, municipal facilities, public safety, and the systems needed to keep City operations secure and resilient.

At December 31, 2025, the City reported $88.5 million in capital assets, net of accumulated depreciation and amortization. Governmental capital assets totaled $48.9 million and business-type capital assets totaled $39.7 million. Governmental additions were $9.8 million and business-type additions were $1.4 million.

### Transportation Infrastructure

Construction began on Grandview Boulevard in 2025 following design and engineering completed in 2024, and work is expected to continue into 2026. York Street and Forest Avenue improvements were completed, and design began for the 6th Street roundabout. These projects improve mobility and safety while supporting redevelopment and future residential and commercial activity.

### Water System Improvements

The new SCADA system improved monitoring and control of water production, storage, and distribution. Meter replacement will begin in 2026 following the purchase of new smart meters in 2025 to improve billing accuracy and asset management. Design of the Grandview waterline advanced the City's goal of creating additional routing and redundancy during maintenance and emergencies.

### Municipal Facilities, Technology, and Cybersecurity

Renovation of the former fire station into an Engineering Building expanded operational capacity. City Hall improvements addressed current space and service needs, while the City Facilities Master Plan evaluated long-term building and space requirements.

The City also invested in information technology, security systems, and cybersecurity. An independent cybersecurity firm performed external vulnerability assessments and penetration testing to evaluate the City's network from an outside attacker's perspective. Management addressed identified weaknesses, and testing continues as part of an ongoing program to protect sensitive information, preserve service continuity, and reduce cyber risk.

### Public Safety Investments

Public safety investments included upgraded Axon body-worn and in-car camera systems, conducted energy devices (Tasers), drone capabilities, Draft One report-writing software, My90 community engagement software, Flock license-plate recognition cameras, vehicles, fingerprint equipment, and upgraded security systems. These tools support officer safety, evidence management, transparency, and operational efficiency.

**Table 3 — 2025 Capital Investment Highlights**

| Transportation | Water | Public Safety | Facilities & Technology |
|---|---|---|---|
| Grandview Boulevard construction began | SCADA completed | Axon technology | Engineering Building |
| York Street completed | Water meter replacement | Flock cameras | City Hall improvements |
| Forest Avenue completed | Grandview waterline design | Vehicles and equipment | Facilities Master Plan |
| 6th Street roundabout design | System redundancy planning | Security systems | Cybersecurity testing |

## Long-Term Debt

**MANAGEMENT TAKEAWAY** The City used 2025 to reduce debt while continuing to finance selected equipment and technology over their useful lives. The remaining debt profile is substantially lower than one year earlier.

Governmental long-term obligations decreased from $10.2 million at the end of 2024 to $6.4 million at the end of 2025. The reduction included defeasance of the 2021 COPs and final payment of the 2014 General Obligation Bonds. The 2020 COPs remained outstanding at $4.9 million, excluding the unamortized premium.

The City continued reporting lease and subscription-based information technology arrangement liabilities associated with vehicles and public safety technology. Business-type long-term obligations decreased to $0.1 million after the Water Revenue Bonds were paid in full.

**Table 4 — Long-Term Obligations at December 31, 2025**

| Obligation | Year-end balance | Due within one year |
|---|---|---|
| **2020 Certificates of Participation** | $4,870,000 | $260,000 |
| **2020 COP premium** | $250,750 | $0 |
| **Governmental leases payable** | $265,162 | $111,591 |
| **Governmental SBITAs payable** | $562,867 | $131,958 |
| **Governmental compensated absences** | $439,662 | $0 |

| | | |
|---|---|---|
| **Business-type leases payable** | $89,306 | $33,925 |
| **Business-type compensated absences** | $40,901 | $0 |

Management evaluates debt together with available reserves, expected revenues, capital plans, and development activity. Debt is used selectively when it is appropriate to match the cost of a long-lived asset with the period benefiting from that asset.

## Economic Factors and Next Year's Budget

The City entered 2026 with strong reserves and a lower long-term debt burden, but management continues to monitor several factors that may affect future budgets. Residential construction remained below long-term expectations in 2025, influenced by interest rates and broader market conditions. Approximately 20 new residential permits were issued during the year.

Substantial entitled development remains in Mesa Ridge, Ridgelands, Grandview, Sweetgrass, Sendero, Bridle Creek, Strata, and other areas. The timing of this development will affect sales and use taxes, impact fees, water demand, staffing, and infrastructure requirements.

Oil and gas assessed valuation continued to decline, increasing the importance of a diversified residential and commercial tax base. Sales tax remained stable but moderated from earlier growth rates. Investment income continued to benefit from favorable rates, although future earnings will change as market rates and cash balances change.

The 2026 budget continues investment in public safety, infrastructure, water resources, facilities, and organizational systems. Management will continue matching recurring revenues with recurring costs, preserving reserves, and evaluating the affordability and timing of major capital commitments.

## Looking Ahead

Throughout 2025, Dacono strengthened its financial foundation while building the physical, organizational, and digital infrastructure needed for the future. Management reduced debt, advanced long-range plans, invested in transportation and water reliability, improved municipal facilities, modernized public safety systems, and strengthened cybersecurity.

As Dacono grows, management will continue balancing current service needs with long-term opportunity. Responsible financial stewardship requires more than balancing the annual budget; it requires protecting public resources, understanding risk, planning before needs become urgent, and preserving the City's capacity to respond when opportunities arise.

The decisions made during 2025 leave the City well positioned to meet future challenges. By protecting both physical and digital assets, maintaining strong reserves, managing debt conservatively, and investing strategically, Dacono has established a durable foundation for reliable public service and responsible growth.

## Request for Information

This Annual Comprehensive Financial Report is intended to provide residents, elected officials, investors, creditors, and other interested parties with a comprehensive overview of the City of Dacono's financial position and results of operations for the year ended December 31, 2025. Questions or requests for additional financial information should be directed to:

**Finance Department | City of Dacono | 512 Cherry Avenue | Dacono, Colorado 80514**
**(303) 833-2317 | www.cityofdacono.com**

# BASIC FINANCIAL STATEMENTS

**CITY OF DACONO, COLORADO**
STATEMENT OF NET POSITION
December 31, 2025

| | PRIMARY GOVERNMENT | | |
|---|---|---|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| ASSETS | | | |
| Cash and Investments | $ 30,760,838 | $ 17,529,362 | $ 48,290,200 |
| Accounts Receivable | 2,516,303 | 361,759 | 2,878,062 |
| Property Taxes Receivable | 10,046,493 | - | 10,046,493 |
| Lease Receivable | 86,622 | 86,622 | 173,244 |
| Deposits | 2,688 | - | 2,688 |
| Prepaid Expenses | 63,096 | 145,888 | 208,984 |
| Capital Assets, *Not Being Depreciated / Amortized* | 15,442,141 | 28,108,839 | 43,550,980 |
| Capital Assets, *Being Depreciated / Amortized, Net* | 33,410,992 | 11,566,719 | 44,977,711 |
| TOTAL ASSETS | 92,329,173 | 57,799,189 | 150,128,362 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pensions, *Net of Accumulated Amortization* | 751,045 | - | 751,045 |
| LIABILITIES | | | |
| Accounts Payable | 3,268,984 | 319,673 | 3,588,657 |
| Retainage Payable | 197,991 | - | 197,991 |
| Accrued Interest Payable | 12,175 | - | 12,175 |
| Accrued Liabilities | 103,219 | 12,847 | 116,066 |
| Developer Deposits | 9,652,593 | 16,000 | 9,668,593 |
| Unearned Revenue | 254,332 | 1,435 | 255,767 |
| Noncurrent Liabilities | | | |
| Due Within One Year | 503,549 | 33,925 | 537,474 |
| Due in More Than One Year | 5,884,892 | 96,282 | 5,981,174 |
| Net Pension Liability | - | - | - |
| TOTAL LIABILITIES | 19,877,735 | 480,162 | 20,357,897 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes | 9,583,851 | - | 9,583,851 |
| Lease Receivable | 73,410 | 73,410 | 146,820 |
| Pensions, *Net of Accumulated Amortization* | 118,281 | - | 118,281 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 9,775,542 | 73,410 | 9,848,952 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 42,904,354 | 39,471,941 | 82,376,295 |
| Restricted for: | | | |
| Emergencies | 650,000 | - | 650,000 |
| Conservation Trust | 84,154 | - | 84,154 |
| Capital Improvement Projects | 8,590,467 | - | 8,590,467 |
| Unrestricted | 11,197,966 | 17,773,676 | 28,971,642 |
| TOTAL NET POSITION | $ 63,426,941 | $ 57,245,617 | $ 120,672,558 |

*See Notes to the Financial Statements.*

**CITY OF DACONO, COLORADO**
STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

| | | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION — PRIMARY GOVERNMENT | | |
|---|---|---|---|---|---|---|---|
| FUNCTIONS / PROGRAMS | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
| PRIMARY GOVERNMENT | | | | | | | |
| **Governmental Activities** | | | | | | | |
| General Government | $ 13,656,885 | $ 1,686,732 | $ 8,873 | $ - | $ (11,961,280) | $ - | $ (11,961,280) |
| Public Safety | 4,081,738 | 75,152 | 19,473 | - | (3,987,113) | - | (3,987,113) |
| Public Works | 2,845,606 | 23,245 | 338,268 | 4,744,461 | 2,260,368 | - | 2,260,368 |
| Parks and Recreation | 402,217 | - | 97,222 | - | (304,995) | - | (304,995) |
| Interest on Long-Term Debt | 246,518 | - | - | - | (246,518) | - | (246,518) |
| Total Governmental Activities | 21,232,964 | 1,785,129 | 463,836 | 4,744,461 | (14,239,538) | - | (14,239,538) |
| **Business-Type Activities** | | | | | | | |
| Water | 4,680,169 | 2,592,391 | - | 3,878,884 | - | 1,791,106 | 1,791,106 |
| TOTAL PRIMARY GOVERNMENT | $ 25,913,133 | $ 4,377,520 | $ 463,836 | $ 8,623,345 | (14,239,538) | 1,791,106 | (12,448,432) |
| GENERAL REVENUES | | | | | | | |
| Property Taxes | | | | | 12,589,795 | - | 12,589,795 |
| Specific Ownership Taxes | | | | | 336,752 | - | 336,752 |
| Sales and Use Taxes | | | | | 3,312,261 | - | 3,312,261 |
| Franchise Fees | | | | | 372,828 | - | 372,828 |
| Impact Fees | | | | | 95,880 | - | 95,880 |
| Investment Income | | | | | 1,055,107 | 629,316 | 1,684,423 |
| Miscellaneous | | | | | 71,578 | - | 71,578 |
| TOTAL GENERAL REVENUES | | | | | 17,834,201 | 629,316 | 18,463,517 |
| CHANGE IN NET POSITION | | | | | 3,594,663 | 2,420,422 | 6,015,085 |
| NET POSITION, Beginning | | | | | 59,832,278 | 54,825,195 | 114,657,473 |
| NET POSITION, Ending | | | | | $ 63,426,941 | $ 57,245,617 | $ 120,672,558 |

**CITY OF DACONO, COLORADO**
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

| | GENERAL | IMPACT FEE | STREET |
|---|---|---|---|
| ASSETS | | | |
| Cash and Investments | $ 15,071,144 | $ 2,344,838 | $ 2,121,710 |
| Accounts Receivable | 179,432 | - | - |
| Taxes Receivable | 3,121,622 | - | 138,927 |
| Lease Receivable | 86,622 | - | - |
| Deposits | 2,688 | - | - |
| Interfund Receivables | 1,033,877 | - | - |
| Prepaid Expenditures | 50,107 | - | 12,989 |
| TOTAL ASSETS | $ 19,545,492 | $ 2,344,838 | $ 2,273,626 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | $ 320,018 | $ - | $ 17,399 |
| Retainage Payable | - | - | - |
| Accrued Liabilities | 90,847 | - | 12,372 |
| Developer Escrow and Deposits | 9,652,593 | - | - |
| Interfund Payable | - | - | - |
| Unearned Revenue | 254,332 | - | - |
| TOTAL LIABILITIES | 10,317,790 | - | 29,771 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes | 2,797,702 | - | 563 |
| Lease Receivable | 73,410 | - | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,871,112 | - | 563 |
| FUND BALANCES | | | |
| Nonspendable: | | | |
| Prepaid Expenditures | 50,107 | - | 12,989 |
| Deposits | 2,688 | - | - |
| Restricted for: | | | |
| Emergencies | 650,000 | - | - |
| Conservation Trust | - | - | - |
| Capital Improvement Projects | - | - | - |
| Committed to: | | | |
| Roadways, Drainage, Parks, and Facilities | - | 2,344,838 | - |
| Capital Projects and Equipment | - | - | 2,230,303 |
| Unassigned | 5,653,795 | - | - |
| TOTAL FUND BALANCES | 6,356,590 | 2,344,838 | 2,243,292 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | $ 19,545,492 | $ 2,344,838 | $ 2,273,626 |

| CAPITAL EQUIPMENT | URBAN RENEWAL AUTHORITY | NONMAJOR GOVERNMENTAL FUND<br>CONSERVATION TRUST FUND | TOTAL |
|---:|---:|---:|---:|
| $ - | $ 11,138,749 | $ 84,397 | $ 30,760,838 |
| 2,334,566 | 2,218 | 87 | 2,516,303 |
| 358 | 6,785,586 | - | 10,046,493 |
| - | - | - | 86,622 |
| - | - | - | 2,688 |
| - | - | - | 1,033,877 |
| - | - | - | 63,096 |
| $ 2,334,924 | $ 17,926,553 | $ 84,484 | $ 44,509,917 |
| | | | |
| $ 380,737 | $ 2,550,500 | $ 330 | $ 3,268,984 |
| 197,991 | - | - | 197,991 |
| - | - | - | 103,219 |
| - | - | - | 9,652,593 |
| 1,033,877 | - | - | 1,033,877 |
| - | - | - | 254,332 |
| 1,612,605 | 2,550,500 | 330 | 14,510,996 |
| | | | |
| - | 6,785,586 | - | 9,583,851 |
| - | - | - | 73,410 |
| - | 6,785,586 | - | 9,657,261 |
| | | | |
| - | - | - | 63,096 |
| - | - | - | 2,688 |
| - | - | - | 650,000 |
| - | - | 84,154 | 84,154 |
| - | 8,590,467 | - | 8,590,467 |
| - | - | - | 2,344,838 |
| 722,319 | - | - | 2,952,622 |
| - | - | - | 5,653,795 |
| 722,319 | 8,590,467 | 84,154 | 20,341,660 |
| | | | |
| $ 2,334,924 | $ 17,926,553 | $ 84,484 | $ 44,509,917 |

**CITY OF DACONO, COLORADO**
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2025

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:

| | | |
|---|---|---|
| Total Fund Balances of Governmental Funds | $ | 20,341,660 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | | 48,853,133 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | | |
| Long-Term Debt Payable | | (5,232,341) |
| Leases Payable | | (153,571) |
| SBITAs Payable | | (562,867) |
| Accrued Compensated Absences | | (439,662) |
| Accrued Interest Payable | | (12,175) |
| Pension-Related Deferred Outflows of Resources | | 751,045 |
| Pension-Related Deferred Inflows of Resources | | (118,281) |
| Total Net Position of Governmental Activities | $ | 63,426,941 |

**CITY OF DACONO, COLORADO**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2025

| | GENERAL | IMPACT FEE | STREET |
|---|---|---|---|
| REVENUES | | | |
| Taxes | $ 5,461,371 | $ - | $ 1,379,509 |
| Intergovernmental | 1,013,126 | - | 338,268 |
| Licenses and Permits | 423,195 | - | 23,245 |
| Impact Fees | - | 95,880 | - |
| Royalties | - | - | - |
| Charges for Services | 75,152 | - | - |
| Investment Income | 283,418 | 108,862 | 74,183 |
| Developer Reimbursements | 263,578 | - | - |
| Miscellaneous | 206,447 | - | - |
| TOTAL REVENUES | 7,726,287 | 204,742 | 1,815,205 |
| EXPENDITURES | | | |
| Current | | | |
| General Government | 3,535,417 | - | - |
| Public Safety | 3,524,354 | - | - |
| Public Works | - | - | 1,080,001 |
| Parks and Recreation | 236,646 | - | - |
| Capital Outlay | - | 516,410 | - |
| Debt Service | | - | - |
| Principal | - | - | 215,081 |
| Interest and Fiscal Charges | - | - | 5,571 |
| TOTAL EXPENDITURES | 7,296,417 | 516,410 | 1,300,653 |
| EXCESS REVENUES OVER (UNDER) EXPENDITURES | 429,870 | (311,668) | 514,552 |
| OTHER FINANCING SOURCES (USES) | | | |
| Lease Proceeds | - | - | - |
| SBITA Proceeds | - | - | - |
| Transfers In | - | - | - |
| Transfers Out | (221,629) | - | (644,251) |
| TOTAL OTHER FINANCING SOURCES (USES) | (221,629) | - | (644,251) |
| CHANGES IN FUND BALANCES | 208,241 | (311,668) | (129,699) |
| FUND BALANCES, Beginning | 6,148,349 | 2,656,506 | 2,372,991 |
| FUND BALANCES, Ending | $ 6,356,590 | $ 2,344,838 | $ 2,243,292 |

| CAPITAL EQUIPMENT | URBAN RENEWAL AUTHORITY | NONMAJOR GOVERNMENTAL FUND<br>CONSERVATION TRUST FUND | TOTAL |
|---|---|---|---|
| $ 19,216 | $ 9,760,413 | $ - | $ 16,620,509 |
| 10,099,945 | - | 39,722 | 11,491,061 |
| - | - | - | 446,440 |
| - | - | - | 95,880 |
| - | 10,453 | - | 10,453 |
| - | - | - | 75,152 |
| - | 588,631 | 13 | 1,055,107 |
| - | - | - | 263,578 |
| - | - | - | 206,447 |
| 10,119,161 | 10,359,497 | 39,735 | 30,264,627 |
| | | | |
| - | 4,764,296 | - | 8,299,713 |
| - | - | - | 3,524,354 |
| - | - | - | 1,080,001 |
| - | - | 33,358 | 270,004 |
| 6,284,929 | 13,600,304 | - | 20,401,643 |
| 4,271,143 | - | - | 4,486,224 |
| 582,688 | - | - | 588,259 |
| 11,138,760 | 18,364,600 | 33,358 | 38,650,198 |
| (1,019,599) | (8,005,103) | 6,377 | (8,385,571) |
| | | | |
| 90,103 | - | - | 90,103 |
| 647,683 | - | - | 647,683 |
| 865,880 | - | - | 865,880 |
| - | - | - | (865,880) |
| 1,603,666 | - | - | 737,786 |
| 584,067 | (8,005,103) | 6,377 | (7,647,785) |
| 138,252 | 16,595,570 | 77,777 | 27,989,445 |
| $ 722,319 | $ 8,590,467 | $ 84,154 | $ 20,341,660 |

**CITY OF DACONO, COLORADO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

| | | |
|---|---|---|
| AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE: | | |
| Net Changes in Fund Balances of Governmental Funds | $ | (7,647,785) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as: | | |
| Depreciation / Amortization Expense | | (2,365,869) |
| Capital Outlay | | 9,826,036 |
| The repayment of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities. | | 4,486,224 |
| Long-term debt and lease proceeds provide current financial resources to governmental funds, but increases in long-term liabilities in the statement of net position and does not affect the statement of activities. This is the effect of these differences in the treatment of long-term debt / lease proceeds and related items. | | |
| Lease Proceeds | | (90,103) |
| SBITAs Proceeds | | (647,683) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the changes in the following: | | |
| Debt Premiums | | 329,951 |
| Accrued Interest Payable | | 11,790 |
| Accrued Compensated Absences | | (220,997) |
| Net Pension Liability | | - |
| Pension-Related Deferred Outflows of Resources | | (55,145) |
| Pension-Related Deferred Inflows of Resources | | (31,756) |
| Change in Net Position of Governmental Activities | $ | 3,594,663 |

**CITY OF DACONO, COLORADO**
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2025

| | BUSINESS-TYPE ACTIVITIES WATER FUND |
|---|---|
| ASSETS | |
| Current Assets | |
| Cash and Investments | $ 17,529,362 |
| Accounts Receivable | 361,759 |
| Lease Receivable | 86,622 |
| Prepaid Expense | 145,888 |
| Total Current Assets | 18,123,631 |
| Noncurrent Assets | |
| Capital Assets, *Not Being Depreciated / Amortized* | 28,108,839 |
| Capital Assets, *Being Depreciated / Amortized, Net* | 11,566,719 |
| Total Noncurrent Assets | 39,675,558 |
| TOTAL ASSETS | 57,799,189 |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 319,673 |
| Accrued Liabilities | 12,847 |
| Deposits | 16,000 |
| Unearned Revenue | 1,435 |
| Lease Payable, *Current* | 33,925 |
| Total Current Liabilities | 383,880 |
| Noncurrent Liabilities | |
| Compensated Absences | 40,901 |
| Lease Payable | 55,381 |
| Total Noncurrent Liabilities | 96,282 |
| TOTAL LIABILITIES | 480,162 |
| DEFERRED INFLOWS OF RESOURCES | |
| Lease Receivable | 73,410 |
| NET POSITION | |
| Net Investment in Capital Assets | 39,471,941 |
| Unrestricted | 17,773,676 |
| TOTAL NET POSITION | $ 57,245,617 |

**CITY OF DACONO, COLORADO**
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2025

| | BUSINESS-TYPE ACTIVITIES WATER FUND |
|---|---|
| OPERATING REVENUES | |
| Charges for Services - Water and Trash | $ 2,558,054 |
| Miscellaneous | 34,337 |
| TOTAL OPERATING REVENUES | 2,592,391 |
| OPERATING EXPENSES | |
| Administration | 3,254,646 |
| Operations | 868,740 |
| Depreciation / Amortization | 531,296 |
| TOTAL OPERATING EXPENSES | 4,654,682 |
| NET OPERATING INCOME (LOSS) | (2,062,291) |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment Income | 629,316 |
| Cash-in-Lieu Fees | 3,018,520 |
| Gain (Loss) on Sale of Capital Assets | (17,103) |
| Interest Expense | (8,384) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 3,622,349 |
| NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND CAPITAL CHARGES | 1,560,058 |
| CAPITAL CONTRIBUTIONS AND CAPITAL CHARGES | |
| Tap Fees | 860,364 |
| CHANGE IN NET POSITION | 2,420,422 |
| NET POSITION, Beginning | 54,825,195 |
| NET POSITION, Ending | $ 57,245,617 |

**CITY OF DACONO, COLORADO**
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended December 31, 2025

| | BUSINESS-TYPE ACTIVITIES WATER FUND |
|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from User Charges | $ 2,558,678 |
| Cash Payments to Employees | (674,353) |
| Cash Payments to Suppliers | (3,236,719) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (1,352,394) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Leases | (835) |
| Water Tap Fees Received | 860,364 |
| Acquisition of Capital Assets | (1,391,361) |
| Cash-in-Lieu Fees Received | 3,018,520 |
| Debt Principal Paid | (194,630) |
| Debt Interest Paid | (8,793) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | 2,283,265 |
| CASH FLOWS FROM INVESTING ACTIVITES | |
| Investment Income | 629,316 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,560,187 |
| CASH AND CASH EQUIVALENTS, Beginning | 15,969,175 |
| CASH AND CASH EQUIVALENTS, Ending | $ 17,529,362 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES: | |
| Net Operating Income (Loss) | (2,062,291) |
| Depreciation Expense | 498,526 |
| Amortization Expense | 32,770 |
| Adjustments to reconcile operating income (loss) to net cash and cash equivalents provided (used) by operating activities: | |
| (Increase) Decrease in Accounts Receivable | (35,148) |
| (Increase) Decrease in Prepaid Expenses | 26,378 |
| Increase (Decrease) in Accounts Payable | 210,654 |
| Increase (Decrease) in Accrued Liabilities | 4,509 |
| Increase (Decrease) in Unearned Revenues | 1,435 |
| Increase (Decrease) in Deposits | (41,000) |
| Increase (Decrease) in Compensated Absences | 11,773 |
| Total Adjustments | 178,601 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITES | $ (1,352,394) |

*See Notes to the Financial Statements.*

## NOTE 1: Summary of Significant Accounting Policies

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

The accounting policies of the City 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. The following is a summary of the City's more significant policies.

### Reporting Entity

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

Based on the application of these criteria, the Urban Renewal Authority of Dacono is a component unit over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City. In addition, the majority of the Board of Directors of the Urban Renewal Authority of Dacono consists of the Mayor and all six members of the City Council. The component unit is reported as a blended component unit and, therefore, reported as a funds of the City. Separate financial statements are issued for the blended component unit. The Urban Renewal Authority of Dacono's annual audited financial statements may be obtained from the City of Dacono at 512 Cherry Avenue, Dacono, Colorado 80514 or https://www.cityofdacono.com/1079/Urban-Renewal-Authority-of-Dacono.

### 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 City. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which are normally 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.*

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

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

**NOTE 1: Summary of Significant Accounting Policies** (Continued)

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

The *Street Fund* accounts for allocated sales tax revenue which by City Ordinance must be used for public works projects.

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

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

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

The City reports the following major proprietary fund:

The *Water Fund* accounts for all activities necessary to provide water and trash services to City residents.

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

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 City considers revenues to be available if they are collected within 60 days of the end of the current year.

Taxes, intergovernmental revenues, grants, 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 to be measurable and available only when cash is received by the City.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers or other funds for sales and services. Operating expenses 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE 1: Summary of Significant Accounting Policies** (Continued)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance / Net Position**

*Cash and Investments* – Cash and investments of each of the City's funds are pooled and invested by the City. Investments are reported at fair value. For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

*Receivables* – Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Property taxes levied in the current year for collection in the subsequent year are recorded as receivables and deferred inflows of resources at year end. Taxes are due in the subsequent year on April 30, or in two installments on February 28 and June 15. Taxes are collected by the County Treasurer and remitted to the City on a monthly basis. Grant reimbursements not received before year-end for which eligibility has been met and expenditures have been incurred are reported as grants receivable.

*Lease Receivable* – The City is a lessor for noncancellable periods in excess of twelve months, including exercised extensions. Lease receivable is measured at the present value of lease payments expected to be received during the lease term based on the City's implicit interest rate unless the interest rate is provided in the agreement. Leases are recognized at the present value of cash flows as a lease receivable and a deferred inflow of resources. Payments on the lease reduce lease receivable and recognize interest as revenue. Deferred inflows of resources are amortized over the life of the lease term on a straight-line basis.

*Interfund Receivables and Payables* – Certain transactions between individual funds result in receivables and payables, which 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*.

*Prepaid Expenses / Expenditures* – Certain payments to vendors reflect costs applicable to future years and reported as prepaid expenditures or prepaid expenses.

*Capital Assets* – Capital assets include property, equipment, water infrastructure and governmental activities infrastructure acquired since 1980. These are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. They are also reported in the proprietary fund in the fund financial statements.

Capital assets are defined 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 the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

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

*Deferred Outflows of Resources* – This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources until then. This includes pension-related balances.

**NOTE 1: Summary of Significant Accounting Policies** (Continued)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance / Net Position** (Continued)

*Deferred Inflows of Resources* – This separate financial statement element represents an acquisition of net assets by the City that is applicable to a future reporting period. Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources and pension-related balances.

*Long-Term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the effective interest method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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

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

*Pensions* – The City participates in the Statewide Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan. The plan is administered by the Fire & Police Pension Association of Colorado (FPPA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the plans' fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the Statewide Retirement Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

*Postemployment Benefits Other Than Pensions (OPEB)* – The City contributes to the Statewide Death & Disability Plan, a cost-sharing multiple-employer defined benefit death and disability plan administered by the Fire & Police Pension Association of Colorado (FPPA). The plan is funded by member contributions or contributions made on behalf of members. The City has no requirement to contribute to the plan and does not receive contributions from a non-employer entity. Therefore, the City does not report a net OPEB liability, or deferred outflows and inflows of resources related to OPEB.

*Net Position/Fund Balances* – In the government-wide financial statements, net position is restricted when constraints placed on the use of resources are externally imposed. Governmental fund balances are classified as restricted when constraints are placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Committed fund balances include resources which are subject to limitations the City imposes on itself by action of City Council through ordinances. Committed fund balances also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**NOTE 1: Summary of Significant Accounting Policies** (Continued)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance / Net Position** (Continued)

Commitments may be established, modified, or rescinded only through ordinances approved by City Council. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed.

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

**Property Taxes**

Property taxes normally attach as an enforceable lien on property on January 1, are levied the following December, and are 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 City on a monthly basis. When taxes become delinquent, the property is sold on the tax sale date.

**NOTE 2: Cash and Investments**

At December 31, 2025, the City had the following cash and investments:

| | |
|---|---|
| Cash on Hand | $ 1,325 |
| Deposits | 3,087,807 |
| Investments | 45,201,068 |
| Total | $ 48,290,200 |

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires 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 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 City had bank deposits of $2,606,043 collateralized with securities held by the financial institution's agent but not in the City's name.

**Investments**

The City is required to comply with State statutes and investment policy which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments 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
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

**NOTE 2: Cash and Investments** (Continued)

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

*Credit Risk* - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (NRSROs).

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

*Local Government Investment Pools* - At December 31, 2025, the City had $6,680,261 invested in the Colorado Surplus Asset Fund Trust (CSAFE), and $38,520,807 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pools are reported at the net asset value per share, with each share valued at $1. The Pools are rated AAAm by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**NOTE 3: Interfund Balances and Transfers**

At December 31, 2025, the General Fund temporarily subsidized the Capital Equipment Fund in the amount of $1,033,877. This amount was repaid after year-end.

During the year ended December 31, 2025, the Street Fund and the General Fund contributed $644,251 and $221,629, respectively, to the Capital Equipment Fund for capital projects.

**NOTE 4: Risk Management**

*Public Entity Risk Pool*

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City participates in 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 provisions of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) 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 in preventing and reducing losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees, and officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by 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 City does not approve budgets, nor does it have the ability to significantly affect the operations of CIRSA.

## NOTE 5: Capital Assets

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

| | Balance 12/31/2024 | Additions | Deletions | Balance 12/31/2025 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | $ 7,632,916 | $ 3,503,608 | $ - | $ 11,136,524 |
| Construction in Progress | 3,978,414 | 3,625,795 | (3,298,592) | 4,305,617 |
| Total Capital Assets, Not Being Depreciated | 11,611,330 | 7,129,403 | (3,298,592) | 15,442,141 |
| Capital Assets, Being Depreciated / Amortized: | | | | |
| Buildings | 6,834,612 | 473,359 | - | 7,307,971 |
| Machinery, Equipment and Vehicles | 3,994,880 | 301,277 | - | 4,296,157 |
| Right-to-Use Lease Vehicle Asset | 395,636 | 92,163 | (16,225) | 471,574 |
| Right-to-Use SBITA Asset | - | 647,683 | - | 647,683 |
| Improvements/Infrastructure | 34,222,439 | 4,480,743 | - | 38,703,182 |
| Amortized | 45,447,567 | 5,995,225 | (16,225) | 51,426,567 |
| Accumulated Depreciation / Amortization: | | | | |
| Buildings | (901,768) | (168,967) | - | (1,070,735) |
| Machinery, Equipment and Vehicles | (2,318,449) | (380,030) | - | (2,698,479) |
| Right-to-Use Lease Vehicle Asset | (133,055) | (101,695) | 16,225 | (218,525) |
| Right-to-Use SBITA Asset | - | (129,537) | - | (129,537) |
| Improvements/Infrastructure | (12,312,659) | (1,585,640) | - | (13,898,299) |
| Total Accumulated Depreciation / Amortization | (15,665,931) | (2,365,869) | 16,225 | (18,015,575) |
| Net | 29,781,636 | 3,629,356 | - | 33,410,992 |
| Capital Assets, Governmental Activities, Net | $ 41,392,966 | $ 10,758,759 | $ (3,298,592) | $ 48,853,133 |

Depreciation expense / amortization expense for governmental activities was charged by function as follows:

| | |
|---|---|
| General Government | $ 217,655 |
| Public Safety | 354,328 |
| Public Works | 1,662,030 |
| Parks and Recreation | 131,856 |
| Total | $ 2,365,869 |

**NOTE 5: Capital Assets** (Continued)

| | Balance 12/31/2024 | Additions | Deletions | Balance 12/31/2025 |
|---|---|---|---|---|
| **Business Type Activities** | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Water Rights | $ 28,108,839 | $ - | $ - | $ 28,108,839 |
| Construction in Process | 52,760 | - | (52,760) | - |
| Total Capital Assets, Not Being Depreciated | 28,161,599 | - | (52,760) | 28,108,839 |
| Capital Assets, Being Depreciated / Amortized: | | | | |
| Water Tower | 2,506,351 | - | - | 2,506,351 |
| Water System | 13,142,004 | 1,114,543 | (27,112) | 14,229,435 |
| Buildings | 220,735 | 187,339 | - | 408,074 |
| Machinery, Equipment, and Vehicles | 281,004 | 122,500 | - | 403,504 |
| Right-to-Use Lease Vehicle Asset | 145,762 | 19,739 | - | 165,501 |
| Total Capital Assets, Being Depreciated / Amortized | 16,295,856 | 1,444,121 | (27,112) | 17,712,865 |
| Accumulated Depreciation / Amortization: | | | | |
| Water Tower | (1,377,771) | (87,633) | - | (1,465,404) |
| Water System | (3,945,138) | (374,696) | 10,009 | (4,309,825) |
| Buildings | (76,532) | (6,890) | - | (83,422) |
| Machinery, Equipment, and Vehicles | (176,367) | (29,307) | - | (205,674) |
| Right-to-Use Lease Vehicle Asset | (49,051) | (32,770) | - | (81,821) |
| Total Accumulated Depreciation / Amortization | (5,624,859) | (531,296) | 10,009 | (6,146,146) |
| Capital Assets, Being Depreciated / Amortized, Net | 10,670,997 | 912,825 | (17,103) | 11,566,719 |
| Capital Assets, Business-Type Activities, Net | $ 38,832,596 | $ 912,825 | $ (69,863) | $ 39,675,558 |

Depreciation / amortization expense for business-type activities was charged to the Water Fund.

**NOTE 6: Lease Receivable**

In 2016, the City has entered into a site lease agreement as a lessor with Verizon Wireless, LLC (lessee) for the right to use City's property for a period of five years with two additional five-year renewal options to be exercised by Verizon Wireless, LLC. The City accrued a receivable for this lease including all renewal options. Payments are received annually with a 3% escalator through July 31, 2026. The implied interest rate on the lease was 3.80% per annum based on the City's incremental borrowing rate at implementation date. In 2025, the City collected annual payments of $34,362, including principal and interest of $27,214 and 7,148, respectively, and amortized $28,883. At December 31, 2025, the lease receivable and deferred inflows of resources balances were $173,244 and $146,820, respectively. Lease receivable payments to maturity are as follows for governmental activities and business-type activities, respectively:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 14,658 | $ 3,039 | $ 17,697 |
| 2027 | 15,765 | 3,039 | 18,804 |
| 2028 | 16,931 | 2,463 | 19,394 |
| 2029 | 18,159 | 1,844 | 20,003 |
| 2030 | 19,451 | 1,179 | 20,630 |
| 2031 | 1,658 | 472 | 2,130 |
| Total | $ 86,622 | 12,036 | 98,658 |

**NOTE 6: Lease Receivable** (Continued)

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 14,658 | $ 3,039 | $ 17,697 |
| 2027 | 15,765 | 3,039 | 18,804 |
| 2028 | 16,931 | 2,463 | 19,394 |
| 2029 | 18,159 | 1,844 | 20,003 |
| 2030 | 19,451 | 1,179 | 20,630 |
| 2031 | 1,658 | 472 | 2,130 |
| Total | $ 86,622 | $ 12,036 | $ 98,658 |

**NOTE 7: Long-Term Debt**

**Governmental Activities**

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

| | Balance 12/31/2024 | Additions | Reductions | Balance 12/31/2025 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| COPs, Series 2020 | $ 5,125,000 | $ - | $ 255,000 | $ 4,870,000 | $ 260,000 |
| 2020 COPs Premium | 281,612 | - | 30,862 | 250,750 | - |
| COPs, Series 2021 | 3,835,000 | - | 3,835,000 | - | - |
| 2021 COPs Premium | 299,089 | - | 299,089 | - | - |
| G.O. Bonds, Series 2014 | 215,081 | - | 215,081 | - | - |
| Leases Payable | 271,386 | 90,103 | 96,327 | 265,162 | 111,591 |
| SBITAs Payable | - | 647,683 | 84,816 | 562,867 | 131,958 |
| Compensated Absences | 218,665 | 220,997 | - | 439,662 | - |
| Total Long-Term Debt | $ 10,245,833 | $ 958,783 | $ 4,816,175 | $ 6,388,441 | $ 503,549 |

*Certificates of Participation, Series 2020*

On November 10, 2020, the City issued Certificates of Participation, Series 2020, in the amount of $6,060,000 for the purpose of financing the acquisition, improvement, and equipping of facilities to be used as part of the City Hall complex. Principal payments are due annually on December 1, through 2040. Principal payments began in December 2021. Interest payments are due semi-annually on June 1st and December 1st, with interest accruing at a fixed rate of 3% per annum. The City utilizes the facility as collateral on the Certificates of Participation. Pursuant to the provisions of the lease, the Certificates shall be called for redemption if the lease is terminated due to the occurrence of an Event of Non-appropriation or the occurrence and continuation of an Event of Default under the Lease. The redemption price will be equal to the principal amount of the Certificates, plus accrued interest to the redemption date.

*General Obligation Bonds, Series 2014*

In June 2014, the City issued General Obligation Refunding Bonds, Series 2014, in the amount of $1,943,579 to advance refund $1,770,000 of the outstanding General Obligation Bonds, Series 2005A. The Series 2014 bonds are a private placement loan refunding. The net proceeds were deposited in an irrevocable trust to provide for all future debt service on the refunded bonds with $1,770,000 fully defeased. Principal payments are due annually on December 1, through 2025. Interest payments are due semi-annually on June 1st and December 1st, with interest accruing at a fixed rate of 2.59% per annum. The full faith and credit of the City is pledged for the payment of the principal and interest on these bonds with ad valorem taxes on all of the taxable property in the City.

**NOTE 7: Long-Term Debt** (Continued)

**Governmental Activities** (Continued)

*Certificates of Participation, Series 2021*

In November 2025, the City defeased the outstanding Certificates of Participation, Series 2021, with an outstanding principal balance of $3,835,000, by depositing $4,107,863 into an irrevocable escrow account held by UMB Bank, as escrow agent, with funds sufficient to pay all remaining principal and interest as they become due. As a result, the defeased certificates have been removed from the City's statement of net position for the year ended December 31, 2025. As of December 31, 2025, the outstanding balance of the defeased certificates remaining in the escrow is $3,878,738 and is not reported in the financial statements.

Debt service payments to maturity are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 260,000 | $ 146,100 | $ 406,100 |
| 2027 | 270,000 | 138,300 | 408,300 |
| 2028 | 280,000 | 130,200 | 410,200 |
| 2029 | 285,000 | 121,800 | 406,800 |
| 2030 | 295,000 | 113,250 | 408,250 |
| 2031-2035 | 1,610,000 | 427,950 | 2,037,950 |
| 2036-2040 | 1,870,000 | 171,600 | 2,041,600 |
| Total | $ 4,870,000 | $ 1,249,200 | $ 6,119,200 |

*Vehicle Leases*

The City entered into non-cancelable 48-month leases for seven vehicles. The leases require individual monthly payments ranging from $602 to $1,648, through July 31, 2029. The implied interest rates range from 4.99% to 5.85%. The vehicles are recorded as right-to-use assets and amortized in Note 4. Lease payments to maturity are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 111,591 | $ 12,142 | $ 123,733 |
| 2027 | 88,322 | 6,276 | 94,598 |
| 2028 | 47,333 | 2,422 | 49,755 |
| 2029 | 17,535 | 416 | 17,951 |
| 2030 | 381 | 619 | 1,000 |
| Total | $ 265,162 | $ 21,875 | $ 287,037 |

*Subscription-Based Information Technology Arrangements (SBITAs)*

In 2025, the City entered into an agreement with Axon Enterprise Inc. for the subscription-based information technology arrangements (SBITAs) and the related right-to-use assets for drones and body cameras that included subscription assets and liabilities. At December 31, 2025, these SBITAs were valued at $439,878 and corresponding liabilities valued at $400,480, respectively. Payments are made annually in amounts ranging from $9,246 to $101,917 through 2029, with an implied interest rate at 4.33% per annum. The estimated useful life of this subscription is for the remainder of the agreement or five years. At December 31, 2025, the equipment had a net book value of $351,901, with 2025 amortization expense of $87,976. At December 31, 2025, the remaining principal balance of the SBITA liability was $400,480.

**NOTE 7: Long-Term Debt** (Continued)

**Governmental Activities** (Continued)

In 2025, the City entered into a SBITA with Flock Group for the right-to-use license plate reader technology valued at $207,805. Payments are made annually in the amount of $45,000 for a period of five years, with an implied interest rate at 4.25% per annum. The right-to-use asset had an estimated useful life of five years. At December 31, 2025, the SBITAs had a net book value of the right-to-use asset of $166,245, which included an amortization expense in the amount of $41,561 in 2025. At December 31, 2025, the remaining principal balance of the SBITA liability was 162,387. SBITA payments to maturity are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 131,958 | $ 24,205 | $ 156,163 |
| 2027 | 137,633 | 18,530 | 156,163 |
| 2028 | 143,552 | 12,612 | 156,164 |
| 2029 | 149,724 | 6,439 | 156,163 |
| Total | $ 562,867 | $ 61,786 | $ 624,653 |

**Business-Type Activities**

Following is a summary of long-term debt transactions for business-type activities the year ended December 31, 2025.

| | Balance 12/31/2024 | Additions | Reductions | Balance 12/31/2025 | Due in One Year |
|---|---|---|---|---|---|
| **Business-Type Activities** | | | | | |
| Revenue Bonds, Series 2014 | $ 182,562 | $ - | $ 182,562 | $ - | $ - |
| Leases Payable | 101,374 | 19,740 | 31,808 | 89,306 | 33,925 |
| Compensated Absences | 29,128 | 11,773 | - | 40,901 | - |
| Total Long-Term Debt | $ 313,064 | $ 31,513 | $ 214,370 | $ 130,207 | $ 33,925 |

*2014 Water Enterprise Revenue Bonds*

In June 2014, the City issued Water Enterprise Revenue Refunding Bonds, Series 2014, in the amount of $1,772,092 to advance refund $1,790,000 of the Water Revenue Bonds, Series 2005. The Series 2014 bonds are a private placement loan refunding. The net proceeds were deposited in an irrevocable trust to provide for all future debt service on the refunded bonds and were fully defeased on June 1, 2015. Principal payments are due annually on December 1, through 2025. Interest payments are due semi-annually on June 1st and December 1st, with interest accruing at a fixed rate of 2.59% per annum. These bonds constitute an irrevocable and first lien upon the net revenues of the Water Fund. If revenues are insufficient to meet the requirements to cover debt service costs, the City may be required to perform a rate study to adjust water rates to meet debt service and other requirements. At December 31, 2025, these bonds were paid in full.

*Vehicle Leases*

The City entered into non-cancelable 48-month leases for seven vehicles. The leases require individual monthly payments ranging from $704 to $1,262, through January 31, 2030. The implied interest rates range from 4.51% to 6.35%. The vehicles are recorded as right-to-use assets and amortized in Note 4.

**NOTE 7: Long-Term Debt** (Continued)

**Business-Type Activities** (Continued)

Lease payments to maturity are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 33,925 | $ 4,286 | $ 38,211 |
| 2027 | 33,296 | 2,356 | 35,652 |
| 2028 | 15,480 | 898 | 16,378 |
| 2029 | 6,223 | 195 | 6,418 |
| 2030 | 382 | 619 | 1,001 |
| Total | $ 89,306 | $ 8,354 | $ 97,660 |

## NOTE 8: Employee Retirement Plans

### Police Pension Plan

*Plan Description* – The City contributes to the Statewide Retirement Plan (the SRP Plan), a cost-sharing multiple-employer defined benefit pension plan. The SRP Plan is administered by the Fire and Police Pension Association of Colorado (FPPA). The SRP Plan provides retirement benefits for members and beneficiaries. Death and disability coverage is provided for members hired prior to January 1, 1997, through the Statewide Death and Disability Plan (the SWDD plan), which is also administered by the FPPA as a non-contributory plan. Full-time police officers of the City are members of the SRP Plan and the SWDD Plan. Local revenue sources are responsible for funding of the death and disability benefits for police officers and firefighters hired on or after January 1, 1997.

Title 31, Article 31 of the Colorado Revised Statutes (CRS) grants the authority to establish and amend benefit terms to the FPPA Board of Directors. FPPA issues a publicly available financial report that includes information on the plans. That report may be obtained at www.fppaco.org.

*Benefits Provided* – A SRP Plan member is eligible for a normal retirement pension once the member has completed 25 years of credited service and has attained the age of 55. Effective January 1, 2021, a member may also qualify for a normal retirement pension if the member's combined years of service and age equals at least 80, with a minimum age of 50 (Rule of 80). A member is eligible for retirement after attainment of age 55 with at least five years of credited service.

The annual normal retirement benefit for the Plan is 2% of the average of the member's highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5% for each year of service thereafter. The benefit earned prior to January 1, 2007, for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually, calculated considering the social security benefit started as of age 62. Effective January 1, 2007, members covered under the Social Security Component will receive half the benefit when compared to the Statewide Retirement Plan for each year of credited service up to then years plus 1.25% of the average of the member's highest three years' base salary for each year thereafter.

Benefit adjustments paid to retired members are evaluated annually and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0% to the higher of 3% or the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

**NOTE 8: Employee Retirement Plans** (Continued)

**Police Pension Plan** (Continued)

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

*Contributions* – The City and eligible employees are required to contribute to the SRP 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 City and eligible employees each contributed 10.5% and 12.0% of base salary, respectively, for the year ended December 31, 2025.

SRP Plan members elected to increase the employee contribution rate 0.5% annually through 2030, to a total of 13% of pensionable earnings. Employer contributions will increase 0.5% annually through 2030 to a total of 13.0% of pensionable earnings. In 2025, the City's contribution to the SRP plan was $180,970.

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

At December 31, 2025, the City reported a net pension liability of zero for its proportionate share of the SRP Plan.

The net pension liability was measured at December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2025. The City's proportion of the net pension liability was based on a projection of the City's contributions to the Plan for the calendar year ended December 31, 2025, relative to the projected contributions of all participating employers.

At December 31, 2024, the City's proportion was 0.15185779%, which was an increase of 0.01213085% from its proportion measured at December 31, 2023.

For the year ended December 31, 2025, the City recognized pension expense (income) of $267,864. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 364,912 | $ 11,414 |
| Changes of assumptions | 130,599 | - |
| Net difference between projected and actual earnings on plan investments | 51,839 | - |
| Changes in proportion | (105,454) | (21,312) |
| Contributions subsequent to the measurement date | 180,970 | - |
| Total | $ 622,866 | $ (9,898) |

City contributions subsequent to the measurement date of $180,970 will be recognized as a reduction of the net pension 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:

**NOTE 8: Employee Retirement Plans** (Continued)

**Police Pension Plan** (Continued)

| Year Ended December 31, | |
|---|---|
| 2026 | $ 138,444 |
| 2027 | 199,123 |
| 2028 | (1,307) |
| 2029 | 5,459 |
| 2030 | 42,158 |
| Thereafter | 67,917 |
| Total | $ 451,794 |

*Actuarial Assumptions* - The actuarial valuation as of January 1, 2025, determined the total pension liability using the following actuarial assumptions and other inputs.

| | |
|---|---|
| Actuarial Method | Entry Age Normal |
| Investment rate of return, compounded annually, net of plan investment expenses, including inflation | 7.0% |
| Inflation | 2.5% |
| Projected salary increases, including inflation | 4.25% - 11.75% |
| Cost of living adjustments (COLA) | 0.0% |

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, and then projected using the ultimate values of the MP-2020 projection scale for all years. The pre-retirement off-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015.

For determining the actuarially determined contributions, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Health Annuitant Mortality Tables projected with the ultimate values of the MP-2020 projection scale. The pre-retirement off-duty mortality tables are adjusted to 60% of the MP-2020 mortality tables for active employees. The on-duty mortality rate is 0.00015.

At least every five years the FPPA's Board of Directors, in accordance with best practices, reviews its economic and demographic actuarial assumptions. At its July 2023 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Company, based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 2024. The actuarial assumptions impact actuarial factors for benefit purposes such as purchases of service credit and other benefits where actuarial factors are used.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5%). 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:

**NOTE 8: Employee Retirement Plans** (Continued)

**Police Pension Plan** (Continued)

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

*Discount Rate* - The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the SRP plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The COLA assumption reflects the true nature of Board's Benefit Policy, which includes a variable COLA and supplemental payments. Consistent with Board's policy, the COLA assumption will fluctuate from year-to-year depending on the plan experience and the long-term COLA assumption which results in no Net Pension Asset. If current assets do not support Total Pension Liabilities using a COLA assumption of greater than 0%, then a COLA assumption of 0% will be used and a Net Pension Liability will be reported.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7%. The municipal bond rate is 4.08%, based on the weekly rate closest to but not later than the measurement date of the "state and local bonds" rate from Federal Reserve statistical release. The resulting single discount rate is 7% percent.

Regarding the sensitivity of the net pension liability (asset) to changes in the single discount rate, the following presents the plan's net pension liability (asset), calculated using a single discount rate of 7%, as well as what the plan's net pension liability (asset) would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

**NOTE 8: Employee Retirement Plans (**Continued)

**Police Pension Plan** (Continued)

| | 1% Decrease (6%) | Current Discount Rate (7%) | 1% Increase (8%) |
|---|---|---|---|
| Proportionate share of the SWDB Net Pension Asset (Liability) | $ 741,052 | $ - | $ - |

**Defined Contribution Pension Plan**

The City contributes to a single employer defined contribution money purchase pension plan on behalf of all employees other than police, which is administered by Security Benefit. Each employee will be enrolled as a participant of this plan on the first day of the calendar month immediately following or coincident with the completion of three months of continuous employment with the City. Employee and employer contributions are always 100% vested. The contribution requirements of Plan participants and the City are established and may be amended by City Council. The City contributes 8% of an employee's salary. During the year ending December 31, 2025, the City contributed $159,705 to the plan, equal to its required contributions.

**NOTE 9: Other Postemployment Benefits**

**Statewide Death and Disability Plan**

*Plan Description* - The City contributes to the Statewide Death and Disability Plan (the SD&D Plan), a cost sharing multiple-employer defined benefit death and disability plan administered by the Fire & Police Pension Association of Colorado (FPPA). All full-time police officers are members of the plan. Contributions to the plan are used solely for the payment of death and disability benefits. Benefits are established by State statute and generally allow for benefits upon the death or disability of a plan member prior to retirement. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plan. That report may be obtained at www.fppaco.org.

Benefits Provided - The plan provides pre-retirement death benefits, as follows:

- Off-duty: 40% of the base salary paid to the member prior to death, with an additional 10% of base salary if a surviving spouse has two or more dependent children.
- On-duty: 70% of the base salary paid to the member prior to death.

Disability benefits are as follows:

- 70% of the base salary preceding disability.
- Permanent occupational disability: 50% of the base salary preceding disability.
- Temporary occupational disability: 40% of the base salary preceding disability for up to 5 years.

**NOTE 9: Other Postemployment Benefits** (Continued)

**Statewide Death and Disability Plan** (Continued)

Benefit adjustments are granted periodically at the discretion of the FPPA Board of Directors. Total disability retirees receive an automatic increase of 3%. For other annuitants, the increase may reflect CPI, but in no case may be higher than 3%.

Once a member is eligible to retire, all plan benefit obligations cease.

*Contributions* - The contribution requirements are established by State statutes. However, in accordance with Colorado Revised Statutes (CRS) 31-31-811(4), the FPPA Board of Directors, based on an annual actuarial valuation, may adjust the contribution rate every two years, but in no event may the adjustment for any two-year period exceed one-tenth of one percent of the member's salary. As of 2020, the FPPA Board may adjust the required contribution rate annually by a maximum of 0.2%.

The City's Board of Trustees determines the contribution split between members and the City. For members hired on or after January 1, 1997, the City contributed 3.4% of base salaries on behalf of the members during the year ended December 31, 2025. The City has no requirement to make contributions to the plan. Any contributions to the SD&D Plan are considered to be "member contributions". For the year ended December 31, 2025, the City's contributions to the plan were $61,055.

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

The City has no requirement to contribute to the plan and does not receive contributions from a non-employer entity. Therefore, the City does not report a net OPEB liability, or deferred outflows and inflows of resources related to OPEB.

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

**NOTE 10: Commitments and Contingencies**

**Claims and Judgments**

The City participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At December 31, 2025, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the City.

**Tabor Amendment**

In November 1992, Colorado voters passed Article X, Section 20 (the Amendment) to the State Constitution which limits state and local government taxing powers and imposes spending limits. On November 5, 1996, voters within the City approved the collection, retention and expenditure of the full revenues generated by the City in 1996 and subsequent years for street improvement projects, capital projects, basic municipal services and/or lawful municipal purposes, notwithstanding the provisions of the Amendment.

The Amendment requires the City to establish a reserve for emergencies, representing 3% of qualifying expenditures. At December 31, 2025, the City's emergency reserve was reported as restricted fund balance in the General Fund in the amount of $650,000.

**NOTE 10: Commitments and Contingencies** (Continued)

**Litigation**

The City from time to time is involved in various legal matters. In the opinion of the City's counsel, there are no pending legal issues that would have a material adverse effect on the financial condition of the City.

# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DACONO, COLORADO**
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2025

| | BUDGET ORIGINAL | BUDGET FINAL | ACTUAL | VARIANCE Positive (Negative) |
|---|---|---|---|---|
| REVENUES | | | | |
| Taxes | $ 5,588,255 | $ 5,588,255 | $ 5,461,371 | $ (126,884) |
| Intergovernmental | 940,000 | 940,000 | 1,013,126 | 73,126 |
| Licenses and Permits | 365,040 | 365,040 | 423,195 | 58,155 |
| Court | 61,975 | 61,975 | 75,152 | 13,177 |
| Developer Reimbursements | 125,000 | 125,000 | 263,578 | 138,578 |
| Investment Income | 200,000 | 200,000 | 283,418 | 83,418 |
| Miscellaneous | 197,180 | 197,180 | 206,447 | 9,267 |
| TOTAL REVENUES | 7,477,450 | 7,477,450 | 7,726,287 | 248,837 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 3,512,170 | 3,659,370 | 3,535,417 | 123,953 |
| Public Safety | 4,435,310 | 4,435,310 | 3,524,354 | 910,956 |
| Parks and Recreation | 165,805 | 165,805 | 236,646 | (70,841) |
| TOTAL EXPENDITURES | 8,113,285 | 8,260,485 | 7,296,417 | 964,068 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (635,835) | (783,035) | 429,870 | 1,212,905 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from Sale of Capital Assets | 750,000 | 750,000 | - | (750,000) |
| Transfers Out | (1,040,495) | (911,370) | (221,629) | 689,741 |
| TOTAL OTHER FINANCING SOURCES (USES) | (290,495) | (161,370) | (221,629) | (60,259) |
| CHANGE IN FUND BALANCE | (926,330) | (944,405) | 208,241 | 1,152,646 |
| FUND BALANCE, Beginning | 5,482,419 | 6,135,972 | 6,148,349 | 12,377 |
| FUND BALANCE, Ending | $ 4,556,089 | $ 5,191,567 | $ 6,356,590 | $ 1,165,023 |

**CITY OF DACONO, COLORADO**
BUDGETARY COMPARISON SCHEDULE
URBAN RENEWAL AUTHORITY
Year Ended December 31, 2025

| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|---|---|---|---|
| REVENUES | | | |
| Taxes | $ 9,812,895 | $ 9,760,413 | $ (52,482) |
| Royalties | 20,000 | 10,453 | (9,547) |
| Investment Income | 520,000 | 588,631 | 68,631 |
| TOTAL REVENUES | 10,352,895 | 10,359,497 | 6,602 |
| EXPENDITURES | | | |
| General Government | 20,388,700 | 4,764,296 | 15,624,404 |
| Capital Outlay | - | 13,600,304 | (13,600,304) |
| TOTAL EXPENDITURES | 20,388,700 | 18,364,600 | 2,024,100 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (10,035,805) | (8,005,103) | 2,030,702 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | 427,114 | 52,114 | (375,000) |
| Transfers Out | (4,923,946) | (52,114) | 4,871,832 |
| TOTAL OTHER FINANCING SOURCES (USES) | (4,496,832) | - | 4,496,832 |
| CHANGE IN FUND BALANCE | (14,532,637) | (8,005,103) | 6,527,534 |
| FUND BALANCE, Beginning | 21,569,767 | 16,595,570 | (4,974,197) |
| FUND BALANCE, Ending | $ 7,037,130 | $ 8,590,467 | $ 1,553,337 |

**CITY OF DACONO, COLORADO**
BUDGETARY COMPARISON SCHEDULE
STREETS FUND
Year Ended December 31, 2025

| | BUDGET ORIGINAL | BUDGET FINAL | ACTUAL | VARIANCE Positive (Negative) |
|---|---|---|---|---|
| REVENUES | | | | |
| Taxes | $ 1,451,375 | $ 1,451,375 | $ 1,379,509 | $ (71,866) |
| Intergovernmental | 352,380 | 352,380 | 338,268 | (14,112) |
| Licenses and Permits | 10,000 | 10,000 | 23,245 | 13,245 |
| Investment Income | 80,000 | 80,000 | 74,183 | (5,817) |
| Miscellaneous | - | - | - | - |
| TOTAL REVENUES | 1,893,755 | 1,893,755 | 1,815,205 | (78,550) |
| EXPENDITURES | | | | |
| Public Works | 1,167,060 | 1,199,060 | 1,080,001 | 119,059 |
| Capital Outlay | 373,050 | 373,050 | - | 373,050 |
| Debt Service | | | | |
| Principal | 215,080 | 215,080 | 215,081 | (1) |
| Interest | 5,570 | 5,570 | 5,571 | (1) |
| TOTAL EXPENDITURES | 1,760,760 | 1,792,760 | 1,300,653 | 492,107 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 132,995 | 100,995 | 514,552 | 413,557 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | (687,760) | (717,760) | (644,251) | 73,509 |
| CHANGE IN FUND BALANCE | (554,765) | (616,765) | (129,699) | 487,066 |
| FUND BALANCE, Beginning | 2,288,077 | 2,372,992 | 2,372,991 | (1) |
| FUND BALANCE, Ending | $ 1,733,312 | $ 1,756,227 | $ 2,243,292 | $ 487,065 |

**CITY OF DACONO, COLORADO**
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS
FPPA STATEWIDE DEFINED BENEFIT PLAN
December 31, 2025

| **MEASUREMENT YEAR** | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Plan Measurement Year End | December 31, | December 31, | December 31, | December 31, |
| PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY | | | | |
| City's Proportion of the Net Pension (Asset) Liability | 0.15185779% | 0.13972694% | 0.13179357% | 0.13735388% |
| City's Proportionate Share of the Net Pension (Asset) Liability | $ - | $ - | $ 116,981 | $ (744,367) |
| City's Covered Payroll | $ 1,658,830 | $ 1,372,737 | $ 1,148,812 | $ 1,174,245 |
| City's Proportionate Share of the Net Pension Asset / Liability as a Percentage of Covered Payroll | 0.0% | 0.0% | 10.2% | -63.4% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset / Liability | 100.0% | 100.0% | 97.6% | 116.2% |
| **FISCAL YEAR** | 2025 | 2024 | 2023 | 2022 |
| CITY CONTRIBUTIONS | | | | |
| Statutorily Required Contribution | $ 180,970 | $ 165,582 | $ 130,410 | $ 91,895 |
| Contributions in Relation to the Statutorily Required Contribution | (180,970) | (165,582) | (130,410) | (91,895) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| City's Covered Payroll | $ 1,811,018 | $ 1,658,830 | $ 1,372,737 | $ 1,148,812 |
| Contributions as a Percentage of Covered Payroll | 10.0% | 10.0% | 9.5% | 8.0% |

| | December 31, 2020 | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 |
|---|---|---|---|---|---|---|
| | 0.13894425% | 0.12204512% | 0.11755489% | 0.10012957% | 0.12893416% | 0.11503335% |
| | $ (301,649) | $ (69,024) | $ 148,622 | $ (144,052) | $ 46,589 | $ (2,028) |
| | $ 1,116,009 | $ 899,521 | $ 787,450 | $ 639,365 | $ 635,190 | $ 533,488 |
| | -27.0% | -7.7% | 18.9% | -22.5% | 7.3% | -0.4% |
| | 106.7% | 101.9% | 95.2% | 106.3% | 98.2% | 100.1% |

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|---|
| | $ 93,986 | $ 89,281 | $ 71,960 | $ 62,996 | $ 51,149 | $ 50,815 |
| | (93,986) | (89,281) | (71,960) | (62,996) | (51,149) | (50,815) |
| | $ - | $ - | $ - | $ - | $ - | $ - |
| | $ 1,174,245 | $ 1,116,009 | $ 899,521 | $ 787,450 | $ 639,365 | $ 635,190 |
| | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% | 8.0% |

## NOTE 1: Stewardship, Compliance, and Accountability

### Budgetary Information

Budgets are adopted for all funds on a basis consistent with generally accepted accounting principles. The City adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- In October, management submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Expenditures may not legally exceed appropriations at the fund level. Any budget revisions that alter the total expenditures of any fund must be approved by the City Council.
- Budgets are legally adopted for all funds of the City. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) except for certain interfund transactions that are reported as revenues and expenditures on the budgetary basis but not the GAAP basis of accounting. Budgetary comparisons presented for the Proprietary Fund are presented on a non-GAAP budgetary basis. Debt principal is recognized as an expenditure for budgetary purposes. Capital outlay is budgeted as an expenditure, and depreciation and amortization are not budgeted.
- All budget appropriations lapse at fiscal year-end.

## NOTE 2: Significant Assumptions in the Actuarially Determined Pension Plan

An actuarial valuation is performed every two years to determine the pension benefit obligation. The latest available actuarial valuation was performed as of January 1, 2025. The measurement date was December 31, 2024. The following assumptions were used in computing the pension benefit obligation for this plan:

| TOTAL PENSION LIABILITY | 2025 | 2024 |
|---|---|---|
| Actuarial Valuation Date | January 1, 2025 | January 1, 2024 |
| Actuarial Method | Entry Age Normal | Entry Age Normal |
| Investment rate of return, compounded annually, net of plan investment expenses, including inflation | 7.0% | 7.0% |
| Inflation | 2.5% | 2.5% |
| Projected salary increases, including inflation | 4.25% - 11.75% | 4.25% - 11.25% |
| Cost of living adjustments (COLA) | 0.0% | 0.0% |

| ACTUARIAL DETERMINED CONTRIBUTIONS | 2025 | 2024 |
|---|---|---|
| Actuarial Valuation Date | January 1, 2024 | January 1, 2023 |
| Actuarial Method | Entry Age Normal | Entry Age Normal |
| Amortization Period | Level % of Payroll, Open | Level % of Payroll, Open |
| Remaining Amortization Period | 30 Years | 30 Years |
| Investment rate of return, compounded annually, net of plan investment expenses, including inflation | 7.0% | 7.0% |
| Inflation | 2.5% | 2.5% |
| Projected salary increases, including inflation | 4.25% - 11.75% | 4.25% - 11.25% |
| Cost of living adjustments (COLA) | 0.0% | 0.0% |

**NOTE 2: Significant Assumptions in the Actuarially Determined Pension Plan** (Continued)

The City increased the employer portion of the salary scale by 0.5% annually, as intended by the plan through 2030.

Effective January 1, 2023, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, and then projected using the ultimate values of the MP-2020 projection scale for all years.

The pre-retirement mortality assumption uses Pub-2010 Safety Healthy Employee Mortality Tables for males and females, amount-weighted, and then projected with the MP-2020 Ultimate projection scale.

The pre-retirement non-duty mortality tables are adjusted to 60% multiplier. The on-duty mortality rate is 0.000015. The occupational disability mortality assumption uses the non-disabled post-retirement mortality tables set forward three years. The total disability mortality assumption uses the Pub-210 Safety Heathy Retiree Mortality tables for males and females, amount-weighted, set forward five years, projected with the ultimate values of the MP-2020 projection scale, with minimum probability of 3.5% for males and 2.5% for females.

The actuarial method used for the valuation of benefits for funding and financial reporting purposes is specific by the state statute to be either the Entry Age Normal or Aggregate Cost Method, with experience gains or losses adjusting the unfunded actuarial accrued liability.

The actuarial assumptions shown above are associated with the Actuarially Determined Contribution for the Fiscal Year Ending December 31, 2024. The actuarial assumptions were changed for the Actuarial Valuation as of January 1, 2025, and as such, the Total Pension Liability was measured using those assumptions for the fiscal year ended December 31, 2025, with a one-year lag.

# BUDGETARY COMPARISON SCHEDULES

**CITY OF DACONO, COLORADO**
BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND
Year Ended December 31, 2025

| | BUDGET ORIGINAL | BUDGET FINAL | ACTUAL | VARIANCE Positive (Negative) |
|---|---|---|---|---|
| REVENUES | | | | |
| Intergovernmental | $ 40,000 | $ 40,000 | $ 39,722 | $ (278) |
| Investment Income | 25 | 25 | 13 | (12) |
| TOTAL REVENUES | 40,025 | 40,025 | 39,735 | (290) |
| EXPENDITURES | | | | |
| Parks and Recreation | 60,000 | 60,000 | 33,358 | 26,642 |
| CHANGE IN FUND BALANCE | (19,975) | (19,975) | 6,377 | 26,352 |
| FUND BALANCE, Beginning | 82,415 | 77,777 | 77,777 | - |
| FUND BALANCE, Ending | $ 62,440 | $ 57,802 | $ 84,154 | $ 26,352 |

**CITY OF DACONO, COLORADO**
BUDGETARY COMPARISON SCHEDULE
IMPACT FEE FUND
Year Ended December 31, 2025

| | BUDGET ORIGINAL | BUDGET FINAL | ACTUAL | VARIANCE Positive (Negative) |
|---|---|---|---|---|
| REVENUES | | | | |
| Impact Fees | $ 71,910 | $ 71,910 | $ 95,880 | $ 23,970 |
| Contributions from URAD | - | - | - | - |
| Investment Income | 70,000 | 70,000 | 108,862 | 38,862 |
| TOTAL REVENUES | 141,910 | 141,910 | 204,742 | 62,832 |
| EXPENDITURES | | | | |
| Capital Outlay | 410,000 | 656,800 | 516,410 | 140,390 |
| CHANGE IN FUND BALANCE | (268,090) | (514,890) | (311,668) | 203,222 |
| FUND BALANCE, Beginning | 2,015,912 | 2,656,506 | 2,656,506 | - |
| FUND BALANCE, Ending | $ 1,747,822 | $ 2,141,616 | $ 2,344,838 | $ 203,222 |

**CITY OF DACONO, COLORADO**
BUDGETARY COMPARISON SCHEDULE
CAPITAL EQUIPMENT FUND
Year Ended December 31, 2025

| | BUDGET ORIGINAL | BUDGET FINAL | ACTUAL | VARIANCE Positive (Negative) |
|---|---|---|---|---|
| REVENUES | | | | |
| Taxes | $ 22,000 | $ 22,000 | $ 19,216 | $ (2,784) |
| Intergovernmental | 850,000 | 7,041,000 | 10,099,945 | 3,058,945 |
| Investment Income | 3,000 | 3,000 | - | (3,000) |
| TOTAL REVENUES | 875,000 | 7,066,000 | 10,119,161 | 3,053,161 |
| EXPENDITURES | | | | |
| Capital Outlay | 7,833,645 | 8,851,000 | 6,284,929 | 2,566,071 |
| Debt Service | | | | |
| Principal | 562,610 | 4,271,143 | 4,271,143 | - |
| Interest | 282,000 | 544,342 | 582,688 | (38,346) |
| TOTAL EXPENDITURES | 8,678,255 | 13,666,485 | 11,138,760 | 2,527,725 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (7,803,255) | (6,600,485) | (1,019,599) | 5,580,886 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Lease Proceeds | - | - | 90,103 | 90,103 |
| SBITA Proceeds | - | - | 647,683 | 647,683 |
| Transfers In | 1,726,255 | 1,726,255 | 865,880 | (860,375) |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,726,255 | 1,726,255 | 1,603,666 | (122,589) |
| CHANGE IN FUND BALANCE | (6,077,000) | (4,874,230) | 584,067 | 5,458,297 |
| FUND BALANCE, Beginning | 42,001 | 138,251 | 138,252 | 1 |
| FUND BALANCE, Ending | $ (6,034,999) | $ (4,735,979) | $ 722,319 | $ 5,458,298 |

**CITY OF DACONO, COLORADO**
BUDGETARY COMPARISON SCHEDULE
WATER FUND (BUDGETARY BASIS TO GAAP BASIS)
Year Ended December 31, 2025

| | BUDGET ORIGINAL | BUDGET FINAL | ACTUAL | VARIANCE Positive (Negative) |
|---|---|---|---|---|
| REVENUES | | | | |
| Charges for Services | $ 3,365,480 | $ 3,365,480 | $ 2,558,054 | $ (807,426) |
| Tap Fees | 15,000 | 15,000 | 860,364 | 845,364 |
| Cash-in-Lieu Fees | - | - | 3,018,520 | 3,018,520 |
| Investment Income | 500,000 | 500,000 | 629,316 | 129,316 |
| Miscellaneous | 8,000 | 27,000 | 34,337 | 7,337 |
| TOTAL REVENUES | 3,888,480 | 3,907,480 | 7,100,591 | 3,193,111 |
| EXPENDITURES | | | | |
| Administration | 3,371,890 | 3,412,890 | 3,266,419 | 146,471 |
| Operations | 1,124,920 | 2,254,920 | 868,740 | 1,386,180 |
| Capital Outlay | - | - | 1,391,361 | (1,391,361) |
| Debt Service | | | | |
| Principal | 221,130 | 221,130 | 182,562 | (38,568) |
| Interest and Fiscal Charges | 2,365 | 2,365 | 8,793 | 6,428 |
| TOTAL EXPENDITURES | 4,720,305 | 5,891,305 | 5,717,875 | 109,150 |
| CHANGE IN NET POSITION, Budgetary Basis | $ (831,825) | $ (1,983,825) | $ 1,382,716 | $ 3,083,961 |
| RECONCILIATION TO GAAP BASIS | | | | |
| Capital Outlay | | | 1,391,361 | |
| Loss on Disposal of Capital Assets | | | (17,103) | |
| Debt Principal Paid | | | 182,562 | |
| Change in Accrued Interest Payable | | | 409 | |
| Change in Compensated Absences | | | 11,773 | |
| Depreciation Expense | | | (498,526) | |
| Amortization Expense | | | (32,770) | |
| CHANGE IN NET POSITION, GAAP Basis | | | 2,420,422 | |

# COMPLIANCE SECTION

**STATE COMPLIANCE**

| LOCAL HIGHWAY FINANCE REPORT | | STATE: COLORADO |
|---|---|---|
| THIS INFORMATION FROM THE RECORDS OF: ( MUNICIPALITY OR COUNTY NAME ) | PREPARED BY: STAFF PERSON'S NAME EMAIL ADDRESS | 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. 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.4. Miscellaneous Local Receipts:** | |
| a. Property Taxes and Assesments | 220,324.48 | a. Interest on investments | 74,182.54 |
| b. Non-property Taxes and Assessments Imposts | 1,236,935.38 | b. Other Misc. Local Receipts | 23,245.00 |
| **c. Total (a + b)** | $ 1,457,259.86 | **c. Total (a + b)** | $ 97,427.54 |

| ITEM | AMOUNT | ITEM | AMOUNT |
|---|---|---|---|
| **C. Receipts from State Government** | | **D. Receipts from Federal Government** | |
| 1. Highway-user Taxes (from Item I.C.5.) | 260,517.74 | 1. FHWA (from Item I.D.5.) | 0.00 |
| 2. State General Funds | | 2. Other Federal Agencies: | 0.00 |
| 3. Other State funds: | | | |
| a. State Bond Proceeds | | | |
| b. Non-State Bond Proceeds | 0.00 | | |
| **c. Total (a + b)** | $ - | | |
| **4. Total (1 + 2 + 3c)** | $ 260,517.74 | **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 | 16,745.90 |
| c. Construction Costs | 627,504.72 |
| **d. Total Capital Outlay (a+ b + c)** | $ 644,250.62 |

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| LOCAL HIGHWAY FINANCE REPORT | STATE: COLORADO<br>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 |
|---|---|
| **A. Receipts from Local Sources:** | |
| 1. Local Highway-user Taxes | |
| a. Motor Fuel (from Item I.A.1) | |
| b. Motor Vehicle (from Item I.B.1) | |
| **c. Total (a + b)** | |
| 2. General Fund Appropriations | |
| 3. Other Local Imposts (from page 1, Item II.A3.c) | $ 1,457,259.86 |
| 4. Miscellaneous Local Receipts (from page 1, Item II.A4.c) | $ 97,427.54 |
| 5. Transfers from Toll Facilities | |
| 6. Proceeds of Sale of Bonds and Notes: | |
| a. Bonds - Original Issues | |
| b. Bonds - Refunding Issues | |
| c. Notes | |
| **d. Total (a + b + c)** | $ - |
| **7. Total (1 through 6)** | $ 1,554,687.40 |
| B. Private Contributions | |
| C. Receipts from State government (from page 1, Item II.C.4) | $ 260,517.74 |
| D. Receipts from Federal government (from page 1, Item II.D.3) | $ - |
| **E. Total receipts (A.7 + B + C + D)** | $ 1,815,205.14 |

## III. EXPENDITURES FOR ROAD AND STREET PURPOSES

| ITEM | AMOUNT |
|---|---|
| **A. Local highway expenditures:** | |
| 1. Capital Outlay (from page 1, Item III.A1.d) | |
| 2. Maintenance: | 149,184.35 |
| 3. Road and Street Services: | |
| a. Snow and Ice Removal | 49,921.33 |
| b. Other & Traffic Control Operations | |
| **c. Total (a + b)** | $ 49,921.33 |
| 4. General Administration & Miscellaneous | 880,895.95 |
| 5. Highway Law Enforcement and Safety | 0.00 |
| **6. Total (1 through 5)** | $ 1,080,001.63 |
| **B. Debt Service on Local Obligations:** | |
| 1. Bonds: | |
| a. Interest | 5,570.60 |
| b. Redemption | 215,081.00 |
| **c. Total (a + b)** | $ 220,651.60 |
| 2. Notes: | |
| a. Interest | 0.00 |
| b. Redemption | 0.00 |
| **c. Total (a + b)** | $ - |
| **3. Total (1c + 2c)** | $ 220,651.60 |
| C. Payments to State for Highways | 0.00 |
| D. Payments to Toll Facilities | 0.00 |
| **E. Total Expenditures (A6 + B3 + C + D)** | $ 1,300,653.23 |

## IV. LOCAL HIGHWAY DEBT STATUS

*(Show all entries at par)*

| ITEM | OPENING DEBT | AMOUNT ISSUED | REDEMPTIONS | CLOSING DEBT |
|---|---|---|---|---|
| A. Bonds (Total) | 215,081 | $ - | $ 215,081.00 | $ - |
| 1. Bonds (Refunding Portion) | | $ - | | |
| B. Notes (Total) | | $ - | $ - | $ - |