2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

CITY COUNCIL TOOK ACTION TO IMPROVE PUBLIC SAFETY
NEW SPEED CAMERAS INSTALLED IN 2025 TO CURB DANGEROUS SPEEDING

CITY OF FEDERAL HEIGHTS, COLORADO

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2025

Prepared by the Finance Department

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DIRECTORY OF CITY OFFICIALS

ELECTED OFFICIALS

Linda S. Montoya	Mayor	At-Large
Doris Peterson	Mayor-Pro Tem	Ward II
Celeste Arner	Council Member	Ward I
Mike Vallero	Council Member	Ward I
Bonnie Sellers	Council Member	Ward II
Sonia Jensen	Council Member	Ward III
Shari DeVries	Council Member	Ward III

MANAGEMENT AND APPOINTED OFFICIALS

Jacqueline Halburnt	City Manager
Bill Hayashi	City Attorney
Patti Lowell	City Clerk/Director of Admin Services
Ausmus Law Firm PC	City Prosecutor
Amanda Bailhache	Judge
Don Stahurski	Public Works Director
Tim Williams	Community Services Director
Tim Weitzman	Finance Director

FEDERAL HEIGHTS
2025 CITY COUNCIL MEMBERS

Linda S. Montoya
Mayor
lsmontoya@fedheights.org

Celeste Arner
Ward I
carner@fedheights.org

Doris Peterson
Ward II
dpeterson@fedheights.org

Shari DeVries
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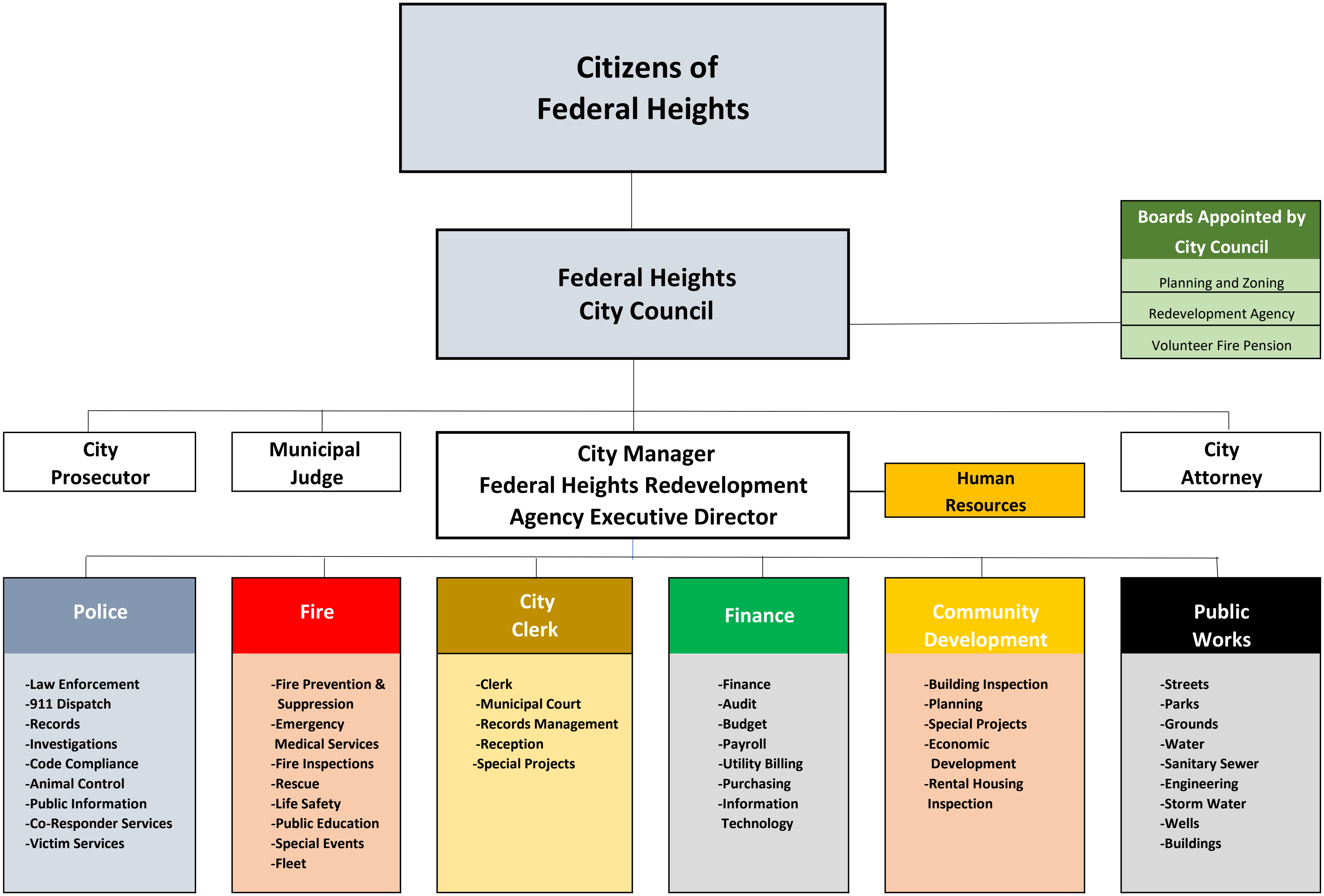
sdevries@fedheights.org

Mike Vallero
Ward I
mvallero@fedheights.org

Bonnie Sellers
Ward II
bsellers@fedheights.org

Sonia Jensen
Ward III
sjensen@fedheights.org


Citizens of Federal Heights
Federal Heights City Council
Boards Appointed by City Council
Planning and Zoning
Redevelopment Agency
Volunteer Fire Pension
City Prosecutor
Municipal Judge
City Manager
Federal Heights Redevelopment Agency Executive Director
Human Resources
City Attorney
Police
-Law Enforcement
-911 Dispatch
-Records
-Investigations
-Code Compliance
-Animal Control
-Public Information
-Co-Responder Services
-Victim Services
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-Fire Prevention & Suppression
-Emergency Medical Services
-Fire Inspections
-Rescue
-Life Safety
-Public Education
-Special Events
-Fleet
City Clerk
-Clerk
-Municipal Court
-Records Management
-Reception
-Special Projects
Finance
-Finance
-Audit
-Budget
-Payroll
-Utility Billing
-Purchasing
-Information Technology
Community Development
-Building Inspection
-Planning
-Special Projects
-Economic Development
-Rental Housing Inspection
Public Works
-Streets
-Parks
-Grounds
-Water
-Sanitary Sewer
-Engineering
-Storm Water
-Wells
-Buildings

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Federal Heights
Colorado

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO

The City of Federal Heights
MISSION STATEMENT

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

VISION STATEMENT

The City of Federal Heights:
-is comprised of distinct neighborhoods that are safe, secure and have convenient access to services and amenities;
-has a sustainable and growing economic base that fosters diverse employment and business opportunities;
-offers a community-focused system of recreational, educational, and cultural activities for people of all ages and income levels;
-capitalized upon its strategic location within the Denver metro area and adapts to a changing environment; and
-proudly enjoys a City government that is responsive and responsible to the needs of its citizens.

Federal Heights

June 2, 2026

City Hall
2380 W. 90th Avenue
Federal Heights, CO 80260
303-428-3526
303-412-3598 Fax

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

City Charter and State law requires that an Annual Comprehensive Financial Report (ACFR) be published within six months of the close of each fiscal year. The report shall be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by independently certified public accountants. This report fulfills that requirement for the City of Federal Heights for the fiscal year ending December 31, 2025.

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

The ACFR is presented in conformity with Statement No. 34 of the Governmental Accounting Standards Board (GASB), titled Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This reporting standard is intended to parallel private sector reporting by consolidating governmental activities and business-type activities into a single total column for government-wide activities. This statement also requires that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The MD&A can be located in the financial section, immediately following the report of the independent auditors. The 2025 audit was performed by John Cutler and Associates. The independent auditor concluded that the City of Federal Heights' financial statements for the fiscal year ended December 31, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

PROFILE OF THE CITY

The City of Federal Heights is a home rule charter city organized under the laws of the State of Colorado and governed by a Council/Manager form of government. The City Council is composed of seven members – a Mayor elected at-large and six Council members elected on a non-partisan basis by their respective wards. There are three wards and two Council members who are elected from each ward. The Council appoints the City Manager, City Attorney, Municipal Judge and City Prosecutor. All other employees are hired by the City Manager. The city had 96 FTE personnel positions in 2025.

The City was established in 1940, currently has a population of approximately 14,382 and occupies 1.78 square miles (1140 acres). The city is fundamentally built out with the remaining undeveloped acreage along the Federal Boulevard corridor and 92nd Avenue. Total undeveloped and unplanned areas are less than 75 acres.

The city is a full-service City providing police, fire and emergency medical services, a court system, public works, (parks, streets, drainage, water and wastewater service), community development (planning and building), and general administrative services. Treated water is mostly purchased from our neighbor, the City of Westminster, and the wastewater treatment service is provided by Metro Water Recovery through the City of Thornton. The city maintains the city water and wastewater lines, wells that typically produce approximately two percent of customer demand, and the billing of customer accounts. The citizens and business owners enjoy a low 0.68 millage rate for city real and personal property taxation. The city has a four percent rate for sales and use taxes, and a four percent admissions tax. The city has an additional five percent tax on recreational marijuana and on the first sale or transfer of recreational marijuana.

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

The budget serves as the foundation for the City's financial planning and control. The City Council formally adopts an annual budget for all funds along with a capital plan, other than the Special Investigation Revenue fund which is separately governed by rules established by the U.S. Department of Justice and Treasury. The city council must adopt the budget by resolution before the close of the prior fiscal year after a public hearing. The budget is prepared at the fund and department levels. Expenditures may not exceed appropriations at the fund level. Any budget revisions that change the total expenditures of any fund must be approved by the City Council.

Local Economy

Approximately 200 to 225 businesses operate within the city in any given year offering a variety of goods and services. The largest concentration of businesses is located at 84th and Pecos, 104th and Federal and along the Federal Boulevard corridor. With the City largely developed and landlocked, it does not have many current locations ripe for residential or commercial development.

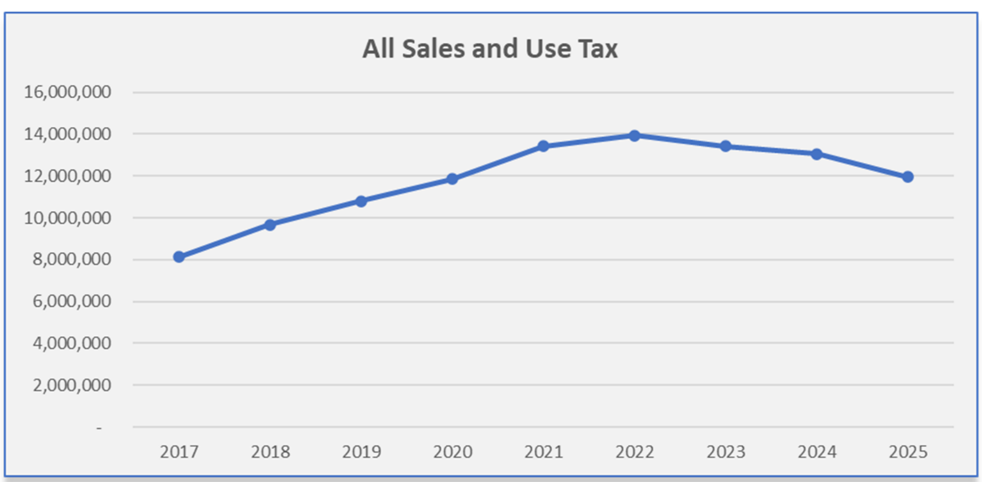
The overall economic environment appears to have been generally stable during 2025 as inflation held steady and unemployment remained generally low.

The Denver-Aurora-Lakewood Consumer Price Index grew by approximately 2.289 percent for 2025 following a 2.27 percent increase in 2024 and 5.215 percent increase in 2023.

Adams County Colorado had an unemployment rate of 3.9% in December 2025 compared to 4.8% at the end of 2024. Local area unemployment at the end of 2025 was below the state as whole, which was approximately 4.5% at that time.

Overall sales and use tax including Marijuana experienced a marked decrease of approximately 8% in 2025 as compared to a decrease of 2.8% in 2024 which followed a 3.6% increase in 2023. Sales tax revenues peaked in 2022 at approximately $13.9 million and had since decreased by almost $2.0 million to approximately $11.9 million for 2025. This decrease is predominantly due to a reduction in Marijuana sales tax revenues. Just as Marijuana sales tax revenues drove overall sales tax collection increases since its introduction in 2017 through 2022, this same sector has lead the subsequent decrease. This upward and downward trend experienced by the city corresponds with the performance of this sector on a statewide basis with some variance in the yearly magnitude. According to the March 2026 Economic and Revenue Outlook from the Governor's Office of State Planning and Budgeting, the decrease in Marijuana revenue is believed to be stabilizing and statewide Marijuana sales tax revenues while expected to decline approximately 2.1% in FY 2025-26, are then expected to increase 2.4% percent in FY 2026-27, and increase an additional 3.3% in FY 2027-28. At this time, it is uncertain if these future expectations will materialize and to what extent they will impact City revenues.

The decline of marijuana sales tax collections and the sectors overall contribution to the city's sales tax revenue, while still significant, is about half of what it was at its peak in 2021. Despite this decline, market conditions for Marijuana sales still have meaningful impacts to city sales tax revenues.



Looking Back

The city undertook several projects in 2025 with the purpose of improving public services and safety as well as facility upgrades:

- Undergrounding of overhead utility lines along W. 92nd Avenue from Federal Boulevard to Pecos Street continued with the project completed in the spring of 2026. A continuation of this project along Pecos Street from W. 84th Avenue to W. 85th Avenue is expected to commence in late summer of 2026.
- Water Main Replacement projects for 2025 consisted of replacement of the water mains in the Old Town area on Elm Court from 90th Place to 91st Avenue, Clay Street from 90th Avenue to 91st Avenue and 90th Place from Federal Blvd. to Elm Court and Clay Street to Camenisch Way. A 960-foot section of 12" water main was also replaced along Federal Blvd., south of 92nd Avenue.
- 20 sewer manholes were lined in 2025 and to date 193 of the City's 451 manholes have been lined. Lining helps prevent decay and corrosion of the concrete manholes
- Emergency repairs were completed and a new storm drain outlet was installed at the W. 104th Avenue & Eliot Street area.
- All City streets were crack sealed in 2025 with the exception of W. 96th Avenue & W. 90th Avenue.
- Sidewalk, curb, gutter, & drain pan replacements were completed in multiple areas of the city to replace aging infrastructure.

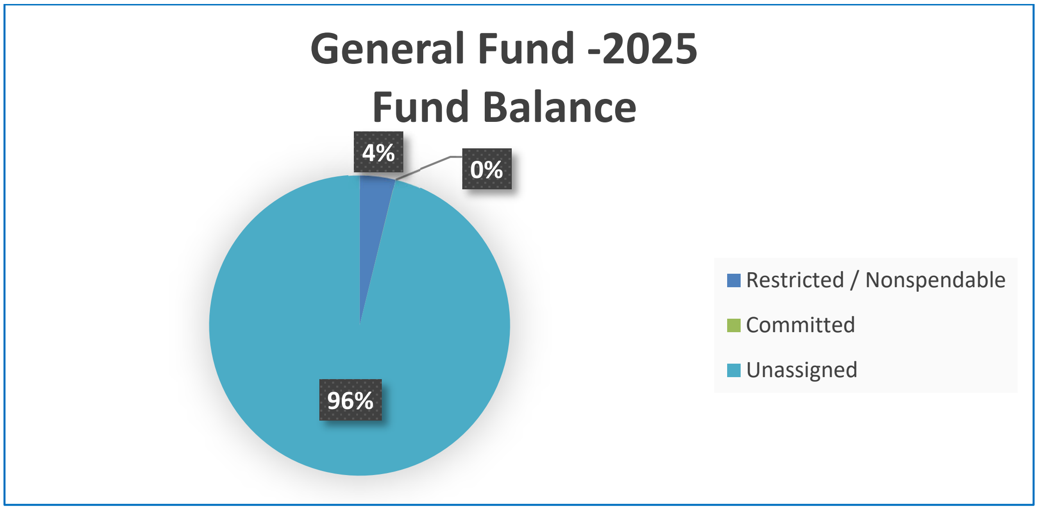
Looking Forward

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

A key component of the CIP is the City's commitment to maintaining its current infrastructure - streets, curbs, gutters, sidewalks, parks, drainage, and the utility system- and dedicating resources to keep infrastructure at acceptable quality levels and to avoid more costly major repairs and reconstruction. While the 5-year planning tool is subject to change, it allows the city to prepare for major capital needs and match those needs with the appropriate projected revenue or available sources. The City does not plan to issue debt to finance needed projects. Presently, the Utility Fund and the Drainage Fund have adequate levels of available working capital to finance major system upgrades.

The General Fund currently maintains an unassigned and available fund balance of approximately $20 million. This represents approximately 96 percent of the overall General Fund balance and approximately 103 percent of the budgeted expenditures for the

General Fund in 2026. This unassigned fund balance is available to the City council for one-time expenditures, or to balance the annual budget on a current basis if needed.



Major Initiatives: Water- Sewer- Road Maintenance. For 2026, the city has appropriated approximately $6.3 million for Water, Sewer and Drainage capital improvements including the continuation of water main replacements and the city-wide sewer manhole lining project. The Water Main Replacement project that began for Old Town in 2023 will continue with the 2026 phases including W. 90th Avenue from Federal Blvd. to Camenisch Way and a 330-foot section in the 8800 block of Federal Blvd. Manhole lining of approximately twenty sewer manholes is also expected to be completed as part of the ongoing city-wide sewer manhole lining project. Street paving projects will consist of the repaving of the Old Town area streets between Federal Blvd. & Camenisch Way including W. 91st Place, W. 91st Avenue, W. 90th Place, Elm Court, & Clay Street, and in the Monticello area west of Tejon Street on Moselle Street, Moselle Lane, Germain Street, and Tulane Street. Drainage projects will include the rehabilitation of a 24-inch storm sewer main in the 8900 block of Federal Blvd. extending east to the outfall south of the W. 89th Avenue & Clay Street area.

A Denver Region Council of Governments (DRCOG) grant was approved in 2024 for a study along the 92nd Avenue Corridor, from Federal Blvd. to Pecos Street, and was completed in early spring of 2026. The study assesses the current traffic volume as well as opportunities to improve overall roadway and pedestrian safety along with traffic efficiency through consideration of methods to reduce speeds to the allowable speed limits; general disability and pedestrian safety improvements; consideration of additional right turn lanes; and an evaluation and comparison of additional traffic signal installations versus other pedestrian crossing alternatives. The study findings will be utilized to identify both short-term improvements and long-term goals for this corridor.

A separate study that commenced in 2023 and remains underway in conjunction with surrounding communities is a study of Federal Boulevard to assess the status of public transportation along the corridor in order to develop recommendations for adding Bus Rapid Transit (BRT) to improve the effectiveness and efficiency in delivering public transportation services. The study is expected to be completed in 2026.

Grant funding was approved in late 2024 to partially cover the cost for two Electric Vehicle charging stations at City Hall with installation completed in early spring of 2026.

Building related projects planned for 2026 include the upgrades of parking lot lighting in the City Hall and PD areas and the installation of additional covered parking in the PD parking lot area.

Finally, the city completed an update to its Comprehensive Plan which provides strategic planning guidance and a vision for the City's future development.

Notable Revenue Sources: In November 2016, voters approved the sale of retail marijuana in the city. The current ordinance allows for five locations for medical and or retail marijuana sales. In addition to the city's standard 4 percent sales tax, retail marijuana is subject to an additional 5 percent sales tax. Despite reductions in recent years, the tax generated from recreational marijuana sales has had a significant positive impact on the city's overall sales tax revenue and will likely continue to be a significant source of ongoing sales tax revenue. In 2017, the city also passed a five percent tax on the first sale or transfer of unprocessed retail marijuana by a retail marijuana cultivation facility based on the average market for unprocessed retail marijuana. There are currently no marijuana cultivation facilities in the city.

Relevant Financial Information and Policies

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

Pension and Retirement Benefits: City Police and Fire sworn personnel participate in pension plans sponsored by the Fire and Police Pension Association (FPPA). The Fire and Police Pension Association Statewide Retirement Plan is a cost-sharing multiple employer defined benefit pension plan.

The City's general non-sworn employees have money purchase defined contribution plans and participate in social security. For 2025, the city contributed at least 5.5 percent and up to 7.5 percent if the additional two percent was matched by the employee.

The City's post-retirement health insurance benefit is available to all full-time employees who have completed 10 years of continuous service and have reached 60 years of age for an amount not to exceed $400 per month. This liability is included in the City's Statement of Activities and is addressed in Note No. 9 of the Financial Statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Federal Heights, Colorado for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2024. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

Jacqueline Halburnt — City Manager

Tim Weitzman — Finance Director

FINANCIAL SECTION

JOHN CUTLER
& ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Federal Heights, 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 City's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages c-o; the budgetary comparison schedules and pension information on pages 43-49, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

John Cutler & Associates, LLC

May 26, 2026

As management of the City of Federal Heights ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the City.

A. FINANCIAL HIGHLIGHTS

- The net position of all governmental and business type activities totaled approximately $98.0 million at the end of 2025 on the Government – Wide Financial Statements. Of this amount, $28.2 million or 29% is unrestricted and may be used to meet the City's ongoing obligations.

- The fund balance for General Fund decreased by $.9 million and totaled $20.7 million. Unassigned fund balance was $19.9 million or 126% of General Fund Revenues. The unassigned portion of fund balance is available for the City's future spending needs at the Council's discretion.

- Tax revenue in the General Fund decreased 8.0% to $12.5 million. Overall, Sales and Use tax and admissions tax revenues decreased by $1.1 million to approximately $12.0 million. Decreases were primarily due to a reduction in sales tax revenues related to marijuana sales. These decreases, were partially offset by increases in Investment Income, Court Revenues and Building Permit fees. The resulting overall decrease in the General Fund revenue was approximately $.7 million.

- The Redevelopment Agency Fund's total fund balance totaled approximately $.7 million at the end of 2025. Property and sales tax increment receipts received are being used to pay for projects in the redevelopment areas.

- The Road Improvement Fund restricted fund balance for street improvements increased approximately $1.6 million and totaled approximately $8.1 million. Capital outlay of approximately $.2 million was spent during the year for infrastructure improvements and repairs.

- The Capital Improvement Fund's total fund balance totaled $13.7 million at the end of 2025, an increase of approximately $.7 million as compared with the prior year.

- Other Governmental Funds reported combined restricted fund balance of $2.9 million, an increase of $.5 million in comparison with the prior year.

- The Utility Fund and Drainage Fund (proprietary/business type funds) net positions increased $.5 million to $22.0 million. However, on a budgetary basis including the cost of capital acquisitions, the Utility Fund spend was $.03 million greater than current revenues, while the Drainage Fund spend was approximately $.1 million less than current revenues.

- Utility Fund capital system investment totaled $1.1 million and the Drainage Fund capital system improvement totaled approximately $.04 million.

B. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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

Fund Financial Statements

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

GASB 34 requires the designation and highlighting of Major Funds and establishes certain size thresholds that a fund must meet in relation to all the other governmental or business-type activity funds, or in relation to all city funds before a fund is classified as a major fund. The General Fund is always considered a major fund. In highlighting these funds, it is believed that readers will more carefully review the activity of the largest funds. Our major governmental funds are the General Fund, Redevelopment Agency Fund, Road Improvement Fund, and the Capital Improvements Fund. The non-major funds include the Open Space Fund, the E911 Fund, and the Special Investigation Fund.

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

An annual appropriated budget is adopted for all governmental funds other than the Special Investigations Fund which is separately governed by rules established by the US Department of Justice and Treasury. A budgetary comparison statement has been provided for budgeted funds to demonstrate compliance with these budgets.

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

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

Notes to financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report includes Required Supplementary Budgetary comparisons for the General Fund and Redevelopment Agency. The Required Supplementary Information also includes schedules required under GASB 68 for the

City's Volunteer and Statewide Defined Benefit plans and schedules required under GASB 75 for the City's OPEB Plan. These schedules are updated annually.

Combining and Individual Fund Schedules

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

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the close of 2025, total net position was $97.9 million. The largest portion of the net position was the investment in capital assets (net of related debt) of $36.8 million (37%). This amount reflects the investment in all capital assets (e.g. infrastructure, land, buildings, and equipment) less any debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position totaling $32.9 million (34%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $28.2 million (29%) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

The following table summarizes the City's governmental and business-type net position for 2025 and 2024.

Statement of Net Position (In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	$ 55,902.6	$ 53,330.0	$ 7,696.8	$ 7,905.9	$ 63,599.3	$ 61,235.9
Capital Assets	25,778.3	25,317.8	14,885.9	14,551.2	40,664.1	39,869.0
Total Assets	81,680.8	78,647.8	22,582.6	22,457.1	104,263.4	101,104.9
Deferred Outflow of Resources	1,742.5	2,256.9	-	-	1,742.5	2,256.9
					-	-
Total Assets & Deferred Outflows	83,423.3	80,904.7	22,582.6	22,457.1	106,005.9	103,361.8
Current and Other Liabilities	5,081.3	4,883.1	432.3	751.0	5,513.6	5,634.1
Long-term Liabilities	1,666.7	1,609.2	143.8	149.0	1,810.5	1,758.2
Total Liabilities	6,747.9	6,492.3	576.1	900.0	7,324.1	7,392.3
Deferred Inflow of Resources	730.2	965.9	-	-	730.2	965.9
Total Liabilities & Deferred Inflows	7,478.1	7,458.2	576.1	900.0	8,054.3	8,358.2
Net Position						
Net Investment in Capital Assets	21,879.1	21,627.2	14,885.9	14,427.0	36,765.0	36,054.2
Restricted	32,949.2	29,727.8	0.0	-	32,949.2	29,727.8
Unrestricted	21,116.8	22,091.5	7,120.6	7,130.1	28,237.4	29,221.6
Total Net Position	75,945.2	73,446.5	22,006.5	21,557.1	97,951.6	95,003.6

The changes in net position from 2024 to 2025 are primarily due to lower than expected costs for ongoing operational activities and maintenance of the City's capital infrastructure. The positive change of net position is added to current working capital. Expenditures for business-type (water, wastewater, and drainage) infrastructure increased the net investment in capital assets as well.

Changes in Net Position

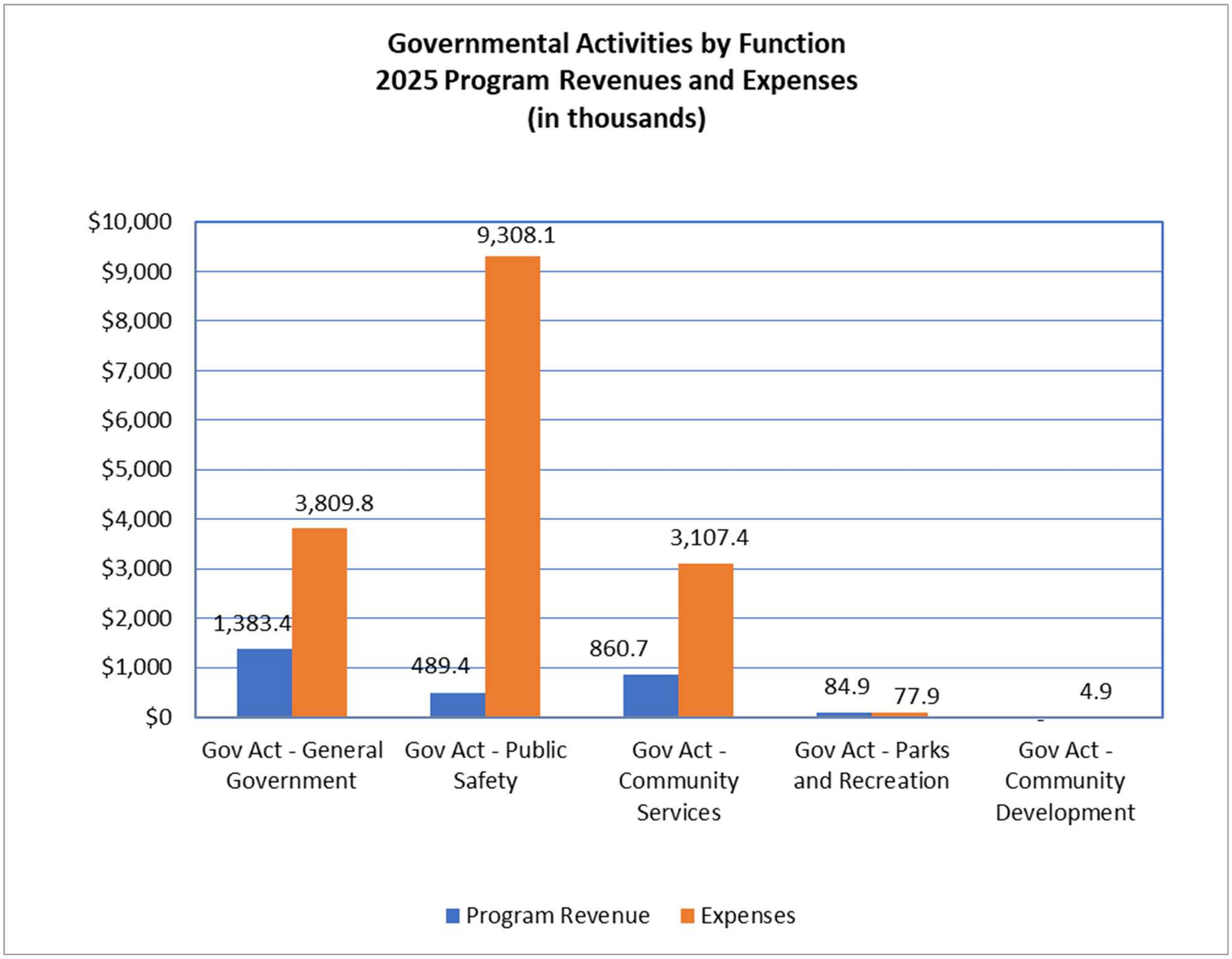
The City's 2025 total revenues of $25.8 million exceeded program expenses of $22.8 million. The 2025 increase in net position after special items and transfers was $2.9 million compared to the $3.9 million during 2024.

Changes in Net Position
(in Thousands)

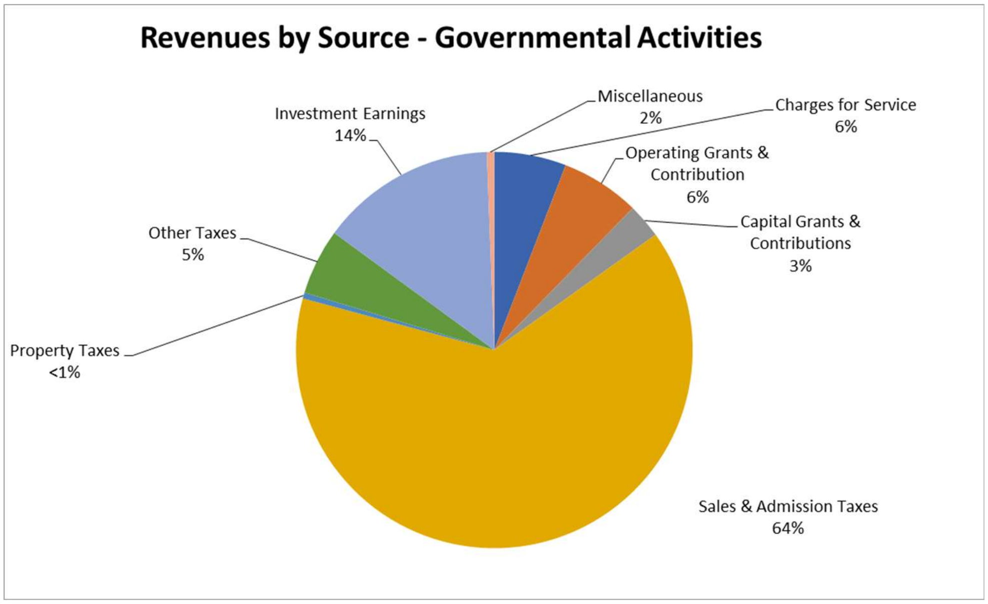
	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Program Revenues						
Charges for Service	$ 1,093.2	$ 970.3	$ 6,699.5	$ 6,670.8	$ 7,792.7	$ 7,641.1
Operating Grants & Contribution	1,200.1	1,014.5	-	-	1,200.1	1,014.5
Capital Grants & Contributions	525.0	516.7	-	-	525.0	516.7
					-	-
General Revenues					-	-
Sales & Admission Taxes	11,952.9	13,054.0	-	-	11,952.9	13,054.0
Property Taxes	92.0	102.5	-	-	92.0	102.5
Tax Increment Financing	-	-	-	-	-	-
Other Taxes	1,001.9	985.4	-	-	1,001.9	985.4
Investment Earnings	2,673.4	1,928.9	327.7	250.0	3,001.0	2,178.9
Miscellaneous	113.2	6.3	116.8	7.9	230.0	14.2
Total Revenues	18,651.7	18,578.6	7,144.0	6,928.7	25,795.8	25,507.3
Program Expenses						
General Government	3,809.8	3,585.2	-	-	$ 3,809.8	$ 3,585.2
Public Safety	9,308.1	8,268.3	-	-	9,308.1	8,268.3
Community Services	3,107.4	3,104.2	-	-	3,107.4	3,104.2
Parks and Recreation	77.9	86.2	-	-	77.9	86.2
Community Development	4.9	5.0	-	-	4.9	5.0
Interest on Long-Term Debt	-	-	-	-	-	-
Utility	-	-	6,155.8	6,055.8	6,155.8	6,055.8
Drainage	-	-	383.8	461.6	383.8	461.6
Total Expenses	16,308.1	15,048.9	6,539.6	6,517.4	22,847.7	21,566.3
Excess before Special Items &Transfers	2,343.6	3,529.7	604.4	411.3	$ 2,948.0	$ 3,941.0
Capital Contribution	-	-	-	-	-	-
Loss on Disposal of Assets	-	-			-	-
Change in Value of Asset	-	-			-	-
Transfers	155.0	105.0	(155.0)	(105.0)	-	-
Increase (decrease) in Net Position	2,498.6	3,634.7	449.4	306.3	2,948.0	3,941.0
Net Position, Beginning	73,446.5	69,811.8	21,557.1	21,250.8	95,003.6	91,062.6
Net Position, Ending	$ 75,945.2	$ 73,446.5	$ 22,006.5	$ 21,557.1	$ 97,951.6	$ 95,003.6

Governmental Activities

Total program expenses of $16.3 million exceeded program revenue of $2.8 million by $13.5 million for 2025 compared to $12.5 million during 2024. This year-over-year net expenditure increase of approximately $1.0 million was primarily driven by increased public safety personnel costs resulting from annual wage increases and employee turnover. The 2025 increase in net position was $2.5 million compared to a $3.6 million increase in 2024. The following illustrates the governmental activities program revenues and expenses by function:

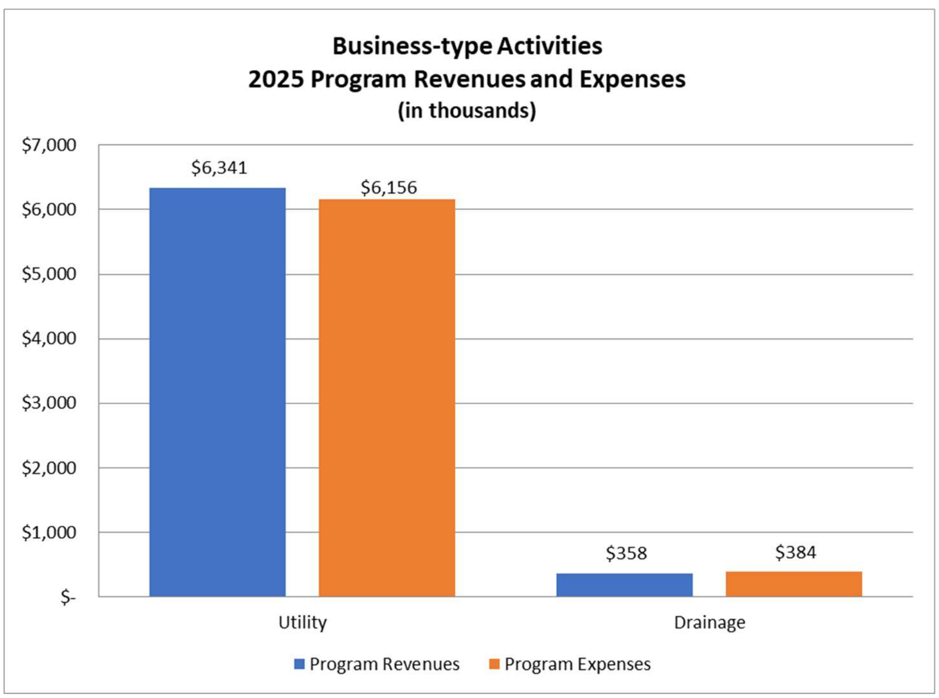


Sales and admission taxes decreased approximately $1.1 million or 8.4% in 2025, dropping from $13.1 million in 2024 to approximately $12.0 million in 2025. This decrease was largely due to reductions in Marijuana sales tax revenues as the industry has matured and experienced decreased sales tax collections on a statewide basis. This decrease was offset by an increase in investment earnings, building permit fees and court revenues. This resulted in a slight overall revenue increase for all Sources of Governmental activities of less than $.1M or less than .5% in 2025 compared to a decrease of approximately 3.6% in 2024.

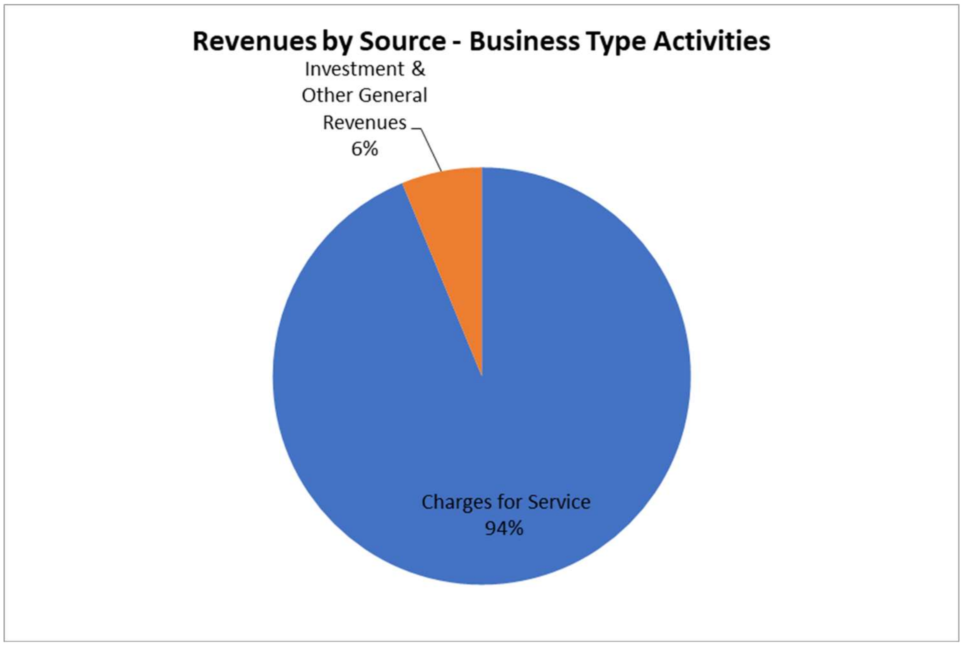


Business-type Activities

Business-type activities including Utilities (water and sewer) and Drainage, for the year resulted in an increase of approximately $.4 million in net position. Charges for services in 2025 totaled $6.7 million consistent with 2024. The following chart illustrates the business-type activities program revenues and expenses:



The 2025 water and sewer customer rates increased 4.0.% and 3.4% respectively from 2024. Total 2025 business type revenues totaling $7.1 million increased slightly by $.2 million when compared to 2024.



D. THE CITY'S FUNDS

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

As of the end of 2025, the City's governmental funds reported combined ending fund balances of $46.1 million, an increase of $2.0 million. The fluctuations in fund balances primarily consisted of a Capital Improvement fund increase of $.7 million due to transfers from the General Fund as well investment income on the fund balance, a Road Fund increase of $1.6 million also due to transfers from the General Fund as well as receipt of road taxes and investment earnings in excess of fund expenditures, an Open Space fund increase of $.3 million, as well as a $.1 million increase in the Special Investigations fund, offset by a decrease in the General Fund of $.9 million due to generally lower than anticipated revenues. The Redevelopment Agency Fund had a slight balance increase of approximately $.04 million due to interest earnings as that balance continues to be expended on qualifying activities which consists primarily of a city undergrounding project. That fund no longer receives property tax increment revenues as the allowable time frame for that revenue source expired in 2018. The Redevelopment Agency is a component unit that is blended into the City's financial statements. Committed, restricted, and non-spendable fund balances in all governmental funds amounted to $26.3 million. The General Fund's unassigned fund balance that is available for subsequent years' spending totaled $19.9 million.

Balance Sheet - Governmental Funds	
General Fund:	
Unassigned	19,860,133
Committed	2,223
Restricted	772,037
NonSpendable	19,418
	20,653,811
Redevelopment Agency Fund:	
Restricted	675,652
Road Improvement Fund:	
Restricted	8,126,982
Capiital Improvement Fund:	
Restricted	13,678,176
Other Government Funds:	
NonSpendable	-
Restricted	2,976,122
	2,976,122
	46,110,743
Committed, restricted, nonspendable	26,250,610
Unassigned	19,860,133
	46,110,743

Proprietary funds – The focus of proprietary funds is economic resources (net position) and economic gain or loss (change in net position). These funds report on the accrual basis of accounting like the government-wide business-type activities only in more detail. The unrestricted portions of net position are resources that are available at the end of the year. The Utility Fund (water and wastewater) and the Drainage Fund (storm water) are the City's two major proprietary funds. The unrestricted net positions of the Utility Fund and Drainage Fund were essentially unchanged with only a slight decrease of less than .01% to remain at approximately $7.1 million at the end of 2025. This high level of unrestricted net position is expected to be reduced in the future and utilized for costly system capital upgrades and major maintenance. The total net position of the proprietary funds increased $.5 million compared to 2024 to $22.0 million as of the end of 2025.

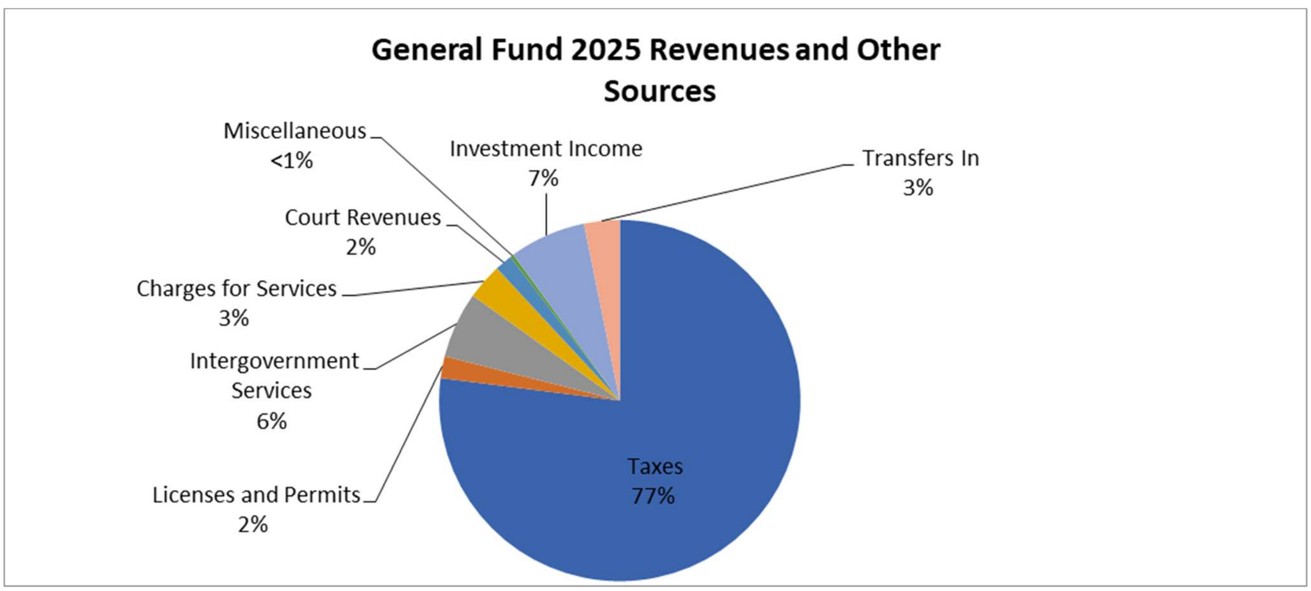
General Fund Budgetary Highlights

The General Fund accounts for all of the general services provided by the City. The General Fund 2025 Final Budget included $19.6 million of revenues/inflows, and $19.6 million of expenditures/outflows. Fund balance was anticipated to be $19.5 million at the end of 2025 compared to the $20.7 million actual ending balance.

Revenues and transfers into the General Fund were \$.3 million unfavorable compared to the \$19.5 million anticipated in the final budget. This unfavorability was primarily due to lower than anticipated sales tax revenues.

General Fund Revenues and Other Sources
Compared to 2025 Adopted Budget
(In Thousands)

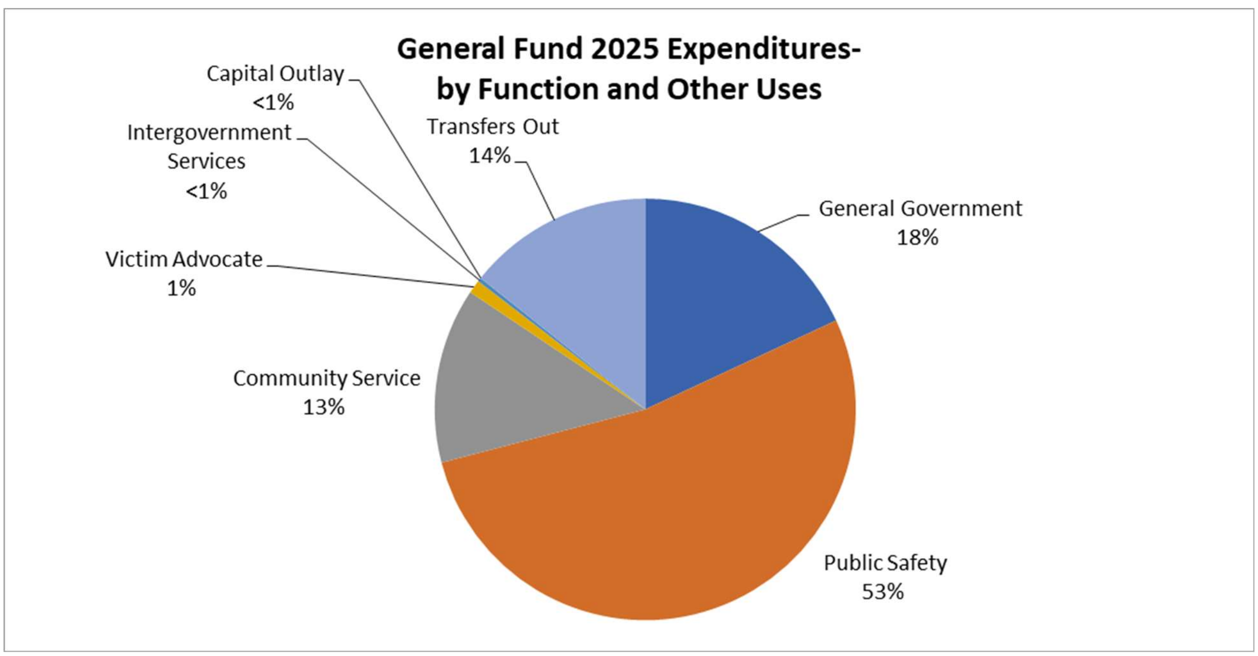
	Budget	Actual	Variance Favorable (Unfavorable)
Taxes	\$ 14,512	\$ 12,515	\$ (1,997)
Licenses and Permits	206	318	112
Intergovernmental Services	1,129	962	(167)
Charges for Services	646	523	(123)
Court Revenues	1,603	252	(1,351)
Miscellaneous	52	52	-
Investment Income	800	1,114	314
Transfers In	605	518	(87)
Total	\$ 19,553	\$ 16,254	\$ (3,299)



General Fund expenditures and transfers out totaling \$17.1 million were \$2.4 million favorable to the \$19.6 million appropriation. This favorability is generally due to lower than anticipated operating costs.

General Fund Expenditures by Function and Other Uses (In Thousands) Compared to 2025 Adopted Budget

	Budget	Actual	Variance Favorable (Unfavorable)
General Government	$ 3,535	$ 3,092	$ 443
Public Safety	10,780	9,047	1,733
Community Service	2,500	2,302	198
Victim Advocate	204	176	28
Intergovernmental Services	83	51	32
Capital Outlay	6	-	6
Transfers Out	2,445	2,445	-
Total	$ 19,553	$ 17,113	$ 2,440



E. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets net of depreciation for its governmental and business-type activities as of December 31, 2025, amounts to $40.7 compared to $39.9 million at the end of 2024. The City invests in a broad range of capital assets, including streets, water and wastewater lines, storm drainage, and other infrastructure improvements; municipal facilities; park and trail improvements; and various equipment and vehicles.

The following table provides a comparative summary of total capital assets as of December 31, 2025 and 2024:

Capital Assets (Net of Depreciation, In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	$ 503.9	$ 429.5	$ 60.1	$ 60.1	$ 564.0	$ 489.6
Construction in Progress	421.8	3,690.6	-	4.9	421.8	3,695.5
Buildings	573.7	632.1	24.3	30.0	598.0	662.1
Improvements	21,780.3	18,374.3			21,780.3	18,374.3
Machinery, Equpment, and Furniture	2,498.5	2,191.3	242.8	211.3	2,741.3	2,402.6
Sewer Lines	-	-	2,782.4	2,867.8	2,782.4	2,867.8
Water Plant, Tanks, and Wells	-	-	8,789.9	8,266.2	8,789.9	8,266.2
Drainage System	-	-	2,986.4	3,110.9	2,986.4	3,110.9
Total Net Capital Assets	$ 25,778.2	$ 25,317.8	$ 14,885.9	$ 14,551.2	$ 40,664.1	$ 39,869.0

Major expenditures added to capital assets during 2025 included:

Road Improvements	351,755
Water and Sewer System Improvements	1,110,675
Drainage Improvements	43,808
Communications, Fire, Police, Other City Equipment and Vehicles	842,596

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

Additional information on the City of Federal Height's capital assets and be found in Note 5 of this report.

Long Term Debt - At the end of 2025, the City did not have any bonded debt or certificate of participations outstanding.

F. FACTORS EFFECTING THE FUTURE OF THE CITY

At the start of 2025 and currently the City continues to maintain a strong financial position. Unassigned fund balances and net position exceed levels acceptable by the City Council. In preparing the 2026 budget, the City was conservatively optimistic in projecting revenue increases for sales and use taxes. The City will continue to be cautious with its spending by delaying discretionary purchases as necessary and monitoring revenues to continually assess the City's financial position. The 2026 budget reflects the City's continued commitment to capital replacement with maintenance of City infrastructure as a top priority.

Sales tax revenues experienced a meaningful decrease in 2025 primarily due to the continuation in marijuana sales tax reductions. While the 2026 budget anticipates an additional reduction from the 2025 budget, it is also approximately 4% greater than the final ending actual totals for 2025. However, through March 2026, receipts for total sales and admissions revenue are down approximately 8% when compared to the same time period in 2025.

The Utility Fund water and wastewater rates have been historically increased to adjust for supplier cost increases. For 2026, water rates have increased 4.0% and wastewater rates have increased 6.0%. Our supplier of water resources has enough water rights to continue to serve our citizens and customers into the foreseeable future. Any future rate increases for water and wastewater as required to offset operating costs and capital needs will be reviewed in detail and approved by council. Water and sewer tap fees are adjusted for the change in consumer price index each year. Drainage Fund stormwater rates have remained constant for many years and no increase is anticipated or needed at this time.

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

G. REQUEST FOR INFORMATION

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

City of Federal Heights
2380 W. 90th Ave.
Federal Heights, CO 80260

BASIC FINANCIAL STATEMENTS

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF NET POSITION
As of December 31, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	$ 49,074,463	$ 6,956,004	$ 56,030,467
Receivables			
Property Taxes	99,583	-	99,583
Accounts	1,697,820	646,634	2,344,454
Accrued Interest Receivable	356,406	-	356,406
Interfund Activity	(94,126)	94,126	-
Prepaid Items	19,418	-	19,418
Net Pension Asset - Volunteer Pension	4,749,003	-	4,749,003
Capital Assets, Not Depreciated	925,731	60,073	985,804
Capital Assets, Depreciated			
Net of Accumulated Depreciation	24,852,519	14,825,779	39,678,298
TOTAL ASSETS	81,680,817	22,582,616	104,263,433
DEFERRED OUTFLOWS OF RESOURCES			
Related to Volunteer Pension	48,251	-	48,251
Related to SWDB Pension	1,645,204	-	1,645,204
Related to OPEB	49,022		49,022
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,742,477	-	1,742,477
LIABILITIES			
Accounts Payable	4,138,628	298,437	4,437,065
Accrued Expenses	777,093	67,879	844,972
Deposits	27,516	50,000	77,516
Non Current Liabilites			
Due in One Year	138,038	15,981	154,019
Due in More Than One Year	1,242,342	143,833	1,386,175
Net OPEB Liability	424,312		424,312
TOTAL LIABILITIES	6,747,929	576,130	7,324,059
DEFERRED INFLOW OF RESOURCES			
Deferred Property Tax Revenue	99,583	-	99,583
Related to Volunteer Pension Plan	3,537		3,537
Related to SWDB Pension Plan	248,298	-	248,298
Related to OPEB Plan	378,790		378,790
TOTAL DEFERRED INFLOWS OF RESOURCES	730,208	-	730,208
NET POSITION			
Investment in Capital Assets	21,879,132	14,885,852	36,764,984
Restricted for Emergencies	530,000	-	530,000
Restricted for Capital Expenditures	14,700,181	-	14,700,181
Restricted for Highways and Streets	8,126,982	-	8,126,982
Restricted for Parks and Recreation	790,641	-	790,641
Restricted for Waste Diversion	109,905		109,905
Restricted for Open Space	3,942,521	-	3,942,521
Restricted for Pension	4,749,003	-	4,749,003
Unrestricted	21,116,793	7,120,634	28,237,427
TOTAL NET POSITION	$ 75,945,157	$ 22,006,486	$ 97,951,643

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

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	$ 3,809,848	$ 523,359	$ 815,785	$ 44,206
Public Safety	9,308,075	251,658	237,771	-
Community Services	3,107,384	318,184	82,900	459,626
Parks and Recreation	77,932	-	63,647	21,216
Community Development	4,871	-	-	-
Total Governmental Activities	16,308,110	1,093,201	1,200,103	525,048
Business-Type Activities				
Utility	6,155,833	6,341,288	-	-
Drainage	383,767	358,243	-	-
Total Business-Type Activities	6,539,600	6,699,531	-	-
Total Primary Government	$ 22,847,710	$ 7,792,732	$ 1,200,103	$ 525,048

GENERAL REVENUES
Property Taxes
Sales and Admission Taxes
Other Taxes
Investment Income
Miscellaneous
Transfers

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION Beginning

NET POSITION Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
$ (2,426,498)	$ -	$ (2,426,498)
(8,818,646)	-	(8,818,646)
(2,246,674)	-	(2,246,674)
6,931	-	6,931
(4,871)	-	(4,871)
(13,489,758)	-	(13,489,758)
-	185,455	185,455
-	(25,524)	(25,524)
-	159,931	159,931
(13,489,758)	159,931	(13,329,827)
92,002	-	92,002
11,952,854	-	11,952,854
1,001,946	-	1,001,946
2,673,351	327,676	3,001,027
113,221	116,822	230,043
155,000	(155,000)	-
15,988,374	289,498	16,277,872
2,498,616	449,429	2,948,045
73,446,541	21,557,057	95,003,598
$ 75,945,157	$ 22,006,486	$ 97,951,643

CITY OF FEDERAL HEIGHTS, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2025

	GENERAL FUND	SPECIAL REVENUE: REDEVELOPMENT AGENCY FUND	CAPITAL PROJECT: ROAD IMPROVEMENT FUND	CAPITAL PROJECT: CAPITAL IMPROVEMENT FUND
ASSETS				
Cash and Investments	$ 19,741,977	$ 4,560,552	$ 8,102,738	$ 13,701,588
Property Taxes Receivable	99,583	-	-	-
Accounts Receivable	1,507,990	-	74,773	-
Accrued Interest Receivable	356,406	-	-	-
Prepaid Items	19,418	-	-	-
Due From Other Funds	9,711	-	1,983	-
TOTAL ASSETS	$ 21,735,085	$ 4,560,552	$ 8,179,494	$ 13,701,588
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY				
LIABILITIES				
Accounts Payable	$ 177,082	$ 3,884,900	$ 52,512	$ 23,412
Accrued Liabilities	777,093	-	-	-
Due To Other Funds	-	-	-	-
Deposits	27,516	-	-	-
TOTAL LIABILITIES	981,691	3,884,900	52,512	23,412
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	99,583	-	-	-
	99,583	-	-	-
FUND EQUITY				
Nonspendable	19,418	-	-	-
Restricted for Emergencies	530,000	-	-	-
Restricted for Capital Expenditures	132,132	675,652		13,678,176
Restricted for Highways and Streets	-	-	8,126,982	
Restricted for Parks and Recreation	-	-	-	-
Restricted for Open Space	-	-	-	-
Restricted for Waste Diversion	109,905	-	-	-
Committed for Graffiti	2,223	-	-	-
Unassigned	19,860,133	-	-	-
TOTAL FUND EQUITY	20,653,811	675,652	8,126,982	13,678,176
TOTAL LIABILITIES, DEFERRED INFLOWS INFLOWS, AND FUND EQUITY	$ 21,735,085	$ 4,560,552	$ 8,179,494	$ 13,701,588

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

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

Long-term liabilities and related assets are not due and payable in the current period and are not reported in the funds. These include OPEB liability ($424,312), deferred outlfow related to OPEB plan $49,022 , deferred inflows related to OPEB Plan ($378,790), accrued compensated absences ($1,380,380), net pension assets of $4,749,003, net pension deferred outflows related to pensions of $1,693,455, and deferred inflows related to pensions of ($251,835).

Net position of governmental activities

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

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS 2025	TOTAL GOVERNMENTAL FUNDS 2024
$ 2,967,608	$ 49,074,463	$ 46,807,539
-	99,583	93,287
115,056	1,697,819	1,776,498
-	356,406	308,594
-	19,418	17,542
-	11,694	31,473
$ 3,082,664	$ 51,259,383	$ 49,034,933
$ 722	$ 4,138,628	$ 3,976,713
-	777,093	747,758
105,820	105,820	31,473
-	27,516	27,210
106,542	5,049,057	4,783,154
-	99,583	93,287
-	99,583	93,287
-	19,418	17,542
-	530,000	535,000
214,221	14,700,181	14,098,750
-	8,126,982	6,558,485
790,641	790,641	687,516
1,971,260	1,971,260	1,743,818
-	109,905	33,881
-	2,223	2,376
-	19,860,133	20,481,124
2,976,122	46,110,743	44,158,492
$ 3,082,664		
	25,778,251	25,317,811
	4,056,163	3,970,238
	$ 75,945,157	$ 73,446,541

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
As of December 31, 2025

		SPECIAL REVENUE	CAP. PROJECT	
	GENERAL FUND	REDEVELOPMENT AGENCY FUND	ROAD IMPROVEMENT FUND	CAPITAL IMPROVEMENT FUND
REVENUES				
Taxes	$ 12,515,187	$ -	$ -	$ -
Licenses and Permits	318,184	-	-	-
Intergovernmental	962,333	-	459,626	44,206
Charges for Services	523,359	-	-	-
Court Revenues	251,658	-	-	-
Miscellaneous	52,101	-	-	61,120
Investment Income	1,113,174	249,872	418,803	748,816
TOTAL REVENUES	15,735,996	249,872	878,429	854,142
EXPENDITURES				
Current				
General Government	3,092,668	-	-	
Public Safety	9,047,010	-	-	
Community Services	2,302,121	-	128,679	
Victim Advocate	176,091	-	-	
Parks and Recreation		-	-	
Community Development		705	-	
Intergovernmental Services	50,502	-	-	
Capital Outlay	-	205,702	181,253	1,567,378
TOTAL EXPENDITURES	14,668,392	206,407	309,932	1,567,378
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,067,604	43,465	568,497	(713,236)
OTHER FINANCING SOURCES (USES)				
Transfers In	517,703	-	1,000,000	1,445,000
Transfers Out	(2,445,000)	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	(1,927,297)	-	1,000,000	1,445,000
NET CHANGE IN FUND BALANCES.	(859,693)	43,465	1,568,497	731,764
FUND BALANCES, Beginning	21,513,504	632,187	6,558,485	12,946,412
FUND BALANCES, Ending	$ 20,653,811	$ 675,652	$ 8,126,982	$ 13,678,176

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

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS 2025	TOTAL GOVERNMENTAL FUNDS 2024
$ 531,615	$ 13,046,802	$ 14,141,975
-	318,184	233,753
258,987	1,725,152	1,531,169
-	523,359	557,636
-	251,658	178,861
-	113,221	55,639
142,686	2,673,351	1,928,931
933,288	18,651,727	18,627,964
100,519	3,193,187	2,946,007
-	9,047,010	8,179,998
-	2,430,800	2,503,526
-	176,091	169,234
48	48	9,070
-	705	813
-	50,502	57,162
1,800	1,956,133	2,881,540
102,367	16,854,476	16,747,350
830,921	1,797,251	1,880,614
-	2,962,703	2,633,729
(362,703)	(2,807,703)	(2,528,729)
(362,703)	155,000	105,000
468,218	1,952,251	1,985,614
2,507,904	44,158,492	42,172,878
$ 2,976,122	$ 46,110,743	$ 44,158,492

CITY OF FEDERAL HEIGHTS, COLORADO

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

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Changes in Fund Balances - Total Governmental Funds	$	1,952,251
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay $1,787,047 exceeded depreciation expense ($1,326,607) in the current period.		460,440
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position These include a change in OPEB liability ($41,935) and a change in accrued compensated absences of ($66,272).		(108,207)
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.		194,132
Change in Net Position of Governmental Activities	$	2,498,616

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

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
As of December 31, 2025

ASSETS	UTILITY FUND	DRAINAGE FUND	TOTALS 2025	TOTALS 2024
Current Assets				
Cash and Investments	$ 6,188,556	$ 767,448	$ 6,956,004	$ 7,364,736
Accounts Receivable	617,711	28,923	646,634	541,213
Due From Other Funds	89,077	-	89,077	-
Total Current Assets	6,895,344	796,371	7,691,715	7,905,949
Noncurrent Assets				
Capital Assets, Not Depreciated	60,073		60,073	65,013
Capital Assets, Net of Accumulated Depreciation	11,839,401	2,986,378	14,825,779	14,486,187
Advances To Other Funds	-	5,049	5,049	-
Total Noncurrent Assets	11,899,474	2,991,427	14,890,901	14,551,200
TOTAL ASSETS	18,794,818	3,787,798	22,582,616	22,457,149
LIABILITIES				
Current Liabilities				
Accounts Payable	297,864	573	298,437	621,620
Accrued Liabilities	56,994	10,885	67,879	62,456
Current Portion - Compensated Absence	13,389	2,592	15,981	16,973
Total Current Liabilities	368,247	14,050	382,297	701,049
Noncurrent Liabilities				
Escrow Deposits	50,000	-	50,000	50,000
Compensated Absences	120,502	23,331	143,833	149,043
Total Noncurrent Liabilities	170,502	23,331	193,833	199,043
TOTAL LIABILITIES	538,749	37,381	576,130	900,092
NET POSITION				
Investment in Capital Assets	11,899,474	2,986,378	14,885,852	14,427,002
Unrestricted	6,356,595	764,039	7,120,634	7,130,055
TOTAL NET POSITION	$ 18,256,069	$ 3,750,417	$ 22,006,486	$ 21,557,057

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

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended December 31, 2025

	UTILITY FUND	DRAINAGE FUND	TOTALS 2025	TOTALS 2024
OPERATING REVENUES				
Water Sales	$ 4,354,394	$ -	$ 4,354,394	$ 4,310,801
Sewer Fees	1,986,894	-	1,986,894	2,001,362
Drainage Fees	-	358,243	358,243	358,636
Other Income	114,925	1,897	116,822	7,899
TOTAL OPERATING REVENUES	6,456,213	360,140	6,816,353	6,678,698
OPERATING EXPENSES				
Water Supply	3,318,132	-	3,318,132	3,361,816
Water Distribution	805,052	-	805,052	843,180
Sewer Collection and Treatment	1,286,151	-	1,286,151	1,116,312
General and Administrative	94,976	215,458	310,434	404,160
Depreciation	651,522	168,309	819,831	792,002
TOTAL OPERATING EXPENSES	6,155,833	383,767	6,539,600	6,517,470
OPERATING INCOME	300,380	(23,627)	276,753	161,228
NON-OPERATING REVENUES				
Investment Income	286,771	40,905	327,676	250,001
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	587,151	17,278	604,429	411,229
TRANSERS AND CAPITAL CONTRIBUTIONS				
Transfers Out	(155,000)	-	(155,000)	(105,000)
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	(155,000)	-	(155,000)	(105,000)
CHANGE IN NET POSITION	432,151	17,278	449,429	306,229
NET POSITION Beginning	17,823,918	3,733,139	21,557,057	21,250,828
NET POSITION, Ending	$ 18,256,069	$ 3,750,417	$ 22,006,486	$ 21,557,057

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

CITY OF FEDERAL HEIGHTS, COLORADO

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year Ended December 31, 2025
Increase (Decrease) in Cash and Cash Equivalents

	UTILITY FUND	DRAINAGE FUND	TOTALS 2025	TOTALS 2024
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	$ 6,351,972	$ 358,960	$ 6,710,932	$ 6,650,548
Cash Paid to Suppliers	(5,796,635)	(247,096)	(6,043,731)	(5,741,165)
Net Cash Provided by Operating Activities	555,337	111,864	667,201	909,383
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Payments (To) From Other Funds	(244,077)	(5,049)	(249,126)	(105,000)
Net Cash Used by NonCapital and Related Financing Activities	(244,077)	(5,049)	(249,126)	(105,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Property and Equipment	(1,110,675)	(43,808)	(1,154,483)	(759,661)
Net Cash Used by Capital and Related Financing Activities	(1,110,675)	(43,808)	(1,154,483)	(759,661)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	286,771	40,905	327,676	250,001
Net Increase in Cash and Cash Equivalents	(512,644)	103,912	(408,732)	294,723
CASH AND CASH EQUIVALENTS, Beginning	6,701,200	$ 663,536	7,364,736	7,070,013
CASH AND CASH EQUIVALENTS, Ending	$ 6,188,556	$ 767,448	6,956,004	$ 7,364,736
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	$ 300,380	$ (23,627)	276,753	$ 161,228
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	651,522	168,309	819,831	792,002
Loss on Disposal of Assets	-	-	-	-
Changes in Assets and Liabilities				
Accounts Receivable	(104,241)	(1,180)	(105,421)	(28,150)
Accounts Payable	(322,763)	(420)	(323,183)	(145,780)
Accrued Expenses	5,802	(380)	5,422	48,204
Escrow Deposits	-	-	-	-
Accrued Compensated Absences	24,637	(30,838)	(6,201)	81,879
Total Adjustments	254,957	135,491	390,448	748,155
Net Cash Provided by Operating Activities	$ 555,337	$ 111,864	$ 667,201	$ 909,383

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

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

Reporting Entity

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

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

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

Federal Heights Redevelopment Agency

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

Government-Wide and Fund Financial Statements

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

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

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

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

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

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

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. This fund would typically be used to liquidate pension and OPEB liabilities if required.

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

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

The *Capital Improvement Fund*, a capital projects fund, accounts for the activity related to the acquisition and/or construction of major capital projects of the City.

The City reports the following major proprietary fund:

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

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

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

Cash and Investments

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

Interfund Receivables and Payables

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

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financials statements as "Internal Activity".

Capital Assets

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

Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

Unearned Revenues

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

Compensated Absences

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

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

NOTE 1: ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>*** **(Continued)**

Deferred Outflows/Inflows of Resources (Continued)

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

Property Taxes

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

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

Post-Employment Benefits

The City offers post-employment health and dental insurance to its retired employees that have 10 years of continuous service and have reached age 60 and who retire absent termination. The City may pay up to 50% of the benefit offered to regular full-time employees with a limit of $400 per month. The City expenses this benefit to the funds as it is paid, the long-term obligation related to this benefit is shown as a governmental activity liability. During 2011, the City revised the benefit to only extend until the retired employee is eligible for Medicare.

Contraband Forfeiture

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

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

Fund Balance Classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. At December 31, 2025, the City classifies prepaid expenses as nonspendable fund balance.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. At December 31, 2025, the City has classified the following amounts as restricted:

General Fund – Emergency Reserves (TABOR)	$ 530,000
General Fund – Other Capital Expenses 1% Sales Tax	132,132
General Fund – Waste Diversion	109,905
Redevelopment Agency Fund – Capital Projects	675,652
Road Improvement Fund – Highways and Streets	8,126,982
Capital Improvement Fund – Capital Projects	13,678,176
Open Space Fund – Parks and Recreation	2,761,901
Special Investigations Fund	214,221
Total	**$ 26,228,969**

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. As of December 31, 2025, the City has classified the following amounts as committed:

General Fund - Graffiti	**$ 2,223**

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

Fund Balance Classification (Continued)

Assigned – This classification includes amounts that are constrained by the City Council intent to be used for specific purposes but are neither restricted nor committed. As of December 31, 2025, the City did not have any assigned fund balance.

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

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

NOTE 2: *STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

Budgets and Budgetary Accounting

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

- In September, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 16, the budget is legally enacted through passage of a resolution.
- Revisions of budgeted amounts that alter the total expenditures of any fund must be approved by the City Council. Budgetary control is at the fund level as prescribed by City Council and state statute.
- All appropriations lapse at the end of each fiscal year.
- Budgets are legally adopted for all funds of the City except the Special Investigation Special Revenue Fund. Budgets for the governmental fund types are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented for the enterprise funds are presented on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted.

NOTE 3: *DEPOSITS AND INVESTMENTS*

A summary of deposits and investments as of December 31, 2025 follows:

Petty Cash	$ 2,962
Cash Deposits	1,446,956
Investments	54,580,549
Total	**$ 56,030,467**

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

Governmental Activities	$ 49,074,463
Business-type Activities	6,956,004
Total	**$ 56,030,467**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2025, State regulatory commissioners have indicated that all financial institutions holding deposits for the City are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The City has no policy regarding custodial credit risk for deposits.

At December 31, 2025, the City had deposits with financial institutions with a carrying amount of $1,446,956. The bank balances with the financial institutions were $1,668,607. Of these balances, $250,000 was covered by federal depository insurance and $1,418,607 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

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

Investments

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

Investment Type	Fair Value	Investment Maturity (Years) Less Than One Year	One to Five Years
Money Market Funds	$ 88,755	$ 88,755	$ -
Local Government Pools	15,706,113	15,706,113	-
U.S. Agency Securities	38,785,681	12,345430	26,440,251
Total	**$ 54,580,549**	**$ 28,140,298**	**$ 26,440,251**

Interest Rate Risk

Colorado statutes require that no investment may have a maturity in excess of five years from the date of purchase. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes. The City's investment portfolio does not contain any investments that exceed that limitation. Historically, the City has held its investments to maturity or until they are called at par. The City does not routinely trade securities.

Credit Risk

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

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

NOTE 3: *DEPOSITS AND INVESTMENTS* (Continued)

Investments (Continued)

The City's investment policy controls credit risk by limiting its investments to those allowed by Colorado statutes. Historically, however, the City has only invested in US Treasuries and Instrumentalities. As of December 31, 2025, the City had investments in US Treasury Notes, Federal Home Loan Bank ("FHLB") securities, Federal National Mortgage Association securities ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") securities, and Federal Farm Credit Bank securities which were all rated AA+ by Standard and Poor's and Aaa by Moody's Investor Services.

Local Government Investment Pool

The City had invested $15,184,416 in the Colorado Surplus Asset Fund Trust CORE Fund ("Colorado Core") an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statues, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. Colorado Core is an ultra-short duration enhanced cash fund seeking to maintain a constant share price of $2.00 with an emphasis placed on limiting the risk of negative fair market valuations while maintaining high credit quality and adequate liquidity. The fund operates under GASB Statements 31 and 72 methodology for calculating fair market values and maintains a weighted average maturity of 180 days or less and a weighted average life of 365 days or less.

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

The City had invested $521,697 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statues, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to $1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

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

Investments (Continued)

Local Government Investment Pool (Continued)

CSAFE is rated AAAm by Standard and Poor's. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities are owned by the pools and held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pools. Investments of the pools comply with state statues, consisting of U.S. Treasury bills, notes and note strips, repurchase agreements, U.S. Instrumentalities, Commercial Paper, Bank Deposits and Money Market Funds. CSAFE does not have any limitations or restrictions on participant withdrawals.

Fair Value

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

At December 31, 2025, the City held investments in U.S. Agency Securities in the amount of $38,785,681 with maturity dates of less than five years. Given the low risk of this type of investment, the City has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

The City invested $88,755 in a Money Market Mutual Fund. Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value of investments in money market funds is based on the published net asset values per share of those funds. Money market securities are valued using amortized cost, in accordance with Rule 2a-7 under the 1940 Act. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by Prime Series and Government Series are categorized as Level 2.

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

Investments (Continued)

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. More than 5% of the City's investments are in U.S. Treasury Notes and Securities. The relative percentages of all investments are as follows:

U.S. Treasury Notes	56.34%
Federal Home Loan Bank	8.32%
Federal Farm Credit Bank	5.75%
Money Market Funds	0.81%
Local Government Pools	28.78%

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2025, the City's US instrumentality securities were held in safekeeping by US Bank in the name of the City.

NOTE 4: ***INTERFUND BALANCES***

Below is a schedule of interfund transfers made during the year ended December 31, 2025.

Transfers To Other Funds	Transfers From Other Funds	Amount
General Fund	Road Improvement	1,000,000
General Fund	Capital Improvement	1,445,000
E911 Fund	General Fund	362,703
Utility Fund	General Fund	155,000
Total		**$ 2,962,703**

All transfers to the General Fund are budgeted annually to subsidize operating costs paid from the General Fund. Transfers to the General Fund from the E911 Fund are used for costs incurred in support of E911 services. The transfers from the General Fund to the Road Improvement and Capital Improvement Funds are used to allocate sales taxes collected as required following the November 2002 election and Ordinance 02-12 and for routine operating subsidies.

NOTE 5: *CAPITAL ASSETS*

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

	Balances 12/31/2024	Additions	Deletions	Balances 12/31/2025
Governmental Activities				
Capital Assets, not depreciated				
Land	$ 429,446	$ 74,500	$ -	$ 503,946
Construction in Progress	3,690,591	421,785	3,690,591	421,785
Total Capital Assets, not depreciated	4,120,037	496,285	3,690,591	925,731
Capital Assets, depreciated				
Buildings	2,932,462	-	-	2,932,462
Improvements	29,833,667	4,138,758	-	33,972,425
Machinery and Equipment	7,814,966	842,596	109,171	8,548,391
Total Capital Assets, depreciated	40,581,095	4,981,354	109,171	45,453,278
Less Accumulated Depreciation				
Buildings	2,300,374	58,336	-	2,358,710
Improvements	11,459,348	732,766	-	12,192,114
Machinery and Equipment	5,623,599	535,507	109,171	6,049,935
Total Accumulated Depreciation	19,383,321	1,326,609	109,171	20,600,759
Total Capital Assets, depreciated, Net	21,197,774	3,654,745	-	24,852,519
Governmental Activities, Capital Assets, Net	**$ 25,317,811**	**$ 4,151,030**	**$ 3,690,591**	**$ 25,778,250**
Business-Type Activities				
Capital Assets, not depreciated				
Land	$ 60,073	$ -	$ -	$ 60,073
Construction in Progress	4,940	-	4,940	-
Total Capital Assets, not depreciated	65,013	-	4,940	60,073
Capital Assets, depreciated				
Sewer Lines	$ 5,869,137	$ 84,153	$ -	$ 5,954,290
Water Plant, Tanks, and Wells	14,021,244	941,107	-	14,962,351
Drainage System	4,934,632	43,308	-	4,978,440
Buildings	254,310	-	-	254,310
Furniture and Equipment	939,147	89,355	51,474	977,028
Total Capital Assets, depreciated	26,018,470	1,159,423	51,474	27,126,419
Less: Accumulated Depreciation				
Sewer Lines	3,001,338	170,508	-	3,171,846
Water Plant, Tanks, and Wells	5,754,999	417,452	-	6,172,451
Drainage System	1,823,748	168,308	-	1,992,056
Buildings	224,320	5,733	-	230,053
Furniture and Equipment	727,878	57,830	51,474	734,234
Total Accumulated Depreciation	11,532,283	819,831	51,474	12,300,640
Total Capital Assets, depreciated, Net	14,486,187	339,592	-	14,825,779
Business-Type Activities, Capital Assets, Net	**$ 14,551,200**	**$ 339,592**	**$ 4,940**	**$ 14,885,852**

NOTE 5: ***CAPITAL ASSETS*** (Continued)

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

Governmental Activities	
General Government	$ 112,778
Public Safety	455,197
Community Services	676,584
Parks and Recreation	77,884
Community Development	4,166
Total	**$ 1,326,609**
Business-Type Activities	
Water and Sewer Utility	$ 651,522
Drainage Utility	168,309
Total	**$ 819,831**

NOTE 6: ***LONG-TERM DEBT***

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

	Balance 12/31/2024	Additions	Payments	Balance 12/31/2025	Due In One Year
Governmental Activities					
Compensated Absences	**$ 1,314,108**	**$ 879,442**	**$ 813,170**	**$ 1,380,380**	**$ 138,038**
Business-Type Activities					
Compensated Absences	**$ 166,016**	**$ 90,385**	**$ 96,587**	**$ 159,814**	**$ 15,981**

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

NOTE 7: DEFINED BENEFIT PENSION PLANS

Volunteer Firefighters' Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

Funding Policy. An actuary is used to determine the annual required contribution ("ARC") necessary to maintain the actuarial soundness of the Plan. Colorado law requires the State to make an annual contribution to the Plan. Because the City's monthly benefit amount is over $450, the State's annual contribution is calculated as the highest State contribution made between 1998 and 2001. If required by the actuarial study, the City would make an additional contribution to support the plan.

The actuarial study as of January 1, 2025, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan, therefore the City did not make contributions to this plan for 2025.

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Employees Covered by Benefit Terms

A summary of the current eligible active employees and retirees currently receiving benefit payments is outlined below:

Retirees and Beneficiaries	5
Inactive, Nonretired Members	5
Active Members	4
Total	**14**

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

At December 31, 2025, the City reported asset of $4,749,003. The net pension asset was measured as of December 31, 2024 and was determined by an actuarial valuation as of January 1, 2025. Standard update procedures were used to roll forward the total pension liability to December 31, 2025.

For the year ended December 31, 2025 the City recognized pension income of $318,162. 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
Difference between expected and actual experience	$2,178	$3,537
Net difference between projected and actual earnings on pension plan investments	$46,073	N/A
Change in assumptions and other inputs	N/A	N/A
Total	$48,251	$3,357

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

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

Year ended December 31,	
2026	$27,032
2027	$94,020
2028	($49,773)
2029	($26,565
2030	-

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

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Open*
Remaining Amortization Period:	20 years*
Asset Valuation Method:	5-Year smoothed fair value
Inflation	2.5%
Salary Increases:	N/A
Investment Rate of Return:	7.00%
Retirement Age:	50% per year of eligibility until 100% at age 65.
Mortality	**Pre-retirement**: Pub-2010 Safety Healthy Employee Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale, 60% multiplier for off-duty mortality **Post-retirement**: retirement: Pub-2010 Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale.

NOTE 7: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Volunteer Firefighters' Pension Plan</u> (Continued)

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

Disabled: Pub-2010 Public Safety Healthy Annuitant Mortality Tables for males and females, amount-weighted, set forward five years projected with the MP-2020 Ultimate projection scale, with minimum probability of 3.5% for males and 2.5% for females.

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return
Cash	4.00%	4.20%
Fixed Income - Rates	7.00%	5.00%
Fixed Income - Credit	7.00%	6.50%
Diversifiers	9.00%	5.70%
Long Short	6.00%	6.20%
Global Equity	33.00%	7.00%
Private Markets	34.00%	8.80%
Total	100.00%	

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

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

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

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balances at 1/1/2025	$ 448,420	$ 4,774,977	($ 4,326,557)
Changes for the year:			
Service Cost	1,675	-	1,675
Interest on the total pension liability	30,816	-	30,816
Benefit Changes	-	-	-
Difference between expected and actual experience	7,405	-	7,406
Changes of assumptions	-	-	-
Net investment income	-	466,299	(466,299)
Benefit Payments	(18,330)	(18,330)	-
Pension plan administrative expense	-	(3,957)	3,957
Net Changes	21,566	444,012	(422,446)
Balances at 12/31/2025	**$ 469,986**	**$ 5,218,989**	**($ 4,749,003)**

Sensitivity of the City's net pension asset to changes in the discount rate. The following presents the net pension asset calculated using the discount rate of 7.00 percent, as well as the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension asset	($4,683,397)	($4,749,003)	($4,802,424)

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

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

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

The pension plans have elected to affiliate with FPPA for plan administration and investment only.

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

Statewide Retirement Plan

Plan Description

The Statewide Retirement Plan (SRP) is a cost-sharing multiple-employer defined benefit pension plan. The Plan consists of four components: Defined Benefit Component, Hybrid Defined Benefit Component, Social Security Component and Money Purchase Component. The Plan currently has 230 participating employer fire and police departments.

The Defined Benefit Component and Social Security Component cover substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978, provided that they are not already covered by a statutorily exempt plan. Employers once had the option to withdraw from the Plan, but a change in state statutes eliminated this option effective January 1, 1988, unless the employer elects and is determined to be eligible to participate in the Statewide Money Purchase Plan.

In 2003, legislation was enacted that allows departments who cover their firefighters and police officers in money purchase plans to elect coverage under the Plan. As of August 5, 2003, clerical and other personnel from fire Districts whose services are auxiliary to fire protection may also participate in the Plan. As of January 1, 2020, Colorado police and sheriff departments who participate in Social Security have the option of affiliating for coverage under the Plan.

The Plan assets are in the Fire & Police Members' Benefit Investment Fund Long-Term Pool and the Fire & Police Members' Self-Directed Investment Fund (for Deferred Retirement Option Plan (DROP) assets and Money Purchase Component assets). The Long-Term Pool is designed primarily for open plans with a longer time horizon, appropriate risk tolerance, and lower liquidity needs. The investment return assumption is 7.00 percent.

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Retirement Plan (Continued)

Plan Description (Continued)

Members participating in DROP or in the Money Purchase Component choose among various investment options offered by an outside investment manager

Description of Benefits

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

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

A member is eligible for an early retirement after completion of 30 years of service or attainment of age 50 with at least five years of credited service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis.

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

Beginning January 1, 2007, the annual normal retirement benefit for the Social Security Component is 1.0 percent of the average of the member's highest three years base salary for each year of credited service up to ten years plus 1.25 percent of the average of the member's highest three years' base salary for each year thereafter. Prior to 2007, the benefit for members of the Social Security Component will be reduced by the amount of social security income the member receives annually, calculated as if the social security benefit started as of age 62. The annual retirement benefit of the Hybrid Defined Benefit Component is 1.9 percent of the average of the member's highest three years' base salary for each year of credited service through December 31, 2022 and 1.5 percent of the average of the member's highest three years' base salary for each year of credited service after January 1, 2023.

NOTE 7: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Statewide Retirement Plan</u> (Continued)

Description of Benefits (Continued)

Benefits paid to retired members and beneficiaries may be increased annually on October 1 via cost of living adjustment (COLA). COLAs may be compounding or non-compounding. The increase in benefits, if any, is based on the FPPA Board of Director's discretion. Compounding COLAs can range from 0 percent to the higher of 3 percent or the Consumer Price Index for Urban Wage Earners and Clerical Workers. Non-compounding COLAs take into consideration the investment returns, compounding COLAs and other economic factors. COLAs may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

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

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

Contributions

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

Members of the Defined Benefit Component contribute 12.0 percent of base salary. In 2020, legislation was enacted to increase the employer contributions rate to the Plan beginning in 2021. Employer contribution rates will increase 0.5 percent annually through 2030 to a total of 13.0 percent of base salary. These increases result in a combined contribution rate of 25.0 percent of base salary in 2030. In 2025, the total combined member and employer contribution rate was 22.5 percent.

Contributions from Defined Benefit Component members and employers of plans reentering the Defined Benefit Component are established by resolution and approved by the FPPA Board of Directors. The continuing rate of contribution for reentry groups is determined for each reentry group. The additional contribution amount is determined locally and may be paid by the member, the employer or split 50/50. Per the 2020 legislation, the required employer contribution rate for reentry departments also increases 0.5 percent annually. These increases result in a minimum combined contribution rate of 25.2 percent in 2030. In 2024, the total minimum required member and employer contribution rate was 22.2 percent.

NOTE 7: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Statewide Retirement Plan</u> (Continued)

Contributions (Continued)

Members of the Social Security Component contribute 6.0 percent of base salary. Per the 2020 legislation, employer contribution rates will increase 0.25 percent annually through 2030 to a total of 6.5 percent of base salary. These increases result in a combined contribution rate of 12.5 percent of base salary in 2030. In 2024, the total combined member and employer contribution rate was 11.0 percent.

The Hybrid Defined Benefit Component and Money Purchase Component members and their employers are currently each contributing at the rate determined by the individual employer. Effective January 1, 2023, the employer and member minimum contribution rates will increase by 0.125 percent annually until they reach a minimum rate of 9 percent each and at least a combined rate of 18 percent in 2030. In 2024, the total minimum combined member and employer contribution rate was 17.0 percent.

The Hybrid Defined Benefit Component sets contribution rates at a level that enables the defined benefits to be fully funded at the member's retirement date. The amount allocated to the Hybrid Defined Benefit Component is set annually by the FPPA Board of Directors. The Hybrid Defined Benefit Component contribution rate from July 1, 2024 through June 30, 2025 is 14.56 percent. The Hybrid Defined Benefit Component contribution rate from July 1, 2023 through June 30, 2024 was 14.24 percent. Contributions in excess of those necessary to fund the defined benefit are allocated to the member's self-directed account in the Money Purchase Component.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan. Additional voluntary contributions form the employer are made on a pre-tax basis.

Within the Money Purchase Component, members are always fully vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer’s contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the plan document at 20 percent per year after the first year of service and to be 100 percent vested after five years of service or the attainment of age 55. Employer and member contributions are invested in funds at the discretion of members.

A member of the Plan may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan. Additional voluntary contributions from the employer are made on a pre-tax basis

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Statewide Retirement Plan (Continued)

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

At December 31, 2025 the City reported a net pension asset in the amount of $0 for its proportionate share of the SRP Plan net pension asset. The SRP Plan net pension asset was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2025. Standard update procedures were used to roll forward the total pension liability to December 31, 2025. The City's proportion of the SRP Plan net pension asset was based on the City's contributions to the SRP Plan for the calendar year 2024 relative to the total contributions of participating employers to the SRP Plan.

At December 31, 2025, the City's proportion was 0.34714%, which was an increase of 0.01944% from its proportion measured as of December 31, 2024.

For the year ended December 31, 2025 the City recognized SRP pension expense of $502,538. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to SRP pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$834,162	$26,092
Net difference between projected and actual earnings on pension plan investments	$118,501	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$15,494	$222,206
Change in assumptions and other inputs	$298,539	N/A
Contributions subsequent to the measurement date	$378,508	N/A
Total	$1,645,204	$248,298

$378,508 reported as deferred outflows of resources related to SRP pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year December 31, 2025. Contributions subsequent to the measurement date will be recognized as a reduction (income) of the net position liability (asset) in the subsequent year.

NOTE 7: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Statewide Retirement Plan</u> (Continued)

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

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

Year ended December 31	
2026	$309,921
2027	$472,112
2028	$9,492
2029	$31,979
2030	$95,415
Thereafter	$99,479

Actuarial assumptions. The actuarial valuations for the SRP Plan were used to determine the total pension liability and actuarially determined contributions for the measurement date ending December 31, 2024. The valuations used the following actuarial assumptions and other inputs:

<u>Total Pension Liability:</u>

Actuarial Valuation Date	January 1, 2025
Actuarial Method	Entry Age Normal
Amortization Method	N/A
Amortization Period	N/A
Long-term investment Rate of Return*	7.00 percent
Projected salary increases*	4.25 – 11.25 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

<u>Actuarially Determined Contributions:</u>

Actuarial Valuation Date	January 1, 2024
Actuarial Method	Entry Age Normal
Amortization Method	Level % of Payroll, Open
Amortization Period	30 Years
Long-term investment Rate of Return*	7.00 percent
Projected salary increases*	4.25 – 11,25 percent
Cost of Living Adjustments (COLA)	0.00 percent
*Includes Inflation at 2.5%	

NOTE 7: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Statewide Retirement Plan</u> (Continued)

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

For determining the total pension liability, the post-retirement mortality tables for non-disabled retirees uses the Pub-2010 Safety Healthy 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 the 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 0.00015.

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 2022 meeting, the Board of Directors reviewed and approved recommended changes to the actuarial assumptions. The recommendations were made by the FPPA's actuaries, Gabriel, Roeder, Smith & Co., based upon their analysis of past experience and expectations of the future. The assumption changes were effective for actuarial valuations beginning January 1, 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 SRP pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (assumed at 2.5 percent).

Best estimates of arithmetic real rates of return for each major asset class included in the SRP Plan's target asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	33.00%	7.00%
Equity Long/Short	6.00%	6.20%
Private Markets	34.00%	8.80%
Fixed Income – Rates	7.00%	5.00%
Fixed Income – Credit	7.00%	6.50%
Absolute Return	9.00%	5.70%
Cash	4.00%	4.20%
Total	100.00%	

NOTE 7: <u>DEFINED BENEFIT PENSION PLANS</u> (Continued)

<u>Statewide Retirement Plan</u> (Continued)

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

The discount rate used to measure the total SRP pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the FPPA Board of Director'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 payment) to determine the total pension liability.

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

For the purpose of this valuation, the expected rate of return on SRP pension plan investments is 7.00%; the municipal bond rate is 4.08% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 7.00%.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability (asset)	$1,693,990	-	-

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

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

The following table summarized each of the City's FPPA plans and the respective pension activity recorded in the financials.

	Net Pension Asset (Liability)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense (Income)
Volunteer Firefighter	$ 4,749,003	$ 48,251	$ 3,537	$ (318,162)
FPPA - SRP	-	1,645,204	248,298	502,538
Total	**$ 4,749,003**	**$ 1,693,455**	**$ 251,835**	**$ (184,376)**

NOTE 8: *DEFINED CONTRIBUTION PENSION PLANS*

General Employees Money Purchase Pension Plan

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

For 2025, both the City and the employee contribute 5.5% of the employee's base salary as established by City Council. The City will also match up to the 2% of additional employee contributions up to a maximum contribution of 7.5% per employee. The employees are also eligible to make additional contributions to the extent allowed by the Internal Revenue Service.

The five-year vesting schedule is as follows: 0% before one-year full-time service; 20% at 1 year; 40% at 2 years; 60% at 3 years; 80% at 4 years; and 100% at 5 years. During the years ended December 31, 2025, 2024, and 2023, the City made contributions of $297,948, $249,575, and $206,740, and the employees made contributions of $281,241, $238,934, and $197,015 to the Plan, respectively. The Plan investments are managed by Mission Square.

City Manager Money Purchase Pension Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of the City Manager. For 2025, both the City and the employee contribute 99.0% of the employee's base salary as established by City Council. The employee is fully vested in all contributions immediately. During the years ended December 31, 2025, 2024, and 2023, the City and employee each made contributions of $18,691, $16,980, and $15,271 to the Plan, respectively. The Plan investments are managed by Mission Square.

NOTE 8: *DEFINED CONTRIBUTION PENSION PLANS* (Continued)

City Council Money Purchase Plan

The City contributes to a single employer defined contribution money purchase pension plan on behalf of the mayor and members of City Council. For 2025, the members are required to contribute 12.5% of their base salary. The City matches this contribution at a maximum of 12.5%. The employee is fully vested in all contributions immediately. During the years ended December 31, 2025, 2024, and 2023, the City and plan members each made contributions of $12,050, $11,107, and $10,137 to the Plan, respectively. The Plan investments are managed by Mission Square.

NOTE 9: *POST-EMPLOYMENT BENEFITS*

General Information about the OPEB Plan

Plan Description

The City of Federal Heights Retiree Health Care Plan (the "Retiree Health Care Plan") is a single employer defined benefit plan. The Retiree Health Care Plan provides a retiree health care benefit by policy to retired employees. The City provides a benefit to regular employees that have 10 years of continuous service and have reached age 60 and who retire absent termination. During the year ended December 31, 2011, the City made modifications to the plan to only allow coverage until a retiree is Medicare eligible. During the year ended December 31, 2022, the City increased the maximum benefit to $400 per month. This plan is a substantive plan as it is not formalized into a formal plan document. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

Benefits Provided

The City provides a subsidy to offset the retiree contributions. The City provides a subsidy of 50% of the monthly contribution for the retiree only tier, 40% for the retiree and spouse tier, and 33% for the retiree and family tier. In all instances, the City does not pay more than $400 per month for both medical and dental benefits.

Funding Policy

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

NOTE 9: *POST-EMPLOYMENT BENEFITS* (Continued)

Employees Covered by Benefit Terms

A summary of the current eligible active employees and retirees currently receiving benefit payments is outlined below:

Not Fully Eligible Active Employees	95
Retirees currently receiving benefits	0
Eligible Active Employees	5
Total	**100**

Total OPEB Liability

The Net OPEB liability measured by an actuarial valuation dated December 31, 2025.

Actuarial Methods and Assumptions

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2025 rollforward actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	December 31, 2025
Discount Rate	4.83% per annum
Salary Increase Rate	3.50% per annum
Census Data	The census was provided by the City as of December 15, 2024.
Marriage Rate	The assumed number of eligible dependents is based on the current proportions of single and family contracts in the census provided.
Spouse Age	Where the information is missing, male spouses are assumed to be three years older than female spouses.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65.
Actuarial Cost Method	Entry Age Normal based on level percentage of projected salary
Amortization Method	*Experience/Assumptions:* gains and losses are amortized over a closed period of 22.2 years starting the current fiscal year, equal to the average remaining service of active and inactive plan members (who have no future service).

NOTE 9: *POST-EMPLOYMENT BENEFITS* (Continued)

Actuarial Methods and Assumptions (Continued)

Changes in Actuarial Assumptions

Plan Participation Percentage	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 70% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.
Mortality Rates	PUB-2016 headcount weighted base mortality table, projected generationally using Scale MP-2021, applied on a gender-specific and job class basis (teacher, safety, or general, as applicable).

Changes in the Total OPEB Liability

Changes in the total OPEB liability were as follows:

Balance at January 1, 2025	$ 426,492
Service Cost	44,181
Interest Cost	19,203
Difference between expected and actual experience	(83,921)
Changes in Assumptions or Other Inputs	18,357
Benefit Payments	-
Balance at December 31, 2025	**$ 424,312**

Assumption Changes: Changes of assumptions and other inputs, which will be observed in the January 1, 2024 actuarial valuations, are as follows:

Discount Rate	Updated from 4.08% to 4.83%

NOTE 9: *POST-EMPLOYMENT BENEFITS* (Continued)

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of resources Related to OPEB

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.83%) or 1-percentage-point higher (5.83%) than the current discount rate:

	1% Decrease (3.83%)	Current Discount Rate (4.83%)	1% Increase (5.83%)
Proportionate share of the net pension liability (asset)	$465,000	$424,000	$388,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (10.00% decreasing to 3.00%) or 1-percentage-point higher (8.00% decreasing to 5.00%) than the current healthcare cost trend rates:

	1% Decrease	Current Health Care Cost Trend	1% Increase
Proportionate share of the net pension liability (asset)	$383,000	$424,000	$473,000

Changes in the Total OPEB Liability

For the year ended December 31, 2025, the City recognized OPEB expense of $41,935, which includes the City's current year contribution expense of $0.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	N/A	$299,657
Change in assumptions and other inputs	$49,022	$79,133
Total	$49,022	$378,790

NOTE 9: ***POST-EMPLOYMENT BENEFITS*** (Continued)

Changes in the Total OPEB Liability (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended December 31	
2026	($ 14,236)
2027	($ 17,539)
2028	($ 17,539)
2029	($ 17,539)
2030	($ 17,539)
Thereafter	($ 245,376)

NOTE 10: ***RISK RELATED ACTIVITIES***

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

For other risks of loss, the City is involved with the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provision of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and Colorado Constitution, Article XIV, Section 18(2).

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

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

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

NOTE 10: *RISK RELATED ACTIVITIES* (Continued)

The City self-insures for an employee short-term disability plan. Claims paid during the years ended December 31, 2025, 2024, and 2023 were $2,925, $14,403, and $5,777, respectively. All transactions of the Plan are recorded in the General Fund.

NOTE 11: *COMMITMENTS AND CONTINGENCIES*

Litigation

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

Grants

Grants from governmental entities are governed by various rules and regulations of the grantor agencies. Under the term of the grants, costs charged to the grant programs are subject to audit and adjustment by the grantor agency.

Such audit could lead to reimbursement to the grantor agency. Management believes there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants the City has received. Therefore, no provision has been recorded in the accompanying financing statements for such contingencies.

Tabor Amendment

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

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2025, the emergency reserve of $530,000 was recorded in the General Fund.

NOTE 12: ***CONSERVATION TRUST FUND***

The City annually receives funds through the State of Colorado that are restricted for use pursuant to Colorado Revised Statutes Article 21 of Title 29. Funds are to be utilized primarily for parks and recreation purposes. The following is a summary of the City's Conversation Trust activity for the year ended December 31, 2025:

	General Fund	Open Space	Total
Balance 12/31/2024	$ (34,108)	$ 739,669	$ 705,561
Receipts	63,647	21,216	84,863
Interest Earned	-	31,556	31,556
Unrealized gain/(loss)	-	9,726	9,726
Expenditures	(96,989)	(1,800)	(98,789)
Balance 12/31/2025	**$ (67,450)**	**$ 800,367**	**$ 732,916**
Less: Unrealized gain/(loss)	-	(9,726)	(9,726)
Balance per CTF Report 12/31/2025	**$ (67,450)**	**$ 790,641**	**$ 723,191**

NOTE 13: ***SUBSEQUENT EVENTS***

Potential subsequent events were considered though May 26, 2026. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FEDERAL HEIGHTS, COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2025

	2025			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES				
Taxes	$ 14,512,225	$ 12,515,187	$ (1,997,038)	$ 13,608,266
Licenses and Permits	205,700	318,184	112,484	233,753
Intergovernmental	1,128,767	962,333	(166,434)	966,710
Charges for Services	646,000	523,359	(122,641)	557,636
Court Revenues	1,603,150	251,658	(1,351,492)	178,861
Miscellaneous	52,000	52,101	101	55,596
Investment Income	800,000	1,113,174	313,174	855,766
TOTAL REVENUES	18,947,842	15,735,996	(3,211,846)	16,456,588
EXPENDITURES				
Current				
General Government	3,534,533	3,092,668	441,865	2,946,007
Public Safety	10,780,006	9,047,010	1,732,996	8,179,998
Community Services	2,500,347	2,302,121	198,226	2,300,116
Victim Advocate	203,441	176,091	27,350	169,234
Intergovernmental Services	83,060	50,502	32,558	57,162
Capital Outlay	6,455	-	6,455	2,670
TOTAL EXPENDITURES	17,107,842	14,668,392	2,439,450	13,655,187
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,840,000	1,067,604	(772,396)	2,801,401
OTHER FINANCING SOURCES(USES)				
Transfers In	605,000	517,703	(87,297)	463,157
Transfers Out	(2,445,000)	(2,445,000)	-	(2,170,572)
TOTAL OTHER FINANCING SOURCES (USES)	(1,840,000)	(1,927,297)	(87,297)	(1,707,415)
NET CHANGE IN FUND BALANCE	-	(859,693)	(859,693)	1,093,986
FUND BALANCE, Beginning	21,513,504	21,513,504	-	20,419,518
FUND BALANCE, Ending	$ 21,513,504	$ 20,653,811	$ (859,693)	$ 21,513,504

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

REDEVELOPMENT AGENCY FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2025

	2025				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Investment Income	$ -	$ -	$ 249,872	$ 249,872	$ 181,225
TOTAL REVENUES	-	-	249,872	249,872	181,225
EXPENDITURES					
Community Development	-	-	705	(705)	813
Capital Outlay	647,983	872,187	205,702	666,485	971,208
TOTAL EXPENDITURES	647,983	872,187	206,407	665,780	972,021
NET CHANGE IN FUND BALANCE	(647,983)	(872,187)	43,465	915,652	(790,796)
FUND BALANCE (DEFICIT), Beginning	632,187	632,187	632,187	-	1,422,983
FUND BALANCE (DEFICIT), Ending	$ (15,796)	$ (240,000)	$ 675,652	$ 915,652	$ 632,187

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

SCHEDULE OF CONTRIBUTIONS
December 31, 2025

FY Ending December 31	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	-	-	-	N/A	N/A
2017	-	-	-	N/A	N/A
2018	-	-	-	N/A	N/A
2019	-	-	-	N/A	N/A
2020	-	-	-	N/A	N/A
2021	-	-	-	N/A	N/A
2022	-	-	-	N/A	N/A
2023	-	-	-	N/A	N/A
2024	-	-	-	N/A	N/A
2025	-	-	-	N/A	N/A

*Includes both employer and State of Colorado Supplementary Discretionary Payment

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

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

VOLUNTEER FIREFIGHTERS' PENSION PLAN

Measurement Period Ending December 31,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability										
Service Cost	$ 9,684	$ 9,684	$ 4,459	$ 4,459	$ 11,453	$ 11,453	$ 552	$ 552	$ 1,675	$ 1,675
Interest on the Total Pension Liability	19,258	20,578	18,754	19,351	30,134	31,625	29,710	30,472	29,890	30,816
Benefit Changes	-	-	-	112,551	-	-	-	-	-	-
Difference Between Expected and and Actual Experience	-	(42,807)	-	27,056	-	(44,807)	-	(32,460)	-	7,405
Assumption Changes	-	2,120	-	25,411	-	-	-	10,949	-	-
Benefit Payments	(11,340)	(11,340)	(11,340)	(19,305)	(20,280)	(20,280)	(20,280)	(18,430)	(18,330)	(18,330)
Net Change in Total Pension Liability	17,602	(21,765)	11,873	169,523	21,307	(22,009)	9,982	(8,917)	13,235	21,566
Total Pension Liability - Beginning	257,589	275,191	253,426	265,299	434,822	456,129	434,120	444,102	435,185	448,420
Total Pension Liability - Ending	$ 275,191	$ 253,426	$ 265,299	$ 434,822	$ 456,129	$ 434,120	$ 444,102	$ 435,185	$ 448,420	$ 469,986
Plan Fiduciary Net Position										
Employer Contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Pension Plan Net Investment Income	48,972	149,764	425,111	(63)	469,836	491,893	620,361	(384,948)	421,584	466,299
Benefit Payments	(11,340)	(11,340)	(11,340)	(19,305)	(20,280)	(20,280)	(20,230)	(18,430)	(18,330)	(18,330)
Pension Plan Administrative Expenses	(5,673)	(5,274)	(5,907)	(5,104)	(6,143)	(2,856)	(3,845)	(3,554)	(3,944)	(3,957)
Net Change in Plan Fiduciary Net Position	31,959	133,150	407,864	(24,472)	443,413	468,757	596,286	(406,932)	399,310	444,012
Plan Fiduciary Net Position - Beginning	2,725,692	2,757,651	2,890,801	3,298,665	3,274,193	3,717,606	4,186,363	4,782,599	4,375,667	4,774,977
Plan Fiduciary Net Position - Ending	2,757,651	2,890,801	3,298,665	3,274,193	3,717,606	4,186,363	4,782,649	4,375,667	4,774,977	5,218,989
Net Pension Liability/(Asset)	$ (2,482,460)	$ (2,637,375)	$ (3,033,366)	$ (2,839,371)	$ (3,261,477)	$ (3,752,243)	$ (4,338,547)	$ (3,940,482)	$ (4,326,557)	$ (4,749,003)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	1002.09%	1140.69%	1243.38%	753.00%	815.03%	964.33%	1076.93%	1005.47%	1064.84%	1110.46%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
STATEWIDE RETIREMENT PLAN

Years Ended December 31,

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
City's proportionate share of the Net Pension Liability (Asset)	0.525%	0.498%	0.411%	0.408%	0.376%	0.321%	0.370%	0.313%	0.328%	0.347%
City's proportionate share of the Net Pension Liability (Asset)	$ (9,256)	$ 179,887	$ (591,851)	$ 515,431	$ (212,415)	$ (696,608)	$ (1,826,581)	$ 277,830	$ -	$ -
City's covered payroll	$ 2,345,907	$ 2,328,554	$ 2,303,527	$ 2,556,939	$ 2,666,409	$ 2,464,281	$ 2,711,988	$ 2,267,440	$ 2,843,571	$ 3,058,470
City's proportionate share of the Net Pension Liability (Asset) as a percentage of its covered payroll	-0.4%	7.7%	-25.7%	20.2%	-8.0%	-28.3%	-67.4%	12.3%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	100.1%	98.2%	106.3%	95.2%	101.9%	106.7%	116.2%	97.6%	100.0%	100.0%

Notes:

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

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

SCHEDULE OF THE CITY'S CONTRIBUTIONS
STATEWIDE RETIREMENT PLAN

Years Ended December 31,

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Statutorily required contributions	$ 203,697	$ 203,826	$ 192,308	$ 218,475	$ 221,454	$ 206,180	$ 227,807	$ 190,465	$ 238,860	$ 305,847	$ 378,508
Contributions in relation to the statutorily required contributions	203,697	203,826	192,308	218,475	221,454	206,180	227,807	190,465	238,860	305,847	378,508
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 2,345,907	$ 2,328,554	$ 2,303,527	$ 2,556,939	$ 2,666,409	$ 2,464,281	$ 2,711,988	$ 2,267,440	$ 2,843,571	$ 3,058,470	$ 3,785,080
Contributions as a percentage of covered payroll	8.68%	8.75%	8.35%	8.54%	8.31%	8.37%	8.40%	8.40%	8.40%	10.00%	10.00%

Notes:

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

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTH CARE PLAN

Years Ended December 31,

Measurement Period Ending December 31,	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability									
Service Cost	$ 16,613	$ 16,613	$ 16,334	$ 11,543	$ 13,438	$ 39,506	$ 40,149	$ 48,138	$ 44,181
Interest	20,238	24,942	23,385	14,086	11,612	10,513	18,451	14,491	19,203
Benefit Changes	-	-	-	-	30,952	-	(135,086)	(4,422)	-
Difference Between Expected and Actual Experience	-	-	(116,192)	-	-	-	-	-	(83,921)
Assumption Changes	18,468	15,185	58,074	25,322	(131,980)	(62,625)	19,227	(30,306)	18,357
Benefit Payments	(34,141)	(34,141)	(30,625)	(38,378)	14,867	(4,724)			
Employer Contributions	-	(12,900)	(10,800)	-	-	-	-	-	-
Other OPEB Expense	-	-	(37,986)	-	-	-	-	-	-
Net Change in Total OPEB Liability	21,178	9,699	(97,810)	12,573	(61,111)	(17,330)	(57,259)	27,901	(2,180)
Total OPEB Liability - Beginning	588,651	609,829	619,528	521,718	534,291	473,180	455,850	398,591	426,492
Total OPEB Liability - Ending	$ 609,829	$ 619,528	$ 521,718	$ 534,291	$ 473,180	$ 455,850	$ 398,591	$ 426,492	$ 424,312
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:
1. Changes of assumptions and other inputs reflect a change in the discount rate which is 3.26% as of December 31, 2023.
2. No assets accumulate in a trust that meets the criteria of GASB codification to pay.

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

See the accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND SCHEDULES

CITY OF FEDERAL HEIGHTS, COLORADO

ROAD IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2025

	2025 ORIGINAL AND FINAL BUDGET	2025 ACTUAL	2025 VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES				
Licenses and Permits	$ 1,000	$ -	$ (1,000)	$ -
Intergovernmental	350,000	459,626	109,626	477,693
Investment Income	265,000	418,803	153,803	275,767
TOTAL REVENUES	616,000	878,429	262,429	753,460
EXPENDITURES				
Community Services	590,199	128,679	461,520	203,410
Capital Outlay	1,669,250	181,253	1,487,997	967,615
TOTAL EXPENDITURES	2,259,449	309,932	1,949,517	1,171,025
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,643,449)	568,497	2,211,946	(417,565)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,000,000	1,000,000	-	900,000
TOTAL OTHER FINANCING SOURCES (USES)	1,000,000	1,000,000	-	900,000
NET CHANGE IN FUND BALANCE	(643,449)	1,568,497	2,211,946	482,435
FUND BALANCE, Beginning	6,558,485	6,558,485	-	6,076,050
FUND BALANCE, Ending	$ 5,915,036	$ 8,126,982	$ 2,211,946	$ 6,558,485

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

CAPITAL IMPROVEMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2025

	2025			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES				
Intergovernmental	$ 198,000	$ 44,206	$ (153,794)	$ 16,971
Miscellaneous	390,000	61,120	(328,880)	43
Investment Income		748,816	748,816	521,356
TOTAL REVENUES	588,000	854,142	266,142	538,370
EXPENDITURES				
Capital Outlay	5,152,846	1,567,378	3,585,468	940,047
TOTAL EXPENDITURES	5,152,846	1,567,378	3,585,468	940,047
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,564,846)	(713,236)	3,851,610	(401,677)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,445,000	1,445,000	-	1,270,572
NET CHANGE IN FUND BALANCE	(3,119,846)	731,764	3,851,610	868,895
FUND BALANCE, Beginning	12,946,412	12,946,412	-	12,077,517
FUND BALANCE, Ending	$ 9,826,566	$ 13,678,176	$ 3,851,610	$ 12,946,412

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
As of December 31, 2025

	SPECIAL REVENUE			TOTALS	
	SPECIAL INVESTIGATIONS FUND	E911 FUND	OPEN SPACE FUND	2025	2024
ASSETS					
Cash and Investments	$ 290,902	$ -	$ 2,676,706	$ 2,967,608	$ 2,417,095
Accounts Receivable	-	29,861	85,195	115,056	122,282
TOTAL ASSETS	$ 290,902	$ 29,861	$ 2,761,901	$ 3,082,664	$ 2,539,377
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	$ 722	$ -	$ -	$ 722	$ -
Due to Other Funds	75,959	29,861	-	105,820	31,473
TOTAL LIABILITIES	76,681	29,861	-	106,542	31,473
FUND BALANCES					
Restricted	214,221	-	2,761,901	2,976,122	2,507,904
TOTAL FUND BALANCES	214,221	-	2,761,901	2,976,122	2,507,904
TOTAL LIABILITIES AND FUND BALANCES	$ 290,902	$ 29,861	$ 2,761,901	$ 3,082,664	$ 2,539,377

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended December 31, 2025

	SPECIAL REVENUE			TOTALS	
	SPECIAL INVESTIGATIONS FUND	E911 FUND	OPEN SPACE FUND	2025	2024
REVENUES					
Taxes	$ -	$ 362,703	$ 168,912	$ 531,615	$ 533,709
Intergovernmental	237,771	-	21,216	258,987	69,795
Investment Income	399	-	142,287	142,686	94,817
TOTAL REVENUES	238,170	362,703	332,415	933,288	698,321
EXPENDITURES					
General Government	100,519	-		100,519	-
Parks and Recreation	-	-	48	48	9,070
Capital Outlay	-	-	1,800	1,800	-
TOTAL EXPENDITURES	100,519	-	1,848	102,367	9,070
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	137,651	362,703	330,567	830,921	689,251
OTHER FINANCING SOURCES					
Transfers Out	-	(362,703)	-	(362,703)	(358,157)
CHANGE IN FUND BALANCES	137,651	-	330,567	468,218	331,094
FUND BALANCES, Beginning	76,570	-	2,431,334	2,507,904	2,176,810
FUND BALANCES, Ending	$ 214,221	$ -	$ 2,761,901	$ 2,976,122	$ 2,507,904

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

E911 FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2025

	2025			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES				
Surcharges	$ 450,000	$ 362,703	$ (87,297)	$ 358,157
TOTAL REVENUES	450,000	362,703	(87,297)	358,157
EXPENDITURES				
General and Administrative		-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	450,000	362,703	(87,297)	358,157
OTHER FINANCING SOURCES (USES)				
Transfers Out	(478,852)	(362,703)	116,149	(358,157)
NET CHANGE IN FUND BALANCE	(28,852)	-	28,852	-
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	$ (28,852)	$ -	$ 28,852	$ -

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

OPEN SPACE FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2025

	2025			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES				
Taxes	$ 180,000	$ 168,912	$ (11,088)	$ 175,552
Intergovernmental	23,000	21,216	(1,784)	22,035
Investment Income	75,000	142,287	67,287	94,795
TOTAL REVENUES	278,000	332,415	54,415	292,382
EXPENDITURES				
Parks and Recreation	50,000	48	49,952	9,070
Capital Outlay	155,000	1,800	153,200	-
TOTAL EXPENDITURES	205,000	1,848	203,152	9,070
NET CHANGE IN FUND BALANCE	73,000	330,567	257,567	283,312
FUND BALANCE, Beginning	2,431,334	2,431,334	-	2,148,022
FUND BALANCE, Ending	$ 2,504,334	$ 2,761,901	$ 257,567	$ 2,431,334

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

UTITLITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION -
BUDGET TO ACTUAL
Year Ended December 31, 2025

	2025			
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES				
Water Sales	$ 4,164,079	$ 4,354,394	$ 190,315	$ 4,310,801
Sewer Fees	2,184,885	1,986,894	(197,991)	2,001,362
Other Income		114,925	114,925	6,384
Investment Income	185,000	286,771	101,771	224,303
TOTAL REVENUES	6,533,964	6,742,984	209,020	6,542,850
EXPENDITURES				
Water Supply	3,658,152	3,318,132	340,020	3,361,816
Water Distribution	1,007,147	805,052	202,095	843,180
Sewer Collection and Treatment	1,733,073	1,286,151	446,922	1,116,312
General and Administrative	135,147	94,976	40,171	110,331
Capital Outlay	3,175,250	1,115,615	2,059,635	739,421
Transfer Out	155,000	155,000	-	105,000
TOTAL EXPENDITURES	9,863,769	6,774,926	3,088,843	6,276,060
NET INCOME, Budget Basis	$ (3,329,805)	(31,942)	$ 3,297,863	266,790
GAAP BASIS ADJUSTMENTS				
Capital Outlay		1,115,615		739,421
Depreciation Expense		(651,522)		(624,210)
NET INCOME, GAAP Basis		432,151		382,001
NET POSITION, Beginning		17,823,918		17,441,917
NET POSITION, Ending		$ 18,256,069		$ 17,823,918

See the accompanying independent auditors' report.

CITY OF FEDERAL HEIGHTS, COLORADO

DRAINAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BUDGET TO ACTUAL
Year Ended December 31, 2025

	2025 ORIGINAL AND FINAL BUDGET	2025 ACTUAL	2025 VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES				
Drainage Fees	$ 357,000	$ 358,243	$ 1,243	$ 358,636
Other Income	1,200	1,897	697	1,515
Grant Income	1,870,000			
Investment Income	20,000	40,905	20,905	25,698
TOTAL REVENUES	2,248,200	401,045	22,845	385,849
EXPENDITURES				
General and Administrative	307,609	215,458	92,151	293,829
Capital Outlay	2,201,250	43,808	2,157,442	20,241
TOTAL EXPENDITURES	2,508,859	259,266	2,249,593	314,070
NET INCOME, Budget Basis	$ (260,659)	141,779	$ 402,438	71,779
GAAP BASIS ADJUSTMENTS				
Capital Outlay		43,808		20,241
Depreciation Expense		(168,309)		(167,792)
NET INCOME, GAAP Basis		17,278		(75,772)
NET POSITION, Beginning		3,733,139		3,808,911
NET POSITION, Ending		$ 3,750,417		$ 3,733,139

See the accompanying independent auditors' report.

STATISTICAL SECTION

STATISTICAL SECTION

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

Contents **Page**

City of Federal Heights
Net Position By Component
Fiscal Years 2016 - 2025
(accrual basis of accounting)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net Investment in capital assets	$ 12,963,928	$ 14,082,864	$ 15,544,134	$ 17,704,072	$ 21,366,876	$ 21,797,837	$ 21,027,071	$ 20,889,406	$ 21,627,220	$ 21,879,132
Restricted	6,103,682	9,726,902	10,545,466	12,887,540	11,326,461	13,583,198	18,286,339	28,215,995	29,727,825	32,949,232
Unrestricted	11,711,916	10,791,780	12,888,748	14,904,157	17,917,667	21,365,433	25,175,381	20,706,380	22,091,496	21,116,793
Total governmental activities net position	30,779,526	34,601,546	38,978,348	45,495,769	50,611,004	56,746,468	64,488,791	69,811,781	73,446,541	75,945,157
Business Type Activities										
Net Investment in capital assets	11,002,153	12,036,135	12,848,139	13,313,649	13,564,931	13,661,823	13,212,044	14,069,330	14,427,002	14,885,852
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	7,719,835	7,359,734	7,033,520	7,079,761	6,821,826	7,318,699	7,497,356	7,181,498	7,130,055	7,120,634
Total business-type activities net position	18,721,988	19,395,869	19,881,659	20,393,410	20,386,757	20,980,522	20,709,400	21,250,828	21,557,057	22,006,486
Primary government										
Net Investment in capital assets	23,966,081	26,118,999	28,392,273	31,017,721	34,931,807	35,459,660	34,239,115	34,958,736	36,054,222	36,764,984
Restricted	6,103,682	9,726,902	10,545,466	12,887,540	11,326,461	13,583,198	18,286,339	28,215,995	29,727,825	32,949,232
Unrestricted	19,431,751	18,151,514	19,922,268	21,983,918	24,739,493	28,684,132	32,672,737	27,887,878	29,221,551	28,237,427
Total primary government net position	$ 49,501,514	$ 53,997,415	$ 58,860,007	$ 65,889,179	$ 70,997,761	$ 77,726,990	$ 85,198,191	$ 91,062,609	$ 95,003,598	$ 97,951,643

Source: City of Federal Heights Financial Statements.

City of Federal Heights
Changes in Net Position
Fiscal Years 2016-2025
(accrual basis of accounting)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental activities:										
General government	$ 2,760,615	$ 2,958,274	$ 5,862,730	$887,296	$2,947,900	$2,981,622	$3,365,245	$3,537,430	$3,585,286	$3,809,848
Public Safety	4,862,109	5,236,063	5,388,329	6,043,652	6,582,022	6,633,150	6,829,344	7,840,733	8,268,260	9,308,075
Community Services	1,870,024	1,864,885	2,103,951	2,361,761	2,319,298	2,634,495	2,657,165	2,999,754	3,104,214	3,107,384
Parks and Recreation	30,147	29,733	32,751	479,914	22,872	17,279	47,100	79,956	86,170	77,932
Community Development	151,832	154,598	158,807	1,385,318	174,295	15,907	5,591	5,068	4,979	4,871
Interest on Long-Term Debt	74,956	63,999	38,463	-	-	-	-	-	-	-
Total governmental activities expenses	9,749,683	10,307,552	13,585,031	11,157,941	12,046,387	12,282,453	12,904,445	14,462,941	15,048,909	16,308,110
Business-type activities:										
Utility	3,803,002	4,064,922	4,296,976	4,537,850	4,715,391	4,622,497	5,341,564	4,946,156	6,055,849	6,155,833
Drainage	180,448	195,581	203,923	239,047	266,624	290,513	312,235	306,955	461,621	383,767
Fire Academy	-	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	3,983,450	4,260,503	4,500,899	4,776,897	4,982,015	4,913,010	5,653,799	5,253,111	6,517,470	6,539,600
Total primary government expenses	13,733,133	14,568,055	18,085,930	15,934,838	17,028,402	17,195,463	18,558,244	19,716,052	21,566,379	22,847,710
Program Revenues										
Governmental activities:										
Charges for services:										
General Government	550,302	496,656	541,927	597,843	439,260	515,711	566,168	630,911	557,636	523,359
Public Safety	406,745	399,701	559,711	727,256	285,320	296,432	199,951	176,323	178,861	251,658
Community Services	200,161	204,649	249,089	247,627	206,062	177,057	148,559	209,414	233,753	318,184
Parks and Recreation	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	688,239	585,028	654,344	725,645	1,772,222	646,201	3,876,917	955,434	1,014,469	1,200,103
Capital grants	973,385	1,196,142	3,604,030	509,624	636,530	1,952,078	541,477	573,306	516,699	525,048
Total governmental activities program revenues	2,818,832	2,882,176	5,609,101	2,807,995	3,339,394	3,587,479	5,333,072	2,545,388	2,501,418	2,818,352
Business-type activities:										
Charges for services										
Utility	4,369,993	4,345,729	4,810,892	5,069,104	4,936,981	5,553,956	5,518,718	5,636,796	6,312,163	6,341,288
Drainage	379,773	397,591	378,465	357,162	358,233	360,133	359,971	358,725	358,636	358,243
Capital grants and contributions	-	380,199	-	59,461	29,671	-	-	-	-	-
Total business-type activities program revenues	4,749,766	5,123,519	5,189,357	5,485,727	5,324,885	5,914,089	5,878,689	5,995,521	6,670,799	6,699,531
Total primary government program revenues	7,568,598	8,005,695	10,798,458	8,293,722	8,664,279	9,501,568	11,211,761	8,540,909	9,172,217	9,517,883
Net (Expense)/Revenue										
Government activities	(6,930,851)	(7,425,376)	(7,975,930)	(8,349,946)	(8,706,993)	(8,694,974)	(7,571,373)	(11,917,553)	(12,547,491)	(13,489,758)
Business-type activities	766,316	863,016	688,458	708,830	342,870	1,001,079	224,890	742,410	153,329	159,931
Total primary government net expense	(6,164,535)	(6,562,360)	(7,287,472)	(7,641,116)	(8,364,123)	(7,693,895)	(7,346,483)	(11,175,143)	(12,394,162)	(13,329,827)
General Revenues										
Governmental activities:										
Taxes										
Property Taxes	39,128	39,489	45,666	45,636	76,137	75,706	84,117	82,698	102,538	92,002
Sales & Admissions Taxes	7,547,332	8,159,783	9,633,214	10,811,303	11,862,384	13,433,003	13,929,390	13,426,623	13,053,989	11,952,854
Property Tax Increment Financing	1,882,640	1,846,624	2,146,533	2,492,626	3,829	1,333	-	-	-	-
Other Taxes	465,724	507,374	504,883	513,920	693,802	811,020	944,738	1,002,397	985,448	1,001,946
Investment Income	184,833	188,896	386,094	632,481	403,316	(42,789)	(172,895)	2,071,966	1,928,932	2,673,351
Miscellaneous	170,127	117,035	53,142	16,401	343,760	94,165	65,346	146,859	6,346	113,221
Transfers	255,000	280,000	340,000	355,000	439,000	458,000	463,000	510,000	105,000	155,000
Loss On Disposal of Assets -Special Item	-	(7,792)	-	-	-	-	-	-	-	-
Capital Contributions - Special Item	-	-	-	-	-	-	-	-	-	-
Special Item - Change in Value of Asset	(261,433)	-	(756,800)	-	-	-	-	-	-	-
Total governmental activities	10,283,351	11,131,409	12,352,732	14,867,367	13,822,228	14,830,438	15,313,696	17,240,543	16,182,253	15,988,374
Business-type activities:										
Investment Income	87,988	80,409	117,237	138,659	81,189	(12,469)	(36,650)	295,712	250,001	327,676
Miscellaneous	11,422	10,456	20,095	19,262	8,288	63,155	3,638	13,306	7,899	116,822
Transfers	(255,000)	(280,000)	(340,000)	(355,000)	(439,000)	(458,000)	(463,000)	(510,000)	(105,000)	(155,000)
Capital Contributions - Special Item	-	-	-	-	-	-	-	-	-	-
Total business-type activities	(155,590)	(189,135)	(202,668)	(197,079)	(349,523)	(407,314)	(496,012)	(200,982)	152,900	289,498
Total primary government	10,127,761	10,942,274	12,150,064	14,670,288	13,472,705	14,423,124	14,817,684	17,039,561	16,335,153	16,277,872
Change in Net Position										
Governmental activities	3,352,500	3,706,033	4,376,802	6,517,421	5,115,235	6,135,464	7,742,323	5,322,990	3,634,762	2,498,616
Business-type activities	610,726	673,881	485,790	511,751	(6,653)	593,765	(271,122)	541,428	306,229	449,429
Total Change in Net Position	$ 3,963,226	$ 4,379,914	$ 4,862,592	$ 7,029,172	$ 5,108,582	$ 6,729,229	$ 7,471,201	$ 5,864,418	$ 3,940,991	$ 2,948,045

Source: City of Federal Heights Financial Statements.

City of Federal Heights
Fund Balance, Governmental Funds
Fiscal Years 2016 - 2025
(modified accrual basis of accounting)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	$ 912,356	$ 962,268	$ 695,730	$ 117,049	$ -	$ 18,123	$ 2,435	$ -	$ 17,542	$ 19,418
Restricted	700,575	755,723	571,771	556,586	547,250	718,581	700,788	916,353	1,012,462	772,037
Commited	295,290	282,703	258,798	228,092	169,111	98,411	90,688	2,754	2,376	2,223
Unassigned	5,937,499	7,246,375	9,090,395	11,787,664	14,825,959	18,052,008	20,028,976	19,500,411	20,481,124	19,860,133
Total General Fund	7,845,720	9,247,069	10,616,694	12,689,391	15,542,320	18,887,123	20,822,887	20,419,518	21,513,504	20,653,811
All Other Governmental Funds										
Nonspendable	1,306,800	-	113,784	-	-	-	-	-	-	-
Restricted	5,403,107	8,971,179	9,973,695	12,330,954	10,779,211	12,864,617	17,585,551	21,753,360	22,644,988	25,456,932
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	1,032,011	-	-	-	-	-	-	-	-	-
Total all other governmental funds	7,741,918	8,971,179	10,087,479	12,330,954	10,779,211	12,864,617	17,585,551	21,753,360	22,644,988	25,456,932
Total Fund Equity	$ 15,587,638	$ 18,218,248	$ 20,704,173	$ 25,020,345	$ 26,321,531	$ 31,751,740	$ 38,408,438	$ 42,172,878	$ 44,158,492	$ 46,110,743

Source: City of Federal Heights Financial Statements

City of Federal Heights
Changes in Fund Balances, Governmental Funds
Fiscal Years 2016 - 2025
(modified accrual basis of accounting)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes	$ 9,934,824	$ 10,511,067	$ 12,372,499	$ 13,863,485	$ 12,636,152	$ 14,321,062	$ 14,958,244	$ 14,511,719	$ 14,141,975	$ 13,046,802
Licenses and Permits	200,161	204,649	249,089	247,627	206,062	177,057	148,559	209,414	233,753	318,184
Intergovernmental	1,661,624	1,781,170	4,258,374	1,235,269	2,408,752	2,598,279	4,418,395	1,528,739	1,531,169	1,725,152
Charges for Services	550,302	496,656	541,927	597,843	439,260	515,711	566,168	630,911	557,636	523,359
Court revenues	406,745	399,701	559,711	727,256	285,320	296,432	199,951	176,323	178,861	251,658
Investment Income	184,833	188,896	386,094	632,481	403,316	(42,789)	(172,895)	2,071,966	1,928,931	2,673,351
Miscellaneous	170,127	117,035	(703,658)	27,357	344,816	128,225	75,392	148,485	55,639	113,221
Change in Value of Asset	(261,433)	-	-	-	-	-	-	-	-	-
Total revenues	12,847,183	13,699,174	17,664,036	17,331,318	16,723,678	17,993,977	20,193,814	19,277,557	18,627,964	18,651,727
Expenditures										
General Government	2,086,425	1,993,027	2,131,264	2,229,560	2,660,797	2,467,229	2,743,767	2,950,821	2,946,007	3,193,187
Public Safety	4,835,191	4,944,336	5,527,909	5,758,072	6,152,348	6,298,216	6,876,236	7,426,218	8,179,998	9,047,010
Community Services	1,462,362	1,453,998	1,675,826	1,895,945	1,806,708	2,082,357	2,095,165	2,423,112	2,503,526	2,430,800
Victim Advocate	110,063	76,905	124,255	142,409	146,579	158,048	260,741	255,952	169,234	176,091
Parks and Recreation	7,101	7,006	10,024	457,187	6,797	7,168	7,500	7,500	9,070	48
Community Development	141,576	143,964	147,436	1,374,318	166,712	11,742	1,425	902	813	705
Intergovernmental Services	72,713	70,910	58,354	44,968	36,970	63,511	51,770	59,939	57,162	50,502
Capital outlay	2,094,376	2,594,419	5,804,580	1,467,687	4,884,581	1,933,497	1,963,512	2,898,673	2,881,540	1,956,133
Debt service										
Interest	74,956	63,999	38,463	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Total expenditures	10,884,763	11,348,564	15,518,111	13,370,146	15,861,492	13,021,768	14,000,116	16,023,117	16,747,350	16,854,476
Excess of revenues over (under) expenditures	1,962,420	2,350,610	2,145,925	3,961,172	862,186	4,972,209	6,193,698	3,254,440	1,880,614	1,797,251
Other Financing Sources (Uses)										
Transfers in	2,232,829	1,491,917	3,165,642	2,855,000	3,660,277	3,069,800	7,189,535	6,483,668	2,633,729	2,962,703
Transfers out	(1,977,829)	(1,211,917)	(2,825,642)	(2,500,000)	(3,221,277)	(2,611,800)	(6,726,535)	(5,973,668)	(2,528,729)	(2,807,703)
Total other financing sources (uses)	255,000	280,000	340,000	355,000	439,000	458,000	463,000	510,000	105,000	155,000
Net changes in fund balances	2,217,420	2,630,610	2,485,925	4,316,172	1,301,186	5,430,209	6,656,698	3,764,440	1,985,614	1,952,251
Debt services as a percentage of noncapital expenditures (a)	0.8%	0.7%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source:City of Federal Heights Financial Statements.

(a) Debt service as a percentage of noncapital expenditures is calculated using interest expense divided by total expenditures adjusted for the amount of capitalized assets as shown on the *Reconciliation of the Statement of Revenues Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.*
Interest expense for 2016 - 2018 is interfund interest from the Redevelopment Fund to the Utility Fund and General Fund.

(b) In 2016 and 2018, the fair market value of land held for sale was adjusted and reduced by $261,433 and $756,800 respectively.

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

City of Federal Heights Fiscal Year Ended December 31	Residential Property	Commercial & Industrial Property	Vacant & Agricultural Property	State Assessed	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (a)	Assessed Value as a Percentage of Actual Value
2016	34,309,890	23,621,780	494,110	68,240	-	58,494,020	0.68	514,422,321	11%
2017	39,682,870	26,430,400	642,640	67,280	-	66,823,190	0.68	644,738,283	10%
2018	39,932,090	26,587,420	619,150	58,710	-	67,197,370	0.68	648,630,568	10%
2019	59,232,710	51,790,860	1,381,000	82,500	-	112,487,070	0.68	1,012,065,235	11%
2020	57,836,730	46,227,520	1,532,490	6,133,100	-	111,729,840	0.68	994,743,625	11%
2021	66,123,450	48,900,500	1,378,160	7,138,660	-	123,540,770	0.68	1,122,794,255	11%
2022	63,210,210	49,659,400	1,410,330	7,486,640	-	121,766,580	0.68	1,111,417,942	11%
2023	66,688,110	59,980,070	1,466,800	8,845,330	-	136,980,310	0.68	1,247,288,295	11%
2024	66,766,750	59,511,150	1,466,800	9,442,410	-	137,187,110	0.68	1,248,921,678	11%
2025	69,160,700	67,127,860	1,604,450	8,553,240	-	146,446,250	0.68	1,392,813,978	11%

Redevelopment Agency Fiscal Year Ended December 31	Residential Property	Commercial & Industrial Property	Vacant & Agricultural Property	State Assessed	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (a)	Assessed Value as a Percentage of Actual Value
2016	5,334,030	12,675,080	304,880	2,260	-	18,316,250	na	111,776,703	16%
2017	7,225,830	14,209,110	395,170	2,370	-	21,832,480	na	150,726,509	14%
2018	7,531,570	14,886,620	388,680	30,160	-	22,837,030	na	158,114,092	14%
2019	-	-	-	-	-	-	na	-	na
2020	-	-	-	-	-	-	na	-	na
2021	-	-	-	-	-	-	na	-	na
2022	-	-	-	-	-	-	na	-	na
2023	-	-	-	-	-	-	na	-	na
2024	-	-	-	-	-	-	na	-	na
2025	-	-	-	-	-	-	na	-	na

Source: Adams County Assessors Office.

(a) Property in Federal Heights is reassessed every two years by Adams County. For 2025, the county assessed property at approximately 6.25% of actual for residential and multi-family properties, at 27% for all others. Estimated actual value is calculated by dividing assessed value by those percentages.

(b) For years ending 2021 and after, Oil and Gas Personal Property is reported in State Assessed to be consistent with Adams County Assessment Reporting. Prior year's Oil and Gas Personal Property was reported by Adams County in the category - Industrial Property.

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

(d) The Redevelopment Agency is a component unit within the City of Federal Heights Financial Statements. The property values are separately identified as a large source of property tax revenues. Revenues are determined by an incremental formula based on an amount of tax generated over a base rather than a direct tax rate. December 31, 2018 was the final year for the Redevelopment Agency. Taxes assessed for 2018 were paid in 2019.

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

			Overlapping Rates					
Fiscal Year	City Direct Rate	Total Direct Rate	Adams County	Urban Drainage District	School District 12	Westminster Public Schools FKA #50	Hyland Hills Recreation District	Rangeview Library District
2016	0.680	0.680	27.055	0.559	65.922	56.896	5.359	3.659
2017	0.680	0.680	26.929	0.557	63.259	51.807	5.079	3.669
2018	0.680	0.680	26.864	0.820	73.510	66.514	5.413	3.666
2019	0.680	0.680	26.917	0.997	69.984	65.984	5.105	3.677
2020	0.680	0.680	26.897	1.000	69.785	66.180	5.116	3.670
2021	0.680	0.680	27.069	1.000	68.677	64.800	5.123	3.689
2022	0.680	0.680	26.967	1.000	68.366	64.777	5.124	3.615
2023	0.680	0.680	26.835	1.000	61.760	59.445	5.099	3.653
2024	0.680	0.680	26.944	1.000	62.705	60.118	5.111	3.667
2025	0.680	0.680	27.479	1.000	70.956	57.670	5.153	3.715

Source: Adams County Assessors Office.

Overlapping Rates are those of local and county governments that apply to property owners within the City of Federal Heights. Not all overlapping rates apply to all Federal Heights property owners; for example although the county property tax rate applies to all city property owners, the Adams County School District 12 rate applies only to city property owners whose property is located within that district's geographic boundaries.

In 2016, Adams County School District 50 reorganized. Westminster Public Schools FKA #50 includes portions of Federal Heights.

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

The city's basic property tax rate is assessed per $1,000 of assessed valuation. As of 12/31/25 there are no direct debt service mills.

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

	2025			2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
MAR Legacy Heights LLC	$ 6,499,330.00	1	4%	$ 3,480,230	3	5%
CR TuscanHeights Communities llc	$ 6,305,750.00	2	4%	$ 3,361,710	4	4%
Dean Ventures LLC	$ 5,385,330.00	3	4%	-		-
Public Service Company of CO (Xcel)	$ 4,860,100.00	4	3%	$ 3,807,520	1	5%
Rosemont Owner LLC	$ 4,326,340.00	5	3%	-		-
GKT Market Square LLC	$ 4,148,180.00	6	3%	-		-
MHC Holiday Hills Village LLC	$ 3,476,910.00	7	2%	$ 3,712,320	2	5%
Safeway Stores 45 Inc	$ 3,369,690.00	8	2%	-		-
AT&T Mobility LLC	$ 2,982,140.00	9	2%	-		-
Comcast of Colorado IX LLC	$ 2,947,400.00	10	2%	-		-
Kimberly Hills	-	-	-	$ 2,315,800	5	3%
ROC II CO Lodge on 84th LLC	-	-	-	$ 1,819,900	6	2%
AMC Countryside Village	-	-	-	$ 1,790,560	7	2%
Carmax Auto Superstores West Coast Inc	-	-	-	$ 1,493,330	8	2%
Buckingham West - Federal Plaza LLC	-	-	-	$ 1,474,880	9	2%
ADLP - 84th LLC				$ 1,428,740	10	2%
Total	$ 44,301,170		30%	$ 24,684,990		32%

Source: Adams County Assessor's Office.

City of Federal Heights
Taxable Sales & Admissions and Sales & Admissions Taxes Collections By Category
Fiscal Years 2016 - 2025

Taxable Sales	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Utility	$ 14,794,200	$ 15,281,309	$ 14,336,892	$ 13,684,484	$ 14,761,067	$ 17,358,333	$ 17,635,876	$ 18,091,169	$ 16,848,497	$ 16,407,412
Grocery	41,706,475	42,557,544	42,656,901	43,456,359	49,053,716	46,451,807	51,243,593	52,334,884	52,144,323	49,803,266
Retail	26,103,850	34,190,351	47,281,593	58,108,271	71,386,531	84,921,080	85,200,566	83,107,708	79,190,676	74,422,095
Entertainment	15,215,375	14,459,641	14,034,132	14,439,832	938,437	18,139,584	18,758,859	17,370,252	20,940,667	20,403,014
Eating and drinking establishments	26,029,900	28,086,243	30,373,766	32,977,560	32,938,589	35,918,697	36,941,560	38,530,735	40,599,455	40,138,276
Auto sales, dealers and auto supplies (a)	41,254,075	42,730,211	44,116,647	45,270,752	43,477,405	52,988,356	55,990,385	52,381,957	52,080,885	45,410,148
Liquor stores	8,889,750	9,368,293	9,887,106	8,982,558	10,020,039	11,044,379	11,655,787	11,452,595	10,420,748	8,909,815
Building materials (b)	6,384,700	7,193,462	4,077,075	8,500,459	3,399,208	3,518,976	3,782,260	3,917,120	7,527,683	4,083,671
All other outlets	8,304,975	9,192,834	16,610,325	12,250,100	16,464,473	6,917,108	12,229,648	10,708,270	7,973,683	10,406,412
Total	$ 188,683,300	$ 203,059,888	$ 223,374,437	$ 237,670,375	$ 242,439,465	$ 277,258,318	$ 293,438,534	$ 287,894,689	$ 287,726,616	$ 269,984,108

Sales and Admission Tax Collected	2016	% of Total	2017	% of Total	2018	% of Total	2019	% of Total	2020	% of Total	2021	% of Total	2022	% of Total	2023	% of Total	2024	% of Total	2025	% of Total
Utility	$ 591,768	8%	$ 611,252	7%	$ 573,476	6%	$ 547,379	5%	$ 590,443	5%	$ 694,333	5%	$ 705,435	5%	$ 723,647	5%	$ 673,940	5%	$ 656,296	5%
Grocery	1,668,259	22%	1,702,302	21%	1,706,276	18%	1,738,254	16%	1,962,149	17%	1,858,072	14%	2,049,744	15%	2,093,395	16%	2,085,773	16%	1,992,131	17%
Retail	1,044,154	14%	1,405,002	17%	2,589,500	27%	3,628,819	34%	5,020,266	42%	5,739,514	43%	5,599,871	40%	5,235,144	39%	4,712,551	36%	4,130,374	35%
Entertainment	608,615	8%	578,386	7%	561,365	6%	577,593	5%	37,537	0%	725,583	5%	750,354	5%	694,810	5%	837,627	6%	816,121	7%
Eating and drinking establishments	1,041,196	14%	1,123,450	14%	1,214,951	13%	1,319,102	12%	1,317,544	11%	1,436,748	11%	1,477,662	11%	1,541,229	11%	1,623,978	12%	1,605,531	13%
Auto sales, dealers and auto supplies (a)	1,650,163	22%	1,709,208	21%	1,764,666	18%	1,810,830	17%	1,739,096	15%	2,119,534	16%	2,239,615	16%	2,095,278	16%	2,083,235	16%	1,816,406	15%
Liquor stores	355,590	5%	374,732	5%	395,484	4%	359,302	3%	400,802	3%	441,775	3%	466,231	3%	458,104	3%	416,830	3%	356,393	3%
Building materials (b)	255,388	3%	287,738	4%	163,083	2%	340,018	3%	135,968	1%	140,759	1%	151,290	1%	156,685	1%	301,107	2%	163,347	1%
All other outlets	332,199	4%	367,713	5%	664,413	7%	490,006	5%	658,579	6%	276,684	2%	489,187	4%	428,331	3%	318,948	2%	416,255	3%
Total	$ 7,547,332	100%	$ 8,159,783	100%	$ 9,633,214	100%	$ 10,811,303	100%	$ 11,862,384	100%	$ 13,433,003	100%	$ 13,929,390	100%	$ 13,426,623	100%	$ 13,053,989	100%	$ 11,952,854	100%

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

(b) In November 2016, the citizens of Federal Heights passed a 4% sales tax and 5% excise tax on the sale of retail marijuana to take effect January 1 2017.
Marijuana sales tax and excise taxes are categorized and included in Retail Sales.

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

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

Fiscal Year	City Direct Rate	Adams County	State of Colorado	Regional Transportation District	Scientific Cultural Facilities District	Total
2016	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2017	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2018	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2019	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2020	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2021	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2022	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2023	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2024	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%
2025	4.00%	0.75%	2.90%	1.00%	0.10%	8.75%

Source: State of Colorado, City of Federal Heights

City of Federal Heights
Property Tax Levies and Collections
Fiscal Years 2016 - 2025

Fiscal Year Ended Dec 31	Taxes Levied for the Fiscal Year (a)	Collected in the Fiscal Year of the Levy		Collections in Subsequent Years (b)	Total Collections to Date	
		Amount (b)	Percentage of Levy		Amount	Percentage of Levy (c)
2016	1,899,688	-	-	1,886,113	1,886,113	99.3%
2017	2,187,076	-	-	2,192,199	2,192,199	100.2%
2018	2,549,736	-	-	2,538,262	2,538,262	99.5%
2019	76,899	-	-	76,137	76,137	99.0%
2020	75,976	-	-	75,706	75,706	99.6%
2021	84,008	-	-	84,117	84,117	100.1%
2022	82,801	-	-	82,698	82,698	99.9%
2023	93,146	-	-	102,538	102,538	110%
2024	93,287			92,002	92,002	99%
2025	99,583					-

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

(a) Property tax collections are presented for the City of Federal Heights and the Federal Heights Redevelopment Agency. The Redevelopment Agency receives a percentage of the Adams County mill levy within which the properties are located. The Redevelopment Agency has no specific mill . Property tax levied for December 31, 2018 was the final year for the Redevelopment Agency.

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

(c) Percentage of levy is based on current year collections received for prior year assessments. Receipts in any given year may include arrear assessments which may predate the immediately prior year. Percentage of levy calculation may exceed 100% in some years due to this variation in timing.

City of Federal Heights
Ratios of Outstanding Debt By Type
Fiscal Years 2016 - 2025

Fiscal Year	Governmental Activities: Sales and Use Tax Revenue Bonds	Governmental Activities: Capital Leases	Business - Type Activities: Capital Leases	Total Primary Government	Percentage of Personal Income	Outstanding Debt Per Capita
2016	-	-	-	-	na	na
2017	-	-	-	-	na	na
2018	-	-	-	-	na	na
2019	-	-	-	-	na	na
2020	-	-	-	-	na	na
2021	-	-	-	-	na	na
2022	-	-	-	-	na	na
2023	-	-	-	-	na	na
2024	-	-	-	-	na	na
2025					na	na

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

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

Fiscal Year	General Obligation Debt Outstanding
2016	(1)
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	

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

City of Federal Heights
Direct and Overlapping Governmental Activities Debt
As of December 31, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Adams County School District 12	$ 458,910,863	3%	$ 13,767,326
Westminster Public School District 50	$ 232,977,093	3%	$ 6,989,313
Adams County	$ 222,141,233	1%	$ 2,221,412
Rangeview Library District	$ 57,922,930	2%	$ 1,158,459
Hyland Hills Recreation District	$ 14,728,446	8%	$ 1,178,276
Urban Drainage	$ -	na	$ -
Subtotal Overlapping Debt	$ 986,680,565		$ 25,314,785
City Direct Debt	$ -	-	$ -
Total Direct and Overlapping Debt	$ 986,680,565		$ 25,314,785

Sources:
Adams County Assessors Office
Adams County Finance Office
Adams County School District 12
Hyland Hills Recreation District
City of Federal Heights
Rangeview Library District

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

City of Federal Heights
Legal Debt Margin Information
Fiscal Years 2016- 2025

Legal Debt Margin Computation for Fiscal Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Maximum Debt Allowed:										
Actual value	626,199,024	795,464,791	806,744,660	1,012,065,235	994,743,625	1,122,794,255	1,111,417,942	1,247,288,295	1,248,921,678	1,392,813,978
Debt limit (3% of valuation)	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Legal debt limit	$ 18,785,971	$ 23,863,944	$ 24,202,340	$ 30,361,957	$ 29,842,309	$ 33,683,828	$ 33,342,538	$ 37,418,649	$ 37,467,650	$ 41,784,419
Debt Applicable to Limit:										
Total bonds outstanding	-	-	-	-	-	-	-	-	-	-
Less: Sales and Use Tax Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Debt subject to limitation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt limit	$ 18,785,971	$ 23,863,944	$ 24,202,340	$ 30,361,957	$ 29,842,309	$ 33,683,828	$ 33,342,538	$ 37,418,649	$ 37,467,650	$ 41,784,419
Total net debt applicable to limit	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Legal debt margin	$ 18,785,971	$ 23,863,944	$ 24,202,340	$ 30,361,957	$ 29,842,309	$ 33,683,828	$ 33,342,538	$ 37,418,649	$ 37,467,650	$ 41,784,419
Total net debt applicable to the limit as a percentage of debt limit	na	na	na	na	na	na	na	na	na	na

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

Note 2: The City of Federal Heights has no outstanding bonds or capital leases.

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

City of Federal Heights
Pledged Revenue Coverage
Fiscal Years 2016 - 2025

Fiscal Year	Sales and Use Tax: Sales and Use Tax Revenue (1)	Sales and Use Tax: Debt Service Principal	Sales and Use Tax: Debt Service Interest	Coverage
2016	$ 7,547,332	$ -	$ -	na
2017	$ 8,159,783	$ -	$ -	na
2018	$ 9,633,214	$ -	$ -	na
2019	$ 10,811,303	$ -	$ -	na
2020	$ 11,862,384	$ -	$ -	na
2021	$ 13,433,003	$ -	$ -	na
2022	$ 13,929,390	$ -	$ -	na
2023	$ 13,426,623	$ -	$ -	na
2024	$ 13,053,989	$ -	$ -	na
2025	$ 11,952,854	$ -	$ -	na

Source: City of Federal Heights Financial Statements

Note: The City has no outstanding debt.

City of Federal Heights
Demographic and Economic Statistics
Last Ten Years

Year	Population (a)	Personal Income (a)	Per Capita Personal Income (a)	Median Age (a)	School Enrollment (b)	Unemployment Rate (c)
2016	11,467	201,429,322	17,566	31.2	2,660	4%
2017	11,467	201,429,322	17,566	31.2	2,493	3%
2018	11,467	201,429,322	17,566	31.2	2,550	4%
2019	11,467	201,429,322	17,566	31.2	2,845	3%
2020	14,382	326,514,546	22,703	29.6	2,596	9%
2021	14,382	326,514,546	22,703	29.6	2,628	4%
2022	14,382	326,514,546	22,703	29.6	2,539	3%
2023	14,382	326,514,546	22,703	29.6	2,354	4%
2024	14,382	326,514,546	22,703	29.6	2,334	5%
2025	14,382	326,514,546	22,703	29.6	2,340	4%

Source:
(a) Table Data based on US Census 2010 and 2020.
(b) City surveys
(c) State of Colorado Department of Labor and Employment
Unemployment rate is for Adams County. A separate unemployment rate is not readily available for Federal Heights.

City of Federal Heights
Principal Employers
Current and Ten Years Ago

Employer	2025 Employees	2025 Rank	2025 Percentage of Total City Employment	2016 Employees	2016 Rank	2016 Percentage of Total City Employment
Waterworld (seasonal employer)	1,826	1	*Note 1*	948	1	*Note 1*
Pinnacle Learning Center	134	2		183	2	
Comcast	118	3		165	3	
Miller International	116	4		103	4	
King Soopers	100	5		100	5	
City of Federal Heights	96	6		87	6	
McDonalds	90	7		75	7	
Federal Heights Elementary	71	8		51	9	
Safeway	60	9		60	8	
Alpine Nissan	52	10		-	-	
Walgreens	-	-		44	10	
Total	2,663			1,816		

Source: Number of Employees estimated from City Surveys
Adams County Employment from State of Colorado Department of Labor and Employment.

Note 1: Information not readily available. Adams County employment as of December 31, 2025 is 249,473. Adams County employment as of December 31, 2016 was 244,325.

City of Federal Heights
Full-time Equivalent City Government Employees by Function/Program
Fiscal Years 2016 - 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government	18	18	17	18	18	17	17	17	17	17
Public Safety										
Police	38	38	39	42	41	42	43	43	45	45
Fire /Ambulance	18	18	18	18	18	18	18	18	18	18
Public Works/Parks	8	9	9	9	10	16	16	16	16	16
Utility - Water/Sewer/Drainage	6	5	5	5	5	-	-	-	-	-
Total	87	88	88	92	92	93	94	94	96	96

Source: Various City of Federal Heights Departments.

Note: Full time equivalents are for budgeted positions as of December 31.
In 2016 Community Development was reclassified into General Government.
In 2021 Utility - Water/Sewer/Drainage combined and included in Public Works/Parks.

City of Federal Heights
Operating Indicators by Function/Program
Fiscal Years 2016 - 2025

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Physical arrests	1,260	1,111	1,146	913	434	526	493	543	632	764
Traffic violations	2,385	3,181	5,312	5,035	1,393	1,655	1,424	1,075	1,414	1,683
Fire/Ambulance										
Ambulance responses	1,497	2,065	1,886	1,965	1,854	2,088	2,473	2,173	1,899	1,482
Fire responses	449	439	478	643	629	558	602	441	538	402
Ambulance transports	1,162	1,370	1,327	1,342	1,474	1,616	1,840	1,571	1,265	1,148
Fire inspections	522	520	781	505	355	452	593	430	343	235
Water										
Water gallons billed to customers	451,173,000	445,638,000	473,808,000	466,203,000	436,373,000	428,405,000	449,207,000	403,877,000	462,017,000	436,066,000
Average daily consumption in gallons per person per day	108	106	113	111	83	82	86	77	88	83
Public Works										
Street resurfacing (miles)	4.25	0.39	2.6	1.47	4.12	1.00	0.99	0.61	1.8	-
Resurfacing as a percentage of total street miles	24%	2%	14%	8%	23%	6%	6%	3%	10%	-
Administration										
Business licenses	219	213	222	223	224	222	222	215	211	202

Source: Various City of Federal Heights Departments.

2025 capital projects did not incude street resurfacing.

City of Federal Heights
Capital Asset Indicators by Function/Program
Fiscal Years 2016 - 2025

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	8	7	10	12
Fire Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Street miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles	18 miles
Streetlights	310	310	310	310	310	310	310	310	310	310
Traffic signals	3	3	3	3	3	3	3	3	3	3
Total City incorporated area	1.775	1.775	1.775	1.775	1.775	1.775	1.775	1.775	1.775	1.775
Parks and Recreation										
Number of parks	1	1	1	1	1	1	1	1	1	1
Total acreage	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres	18 acres
Hyland Hills Recreation District acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres	180 acres
Utility										
Water main miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles
Sanitary system miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles	27 miles
Storm system miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles	8 miles

Source: Various City of Federal Heights Departments.

STATE COMPLIANCE

LOCAL HIGHWAY FINANCE REPORT

THIS INFORMATION FROM THE RECORDS OF:	**PREPARED BY:**		**STATE:** COLORADO
City of Federal Heights	Tim Weitzman	tweitzman@fedheights.org	**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	92,002.00	a. Interest on investments	307,687.84
b. Non-property Taxes and Assessments Imposts	1,464,290.00	b. Other Misc. Local Receipts	178,941.00
c. Total (a + b)	$ 1,556,292.00	**c. Total (a + b)**	$ 486,628.84

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user Taxes (from Item I.C.5.)	321,056.00	1. FHWA (from Item I.D.5.)	
2. State General Funds		2. Other Federal Agencies:	
3. Other State funds:			
a. State Bond Proceeds			
b. Non-State Bond Proceeds	40,750.00		
c. Total (a + b)	$ 40,750.00		
4. Total (1 + 2 + 3c)	$ 361,806.00	**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	13,051.00
c. Construction Costs	20,668.00
d. Total Capital Outlay (a+ b + c)	$ 33,719.00

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LOCAL HIGHWAY FINANCE REPORT	STATE: COLORADO
	REPORT YEAR ENDING DATE(mm/yyyy): 12/2025

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

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Amount used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
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	1,472,742.37
3. Other Local Imposts (from page 1, Item II.A3.c)	$ 1,556,292.00
4. Miscellaneous Local Receipts (from page 1, Item II.A4.c)	$ 486,628.84
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)	$ 3,515,663.21
B. Private Contributions	
C. Receipts from State government (from page 1, Item II.C.4)	$ 361,806.00
D. Receipts from Federal government (from page 1, Item II.D.3)	$ -
E. Total receipts (A.7 + B + C + D)	$ 3,877,469.21

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital Outlay (from page 1, Item III.A1.d)	$ 33,719.00
2. Maintenance:	48,250.00
3. Road and Street Services:	
a. Snow and Ice Removal	165,596.40
b. Other & Traffic Control Operations	85,048.74
c. Total (a + b)	$ 250,645.14
4. General Administration & Miscellaneous	110,114.07
5. Highway Law Enforcement and Safety	1,866,246.00
6. Total (1 through 5)	$ 2,308,974.21
B. Debt Service on Local Obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a + b)	$ -
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a + b)	$ -
3. Total (1c + 2c)	$ -
C. Payments to State for Highways	
D. Payments to Toll Facilities	
E. Total Expenditures (A6 + B3 + C + D)	$ 2,308,974.21

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

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