CITY OF
FLORENCE, COLORADO

BASIC FINANCIAL STATEMENTS

December 31, 2025

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence (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 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, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

• exercise professional judgment and maintain professional skepticism throughout the audit.

• identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, no such opinion is expressed.

• evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

• conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the budgetary comparison information, the schedule of the City’s proportionate share of its net pension liability, and the schedule of the City’s contributions to the defined benefit pension plan on pages 34-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and the local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules and the local highway finance report are fairly stated in all material respects in relation to the financial statements as a whole.

PB Solutions LLC

Littleton, Colorado
June 8, 2026

BASIC FINANCIAL STATEMENTS

City of Florence
Management's Discussion and Analysis

The Management Discussion and Analysis (MD&A) is designed to provide an easy-to-read overview of the City of Florence's (City) financial condition and operating results and to disclose to the reader important financial activities and issues related to the City's basic operations and mission.

The City has two separate financial categories or activities - governmental activities and those relating to business-type activities. Within the governmental activities, the City Council has designated eleven separate budgets in the following funds: General Fund, Police Equipment/Supplies Fund, Equipment Replacement Fund, Conservation Trust Fund, Capital Improvements Fund, Community Projects Fund, Cemetery Construction Fund, Pool, Park and Recreation Fund, Capital Projects Fund, Recreation Fund, and Perpetual Care Trust Fund. The governmental activities are funded through the City's ad-valorem property tax, sales and use taxes, Highway Users Tax and fees for services. All business-type activities are included in one enterprise fund known as the Water Fund. The Water Fund receives revenue through water sales, water tap fees, and other water-related fees.

DESCRIPTION OF FINANCIAL STATEMENTS

This annual report consists of four parts - management's *discussion and analysis* (this section), the *basic financial statements, required supplementary information,* and *other supplemental schedules.* The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements consist of the Statement of Net Position and the Statement of Activities. These statements report information about the City as a whole and include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report on the City's *net position* and changes in net position. The City's net position, the difference between assets and liabilities, is one way to measure the City's financial health, or *financial position.* Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in the City's property tax base, are needed to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City's funding is divided into two kinds of activities:

- **Governmental Activities** - The activity of the City for its General Fund (which includes the Police Equipment/Supplies Fund, Equipment Replacement Fund, and the Capital Improvement Fund), Conservation Trust, Capital Projects Fund (which includes the Community Projects Fund and the Cemetery Construction Fund), the Pool, Park and Recreation Fund (which includes the Recreation Fund) are reported here. Property taxes, specific ownership taxes, Highway Users Tax, sales tax, fees for services and interest income are the sources that fund most of these activities.

- **Business-Type Activities** - The City manages one enterprise fund, the Water Fund. The Water Fund develops and operates the City's water supply and assets and the water supply and assets of the Regional Water System.

Financial Fund Statements

The fund financial statements provide more detailed information about the City's funds, focusing on its most significant funds - not the City as a whole. The City's two kinds of funds, *governmental and proprietary* - use different accounting principles.

Governmental funds - The City's activity with regard to its General and special revenue funds are reported as governmental funds, which focus on how money flows into and out of the funds and the balances left at year end. Governmental funds report using an accounting principle called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statement provides a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary (Enterprise) fund - the activity of the City's Enterprise fund is reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise fund is the same as the business-type activities reported in the governmental-wide statements but provides more detail and additional information, such as cash flows.

HIGHLIGHTS

Governmental Activities

- Total assets and deferred outflows for governmental activities on December 31, 2025, were $9,924,696.
- Total liabilities and deferred inflows for governmental activities on December 31, 2025, were $1,189,810.
- Total net position was increased by $376,042 to $8,734,886.

Business-type Activities

- In 2025, total assets and deferred outflows of resources were $28,514,508 compared to $29,282,006 at the end of fiscal year 2024.
- Total liabilities decreased by $1,094,482 to $9,668,175 at the end of fiscal year
- Total net position increased by $326,984 to $18,846,333.

STATEMENTS OF NET POSITION

The perspective of the statement of net position is that of the City. The following is a summary of the City's net position for 2025 and 2024:

	Governmental Activities		Business Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 6,990,589	$ 7,647,107	$ 12,193,737	$ 11,137,637	$ 19,184,326	$ 18,784,744
Capital assets	2,650,052	1,962,951	16,130,522	17,790,908	18,780,574	19,753,859
Total assets	9,640,641	9,610,058	28,324,259	28,928,545	37,964,900	38,538,603
Deferred outflows of resources	284,055	427,445	190,249	214,030	284,055	641,475
Long-term debt outstanding	95,065	109,348	9,530,000	10,665,494	9,625,065	10,774,842
Other liabilities	208,528	650,901	138,175	97,163	346,703	748,064
Total liabilities	303,593	760,249	9,668,175	10,762,657	9,971,768	11,522,906
Deferred Inflow of Resources						
Related to pensions	16,770	107,547	-	-	107,574	107,574
Deferred Property Tax Revenue	869,447	810,836	-	-	869,447	810,836
Net Position						
Net Investment in Capital Assets	2,650,052	1,962,951	7,826,249	7,125,414	10,476,301	9,088,365
Restricted	1,842,780	2,329,393	-	-	1,842,780	2,329,393
Unrestricted	4,242,054	4,066,500	11,020,084	11,393,935	15,262,138	15,460,435
Total Net Position	$ 8,734,886	$ 8,358,844	$ 18,846,333	$ 18,519,349	$ 27,581,219	$ 26,878,193

The change in net position for the Governmental Activities was an increase of $376,042. The change in net position for the Business-Type Activities was also an increase of $326,984 for an overall increase of $703,026.

STATEMENTS OF ACTIVITIES

The perspective of the statement of activities is that of the city as a whole. The following table reflects the change in net position for fiscal year 2024 and 2025.

	Governmental Activities		Business Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Revenues:						
Charges for services	$ 333,391	$ 258,116	$ 4,193,459	$ 3,848,697	$ 4,526,850	$ 4,106,81
Operating grants and contributions	218,865	230,952	-	-	218,865	230,95
Capital grants and contributions	80,049	431,276	213,802	124,925	293,851	556,20
Total Program Revenues	632,305	920,344	4,407,261	3,973,622	5,039,566	4,893,96
General Revenues:						
Property and SO taxes	944,037	916,308	-	-	944,037	916,30
Sales and use taxes	1,865,648	1,859,133	-	-	1,865,648	1,859,13
Other general revenues	812,411	639,085	512,981	408,621	1,325,392	1,047,70
Total General Revenues	3,622,096	3,414,526	512,981	408,621	4,135,077	3,823,14
Total Revenue	4,254,401	4,334,870	4,920,242	4,382,243	9,174,643	8,717,11
Program Expenses:						
General government	1,605,322	1,029,896	-	-	1,605,322	1,029,89
Public Safety	1,264,978	1,199,333	-	-	1,264,978	1,199,33
Public works	810,470	800,674	-	-	810,470	800,67
Planning and building	109,311	154,656	-	-	109,311	154,65
Parks and recreation	374,130	839,069	-	-	374,130	839,06
Water	-	-	3,235,402	3,742,115	3,235,402	3,742,11
Interest on long-term debt	-	-	279,872	248,344	279,872	248,34
Total Expenses	4,164,211	4,023,628	3,515,274	3,990,459	7,679,485	8,014,08
Transfers	604,736	64,800	(604,736)	(64,800)	-	-
Increase (Decrease) in Net Position	694,926	376,042	800,232	326,984	1,495,158	703,02
Beginning Net Position	7,663,918	8,358,844	17,719,117	18,519,349	25,383,035	26,878,19
Ending Net Position	$ 8,358,844	$ 8,734,886	$ 18,519,349	$ 18,846,333	$ 26,878,193	$ 27,581,21

CAPITAL ASSETS AND DEBT ADMINISTRATION - CITY WIDE

At year end the City had $20,006,301 invested in a broad range of capital assets including buildings, vehicles and other equipment, and water treatment facilities.

DEBT OUTSTANDING

The City's business-type activities long-term debt consists of water revenue bonds and a loan. During 2013, the City refunded the 2003A series bond and issued Series 2013A and 2013B. In 2021 the City refinanced 2013A and 2013B Bonds and issued Series 2021A and 2021B. As of December 31, 2025, the outstanding balance of both bonds and loans is $9,530,000. Activity for Governmental Activities and Business-Type Activities during the year are as follows:

Governmental Activities					
Capital Lease	$ -	$ -	$ -	$ -	$ -
Compensated Absences	109,348	-	14,283	95,065	-
Total Governmental Activties	$ 109,348	$ -	$ 14,283	$ 95,065	$ -
Business-Type Activiies					
Notes from Direct Borrowings	$ 990,494	$ -	$ 545,000	$ 445,494	$ 900,000
Revenue Refunding bonds	9,675,000	-	590,494	9,084,506	100,000
Bond Premium	-	-	-	-	-
Compensated Absences	29,144	11,775	-	40,919	-
Total	$ 10,694,638	$ 11,775	$ 1,135,494	$ 9,570,919	$ 1,000,000

ECONOMICS AND OTHER FACTORS

The economy of the City of Florence, and the surrounding region, continues to grow at a rapid rate; sales tax and property values have been enjoying good economic times.

In November 2005, the voters approved an additional 1/2% sales tax to fund pool operations and construction of a new pool. This tax started January 1, 2006. The tax was approved with a 10-year clause that sunset December 2015. This ½% sales tax was then extended by the voters to be used for street repairs starting January 1, 2025.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the public with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact:

Finance Director
City of Florence
600 West Third Street
Florence, CO 81226
Tel: (719) 748-4848 ext. 223
Fax: (719) 784-0228

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CITY OF FLORENCE, COLORADO

STATEMENT OF NET POSITION
December 31, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	$ 5,749,074	$ 10,708,829	$ 16,457,903
Receivables			
Property Taxes	869,447	-	869,447
Sales and Other	372,068	-	372,068
Accounts	-	96,405	96,405
Prepaid Expenses	-	421	421
Inventory	-	162,355	162,355
Capital Assets, Not Depreciated	170,947	1,225,727	1,396,674
Capital Assets, Depreciated, Net of Accumulated Depreciation	2,479,105	16,130,522	18,609,627
TOTAL ASSETS	9,640,641	28,324,259	37,964,900
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	284,055	-	284,055
Deferred Charges	-	190,249	190,249
TOTAL DEFERRED OUTFLOWS OF RESOURCES	284,055	190,249	474,304
LIABILITIES			
Accounts Payable	91,639	40,745	132,384
Accrued Expenses	71,905	17,138	89,043
Unearned Revenue	6,399	-	6,399
Accrued Interest Payable	-	17,665	17,665
Noncurrent Liabilities			
Due Within One Year	-	1,000,000	1,000,000
Due in More Than One Year	-	8,530,000	8,530,000
Deposits	38,585	21,708	60,293
Compensated Absences	95,065	40,919	135,984
TOTAL LIABILITIES	303,593	9,668,175	9,971,768
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	16,770	-	16,770
Deferred Property Tax Revenue	869,447	-	869,447
TOTAL DEFERRED INFLOWS OF RESOURCES	886,217	-	886,217
NET POSITION			
Net Investment in Capital Assets	2,650,052	7,826,249	10,476,301
Restricted	1,842,780	-	1,842,780
Unrestricted	4,242,054	11,020,084	15,262,138
TOTAL NET POSITION	$ 8,734,886	$ 18,846,333	$ 27,581,219

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

CITY OF FLORENCE, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	$ 1,029,896	$ 165,422	$ 10,540	$ -
Public Safety	1,199,333	-	-	-
Public Works	800,674	-	174,141	431,276
Planning	154,656	-	-	-
Parks and Recreation	839,069	92,694	46,271	-
Total Governmental Activities	4,023,628	258,116	230,952	431,276
Business-Type Activities				
Water	3,742,115	3,848,697	-	124,925
Interest and Fiscal Charges	248,344	-	-	-
Total Business-Type Activities	3,990,459	3,848,697	-	124,925

GENERAL REVENUES
- Local Property Taxes
- Specific Ownership Taxes
- Sales and Use Tax
- Other Taxes
- Other Revenues
- Earnings on Investments
- 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	TOTALS
$ (853,934)	$ -	$ (853,934)
(1,199,333)	-	(1,199,333)
(195,257)	-	(195,257)
(154,656)	-	(154,656)
(700,104)	-	(700,104)
(3,103,284)	-	(3,103,284)
-	231,507	231,507
-	(248,344)	(248,344)
-	(16,837)	(16,837)
819,926	-	819,926
96,382	-	96,382
1,859,133	-	1,859,133
10,115	-	10,115
338,903	49,439	388,342
290,067	359,182	649,249
64,800	(64,800)	-
3,479,326	343,821	3,823,147
376,042	326,984	703,026
8,358,844	18,519,349	26,878,193
$ 8,734,886	$ 18,846,333	$ 27,581,219

CITY OF FLORENCE, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	GENERAL FUND	STREET IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Investments	$ 3,792,775	$ 874,469	$ 1,081,830	$ 5,749,074
Taxes Receivable	869,447	-	-	869,447
Accounts Receivable	313,464	58,404	200	372,068
TOTAL ASSETS	$ 4,975,686	$ 932,873	$ 1,082,030	$ 6,990,589
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 64,648	$ 26,991	$ -	$ 91,639
Accrued Expenses	71,905	-	-	71,905
Unearned Revenues	6,399	-	-	6,399
Deposits	38,585	-	-	38,585
TOTAL LIABILITIES	181,537	26,991	-	208,528
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenues	869,447	-	-	869,447
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	111,000	905,882	825,898	1,842,780
Committed	-	-	256,132	256,132
Unassigned	3,813,702	-	-	3,813,702
TOTAL FUND BALANCES	3,924,702	905,882	1,082,030	5,912,614
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,975,686	$ 932,873	$ 1,082,030	$ 6,990,589

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

CITY OF FLORENCE, COLORADO

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Year Ended December 31, 2025

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

Total fund balances of governmental funds			$ 5,912,614
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
	Capital Assets, Not Depreciated	170,947	
	Capital Assets, Depreciated	9,075,614	
	Accumulated Depreciation	(6,596,509)	2,650,052
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds.			
	Compensated Absences		(95,065)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows of resources - Related to Pension Plan		284,055	
Deferred inflows of resources - Related to Pension Plan		(16,770)	267,285
Net position of governmental activities			$ 8,734,886

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

CITY OF FLORENCE, COLORADO

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

	GENERAL FUND	STREET IMPROVEMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	$ 819,926	$ -	$ -	$ 819,926
Specific Ownership Taxes	96,382	-	-	96,382
Sales and Use Taxes	1,487,086	372,047	-	1,859,133
Franchise Fees	196,779	-	-	196,779
Intergovernmental Revenue	626,072	-	46,271	672,343
Licenses and Permits	146,271	-	-	146,271
Charges for Services	27,579	-	65,115	92,694
Fines and Forfeitures	19,151	-	-	19,151
Earnings on Investments	247,906	8,660	33,501	290,067
Miscellaneous	130,337	-	11,787	142,124
TOTAL REVENUES	3,797,489	380,707	156,674	4,334,870
EXPENDITURES				
Current				
General Government	869,465	-	-	869,465
Public Safety	1,057,856	-	-	1,057,856
Public Works	637,595	-	-	637,595
Planning	154,656	-	-	154,656
Parks and Recreation	661,571	-	123,621	785,192
Capital Outlay	317,265	850,397	-	1,167,662
TOTAL EXPENDITURES	3,698,408	850,397	123,621	4,672,426
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	99,081	(469,690)	33,053	(337,556)
OTHER FINANCING SOURCES (USES)				
Transfers In	109,800	-	16,384	126,184
Transfers Out	(16,384)	-	(45,000)	(61,384)
TOTAL OTHER FINANCING SOURCES (USES)	93,416	-	(28,616)	64,800
NET CHANGE IN FUND BALANCES	192,497	(469,690)	4,437	(272,756)
FUND BALANCES, Beginning	3,732,205	1,375,572	1,077,593	6,185,370
FUND BALANCES, Ending	$ 3,924,702	$ 905,882	$ 1,082,030	$ 5,912,614

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

CITY OF FLORENCE, 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 change in fund balances - total governmental funds			$ (272,756)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.			
	Capital Outlay	1,048,176	
	Depreciation	(361,075)	687,101
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds.			
	Changes in Compensated Absences		14,283
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.			
	Deferred charges related to Pension Plan		(52,586)
Change in net position of governmental activities			$ 376,042

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

CITY OF FLORENCE, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2025

	WATER
ASSETS	
Current Assets	
Cash and Investments	$ 10,708,829
Accounts Receivable	96,405
Prepaid Expenses	421
Inventory	162,355
Total Current Assets	10,968,010
Noncurrent Assets	
Capital Assets, Not Being Depreciated	1,225,727
Capital Assets, Net of Accumulated Depreciation	16,130,522
Total Noncurrent Assets	17,356,249
TOTAL ASSETS	28,324,259
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charges	190,249
LIABILITIES	
Current Liabilities	
Accounts Payable	40,745
Accrued Expenses	17,138
Accrued Interest Payable	17,665
Bonds Payable, Current Portion	900,000
Notes Payable, Current Portion	100,000
Total Current Liabilities	1,075,548
Noncurrent Liabilities	
Deposits	21,708
Accrued Compensated Absences	40,919
Bonds Payable	8,230,000
Notes Payable	300,000
Total Noncurrent Liabilities	8,592,627
NET POSITION	
Net Investment in Capital Assets	7,826,249
Unrestricted	11,020,084
TOTAL NET POSITION	$ 18,846,333

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

CITY OF FLORENCE, COLORADO

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

	WATER
OPERATING REVENUES	
Charges for Services	$ 2,617,183
Debt Retirement	1,231,514
Other Revenues	49,439
TOTAL OPERATING REVENUES	3,898,136
OPERATING EXPENSES	
Administration	138,192
Personnel Services	1,273,943
Water System	946,234
Water Distribution	161,330
Depreciation	1,222,416
TOTAL OPERATING EXPENSES	3,742,115
NET OPERATING INCOME	156,021
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	359,182
Interest Expense	(248,344)
TOTAL NON-OPERATING REVENUES (EXPENSES)	110,838
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	266,859
Tap Fees	124,925
Transfers Out	(64,800)
CHANGE IN NET POSITION	326,984
NET POSITION, Beginning	18,519,349
NET POSITION, Ending	$ 18,846,333

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

CITY OF FLORENCE, COLORADO

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

	WATER
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 4,058,976
Cash Paid to Suppliers and Employees	(2,499,981)
Net Cash Provided by Operating Activities	1,558,995
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Payments to/from Other Funds	(64,800)
Net Cash Used by Noncapital Financing Activities	(64,800)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(799,767)
Principal Payments on Long Term Debt	(1,135,494)
Interest Payments	(226,193)
Tap Fees and Capital Contributions	124,925
Net Cash Used by Capital Financing Activities	(2,036,529)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	359,182
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(183,152)
CASH AND CASH EQUIVALENTS, Beginning	10,891,981
CASH AND CASH EQUIVALENTS, Ending	$ 10,708,829
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 156,021
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	1,222,416
Loss on Disposal of Assets	12,010
Changes in Assets and Liabilities	
Accounts Receivable	148,830
Inventory	(22,924)
Prepaid Expenses	-
Accounts Payable	28,251
Accrued Expenses	2,616
Deposits	-
Accrued Compensated Absences	11,775
Total Adjustments	1,402,974
Net Cash Provided by Operating Activities	$ 1,558,995

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

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

The City of Florence, Colorado (the "City") was incorporated in 1887. The City is governed by a city manager and a seven-member council (including the mayor) elected by the residents.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. Following is a summary of the more significant policies:

Reporting Entity

The financial reporting entity consists of the City and organizations for which the City is financially accountable. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the City. In addition, any legally separate organizations for which the City is financially accountable are considered part of the reporting entity. Financial accountability exists if the City appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the City.

Based upon the application of these criteria, the City does not include any additional organizations in its reporting entity.

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers 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 the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current 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, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so 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.

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 the 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.

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

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

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

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

The *Street Improvement Fund* accounts for the voter approved ½% sales tax revenue to provide funding for major street improvements.

The City reports the following major proprietary fund:

The *Water Fund* accounts for the financial activities associated with the provision of water to residents and businesses within the City limits.

Additionally, the City reports the following fund type:

Permanent Fund – The *Perpetual Care Fund* accounts for activities of the City's cemetery, including the sale of plots and maintenance.

Assets, Liabilities, and Fund Balance/Net Position

<u>Cash and Cash Equivalents</u> – For purposes of the statement of cash flows, the City considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

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

<u>Prepaid Items</u> – On the government-wide and governmental fund financial statements, prepaid expenses are presented using the consumption method.

<u>Inventory</u> – Inventories are valued at cost. Inventory in the proprietary fun consists of expendable supplies held for future consumption. The cost is recorded as an expense as the inventory items are consumed.

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

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

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

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

Buildings and Improvements	10 - 30 years
Pool	5 - 30 years
Water Treatment Plant	5 - 50 years
Water Transmission and Distribution System	20 - 50 years
Regional Assets	10 - 40 years
Infrastructure	10 years
Machinery and Equipment	3 - 10 years

Unearned Revenues – The unearned revenues include amounts received but not yet available for expenditure.

Compensated Absences – City employees are entitled to certain compensated absences based on their length of employment and are allowed to accumulate unused absences. Upon termination of employment, employees are entitled to receive compensation for any unused vacation time, up to a maximum number of hours the employee has earned during the previous year of employment, at their current rate of pay. These compensated absences are expensed when paid in the governmental fund types. Compensated absences are expensed when earned in the proprietary fund type. A long-term liability has been recorded in the governmental activities and business-type activities in the statement of net position for the accrued benefits.

City employees earn 3.06 hours of sick leave per pay period, with a maximum accrual of 480 hours. Unused sick leave is not compensated upon termination of employment. Historical data indicates that accrued sick leave balances are unlikely to be used, so the City has not recognized a liability for it under Governmental Accounting Standards No. 101 - Compensated Absences.

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

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

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

Long-Term Debt – In the government-wide financial statements, and proprietary fund types 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 funds. 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 current expenditures.

Pensions – The City participates in the Statewide Defined Benefit Plan (SWDBP), a cost-sharing, multiple-employer defined benefit pension plan administered by the Fire & Police Pension Association of Colorado (FPPA). The net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to and deductions from the fiduciary net position of the SWDBP have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Employer contributions are recognized in the year the contributions are paid.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Taxes – Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent, and penalties and interest may be assessed by the County Treasurer on the postmark day following these dates. The tax sale date is the first Thursday of November.

Under Colorado Law, all property taxes become due and payable on January 1, in the year following that in which they are levied. 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, receivables and corresponding deferred inflows of resources are reported at year end.

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

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

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The City does not report any nonspendable fund balances on December 31, 2025.

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

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

- <u>Restricted</u> – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. In addition, the City reports restricted fund balances in the Conservation Trust Fund, Pool Park and Recreation Fund, Street Improvement Fund, and Perpetual Care Reserve Fund. These balances are restricted for capital and infrastructure improvements, and parks and recreation.

- <u>Committed</u> – 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 Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City reports the fund balance in the Capital Projects Fund as committed resources for the fund purpose as of December 31, 2025.

- <u>Assigned</u> – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The City does not report any assigned fund balances as of December 31, 2025.

- <u>Unassigned</u> – 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 fund balance.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The City carries commercial insurance for these risks of loss.

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

Subsequent Events

The City has evaluated events subsequent to the year ended December 31, 2025 through June 8, 2026, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: ***<u>STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</u>***

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparison for the proprietary fund is presented on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and deprecation is not budgeted. Annual appropriated budgets are adopted for all funds. All appropriations lapse at fiscal year-end.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. Management submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Management is authorized to transfer budgeted amounts between departments within any fund. However, revisions that alter the total expenditures of any fund must be approved by the City Council.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or amended by the City Council.

Tax Spending Limitation

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the State of Colorado. Annual operating revenue is limited to a 5.25% increase. Such increase is determined based on the prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues. The City’s management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S is complex and subject to interpretation.

NOTE 3: CASH AND INVESTMENTS

Cash and investments on December 31, 2025, consist of the following:

Petty Cash	$ 192
Deposits	1,837,427
Investments	14,620,284
Total	$16,457,903

The above amounts are classified in the statement of net position as follows:

Cash and Investments - Governmental Activities	$ 5,749,074
Cash and Investments - Business-Type Activities	10,708,829
Total	$16,457,903

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. On 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.

On December 31, 2025, the City had deposits with financial institutions with a carrying amount of $1,837,427. The bank balances with the financial institutions were $1,925,046. Of these balances, $1,013,406 was covered by federal depository insurance and $911,640 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

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

Investments

The City is required to comply with State statutes and the City's investment policy which specify investment instruments meeting defined rating, maturity, and concentration of credit risk criteria in which the City may invest.

Interest Rate Risk

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

Credit Risk

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
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Concentration of Credit Risk

Except for corporate securities, State statutes do not limit the amount the City may invest in any single investment or issuer.

Local Government Investment Pools

The City had invested $14,620,284 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00 (net asset value). Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions.

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

Investments (Continued)

Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NOTE 4: ***CAPITAL ASSETS***

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Governmental Activities				
Capital Assets, Not Depreciated				
Land and Easements	$ 131,628	$ -	$ -	$ 131,628
Construction in Progress	-	39,319	-	39,319
Total Capital Assets, Not Depreciated	131,628	39,319	-	170,947
Capital Asset, Being Depreciated				
Buildings and Improvements	2,391,184	47,461	27,676	2,410,969
Pool	657,496	36,360	9,163	684,693
Infrastructure	2,329,483	773,549	-	3,103,032
Machinery and Equipment	2,725,433	151,487	-	2,876,920
Total Capital Assets, Being Depreciated	8,103,596	1,008,857	36,839	9,075,614
Accumulated Depreciation				
Buildings and Improvements	2,193,606	49,326	27,676	2,215,256
Pool	580,317	14,433	9,163	585,587
Infrastructure	1,879,116	82,272	-	1,961,388
Machinery and Equipment	1,619,234	215,044	-	1,834,278
Total Accumulated Depreciation	6,272,273	361,075	36,839	6,596,509
Capital Assets, Depreciated, Net	1,831,323	647,782	-	2,479,105
Net Capital Assets	$ 1,962,951	$ 687,101	$ -	$ 2,650,052

NOTE 4: ***CAPITAL ASSETS*** (Continued)

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

Governmental Activities	
General Government	$ 40,945
Public Safety	103,174
Public Works	163,079
Parks and Recreation	53,877
Total	$ 361,075

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
Business-Type Activities				
Capital Assets, Not Depreciated				
Land	$ 83,425	$ -	$ -	$ 83,425
Water Rights	1,137,302	5,000	-	1,142,302
Total Capital Assets, Not Depreciated	1,220,727	5,000	-	1,225,727
Capital Asset, Being Depreciated				
Water Treatment Plant	4,631,122	-	-	4,631,122
Transmission and Distribution	7,682,548	752,632	183,227	8,251,953
Regional Assets	28,138,879	-	-	28,138,879
Machinery and Equipment	2,818,246	42,135	20,016	2,840,365
Total Capital Assets, Being Depreciated	43,270,795	794,767	203,243	43,862,319
Accumulated Depreciation				
Water Treatment Plant	3,849,792	90,138	-	3,939,930
Transmission and Distribution	5,077,940	264,919	183,227	5,159,632
Regional Assets	15,640,759	720,697	-	16,361,456
Machinery and Equipment	2,132,123	146,662	8,006	2,270,779
Total Accumulated Depreciation	26,700,614	1,222,416	191,233	27,731,797
Capital Assets, Depreciated, Net	16,570,181	(427,649)	12,010	16,130,522
Net Capital Assets	$ 17,790,908	$ (422,649)	$ 12,010	$ 17,356,249

NOTE 5: <u>LONG-TERM DEBT</u>

The following is a summary of the City's long-term debt transactions for the year ended December 31, 2025:

Governmental Activities	12/31/2024 Balance	Increases	Decreases	12/31/2025 Balance	Due Within One Year
Compensated Absences	**$ 109,348**	**$ -**	**$ 14,283**	**$ 95,065**	**$ -**

Business-Type Activities	12/31/2024 Balance	Increases	Decreases	12/31/2025 Balance	Due Within One Year
Revenue Refunding Bonds	$ 9,675,000	$ -	$ 545,000	$ 9,130,000	$ 900,000
Notes from direct borrowings	990,494	-	590,494	400,000	100,000
Compensated Absences	29,144	11,775	-	40,919	-
Total	**$ 10,694,638**	**$ 11,775**	**$ 1,135,494**	**$ 9,570,919**	**$ 1,000,000**

Water Enterprise Revenue Refunding Bonds, Series 2021A and 2021B

In January 2021, the City issued Water Enterprise Revenue Refunding Bonds, Series 2021A and 2021B in the amount of $9,184,000 and $789,000, respectively. Proceeds of the bonds were used to refund the City's Series 2013A and 2013B Water Revenue Refunding and Improvement Bonds. The 2021A bonds carry an interest rate of 2.97% and the 2021B bonds carry an interest rate of 2.15%. Semi-annual interest payments are due on June 1 and December 1 and principal payments are due annually on December 1. The 2021A bonds mature on December 1, 2033 and the 2021B bonds mature on December 1, 2026.

The advance refunding of the 2013 bonds reduced the present value of the future debt service payments. The City's net present value benefit of the advance refunding is $1,427,793. The savings were available due to improved bond market conditions (i.e., lower interest rates). The reacquisition price exceeded the net carrying amount of the old debt by $309,154. This amount has been deferred and is being amortized over the remaining life of the refunded debt. At December 31, 2025, the balance of the deferred charges is $190,249.

The annual debt service requirements on the outstanding bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2026	$ 900,000	$ 211,980	$ 1,111,980
2027	1,041,000	193,404	1,234,404
2028	1,133,000	168,944	1,301,944
2029	1,164,000	142,316	1,306,316
2030	1,188,000	114,962	1,302,962
2031-2033	3,704,000	174,747	3,878,747
Total	**$ 9,130,000**	**$ 1,006,353**	**$ 10,136,353**

NOTE 5: ***LONG-TERM DEBT*** (Continued)

Notes from Direct Borrowings

2003 Colorado Water Resources and Power Development Authority (CWRPDA) Loan

In November 2003, the City entered into a loan agreement with CWRPDA in the amount of $12,999,093. Proceeds of the loan were used to finance costs of water facilities. The loan carries an interest rate of 3.51%. Principal and interest payments in the amount of $899,932 are due semi-annually on June 1 and December 1 through 2025. During the year ended December 31, 2025, the loan was paid off in full.

2005 Colorado Water Resources and Power Development Authority (CWRPDA) Drinking Water Revolving Fund Direct Loan

In December 2004, the City entered into an agreement with CWRPDA to obtain a Drinking Water Revolving Fund Direct Loan in the amount of $800,000. Proceeds of the loan were used to finance improvements to the City's south water treatment plant, acquiring and constructing finished water storage facilities and finished water pipelines, and raw water conveyance and consolidation for the south water treatment plant. The loan carries an interest rate of 3.5%. Principal and interest payments in the amount of $53,939 are due semi-annually on June 1 and December 1 through 2025. During the year ended December 31, 2025, the loan was paid off in full.

2009 Colorado Water Resources and Power Development Authority (CWRPDA) Drinking Water Revolving Fund ARRA Direct Loan

In October 2009, the City entered into an agreement with CWRPDA to obtain a Drinking Water Revolving Fund ARRA Direct Loan in the amount of $2,000,000. Proceeds of the loan were used to provide funding for drilling, testing, and construction of two additional wells. The loan carries no interest. Principal payments in the amount of $50,000 are due semi-annually on June 1 and December 1 through 2029. On December 31, 2025, the outstanding balance on the loan is $400,000.

The annual debt service requirements on the outstanding notes are as follows:

Year Ended December 31,	Principal	Interest	Total
2026	$ 100,000	$ -	$ 100,000
2027	100,000	-	100,000
2028	100,000	-	100,000
2029	100,000	-	100,000
Total	**$ 400,000**	**$ -**	**$ 400,000**

NOTE 6: <u>INTERFUND TRANSFERS</u>

During the year ended December 31, 2025, the Water Fund and the Conservation Trust Fund transferred $64,800 and $45,000*,* respectively, to the General Fund to cover capital and administrative expenses. The General Fund transferred $8,192 to the Capital Projects Fund, and $8,192 to the Perpetual Care Reserve Fund to cover capital and administrative expenses.

NOTE 7: <u>STATEWIDE DEFINED BENEFIT PENSION PLAN</u>

Summary of Significant Accounting Policies

The City participates in the Statewide Defined Benefit Plan (SWDBP)*,* a cost- sharing multiple-employer defined benefit pension fund administered by the Fire and Police Pension Association of Colorado (“FPPA”). The net pension asset, 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 SWDBP 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 SWDBP

<u>Plan Description</u>

The SWDBP covers substantially all full-time firefighter and police officer 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. As of August 1, 2003, the SWDBP may include fire department clerical and other personnel whose services are auxiliary to fire protection.

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

NOTE 7: ***STATEWIDE DEFINED BENEFIT PENSION PLAN*** (Continued)

Plan benefits are specified in Title 31, Articles 30, 30.5 and 31 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth in the FPPA Rules and Regulations, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. FPPA issues a publicly available comprehensive annual financial report that can be obtained at www.fppaco.org.

Benefits Provided

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 services 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 5 years of credited service.

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

The annual normal retirement benefit of the Defined Benefit Component is 2 percent of the average of the member's highest three years' pensionable earnings for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

Beginning January 1, 2007, the annual normal retirement benefits for the Social Security Component is 1 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 members’ 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 benefits started as of age 62.

The annual 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>STATEWIDE DEFINED BENEFIT PENSION PLAN</u>*** (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 of 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 percent as interest returned as a lump sum distribution in lieu of retirement benefits.

<u>Contributions</u>

Contribution rates for employers and members may be increased equally by the FPPA Board of Directors upon approval through an election by both the employers and members.

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 2024, the total combined member and employer contribution rate was 22.2 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 2023, the total minimum required member and employer contribution rate was 21.7 percent.

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

NOTE 7: ***STATEWIDE DEFINED BENEFIT PENSION PLAN*** (Continued)

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 from 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 occur 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.

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

On December 31, 2025, the City reported a net pension liability of $0 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2024 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of January 1, 2024.

NOTE 7: ***STATEWIDE DEFINED BENEFIT PENSION PLAN*** (Continued)

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

The City's proportion of the net pension liability was based on City contributions to the SWDBP for the calendar year 2024 relative to the total contributions of participating employers to the SWDBP.

On December 31, 2025, the City's proportion was 0.0411 percent, which is a decrease of 0.000064 from its proportion measured as of December 31, 2024. For the year ended December 31, 2025, the City recognized pension expense of $99,911. On 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	$ 76,354	$ 2,474
Net difference between projected and actual earnings on investments	4,585	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	129,496	14,296
Change in assumptions	26,295	-
Contributions subsequent to measurement date	47,325	-
Total	**$ 284,055**	**$ 16,770**

$47,325 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as an increase of the net pension asset in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resourcesrelated to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2026	$ 80,674
2027	23,896
2028	25,937
2029	33,444
2030	28,288
Thereafter	27,721

NOTE 7: ***STATEWIDE DEFINED BENEFIT PENSION PLAN*** (Continued)

Actuarial Assumptions

The total pension liability in the January 1, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs:

Total Pension Liability	
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 *	7.0%
Projected Salary Increases	4.25%-11.25%
Cost of Living Adjustments (COLA)	0.0%
* Includes Inflation at	2.5%

Actuarial Determined Contributions	
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 *	7.0%
Projected Salary Increases	4.25%-11.75%
Cost of Living Adjustments (COLA)	0.0%
* Includes Inflation at	2.5%

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

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

NOTE 7: ***STATEWIDE DEFINED BENEFIT PENSION PLAN*** (Continued)

Actuarial Assumptions (Continued)

The SWDBP's 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 return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation (assumed at 2.5 percent). Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation as of December 31, 2024 are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate**
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%**	

Discount Rate

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 Statewide Retirement Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The COLA assumption reflects the true nature of Board's Benefits Policy which includes a variable COLA and supplemental payments. Consistent with Board's policy, the COLA assumption will fluctuate from year to year depending on plan experience and is the long-term COLA assumption which results in no Net Pension Asset. If current assets do not support Total Pension Liabilities using a COLA assumption of greater than 0.00%, then a COLA assumption of 0.00% will be used and a Net Pension Liability will be reported.

NOTE 7: ***<u>STATEWIDE DEFINED BENEFIT PENSION PLAN</u>*** (Continued

Discount Rate (Continued)

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

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

Sensitivity of the City's proportionate share of the net pension asset (liability) to changes in the discount rate.

The following presents the proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.00 percent, as well as what the proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage- point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.00%)	Single Discount Rate Assumption (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability/(asset)	$200,764	$0	$0

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

NOTE 8: OTHER RETIREMENT COMMITMENTS

Statewide Death and Disability Plan

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

Funding Policy - The contribution requirements are established by State statutes. The City Council determines the contribution split between employees and the City. No contributions are required for employees hired prior to January 1, 1997. For employees hired on or after January 1, 1997, the employees contributed 2.8% of base salaries during the year ended December 31, 2025. Contributions to the plan for the years ended December 31, 2025, 2024, and 2023 were $16,748, $16,069, and $15,189, respectively, equal to the required contributions for the year.

Deferred 457 Compensation Plan

The City's employees participate in a deferred compensation plan created in accordance with Internal Revenue Code 457. The deferred compensation plan is optional for employees. The City matches the contribution of participating employees up to 3 percent after the employee has been employed by the City for one year. During the year ended December 31, 2025, 2024 and 2023, the City contributed $33,703, $36,390, and $36,822, respectively, to the plan. The plan investments are managed by One America.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

NOTE 9: ***<u>COMMITMENTS AND CONTINGENCIES</u>*** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the “Tabor Amendment”), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Tabor Amendment is complex and subject to judicial interpretations. The City believes it has complied with the Amendment.

In November 1994, voters within the City approved the collection, retention, and expenditure of state grants, all sales and use taxes and all other revenue generated by the City in 1995 and subsequent years without limitation, notwithstanding the provisions of the Amendment.

The City has established a reserve, representing 3% of qualifying expenditures, as required by the amendment. On December 31, 2025, the emergency reserve of $111,000 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLORENCE, COLORADO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Property Taxes	$ 1,068,578	$ 1,068,578	$ 819,926	$ (248,652)	$ 944,037
Specific Ownership Taxes	95,000	95,000	96,382	1,382	103,588
Sales and Use Tax	1,537,500	1,537,500	1,487,086	(50,414)	1,489,672
Franchise Fees	249,320	249,320	196,779	(52,541)	196,127
Intergovernmental Revenue	758,000	758,000	626,072	(131,928)	266,755
Licenses and Permits	121,400	121,400	146,271	24,871	137,918
Charges for Services	29,700	29,700	27,579	(2,121)	111,371
Fines and Forfeitures	22,000	22,000	19,151	(2,849)	28,982
Sale of Assets	-	-	-	-	34,976
Earnings on Investments	78,373	78,373	247,906	169,533	220,019
Miscellaneous	261,927	258,223	130,337	(127,886)	126,392
TOTAL REVENUES	4,221,798	4,218,094	3,797,489	(420,605)	3,659,837
EXPENDITURES					
Current					
General Government	1,009,169	1,009,169	869,465	139,704	1,185,875
Public Safety	1,269,583	1,269,583	1,115,331	154,252	1,153,400
Public Works	993,280	993,280	897,385	95,895	872,833
Planning	162,758	162,758	154,656	8,102	109,311
Parks and Recreation	836,041	836,041	661,571	174,470	162,336
TOTAL EXPENDITURES	4,270,831	4,270,831	3,698,408	572,423	3,483,755
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,033)	(52,737)	99,081	151,818	176,082
OTHER FINANCING SOURCES (USES)					
Transfers In	109,800	109,800	109,800	-	674,736
Transfers Out	(12,000)	(12,000)	(16,384)	(4,384)	(15,826)
TOTAL OTHER FINANCING SOURCES (USES)	97,800	97,800	93,416	(4,384)	658,910
CHANGE IN FUND BALANCES	48,767	45,063	192,497	147,434	834,992
FUND BALANCES, Beginning	-	-	3,732,205	3,732,205	2,897,213
FUND BALANCES, Ending	$ 48,767	$ 45,063	$ 3,924,702	$ 3,879,639	$ 3,732,205

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Sales and Use Tax	$ 378,000	$ 378,000	$ 372,047	$ (5,953)	$ 375,976
Interest Income	8,000	8,000	8,660	660	40,685
TOTAL REVENUES	386,000	386,000	380,707	(5,293)	416,661
EXPENDITURES					
Capital Outlay	1,023,400	1,023,400	850,397	173,003	137,413
TOTAL EXPENDITURES	1,023,400	1,023,400	850,397	173,003	137,413
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(637,400)	(637,400)	(469,690)	167,710	279,248
OTHER FINANCING SOURCES					
Transfers In	650,000	650,000	-	(650,000)	-
CHANGE IN FUND BALANCE	12,600	12,600	(469,690)	(482,290)	279,248
FUND BALANCES, Beginning	-	-	1,375,572	1,375,572	1,096,324
FUND BALANCES, Ending	$ 12,600	$ 12,600	$ 905,882	$ 893,282	$ 1,375,572

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FPPA STATEWIDE DEFINED BENEFIT PENSION PLAN

Years Ended December 31,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the Net Pension Liability (Asset)	0.04114%	0.04750%	0.05480%	0.07674%	0.06721%	0.08206%	0.09000%	0.0990%	0.0950%	0.0990%
Proportionate Share of the Net Pension Liability (Asset)	$ -	$ -	$ 48,653	$ (415,889)	$ (145,907)	$ (46,408)	$ 113,889	$ (142,635)	$ 34,380	$ (1,742)
Covered payroll	$ 447,331	$ 446,746	$ 475,341	$ 447,343	$ 514,269	$ 580,095	$ 579,258	$ 555,473	$ 439,514	$ 469,653
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	0.00%	0.00%	10.24%	-92.97%	-28.37%	-8.00%	19.66%	-25.68%	7.82%	-0.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.00%	100.00%	97.60%	116.20%	106.70%	101.90%	95.20%	106.30%	98.20%	100.10%

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

SCHEDULE OF THE CITY'S CONTRIBUTIONS
FPPA STATEWIDE DEFINED BENEFIT PENSION PLAN

Years Ended December 31,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually Required Contributions	$ 47,325	$ 45,928	$ 44,013	$ 44,194	$ 37,962	$ 43,184	$ 48,382	$ 48,274	$ 46,393	$ 36,899
Contributions in Relation to the Contractually Required Contributions	47,325	45,928	44,013	44,194	37,962	43,184	48,382	48,274	46,393	36,899
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 439,567	$ 447,331	$ 446,746	$ 475,341	$ 447,343	$ 514,269	$ 580,095	$ 579,258	$ 555,473	$ 439,514
Contributions as a Percentage of Covered Payroll	10.77%	10.27%	9.85%	9.30%	8.49%	8.40%	8.34%	8.33%	8.35%	8.40%

See the accompanying independent auditor's report

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF FLORENCE, COLORADO

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2025

	SPECIAL REVENUE FUNDS			PERMANENT FUND	
	CONSERVATION TRUST FUND	POOL, PARK AND RECREATION FUND	CAPITAL PROJECTS FUND	PERPETUAL CARE RESERVE FUND	TOTALS
ASSETS					
Cash and Investments	$ 135,132	$ 340,548	$ 256,132	$ 350,018	$ 1,081,830
Accounts Receivable	-	200	-	-	200
TOTAL ASSETS	$ 135,132	$ 340,748	$ 256,132	$ 350,018	$ 1,082,030
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	$ -	$ -	$ -	$ -	$ -
TOTAL LIABILITIES	-	-	-	-	-
FUND BALANCES					
Fund Balance					
Restricted	135,132	340,748	-	350,018	825,898
Committed	-	-	256,132	-	256,132
TOTAL FUND BALANCES	135,132	340,748	256,132	350,018	1,082,030
TOTAL LIABILITIES AND FUND BALANCES	$ 135,132	$ 340,748	$ 256,132	$ 350,018	$ 1,082,030

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

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

	SPECIAL REVENUE FUNDS			PERMANENT FUND	
	CONSERVATION TRUST FUND	POOL, PARK AND RECREATION FUND	CAPITAL PROJECTS FUND	PERPETUAL CARE RESERVE FUND	TOTALS
REVENUES					
Intergovernmental Revenue	$ 46,271	$ -	$ -	$ -	$ 46,271
Charges for Services	-	65,115	-	-	65,115
Interest Income	908	13,305	5,168	14,120	33,501
Miscellaneous	-	11,787	-	-	11,787
TOTAL REVENUES	47,179	90,207	5,168	14,120	156,674
EXPENDITURES					
Current					
Parks and Recreation	-	123,621	-	-	123,621
TOTAL EXPENDITURES	-	123,621	-	-	123,621
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	47,179	(33,414)	5,168	14,120	33,053
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	8,192	8,192	16,384
Transfers Out	(45,000)	-	-	-	(45,000)
TOTAL OTHER FINANCING SOURCES (USES)	(45,000)	-	8,192	8,192	(28,616)
NET CHANGE IN FUND BALANCES	2,179	(33,414)	13,360	22,312	4,437
FUND BALANCES, Beginning	132,953	374,162	242,772	327,706	1,077,593
FUND BALANCES, Ending	$ 135,132	$ 340,748	$ 256,132	$ 350,018	$ 1,082,030

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

BUDGETARY COMPARISON SCHEDULE
CONSERVATION TRUST FUND
Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Intergovernmental Revenue	$ 50,000	$ 50,000	$ 46,271	$ (3,729)	$ 47,092
Interest Income	2,500	2,500	908	(1,592)	3,430
TOTAL REVENUES	52,500	52,500	47,179	(5,321)	50,522
EXPENDITURES					
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52,500	52,500	47,179	(5,321)	50,522
OTHER FINANCING SOURCES (USES)					
Transfers Out	(45,000)	(45,000)	(45,000)	-	(45,000)
CHANGE IN FUND BALANCE	7,500	7,500	2,179	(5,321)	5,522
FUND BALANCES, Beginning	-	-	132,953	132,953	127,431
FUND BALANCES, Ending	$ 7,500	$ 7,500	$ 135,132	$ 127,632	$ 132,953

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

BUDGETARY COMPARISON SCHEDULE
POOL, PARK, AND RECREATION FUND
Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Charges for Services	$ 69,400	$ 69,400	$ 65,115	$ (4,285)	$ 55,120
Interest Income	5,000	5,000	13,305	8,305	33,164
Miscellaneous	-	-	11,787	11,787	14,686
TOTAL REVENUES	74,400	74,400	90,207	15,807	102,970
EXPENDITURES					
Parks and Recreation	149,375	149,375	123,621	25,754	178,867
TOTAL EXPENDITURES	149,375	149,375	123,621	25,754	178,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(74,975)	(74,975)	(33,414)	41,561	(75,897)
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	-	-	(25,000)
CHANGE IN FUND BALANCES	(74,975)	(74,975)	(33,414)	41,561	(100,897)
FUND BALANCES, Beginning	-	-	374,162	374,162	475,059
FUND BALANCES, Ending	$ (74,975)	$ (74,975)	$ 340,748	$ 415,723	$ 374,162

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Intergovernmental Revenue	$ -	$ -	$ -	$ -	$ -
Interest Income	1,100	1,100	5,168	4,068	8,636
TOTAL REVENUES	1,100	1,100	5,168	4,068	8,636
EXPENDITURES					
Capital Outlay	-	-	-	-	12,741
TOTAL EXPENDITURES	-	-	-	-	12,741
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,100	1,100	5,168	4,068	(4,105)
OTHER FINANCING SOURCES					
Transfers In	6,000	6,000	8,192	2,192	7,913
CHANGE IN FUND BALANCES	7,100	7,100	13,360	6,260	3,808
FUND BALANCES, Beginning	-	-	242,772	242,772	238,964
FUND BALANCES, Ending	$ 7,100	$ 7,100	$ 256,132	$ 249,032	$ 242,772

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

BUDGETARY COMPARISON SCHEDULE
PERPETUAL CARE RESERVE FUND
Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Interest Income	$ 1,000	$ 1,000	$ 14,120	$ 13,120	$ 15,775
TOTAL REVENUES	1,000	1,000	14,120	13,120	15,775
EXPENDITURES					
Cemetery Care	10,000	10,000	-	10,000	-
TOTAL EXPENDITURES	10,000	10,000	-	10,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,000)	(9,000)	14,120	23,120	15,775
OTHER FINANCING SOURCES					
Transfers In	9,000	9,000	8,192	(808)	7,913
CHANGE IN FUND BALANCES	-	-	22,312	22,312	23,688
FUND BALANCES, Beginning	-	-	327,706	327,706	304,018
FUND BALANCES, Ending	$ -	$ -	$ 350,018	$ 350,018	$ 327,706

See the accompanying independent auditor's report

CITY OF FLORENCE, COLORADO

BUDGETARY COMPARISON SCHEDULE
WATER FUND
Year Ended December 31, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2024 ACTUAL
REVENUES					
Charges for Services	$ 2,800,170	$ 2,800,170	$ 2,473,506	$ (326,664)	$ 2,802,565
Tap Fees and Contributions	63,685	63,685	124,925	61,240	213,802
Debt Retirement	1,553,685	1,553,685	1,231,514	(322,171)	1,274,309
Bulk Water Sales	134,250	134,250	143,677	9,427	116,585
Interest Revenue	52,500	52,500	359,182	306,682	484,150
Other Revenues	25,000	25,000	49,439	24,439	28,831
Transfers In	1,873,747	1,873,747	-	(1,873,747)	-
TOTAL REVENUES	6,503,037	6,503,037	4,382,243	(2,120,794)	4,920,242
EXPENDITURES					
Current					
Administration	146,525	146,525	138,192	8,333	133,702
Personnel Services	1,499,061	1,499,061	1,273,943	225,118	867,298
Water System	1,192,336	1,192,336	946,234	246,102	739,224
Water Distribution	248,000	248,000	161,330	86,670	269,970
Debt Service	1,361,688	1,361,688	1,383,838	(22,150)	1,372,382
Transfers Out	64,800	64,800	64,800	-	604,736
Capital Outlay	1,890,100	1,890,100	799,767	1,090,333	75,061
TOTAL EXPENDITURES	6,402,510	6,402,510	4,768,104	1,634,406	4,062,373
CHANGE IN NET POSITION, Budgetary Basis	$ 100,527	$ 100,527	(385,861)	$ (486,388)	857,869
Adjustments to GAAP Basis					
Capital Outlay			799,767		75,061
Loan Principal Payments			1,135,494		1,092,510
Depreciation			(1,222,416)		(1,225,208)
CHANGE IN NET POSITION, GAAP Basis			326,984		800,232
NET POSITION, Beginning			18,519,349		17,719,117
NET POSITION, Ending			$ 18,846,333		$ 18,519,349

See the accompanying independent auditor's report

COMPLIANCE

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		***III. EXPENDITURES FOR ROAD AND STREET PURPOSES***	
ITEM	**AMOUNT**	**ITEM**	**AMOUNT**
A. Receipts from Local Sources:		**A. Local highway expenditures:**	
1. Local Highway-user Taxes		1. Capital Outlay (from page 1, Item III.A1.d)	$ -
a. Motor Fuel (from Item I.A.1)		2. Maintenance:	471,500.41
b. Motor Vehicle (from Item I.B.1)		3. Road and Street Services:	
c. Total (a + b)		a. Snow and Ice Removal	85,727.35
2. General Fund Appropriations		b. Other & Traffic Control Operations	34,534.75
3. Other Local Imposts (from page 1, Item II.A3.c)	$ 932,722.34	**c. Total (a + b)**	$ 120,262.10
4. Miscellaneous Local Receipts (from page 1, Item II.A4.c)	$ -	4. General Administration & Miscellaneous	
5. Transfers from Toll Facilities		5. Highway Law Enforcement and Safety	510,735.31
6. Proceeds of Sale of Bonds and Notes:		**6. Total (1 through 5)**	$ 1,102,497.82
a. Bonds - Original Issues		**B. Debt Service on Local Obligations:**	
b. Bonds - Refunding Issues		1. Bonds:	
c. Notes		a. Interest	
d. Total (a + b + c)	$ -	b. Redemption	
7. Total (1 through 6)	$ 932,722.34	**c. Total (a + b)**	$ -
B. Private Contributions		2. Notes:	
C. Receipts from State government (from page 1, Item II.C.4)	$ 169,775.48	a. Interest	
D. Receipts from Federal government (from page 1, Item II.D.3)	$ -	b. Redemption	
E. Total receipts (A.7 + B + C + D)	$ 1,102,497.82	**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)	$ 1,102,497.82

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)		$ -	$ -	$ -

LOCAL HIGHWAY FINANCE REPORT		STATE: COLORADO
THIS INFORMATION FROM THE RECORDS OF: City of Florence	PREPARED BY: Lori Cobler lori.cobler@florencecolorado.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	818,108.21	a. Interest on investments	
b. Non-property Taxes and Assessments Imposts	114,614.13	b. Other Misc. Local Receipts	
c. Total (a + b)	$ 932,722.34	**c. Total (a + b)**	$ -
ITEM	**AMOUNT**	**ITEM**	**AMOUNT**
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user Taxes (from Item I.C.5.)	155,100.54	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	14,674.94		
c. Total (a + b)	$ 14,674.94		
4. Total (1 + 2 + 3c)	$ 169,775.48	**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	
c. Construction Costs	
d. Total Capital Outlay (a+ b + c)	$ -

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