City of Fort Morgan, Colorado

Financial Statements and Independent Auditor's Report

Prepared by the Finance Department

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City of Fort Morgan

Independent Auditors' Report

Clinger Hagerman

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Fort Morgan, Colorado

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 Fort Morgan, Colorado (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the City has restated beginning governmental activities net position and Capital Improvement Fund fund balance as of January 1, 2025 to correct errors in the previously issued financial statements related to a note receivable that had not been recorded. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 schedule for the General Fund, and the required pension and other post-employment benefit schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements, the Local Highway Finance Report, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the Local Highway Finance Report, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Clinger Hagerman, LLC

Greeley, Colorado
July 23, 2026

City of Fort Morgan

Management's Discussion and Analysis

City of Fort Morgan
Management's Discussion and Analysis
December 31, 2025

As management of the City of Fort Morgan, Colorado (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $213.2 million (net position). Of this amount, $75.2 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by $6.7 million in the current year. The City recognized an approximate $3.1 million increase in governmental activities and also had an increase of $3.6 million in its enterprise funds net position.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $33.3 million, an increase of $2.7 million or 8.7%. Of this amount, $26.5 million is available for spending through the adoption of the 2026 budget.

The General Fund's unassigned fund balance at December 31, 2025, was $26.5 million, or 121.6% of total General Fund expenditures.

For 2025, the City's total debt decreased by $1.9 million to $12.5 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 18 and 19) provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund basic financial statements start on page 20. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The statements for fiduciary funds provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 18. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position, the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources as 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. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads and infrastructure, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here, including police, fire, public works, recreation, golf, cemetery, library, museum, parks and general administration. Property taxes, sales taxes, franchise fees, and grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, gas, water, wastewater, and sanitation operations are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 20. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two main kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net position and Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements. The governmental funds of the City are the General Fund, Capital Improvement Fund, and Conservation Trust Fund.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds which are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds are reported as business-type activities in the government-wide statements. These enterprise fund statements provide more detail and additional information, such as cash flows, for proprietary funds. The enterprise funds of the City are the Electric Fund, Gas Fund, Water Fund, Wastewater Fund, and Sanitation Fund. We use an internal service fund (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as the City's Self Insurance Fund.

The City as Trustee

The City is the trustee, or fiduciary, for other assets that because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and changes in Fiduciary Net Position on pages 27 and 28. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for these intended purposes. As of December 31, 2025, the Cemetery Perpetual Care Fund is the City's only remaining trust fund.

THE CITY AS A WHOLE

Net Position

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $213.2 million at December 31, 2025. By far, the largest portion of the City's net position (63.2%) reflects its investments in capital assets (e.g., land, buildings, machinery, equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($76.4 million) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation was true for the prior fiscal year.

Summary of Net Position
December 31, 2025 and 2024

	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	$ 49,689,987	$ 44,554,831	$ 47,284,742	$ 46,048,659	$ 96,974,729	$ 90,603,490
Capital assets	80,267,778	81,571,648	68,036,763	65,619,547	148,304,541	147,191,195
Total Assets	129,957,765	126,126,479	115,321,505	111,668,206	245,279,270	237,794,685
Deferred outflows of resources	1,963,964	2,962,490	2,504,322	2,698,739	4,468,286	5,661,229
Liabilities:						
Long-term liabities outstanding	13,823,252	15,605,598	7,984,379	4,740,950	21,807,631	20,346,548
Other liabilities	3,385,968	2,721,790	5,083,736	8,204,656	8,469,704	10,926,446
Total liabilities	17,209,220	18,327,388	13,068,115	12,945,606	30,277,335	31,272,994
Deferred inflows of resources	3,159,147	3,075,225	3,117,114	3,382,195	6,276,261	6,457,420
Net position:						
Net investment in capital assets	72,470,641	72,363,925	63,377,763	59,880,547	135,848,404	132,244,472
Restricted	2,198,739	1,934,258	-	-	2,198,739	1,934,258
Unrestricted	36,883,982	34,164,804	38,262,835	38,158,597	75,146,817	72,323,401
Total net position	$ 111,553,362	$ 108,462,987	$ 101,640,598	$ 98,039,144	$ 213,193,960	$ 206,502,131

Net position of the City's governmental activities increased 2.9% ($111.6 million compared to $108.5 million). Unrestricted net position increased by $ million.

The net position of the City's business-type activities increased $3.6 million. The City generally can only use this net position to finance the continuing operations of the electric, gas, water, wastewater, and sanitation functions.

Summary of Changes in Net Position
December 31, 2025 and 2024

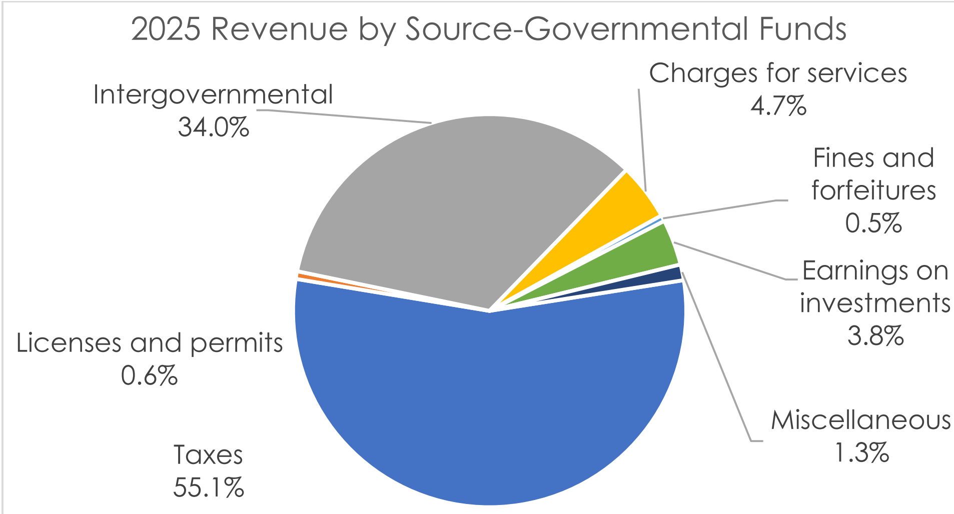
	Governmental activities		Business-type activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues:						
Charges for services	$ 1,418,673	$ 1,443,687	$ 46,359,535	$43,022,055	$ 47,778,208	$ 44,465,742
Operating grants and contributions	6,026,058	2,210,503	-	-	6,026,058	2,210,503
Capital grants and contributions	790,995	3,631,594	286,552	559,560	1,077,547	4,191,154
General Revenues:					-	-
Property taxes	2,454,808	2,544,684	-	-	2,454,808	2,544,684
Sales and use tax	15,020,467	15,262,422	-	-	15,020,467	15,262,422
Other governmental in lieu of taxes	4,202,948	4,080,185	-	-	4,202,948	4,080,185
Franchise taxes	64,373	72,967	-	-	64,373	72,967
Specific ownership taxes	200,190	194,474	-	-	200,190	194,474
Net earnings on investments	1,236,913	774,512	1,965,699	1,261,235	3,202,612	2,035,747
Other revenues	1,741,313	551,988	2,260,403	1,748,700	4,001,716	2,300,688
Gain/(Loss) on sale of capital assets	14,203	1,884,768	(54,033)	(58,231)	(39,830)	1,826,537
Total Revenues	33,170,941	32,651,784	50,818,156	46,533,319	83,989,097	79,185,103
Expenses						
General government	2,176,483	2,287,250	-	-	2,176,483	2,287,250
Public safety	8,434,000	7,443,857	-	-	8,434,000	7,443,857
Community development and public works	11,185,179	5,536,139	-	-	11,185,179	5,536,139
Parks and recreation	8,122,316	7,462,341	-	-	8,122,316	7,462,341
Electric	-	-	26,323,171	24,722,954	26,323,171	24,722,954
Water	-	-	10,865,609	10,774,755	10,865,609	10,774,755
Gas	-	-	5,283,254	4,981,212	5,283,254	4,981,212
Wastewater	-	-	3,048,897	3,459,234	3,048,897	3,459,234
Sanitation	-	-	1,695,771	1,761,572	1,695,771	1,761,572
Interest on long-term debt	162,589	166,796	-	-	162,589	166,796
Total Expenses	30,080,567	22,896,383	47,216,702	45,699,727	77,297,269	68,596,110
Change in net position	3,090,374	9,755,401	3,601,454	833,592	6,691,828	10,588,993
Net position beginning of year (Restated)	108,462,988	98,707,588	98,039,146	97,205,554	206,502,132	195,913,142
Net position end of year	$ 111,553,362	$ 108,462,989	$ 101,640,600	$98,039,146	$ 213,193,960	$ 206,502,135

Governmental activities increased the City's net position by $3.1 million accounting for 46.3% of the total City's increase in net position. Key elements of this increase are presented in the summary of changes in net position shown above. The cost of all governmental activities this year was $30.1 million, $7.2 million higher than last year. However, as shown in the Statement of Activities on page 19, the amount that our taxpayers ultimately financed for these activities through City taxes was $17.7 million.

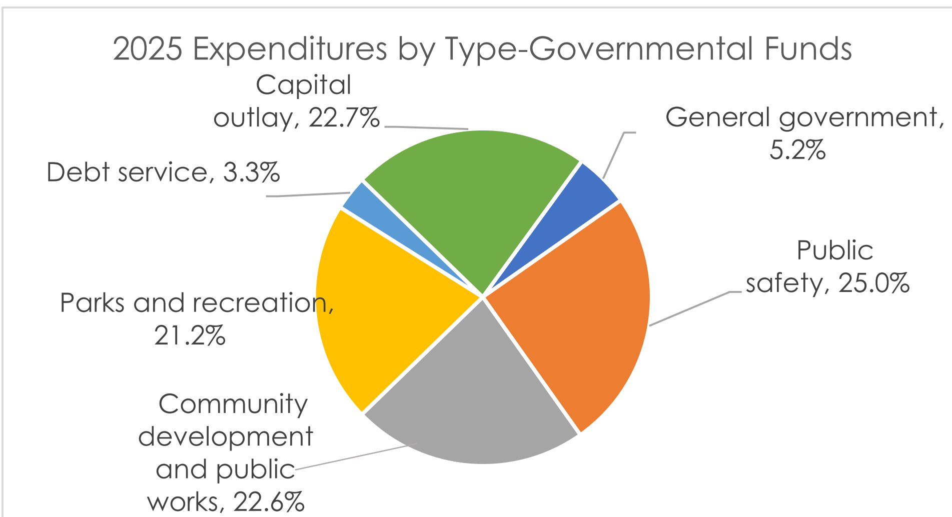
Revenues of the business-type activities increased by $4.3 million or 9.2% and expenses increased by $1.5 million or 3.3%. Expenses increased primarily due to an overall increase in operating costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

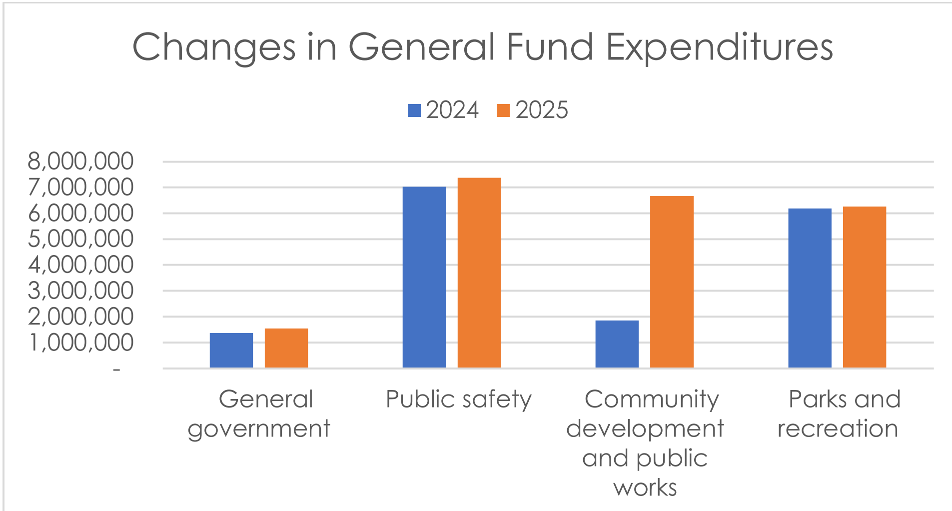
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. One of the differences between the governmental activities as reported in the government-wide Statement of Activities on page 19 and the individual governmental fund financial statements reported on pages 20 to 23 is the reporting of capital asset acquisitions. For the government-wide financial statements, any new capital assets are capitalized and only depreciation expense for those assets is reported in the Statement of Activities. In the individual governmental fund financial statements, the expenditure for capital asset acquisitions is reported in the Statement of Revenues, Expenditures and Changes in Fund Balance. Therefore, governmental fund capital asset acquisitions of $6.7 million included in capital outlay on page 22 is not reflected as an expense on page 19.



As the City completed the year, its governmental funds (as presented in the Balance Sheet on page 20) reported a combined fund balance of $33.3 million. Included in this year's total change in fund balance is an increase of $1.8 million in the General Fund. Governmental fund revenue increased by $2.7 million from 2024, primarily due to grant revenue.



Governmental expenditures increased $7.2 million in 2025. General Fund expenditures increased by $4.9 million over 2024. General Fund expenditure growth is mostly due to a large passthrough grant. Expenditures for capital outlay in the Capital Improvement Fund decreased by $6.0 million from 2024. Capital outlay varies by project and can change significantly from one year to the next.



BUDGETARY HIGHLIGHTS

The General Fund's Budget to Actual report is presented as required supplementary information on pages 68 and 69. In the General Fund, the actual charges to appropriations (expenditures) were $1.9 million below the budgeted amounts. The Capital Improvement Fund expenditures were $0.6 below budget.

Resources available for appropriation (revenues) in the General Fund for 2025 were $0.7 million below the final budgeted amount. Property taxes were the largest portion of this negative variance at $1.3 million below the budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the City had $148.3 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, airport facilities, and electric, gas, water, and sewer plants and systems (see below). This amount represents an increase (including additions, deductions, and depreciation) of $1.1 million, or 0.8% from 2024.

Capital Assets
December 31, 2025 and 2024

	2025	2024
Governmental Activities:		
Land	$ 8,455,372	$ 8,455,372
Infrastructure	61,083,910	58,737,879
Golf course	6,180,095	5,756,205
Land improvements	16,790,526	16,740,271
Buildings and improvements	31,598,548	30,926,047
Vehicles and mowing equipment	9,958,755	7,704,720
General equipment	4,780,663	4,887,382
Construction in progress	498,288	3,101,174
Total governmental capital assets	139,346,157	136,309,050
Accumulated depreciation	(59,078,379)	(54,737,312)
Governmental activities capital assets, net of depreciation	80,267,778	81,571,738
Business-type activities:		
Land and water rights	12,569,969	12,569,969
Electric system	31,166,022	30,816,693
Water system	58,579,364	57,868,903
Gas system	4,760,336	4,760,336
Sewer system	24,206,051	23,411,481
Sanitation system	1,838,725	1,937,984
Construction in progress	4,657,711	985,587
Total business-type capital assets	137,778,178	132,350,953
Accumulated depreciation	(69,741,414)	(66,731,405)
Business-type activities capital assets, net of depreciation	68,036,764	65,619,548

Additional information on the City's capital assets can be found in Note 5 on pages 42 and 43 of this report.

Debt Administration

At year-end, the City had $12.5 million in bonds, notes, leases, and other obligations outstanding versus $14.4 million in 2024. This is a decrease of $1.9 million (13.2%) as shown in the table below with more information in Note 7 on pages 44 and 45.

Summary of Debt
December 31, 2025 and 2024

	2025	2024
Revenue bonds	$ 4,659,000	$ 5,739,000
Fieldhouse and fire trucks	7,807,795	8,624,465
Total	$ 12,466,795	$ 14,363,465

The State limits the amount of general obligation debt that cities can issue to 3 percent of the actual value of the taxable property within the City's corporate limits. The City currently has no outstanding general obligation debt, so the full $39 million state-imposed limit is available subject to voter approval and authorization.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the 2026 budget, tax rates, and fees. One of those factors is the economy. The city's sales and use tax revenues decreased slightly by $242 thousand (1.6%).

In April 2026, Cargill Meat Solutions suspended meat processing while negotiating with union employees. After the union rejected Cargill's proposed contract, Cargill locked out employees on May 20, 2026, causing all operations to be suspended. As of the date of the issuance of these financial statements, the work stoppage has continued for approximately two months.

Cargill is the largest employer in Fort Morgan. The prolonged reduction or suspension of operations will have an adverse effect on the local economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Treasurer's Office at City of Fort Morgan, 710 E. Railroad Ave., Fort Morgan, CO 80701.

City of Fort Morgan

Basic Financial Statements

City of Fort Morgan
Statement of Net Position
December 31, 2025

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash, cash equivalents and investments	$ 39,430,368	$ 34,537,214	$ 73,967,582
Accounts and taxes receivable	8,241,279	6,327,854	14,569,133
Prepaid items	106,425	933,753	1,040,178
Inventories	109,242	2,599,018	2,708,260
Restricted cash, cash equivalents and investments	1,802,672	-	1,802,672
Lease receivable	-	2,886,903	2,886,903
Capital assets, not being depreciated	8,953,660	17,227,680	26,181,340
Capital assets, net of accumulated depreciation	71,314,118	50,809,083	122,123,201
TOTAL ASSETS	129,957,765	115,321,505	245,279,270
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,900,937	1,188,161	3,089,098
Deferred outflows related to OPEB	63,027	52,619	115,646
Deferred utility costs	-	1,263,543	1,263,543
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,963,964	2,504,323	4,468,287
LIABILITIES			
Accounts payable	1,440,560	4,718,043	6,158,603
Customer deposits	21,433	69,845	91,278
Accrued expenses	817,510	283,553	1,101,063
Other liabilities	1,080,532	-	1,080,532
Accrued interest payable	25,932	12,295	38,227
Long-term liabilities:			
Due within one year	916,915	1,200,342	2,117,257
Due in more than one year	7,462,600	3,847,167	11,309,767
Net pension liability	5,238,901	2,765,856	8,004,757
Net OPEB liability	204,836	171,014	375,850
TOTAL LIABILITIES	17,209,219	13,068,115	30,277,334
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	125,060		125,060
Deferred inflows related to OPEB	110,659	92,386	203,045
Deferred inflow related to taxes	2,923,428	3,024,729	5,948,157
TOTAL DEFERRED INFLOWS OF RESOURCES	3,159,147	3,117,115	6,276,262
NET POSITION			
Net investment in capital assets	72,470,641	63,377,763	135,848,404
Restricted	2,198,739	-	2,198,739
Unrestricted	36,883,982	38,262,835	75,146,817
TOTAL NET POSITION	$ 111,553,362	$ 101,640,598	$ 213,193,960

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

City of Fort Morgan
Statement of Activities
For the 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	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: BUSINESS-TYPE ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: TOTAL
Primary Government							
Governmental activities:							
General government	$ 2,176,483	$ -	$ -	$ 212,943	$ (1,963,540)	$ -	$ (1,963,540)
Public safety	8,434,000	-	373,526	5,668	(8,054,806)	-	(8,054,806)
Community development and public works	11,185,179	18,474	5,652,533	431,236	(5,082,936)	-	(5,082,936)
Parks and recreation	8,122,316	1,400,199	-	141,148	(6,580,969)	-	(6,580,969)
Interest on long-term debt	162,589	-	-	-	(162,589)	-	(162,589)
Total Governmental Activities	30,080,567	1,418,673	6,026,059	790,995	(21,844,840)	-	(21,844,840)
Business-Type Activities:							
Electric	26,323,171	25,021,421	-	-	-	(1,301,750)	(1,301,750)
Water	10,865,609	11,408,456	-	172,416	-	715,263	715,263
Gas	5,283,254	5,196,809	-	-	-	(86,445)	(86,445)
Wastewater	3,048,897	3,293,777	-	-	-	244,880	244,880
Sanitation	1,695,771	1,439,072	-	-	-	(256,699)	(256,699)
Total Business-Type Activities	47,216,702	46,359,535	-	172,416	-	(684,751)	(684,751)
Total Primary Government	$ 77,297,269	$ 47,778,208	$ 6,026,059	$ 963,411	$ (21,844,840)	$ (684,751)	$ (22,529,591)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General Revenues:			
Property taxes	$ 2,454,808	$ -	$ 2,454,808
Specific ownership taxes	200,190	-	200,190
Sales and use taxes	15,020,467	-	15,020,467
Franchise taxes	64,373	-	64,373
Other governmental in lieu of taxes	4,202,948	-	4,202,948
Gain/(loss) on sale of capital asset	14,203	(54,033)	(39,830)
Other revenues	1,741,313	2,374,539	4,115,852
Net earnings on investments	1,236,913	1,965,698	3,202,611
Total general revenues	24,935,214	4,286,205	29,221,419
Change in net position	3,090,374	3,601,454	6,691,828
NET POSITION, BEGINNING (RESTATED)	108,462,988	98,039,144	206,502,132
NET POSITION, ENDING	$ 111,553,362	$ 101,640,598	$ 213,193,960

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

City of Fort Morgan
Balance Sheet
Governmental Funds
December 31, 2025

ASSETS	GENERAL FUND	CAPITAL IMPROVEMENT FUND	CONSERVATION TRUST FUND (NON-MAJOR)	TOTAL GOVERNMENTAL FUNDS
Cash, cash equivalents and investments	$ 28,044,072	$ 804,766	$ 151,248	$ 29,000,086
Restricted cash, cash equivalents and investments	1,391,999	410,673	-	1,802,672
Accounts and taxes receivable	3,737,702	4,497,005	-	8,234,706
Inventories	109,242	-	-	109,242
Prepaid items	90,425	-	-	90,425
TOTAL ASSETS	$ 33,373,440	$ 5,712,444	$ 151,248	$ 39,237,132
LIABILITIES				
Accounts payable	$ 171,995	$ 1,264,874	$ -	$ 1,436,869
Accrued expenses	415,510	25,932	-	441,442
Customer deposits	21,433	-	-	21,433
Other liabilities	1,080,532	-	-	1,080,532
TOTAL LIABILITIES	1,689,470	1,290,807	-	2,980,277
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue - property taxes	2,923,428	-	-	2,923,428
TOTAL DEFERRED INFLOWS OF RESOURCES	2,923,428	-	-	2,923,428
FUND BALANCES				
Nonspendable	199,667	3,340,000	-	3,539,667
Committed	-	1,081,637	-	1,081,637
Restricted	2,047,491	-	151,248	2,198,739
Unassigned	26,513,384	-	-	26,513,384
TOTAL FUND BALANCES	28,760,542	4,421,637	151,248	33,333,427
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 33,373,440	$ 5,712,444	$ 151,248	$ 39,237,132

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

City of Fort Morgan

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

December 31, 2025

Amounts reported for governmental activities in the statement of net position are different because:			
Total fund balance - governmental funds		$	33,333,427
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:			
Capital assets	139,346,156		
Less: Accumulated depreciation	(59,078,378)		
Net capital assets	80,267,778		80,267,778
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements:			
Lease and other obligations			(8,379,515)
Pension and OPEB liabilities and related deferred inflows and deferred outflows of resources are not current financial resources and, therefore, are not reported in the fund financial statements:			
Net pension liability			(5,238,901)
Deferred outflows of resources relating to pensions			1,900,937
Deferred inflows of resources relating to pensions			(125,060)
Net OPEB liability			(204,836)
Deferred outflows of resources relating to OPEB			63,027
Deferred inflows of resources relating to OPEB			(110,659)
Internal service funds are collapsed into governmental activities			10,047,164
Total net position - governmental activities		$	111,553,362

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

City of Fort Morgan
Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2025

	GENERAL FUND	CAPITAL IMPROVEMENT FUND	CONSERVATION TRUST FUND (NON-MAJOR)	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Taxes	$ 10,234,433	$ 7,505,405	$ -	$ 17,739,838
Licenses and Permits	200,408	-	-	200,408
Intergovernmental	10,163,941	652,284	141,148	10,957,373
Charges for Services	1,509,221	-	-	1,509,221
Fines and Forfeitures	162,186	-	-	162,186
Miscellaneous	389,916	22,835	-	412,751
Earnings on Investments	999,386	213,954	-	1,213,340
TOTAL REVENUES	23,659,491	8,394,478	141,148	32,195,117
EXPENDITURES:				
Current:				
General Government	1,547,347	-	-	1,547,347
Public Safety	7,372,298	-	-	7,372,298
Community development and public works	6,668,364	-	-	6,668,364
Parks and recreation	6,261,711	-	-	6,261,711
Debt Service:				
Principal	-	816,670	-	816,670
Interest	-	162,589	-	162,589
Capital outlay	-	6,715,674	-	6,715,674
TOTAL EXPENDITURES	21,849,720	7,694,933	-	29,544,653
Excess (deficiency) of revenues over (under) expenditures	1,809,771	699,545	141,148	2,650,464
OTHER FINANCING SOURCES (USES)				
Sale of assets	14,203	-	-	14,203
TOTAL OTHER FINANCING SOURCES (USES)	14,203	-	-	14,203
NET CHANGE IN FUND BALANCE	1,823,974	699,545	141,148	2,664,667
FUND BALANCES, BEGINNING OF YEAR (RESTATED)	26,936,568	3,722,092	10,100	30,668,760
FUND BALANCES, END OF YEAR	$ 28,760,542	$ 4,421,637	$ 151,248	$ 33,333,427

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

City of Fort Morgan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2025

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

Total net change in fund balances - governmental funds		$ 2,664,667
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay and disposals exceeded depreciation during the period.		
	Capital outlay	4,569,667
	Net book value of capital assets disposed	(222,037)
	Depreciation expense	(5,651,591)
	Net amount	(1,303,961)
Payments of long-term debt principal are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net position and do not affect the statement of activities. This amount represents payments on long-term debt and accrued interest during the year.		816,670
Internal service funds are collapsed into governmental activities.		943,708
An increase or decrease in accrued compensated absences liability is reflected as an adjustment to expense on the statement of activities and not reflected as an expense on the governmental fund statement of revenues, expenditures and changes in fund balances.		11,630
Changes in the City's net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the City's pension and OPEB plans for the current year do not require the use of current financial resources, and therefore, are not reported in the governmental fund financial statements.		(42,340)
Change in net position of governmental activities		$ 3,090,374

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

City of Fort Morgan
Proprietary Funds
Statement of Net Position
December 31, 2025

ASSETS	Business-Type Activities						Governmental Activities
Current Assets	**Electric Fund**	**Water Fund**	**Gas Fund**	**Wastewater Fund**	**Sanitation Fund (Non-Major)**	**Total Enterprise Funds**	**Internal Service Fund**
Cash, cash equivalents and investments	$ 1,958,886	$ 20,620,068	$ 8,278,094	$ 2,642,446	$ 1,037,720	$ 34,537,214	$ 10,430,282
Receivables	3,111,615	1,302,763	1,391,297	345,866	176,313	6,327,854	6,573
Prepaid items	913,183	15,602	1,640	3,328	-	933,753	16,000
Inventories	2,068,056	418,351	112,611	-	-	2,599,018	-
Total Current Assets	8,051,740	22,356,784	9,783,642	2,991,640	1,214,033	44,397,839	10,452,855
Non-Current Assets							
Lease receivable	2,886,903	-	-	-	-	2,886,903	-
Capital assets, net of accumulated depreciation	13,131,095	39,879,518	706,027	13,828,574	491,549	68,036,763	-
Total Non-Current Assets	16,017,998	39,879,518	706,027	13,828,574	491,549	70,923,666	-
TOTAL ASSETS	24,069,738	62,236,302	10,489,669	16,820,214	1,705,582	115,321,505	10,452,855
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows of resources related to pensions	596,097	186,999	178,543	161,023	65,499	1,188,161	-
Deferred outflows of resources related to OPEB	26,399	8,281	7,907	7,131	2,901	52,619	-
Deferred utility costs	1,263,543	-	-	-	-	1,263,543	-
Total Deferred Outflows of Resources	1,886,039	195,280	186,450	168,154	68,400	2,504,323	-
LIABILITIES							
Current Liabilities:							
Accounts payable	3,295,067	339,688	633,201	402,521	47,567	4,718,044	3,691
Accrued expenses	163,002	38,160	37,389	31,369	13,633	283,553	402,000
Customer deposits	69,845	-	-	-	-	69,845	-
Accrued interest payable	-	12,295	-	-	-	12,295	-
Current portion of compensated absences payable	44,159	18,974	13,445	10,367	3,397	90,342	-
Current portion of bonds and notes payable	-	1,110,000	-	-	-	1,110,000	-
Total Current Liabilities	3,572,073	1,519,117	684,035	444,257	64,597	6,284,079	405,691
Non-Current Liabilities:							
Compensated absences payable	145,745	62,622	44,372	34,216	11,212	298,167	-
Bonds and notes payable	-	3,549,000	-	-	-	3,549,000	-
Net pension liability	1,387,622	435,305	415,621	374,837	152,471	2,765,856	-
Net OPEB liability	85,797	26,915	25,698	23,176	9,427	171,013	-
Total Non-Current Liabilities	1,619,164	4,073,842	485,691	432,229	173,110	6,784,036	-
TOTAL LIABILITIES	5,191,237	5,592,959	1,169,726	876,486	237,707	13,068,115	405,691
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue - Leases	2,796,704	-	228,025	-	-	3,024,729	-
Deferred inflows related to OPEB	46,350	14,540	13,883	12,520	5,093	92,386	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,843,054	14,540	241,908	12,520	5,093	3,117,115	-
NET POSITION							
Net investment in capital assets	13,131,095	35,220,518	706,027	13,828,574	491,549	63,377,763	-
Unrestricted	4,790,391	21,603,565	8,558,458	2,270,788	1,039,633	38,262,835	10,047,164
TOTAL NET POSITION	$ 17,921,486	$ 56,824,083	$ 9,264,485	$ 16,099,362	$ 1,531,182	$101,640,598	$ 10,047,164

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

City of Fort Morgan
Proprietary Funds
Statement of Revenues, Expenses
and Changes in Net Position
For the Year Ended December 31, 2025

	Business-Type Activities						Governmental Activities
	Electric Fund	Water Fund	Gas Fund	Wastewater Fund	Sanitation Fund (Non-Major)	Total	Internal Service Fund
OPERATING REVENUES							
Charges for services	$ 25,021,421	$ 11,408,456	$ 5,196,809	$ 3,293,777	$ 1,439,072	$ 46,359,535	$ 5,420,855
TOTAL OPERATING REVENUES	25,021,421	11,408,456	5,196,809	3,293,777	1,439,072	46,359,535	5,420,855
OPERATING EXPENSES							
Transmission, distribution and collection	3,340,379	1,518,508	1,258,414	699,782	1,212,045	8,029,128	-
Commodities	18,169,270	-	2,611,561	-	-	20,780,831	-
Self insurance premiums	-	-	-	-	-	-	874,620
Self insurance claims	-	-	-	-	-	-	4,795,771
General administration	659,102	629,627	579,927	460,870	261,249	2,590,775	158,891
Treatment	-	7,045,189	-	992,626	-	8,037,815	-
In lieu of fees	3,259,963	-	717,161	153,969	69,360	4,200,453	-
Depreciation expense	894,457	1,492,968	116,191	741,650	153,117	3,398,383	-
TOTAL OPERATING EXPENSES	26,323,171	10,686,292	5,283,254	3,048,897	1,695,771	47,037,385	5,829,282
OPERATING INCOME (LOSS)	(1,301,750)	722,164	(86,445)	244,880	(256,699)	(677,850)	(408,427)
NON-OPERATING REVENUES (EXPENSES)							
Earnings on investments	813,656	475,556	269,273	313,384	93,830	1,965,698	23,573
Rents	43,356		-	-	-	43,356	-
Other revenues	353,068	1,873,362	59,244	217,066	859	2,503,599	1,328,563
Gain/(loss) on asset disposal	(345)	(4,784)	-	(39,936)	(8,968)	(54,033)	-
Interest expense	-	(179,317)	-	-	-	(179,317)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,209,735	2,164,817	328,517	490,514	85,721	4,279,304	1,352,135
CHANGES IN NET POSITION	(92,015)	2,886,981	242,072	735,394	(170,978)	3,601,454	943,708
NET POSITION, BEGINNING OF YEAR	18,013,501	53,937,102	9,022,413	15,363,968	1,702,160	98,039,144	9,103,456
NET POSITION, END OF YEAR	$ 17,921,486	$ 56,824,083	$ 9,264,485	$ 16,099,362	$ 1,531,182	$ 101,640,598	$ 10,047,164

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

City of Fort Morgan
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2025

	Business-Type Activities						Governmental Activities
	Electric Fund	Water Fund	Gas Fund	Wastewater Fund	Sanitation Fund (Non-Major)	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	$ 24,817,935	$ 11,172,670	$ 5,156,055	$ 3,294,847	$ 1,404,417	$ 45,845,925	$ 5,699,598
Cash payments to suppliers	(21,512,423)	(7,806,266)	(3,864,633)	(1,628,429)	(1,108,292)	(35,920,043)	(5,782,973)
Cash payments to employees	(3,313,678)	(1,149,630)	(988,488)	(924,991)	(445,618)	(6,822,405)	-
NET CASH FROM OPERATING ACTIVITIES	(8,166)	2,216,774	302,934	741,427	(149,493)	3,103,477	(83,375)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Rents	15,945	-	-	-	-	15,945	-
Other income	352,354	1,700,946	59,243	102,930	859	2,216,332	1,328,563
NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES	368,299	1,700,946	59,243	102,930	859	2,232,277	1,328,563
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital grants and contributions	-	172,416	-	-	-	172,416	-
Acquisition of capital assets	(1,057,407)	(1,243,124)	-	(3,569,100)	-	(5,869,631)	-
Principal paid on long-term debt	-	(1,080,000)	-	-	-	(1,080,000)	-
Interest paid on long-term debt	-	(179,317)	-	-	-	(179,317)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(1,057,407)	(2,330,025)	-	(3,569,100)	-	(6,956,532)	-
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest received	813,656	475,556	269,273	427,520	93,830	2,079,835	23,573
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	813,656	475,556	269,273	427,520	93,830	2,079,835	23,573
NET CHANGE IN CASH AND CASH EQUIVALENTS	116,382	2,063,251	631,450	(2,297,223)	(54,804)	459,057	1,268,760
CASH AND CASH EQUIVALENTS							
Beginning of Year	1,842,504	18,556,817	7,646,645	4,939,669	1,092,524	34,078,159	9,161,521
End of Year	$ 1,958,886	$ 20,620,068	$ 8,278,095	$ 2,642,446	$ 1,037,720	$ 34,537,216	$ 10,430,281
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES							
Operating income (loss)	$ (1,301,750)	$ 722,164	$ (86,445)	$ 244,880	$ (256,699)	$ (677,850)	$ (408,427)
Adjustments to reconcile operating income to net cash flows from operating activities							
Depreciation	894,457	1,492,968	116,191	741,650	153,117	3,398,383	-
(Increase) decrease in operating assets/deferred outflows of resources							
Receivables	(208,272)	(235,787)	(29,094)	1,071	(34,655)	(506,736)	278,743
Inventories	379,879	22,947	1,537	-	-	404,363	-
Deferred outflows of resources	259,842	111,892	80,054	75,552	42,286	569,626	-
Prepaid items	(873,778)	(150)	492	(114)	-	(873,550)	(9,500)
(Increase) decrease in operating liabilities/deferred outflows of resources							
Accounts payable	1,516,473	231,812	308,502	(230,131)	9,574	1,836,230	55,809
Net pension and OPEB liabiilties	(302,751)	(156,124)	(95,159)	(92,574)	(60,916)	(707,524)	-
Deferred inflows of resources	(11,890)	(5,736)	(3,708)	(3,567)	(2,213)	(27,114)	-
Unearned revenues	(375,210)	-	(11,660)	-	-	(386,870)	-
Customer deposits	4,786	-	-	-	-	4,786	-
Compensated absences payable	10,048	32,788	22,224	4,660	13	69,733	-
NET CASH FROM OPERATING ACTIVITIES	$ (8,166)	$ 2,216,774	$ 302,934	$ 741,427	$ (149,493)	$ 3,103,477	$ (83,375)

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

City of Fort Morgan
Statement of Fiduciary Net Position
December 31, 2025

		CEMETERY PERPETUAL CARE FUND
ASSETS		
Restricted cash, cash equivalents and investments	$	857,274
Receivables		1,795
TOTAL ASSETS		859,069
LIABILITIES		
Accounts Payable		-
TOTAL LIABILITIES		-
FIDUCIARY NET POSITION	$	859,069

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

City of Fort Morgan
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2025

		CEMETERY PERPETUAL CARE FUND
ADDITIONS		
Charges for services	$	19,320
Earnings on investments		9,969
Transfers in		1,050
TOTAL ADDITIONS		30,339
DEDUCTIONS		
Parks and recreation		570
TOTAL DEDUCTIONS		570
CHANGE IN FIDUCIARY NET POSITION		29,769
FIDUCIARY NET POSITION BEGINNING OF YEAR		829,300
FIDUCIARY NET POSITION END OF YEAR	$	859,069

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

1. Summary of Significant Accounting Policies

The financial statements of the City of Fort Morgan, Colorado (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City was incorporated in 1887 and adopted its Home Rule Charter during 1914. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety; highways and streets; sanitation; health and social services; culture and recreation; education; public improvements; planning and zoning; and general administrative services. The City's basic financial statements include the accounts of all City operations. As required by GAAP, these financial statements present the activities of the City, which is legally separate and financially independent of other state and local governments.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
2. Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Based on the application of these criteria, there are no component units included in the City's reporting entity.

Government-wide and Fund Financial Statements

The City uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate " fund types." Governmental funds are used to account for all, or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the capital projects funds.

The following are the City's major governmental funds:

General Fund - The General Fund is the City's general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes, sales tax, franchise tax and other intergovernmental revenues.

Expenditures include all costs associated with the daily operations of general government, public safety, public works, parks and recreation and community development.

Capital Improvement Fund - This fund accounts for the sales tax revenues used to fund the City's capital improvement projects. It is a capital projects fund.

Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as enterprise funds or internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The City's major enterprise funds include the Electric, Water, Gas, and Wastewater funds. The internal service fund accounts for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has one internal service fund, the Self Insurance Fund.

For the current year, the City reported one fiduciary fund. The Cemetery Perpetual Care Fund accounts for nonexpendable corpus amounts, of which the investment earnings are transferred to the General Fund to assist in covering operating costs of the cemetery.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations, with a brief explanation, to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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 collectible 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 sixty days of the end of the current fiscal period. 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 and claims and judgments, are recorded only when payment is due.

Cigarette taxes, sales taxes, auto use taxes, taxpayer-assessed taxes, earnings on investments and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations of the fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, intergovernmental revenues and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, intergovernmental revenues and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: sales taxes and other intergovernmental revenues.

Unearned Revenue

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the deferred inflow of resources for unearned revenue is removed and revenue is recognized.

Expenses/ Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Accounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

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

Budgets and Budgetary Accounting

An annual budget and appropriation ordinance is adopted by the City Council in accordance with the City Charter. The budget is prepared on a basis consistent with GAAP for all governmental and proprietary funds, except that for proprietary funds, principal payments of long-term liabilities and purchases of capital assets are budgeted as expenditures, and the issuance of long-term liabilities are budgeted as other financing sources.

On, or about October 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Also, public hearings are conducted at a special meeting and at regular City Council meetings to obtain taxpayer comments. Prior to December 15, the budget is legally adopted by the City Council.

Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. The fund level of classification is the level of classification at which expenditures may not legally exceed appropriations.

All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided they are offset by unanticipated resources. Budgeted expenditures reported in the accompanying financial statements are as originally adopted and as amended by the City Council throughout the year.

The following is a summary of the original budget, total revisions, and revised budget for those funds with amended budgets for the year ended December 31, 2025:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General Fund	$ 23,701,243	$ -	$ 23,701,243
Capital Improvement Fund	8,264,000	-	8,264,000
Conservation Trust Fund	120,000	-	120,000
Internal Service fund:			
Self Insurance Fund	6,029,759		6,029,759
Enterprise funds:			
Electric Fund	27,169,781	-	27,169,781
Water Fund	12,292,090	-	12,292,090
Gas Fund	6,173,283	-	6,173,283
Waste Water Fund	13,276,009	-	13,276,009
Sanitation Fund	1,690,806	-	1,690,806
Fiduciary fund:			
Cemetery Perpetual Care Fund	8,000	-	8,000
Total funds	$ 98,724,971	$ -	$ 98,724,971

Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments include cash on hand, demand deposits, certificates of deposit, participation in local government investment pools, government securities, money markets, and corporate securities. All cash equivalents have an original maturity date of less than three months. Cash balances from different funds are combined and invested to the extent possible in local government investment pools.

To improve cash management, cash received by the City is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Interest in the pool is presented as "Cash and Cash Equivalents" in the financial statements. Investments of the City's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported at fair value in accordance with GASB Statement No.72, *Fair Value Measurement and Application*.

Restricted Cash

The amounts restricted are in compliance with various debt requirements associated with the City's long term debt.

Property Taxes

Property taxes are levied prior to December 31 and attach as an enforceable lien on property on January 1. Taxes are payable in full on April 30 or in two installments on the last day of February and

June 15. The County Treasurer's office collects property taxes and remits to the City on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow of resources is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflows of resources are recognized as revenue and the receivable is reduced.

Receivables

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

Short-Term Inter-Fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if any, are classified as internal balances on the government-wide statement of net position and classified as due from other funds or due to other funds on the fund financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Because these assets do not represent current financial resources, there is a corresponding nonspendable fund balance in the governmental funds.

Inventories

Inventories are valued at cost, using the first -in, first-out method. Inventories consist of office supplies, cleaning supplies, and other miscellaneous supplies. Because these assets do not represent current financial resources, there is a corresponding nonspendable fund balance in the governmental funds.

Capital Assets

Capital assets, which include land, buildings and other improvements, infrastructure, machinery and equipment, and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $10,000 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 fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Description	Life
Buildings and other improvements	30 years
Infrastructure	20 years
Vehicles and equipment	5 - 10 years
Utility systems	10 – 40 years

Leases Receivable

The City recognizes a lease receivable and a deferred inflow of resources in both the government-wide and fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The discount rate used is the City's estimated incremental borrowing rate. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences Payable

Vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements. Compensated absences are reported in governmental funds only if they have matured.

Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental or business-type activities. Bond premiums are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs are recognized as an expenditure/ expense during the period of issuance.

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

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/ expenditure) until then. The City reports deferred outflows of resources for pension and OPEB related amounts. See Notes 8 and 9 for additional information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City reports a deferred inflow of resources relating to property taxes. In addition, the City reports deferred inflows of resources for leases, pension and OPEB-related amounts. See Notes 6, 8 and 9 for additional information.

Fund Balance and Net Position

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the City, which is not restricted for any project or other purpose. A deficit will require future funding.

In the governmental fund financial statements, fund balances are classified in five separate categories. The categories, and their general meanings, are as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through resolutions approved by the City Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Council has authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts. Only the General Fund reports a positive unassigned fund balance. In other governmental funds, other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to other purposes, the funds would report a negative unassigned fund balance; however, any amount reported as assigned fund balance would have to be eliminated before a negative unassigned fund balance could be reported.

As of December 31, 2025, fund balances were composed of the following:

	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Inventories	$ 109,242	$ -	$ -	$ 109,242
Prepaid items	90,425	-	-	90,425
Note receivable	-	3,340,000	-	3,340,000
Committed:				
Environmental	-	1,081,637	-	1,081,637
Restricted:				
Emergency reserve	655,493	-	-	655,493
Donations and memorials	96,034	-	-	96,034
Parks and recreation	1,131	-	151,248	152,379
Public safety	37,732	-	-	37,732
Capital improvements	1,257,101	-	-	1,257,101
Unassigned:	26,513,384	-	-	26,513,384
Total	$ 28,760,542	$ 4,421,637	$ 151,248	$ 33,333,427

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources to be used for capital acquisition and construction.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/ expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. All other inter-fund transactions are reported as transfers.

Pensions

The City participates in the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to / deductions from the fiduciary net position of the LGDTF 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. In addition, the City contributes to a Volunteer Pension Plan and Old Hire Pension Plan; agent multiple employer plans administered by the Fire and Police Pension Association of Colorado (" FPPA").

Other Post-Employment Benefits ("OPEB")

The City participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple -employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could be material.

2. Cash and Investments

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

Cash on hand	$	4,116
Cash in financial institutions		21,731,054
Investments		54,892,358
Total	$	76,627,528

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

	Governmental Activities	Business-Type Activities	Fiduciary fund statements	Total
Cash, cash equivalents, and investments	$ 39,430,368	$ 34,537,214	$ -	$ 73,967,582
Restricted cash, cash equivalents, and investments	1,802,672	-	857,274	2,659,946
	$ 41,233,040	$ 34,537,214	$ 857,274	$ 76,627,528

Custodial Credit Risk - Deposits

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The City's deposit policy is in accordance with Colorado Revised Statues, ("CRS") 11 -1 0.5-101, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution or held in trust for all of 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 institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized.

The State Regulatory Commission for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2025, the City had deposits with financial institutions with a carrying amount of $25,064,038. The bank balances with the financial institutions were $22,717,499, of which $1,250,000 was covered by federal depository insurance. The remaining balance of $21,467,499 was collateralized with securities held by the financial institutions' agents but not in the City's name.

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

			Maturity Date (in years)		
Investments	**S&P Rating**	**Fair Value**	**Less than 1**	**1 to Less than 5**	**Concentration of Credit Risk**
Certificates of Deposit	NR	$ 1,873,270	N/A	N/A	3.41%
US Treasury Bonds/Notes	AA+	29,197,497	829,526	28,367,971	53.19%
Municipal Bonds/Notes	AA-/AAA	985,518	486,771	498,747	1.80%
Federal Agency Collateralized Mortgage	AA+	6,654,870	1,094,928	5,559,942	12.12%
Federal Agency Bonds/Notes	AA+	1,975,579	0	1,975,579	3.60%
Corporate Securities	AA-/A+	5,007,095	503,602.00	4,503,493	9.12%
Subtotal Investments		$45,693,829			
Local Government Investment Pool (CSIP)	AAAm	9,198,529	N/A	N/A	16.76%
Total		$54,892,358			

The City's investments measured and reported at fair value are classified according to the following hierarchy: level 1 investments reflect prices quoted in active markets; level 2 investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; level 3 investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

The City's investment balances at fair value hierarchy are as follows:

Investments	**Level 1**	**Level 2**	**Level 3**	**Total**
Certificates of Deposit	$ -	$ 1,873,270	$ -	$ 1,873,270
US Treasury Bonds/Notes	-	29,197,497	-	29,197,497
Municipal Bonds/Notes	-	985,518	-	985,518
Federal Agency Collateralized Mortgage Oblig	-	6,654,870	-	6,654,870
Federal Agency Bonds/Notes	-	1,975,579	-	1,975,579
Corporate Securities	5,007,095	-	-	5,007,095
Total	$ 5,007,095	$ 40,686,734	$ -	$ 45,693,829

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a specific policy for custodial credit risk. As of December 31, 2025, the City had no investments exposed to custodial credit risk.

Credit Risk - Investments

State statutes and the City's investment policies authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the State of Colorado or of any county, school, authority, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements.

Interest Rate Risk

Colorado Revised Statutes and the City's investment policies limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value fluctuations arising from changing interest rates.

Colorado Statewide Investment Plan - CSIP

As of December 31, 2025, the City invested in PFM Funds Prime Series, Colorado Investors Class, a money market mutual fund (marketed as the Colorado Statewide Investment Program or CSIP). The Prime Series is a separate investment portfolio of PFM Funds (the "Trust"). The Trust is an open-ended, diversified, management investment company registered under the Investment Company Act of 1940. The PFM Funds Prime Series invests in obligations of the United States Government and its agencies, high quality debt obligations of U.S. companies and obligations of financial institutions and is rated AAm by Standard & Poor's. PFM Asset Management, LLC serves as the investment advisor, administrator and transfer agent. Shares of the Fund are distributed by PFM Fund Distributors, Inc., member Financial Industry Regulatory Authority ("FINRA"). U.S. Bank N.A serves as the custodian and acts as safekeeping agent. These money market funds seek to earn the highest income consistent with preserving principal and maintaining liquidity, and to maintain a stable $1.00 net asset value. The City records its investment in CSIP at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

3. Interfund Transactions

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and, (4) to close a fund. Contributed capital between the governmental funds and proprietary funds is shown within the transfer line for financial statement presentation.

During the year ended December 31,2025, there were no transfers between funds.

4. Receivables

Receivables at December 31, 2025, consist of the following:

	Governmental Funds	Proprietary Funds	Internal Service Fund	Fiduciary Funds	Total
Taxes	$ 2,647,316	$ -	$ -	$ -	$ 2,647,316
Trade accounts	761,102	830,849	6,363	-	1,598,314
Unbilled revenues	-	5,497,005	-	-	5,497,005
Lease receivable	-	2,886,903	-	-	2,886,903
Intergovernmental	1,485,420	-	-	-	1,485,420
Note receivable	3,340,000	-	-	-	3,340,000
Other	868	-	210	1,795	2,873
Total	$ 8,234,706	$ 9,214,757	$ 6,573	$ 1,795	$17,457,831

5. Capital Assets

Governmental capital assets activity for the year ended December 31, 2025, was as follows:

	Balance December 31, 2024	Transfers/ Additions	Transfers/ Retirements	Balance December 31, 2025
Governmental Activities				
Capital assets, not being depreciated:				
Land	$ 8,455,372	$ -		$ 8,455,372
Construction in progress	3,101,174	1,373,949	(3,976,836)	498,288
Total capital assets, not being depreciated	11,556,546	1,373,949	(3,976,836)	8,953,660
Capital assets, being depreciated:				
Infrastructure	58,737,879	3,063,801	(717,770)	61,083,910
Land improvements	16,740,271	50,255	-	16,790,526
Buildings and improvements	30,926,047	701,719	(29,219)	31,598,548
Vehicles and equipment	7,704,720	2,868,734	(614,699)	9,958,755
General equipment	4,887,382	16,839	(123,558)	4,780,663
Golf Course	5,756,205	471,205	(47,314)	6,180,095
Total capital assets, being depreciated	124,752,503	7,172,553	(1,532,559)	130,392,497
Accumulated depreciation	(54,737,312)	(5,651,591)	1,310,524	(59,078,378)
Total capital assets, being depreciated, net	70,015,191	1,520,962	(222,035)	71,314,118
Total governmental activities capital assets, net	$ 81,571,738	$ 2,894,911	$ (4,198,871)	$ 80,267,778

Depreciation for governmental activity capital assets has been allocated to the various activities as follows:

General government	$ 614,760
Public safety	620,566
Community development and public works	2,606,221
Parks and recreation	1,810,044
Total	$ 5,651,591

Business-type capital assets activity for the year ended December 31, 2025, is summarized below:

	Balance December-31, 2024	Transfers/ Additions	Transfers/ Retirements/ Adjustments	Balance December-31, 2025
Business-Type-Activities				
Capital assets, not being depreciated:				
Land	$ 952,064	$ -	$ -	$ 952,064
Water rights	11,617,905	-	-	11,617,905
Construction in progress	985,587	3,672,124	-	4,657,711
Total capital assets, not being depreciated	13,555,556	3,672,124	-	17,227,680
Capital assets, being depreciated:				
Electric system	30,816,693	468,126	(118,798)	31,166,022
Water system	57,868,903	788,441	(77,980)	58,579,364
Gas system	4,760,336	-	-	4,760,336
Sewer system	23,411,482	940,940	(146,370)	24,206,051
Sanitation system	1,937,984	-	(99,259)	1,838,725
Total capital assets, being depreciated	118,795,397	2,197,507	(442,407)	120,550,498
Accumulated depreciation	(66,731,406)	(3,398,383)	388,374	(69,741,414)
Total capital assets, being depreciated, net	52,063,991	(1,200,876)	(54,032)	50,809,083
Total business type activities capital assets, net	$ 65,619,547	$ 2,471,249	$ (54,032)	$ 68,036,764

Depreciation for business-type capital assets has been allocated to the various activities as follows:

Electric	$ 894,457
Water	1,492,968
Gas	116,191
Wastewater	741,650
Sanitation	153,117
	$ 3,398,383

6. Lease Receivable

The City is a lessor of a long-term lease of a fiber network which enables the lessee to provide gigabit broadband internet access services and capabilities for Fort Morgan residents. The initial lease term is twenty years with monthly rent due in equal installments. The lease receivable is recorded in an amount equal to the present value of the expected future minimum lease payments received, discounted by an applicable interest rate. Future annual lease payments are as follows:

The City recognized lease revenue of $205,892 and interest of $66,432 during 2025.

Year ending December 31,	Principal	Interest	Total
2026	$ 187,234	$ 57,746	$ 244,980
2027	191,109	53,871	244,980
2028	195,064	49,916	244,980
2029	203,220	41,760	244,980
2030	203,220	41,760	244,980
2031-2039	1,907,056	176,113	2,083,169
Total	$ 2,886,903	$ 421,166	$ 3,308,069

7. Long-term Debt

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

Governmental activities	Balance at December 31, 2024	Additions*	Payments	Balance at December 31, 2025	Due Within One Year
Other obligations:					
Fieldhouse	$ 7,328,000	$ -	$ (612,000)	$ 6,716,000	$ 623,000
Fire trucks	1,296,465	-	(204,670)	1,091,795	213,874
Compensated absences	583,348		(11,629)	571,719	80,041
Total	$ 9,207,813	$ -	$ (828,299)	$ 8,379,514	$ 916,915

Lease Purchase Financing, Series 2020

During 2020, the City entered into a lease agreement as lessee to construct, install, improve, and equip a new Community Center and Field House on property currently owned by the City. The lease is renewable in one-year terms through 2035 and all rent is to be paid from currently budgeted expenditures of the City, using legally available funds. The City's future minimum lease obligations related to the Field House lease will mature as follows:

Year ending December 31,	Principal	Interest	Total
2026	$ 623,000	$ 109,969	$ 732,969
2027	634,000	99,236	733,236
2028	644,000	88,324	732,324
2029	655,000	77,228	732,228
2030	660,000	65,963	725,963
2030-2035	3,500,000	154,968	3,654,968
Total	$ 6,716,000	$ 595,688	$ 7,311,688

2022 Financing Arrangement, Fire Trucks

During 2022, the City entered into a financing arrangement to purchase a fire and ladder truck. The financing is limited to one-year terms through 2030 and all payments are to be paid from currently budgeted expenditures of the City, using legally available funds. The City's future minimum payment obligations related to the Fire Trucks will mature as follows:

Year ending December 31,	Principal	Interest	Total
2026	$ 213,874	$ 36,126	$ 250,000
2027	220,953	29,047	250,000
2028	228,267	21,733	250,000
2029	235,822	14,178	250,000
2030	192,879	6,372	199,251
Total	$ 1,091,795	$ 107,456	$ 1,199,251

Following is a summary of business-type long-term debt activity for the year ended December 31, 2025:

Business-type activities	Balance at December 31, 2024	Additions*	Payments	Balance at December 31, 2025	Due Within One Year
Bonds payable:					
2015 Water Revenue Refunding	$ 5,739,000	$ -	$ (1,080,000)	$ 4,659,000	$ 1,110,000
	5,739,000	-	(1,080,000)	4,659,000	1,110,000
Other obligations:					
Compensated Absences	390,290	-	(1,781)	388,509	90,342
	390,290	-	(1,781)	388,509	90,342
Total	$ 6,129,290	$ -	$ (1,081,781)	$ 5,047,509	$ 1,200,342

2015 Water Revenue Refunding bond

During 2015, the City issued a $14,635,000 Water Revenue Refunding Bond to NBH Bank, N.A. The bond was issued for the redemption of the remaining portion of the 1995 Colorado Water Conservation Board Note Payable, the 1999 Colorado Water Conservation Board Note Payable, and the 1999A and 1999B USDA Revenue Bonds. The note requires annual principal payments due on December 1st and semi-annual interest payments due on June 1st and December 1st of each year. The payments range from $1,257,658 to $1,262,157 annually and are payable through December 2029. The loan bears interest at a rate of 3.130% per annum. The annual requirements to amortize all outstanding business-type activities long-term debt for the year ended December 31, 2025 are as follows:

Year ending December 31,	Principal	Interest and Servicing Fees	Total
2026	$ 1,110,000	$ 130,319	$ 1,240,319
2027	1,145,000	94,749	1,239,749
2028	1,185,000	57,571	1,242,571
2029	1,219,000	19,411	1,238,411
Total	$ 4,659,000	$ 302,050	$ 4,961,050

8. Pension Plans

The following table presents combined information relating to the City's defined benefit pension plans as of and for the year ended December 31,2025:

Deferred outflows of resources:	Volunteer Firefighters' Pension Plan	Police Old Hire Pension Fund	Local Government Division Trust Fund	Total
Differences between expected and actual experience	$ 12,836	$ -	$ 458,691	$ 471,528
Changes of assumptions or other inputs	6,936	-	179,401	186,337
Net difference between projected and actual earnings on pension plan investments	95,160	38,091	572,034	705,285
City contributions subsequent to the measurement date	209,585	163,848	1,352,515	1,725,948
Total deferred outflows of resources relating to pension	$ 324,517	$ 201,939	$ 2,562,641	$ 3,089,098
Deferred inflows of resources:				
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	-	40,636	40,636
Net differences between projected and actual earnings on pension plan investments	78,368	6,056	-	84,424
Changes in proportionate share	-	-	-	-
Total deferred inflows of resources relating to pensions	$ 78,368	$ 6,056	$ 40,636	$ 125,060
Net pension liablility as of December 31, 2025	$ 1,272,756	$ 653,260	$ 6,078,741	$ 8,004,757
Total pension expense/(benefit) for the year ended December 31, 2025	$ 240,498	$ 52,101	$ 1,609,382	$ 1,901,981

Total deferred outflows of resources, deferred inflows of resources, pension liability and pension expense are reported in the financial statements as follows:

Primary Government	Governmental Activities	Enterprise Activities	Total
Deferred outflows of resources	$ 1,900,937	$ 1,188,161	$ 3,089,098
Deferred inflows of resources	125,060	-	125,060
Net pension liability	5,238,901	2,765,856	8,004,757
Net pension expense	1,169,705	732,277	1,901,981

Fort Morgan Volunteer Fire Department Pension Plan

Plan Description. The City has established the Volunteer Firefighters' Pension Plan (the "Plan"), an agent multiple employer defined benefit pension plan administered by the FPPA. As of December 31, 2025, the Plan has 43 retirees and beneficiaries, 2 inactive, nonretired member, and 25 active current members. FPPA issues an annual, publicly available annual comprehensive financial report that includes the assets of the Volunteer Plan. The report may be obtained on FPPA's website at http://www.fppaco.org.

Benefits Provided. The plan provides for a monthly pension of $475 for volunteers who have satisfied the normal age and service requirements. It further provides death benefits and a partial pension (50% of the amount the volunteer has earned) for surviving spouses. The normal age and service requirement is the latest date a volunteer reaches 50 years of age and completes 20 years of service. The plan also provides a funeral benefit, a lump sum one-time only payment of $950.

Funding Policy. The Plan receives contributions from the City's general fund in the amount that agrees to the actuarial study. Contributions are established and may be amended by the City's Pension Board. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2025, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan. Contributions to the Plan from the City were $171,137 and from the State were $38,448 a total of $209,585 for the year ended December 31, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2025, the City reported a net pension liability of $1,272,756. The net pension liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of January 1, 2025. This measurement date is within one year of the plan sponsor's fiscal year end of December 31, 2025, and may be used for December 31, 2025, reporting purposes.

For the year ended December 31, 2025, the City recognized pension expense of $240,498. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,836	$ -
Net difference between projected and actual earnings on pension plan investments	95,160	78,368
Changes of assumptions or other inputs	6,936	-
City Contributions subsequent to the measurement date	209,585	-
	$ 324,517	$ 78,368

The $209,585 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	**Amortization**
2026	$ 25,801
2027	33,445
2028	(14,276)
2029	(8,406)
Total	$ 36,564

Actuarial Assumptions. The total pension liability as of the December 31, 2024, measurement date was determined using the following actuarial assumptions, applied to all period included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	20 Years
Asset Valuation Method	5-Year smoothed fair value
Investment rate of return	7.0%
Retirement Age	50% per year of eligibility until 100% at age 65
Mortality	Pre-retirement: 2010 Public Safety Healthy Employee Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale, 60% multiplier. Post-retirement: 2010 Public Safety Healthy Employee Mortality Tables for males and females, amount-weighted, projected with the MP-2020 Ultimate projection scale.

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

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

Projected cash flows used in determining the Single Discount Rate are available upon request.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic nominal 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 Rate of Return
Liquidity	4%	4.2%
Fixed Income - Rates	7.0%	5.0%
Fixed Income - Credit	7.0%	6.5%
Diversifiers	9.0%	5.7%
Long Short	6.0%	6.2%
Global Public Equity	33.0%	7.0%
Private Markets	34.0%	8.8%
Total	100.0%	

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's net pension liability calculated using the discount rate of 7.00

percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1.00 % Decrease	Current Discount Rate	1.00% Increase
Net pension liability / (asset)	$1,633,125	$1,272,756	$975,385

Change in Net Pension (Asset) Liability

	Total Pension (Asset) Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Balances at December 31, 2023	$ 2,962,048	$ 1,676,568	$ 1,285,480
Changes for the year			-
Service cost	6,331	-	6,331
Interest	199,452	-	199,452
Benefit changes	156,422	-	156,422
Difference between expected and actual experience			-
of Total Pension Liability	7,800	-	7,800
Changes of assumptions	-	-	-
Benefit payments	(235,681)	(235,681)	-
Contributions - employer	-	203,481	(203,481)
Net investment income	-	158,979	(158,979)
Pension plan administrative expense	-	(18,179)	18,179
State of Colorado supplemental discretionary payment	-	38,448	(38,448)
Balances at December 31, 2024	$ 3,096,372	$ 1,823,616	$ 1,272,756

City of Fort Morgan Police Department Money Purchase Pension Plan

Plan Description. The money purchase pension plan is a defined contribution plan, with benefits dependent on amounts contributed to the plan and investment earnings. Employees are eligible to participate from the date of employment. All changes to the plan must be approved by the City Council.

Funding Policy. The City and employees each contribute 8% of covered salary, with the rate increased to 10% effective October 1, 2007, to 11.9% effective January 1, 2008, and to 12.8% effective January 1, 2009. The City's contributions vest with the employee at 50% after being with the City 5 years and increase 10% annually thereafter until the employee is 100% vested. Forfeited contributions and related earnings on investments are used to offset the City's current contributions.

During 2025, the City's covered payroll under the plan was $3,012,129. The City made all required contributions for the plan year. The City contributed $379,237, $355,085, and $323,184, for the years ended December 31, 2025, 2024, and 2023, respectively.

City of Fort Morgan Police Old Hire Pension Fund

Plan Description. City police officers that did not transfer to the Money Purchase Pension Plan participate in the City of Fort Morgan Police Old Hire Pension Fund; an agent multiple-employer public retirement program administered by the FPPA. As of December 31, 2025, the Plan has 3 retired members. FPPA issues an annual, publicly available financial report that includes the assets of the Old Hire Plan. That report may be obtained on FPPA's website at http://www.fppaco.org.

Benefits Provided. The defined benefit plan provides retirement benefits for members and beneficiaries. Members are eligible to retire upon completion of 25 years of service or the completion of 20 years of service and reaching 55 years of age.

Funding Policy. The plan receives contributions from the City in the amount as required by the actuarial valuation for the plan. Contributions are established and may be amended by the City's Pension Board. An actuary is used to determine the adequacy of contributions. The actuarial study as of January 1, 2024, indicated that the current levels of contributions to the fund are adequate to support on an actuarially sound basis the prospective benefits for the present Plan. Contributions to the Plan from the City were $163,848 for the year ended December 31, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2025, the City reported a net pension liability of $653,260. The net pension liability was measured as of December 31, 2024, and was determined by an actuarial valuation as of January 1, 2024. This measurement date is within one year of the plan sponsor's fiscal year end of December 31, 2025 and may be used for December 31, 2025 reporting purposes.

For the year ended December 31, 2025, the City recognized pension expense of $52,101. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 38,091	$ 6,056
City Contributions subsequent to the measurement date	163,848	-
	$ 201,939	$ 6,056

The $163,848 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Amortization
2026	$ 17,357
2027	14,296
2028	(819)
2029	1,201
Total	$ 32,035

Actuarial Assumptions: The total pension liability as of the December 31, 2024, measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	5-Year smoothed fair value
Inflation	2.50%
Salary increases	N/A
Investment rate of return	4.50%
Retirement Age	Any remaining actives are assumed to be retired immediately.
Mortality	Post-retirement: 2006 central rates from the RP-2014 Annuitant Mortality Tables for males and females projected to 2018 using the MP-2017 projection scales, and then projected prospectively using the ultimate rates of the scale for all years. Disabled (pre-1980): Post retirement rate set forward three years.

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

For the purpose of this valuation, the long-term expected rate of return on pension plan investments is 4.50%; the municipal bond rate is 4.08% (based on the weekly rate closest to but not later than the measurement date of the "state & local bonds" rate from Federal Reserve statistical release (H.15)); and the resulting Single Discount Rate is 4.50%.

Projected cash flows used in determining the Single Discount Rate are available upon request.

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

Asset Class	Target Allocation	Long Term Expected Nominal Rate of Return
Cash	10.0%	5.5%
Fixed Income - Rates	70.0%	5.4%
Fixed Income - Credit	10.0%	5.9%
Absolute Return	0.0%	7.4%
Long Short	0.0%	7.0%
Global Public Equity	10.0%	8.3%
Private Capital	0.0%	10.2%
Total	100.0%	

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability calculated using the discount rate of 4.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.50 percent) or 1- percentage-point higher (5.50 percent) than the current rate:

	1.00 % Decrease	Current Discount Rate	1.00% Increase
Net pension liability	$743,967	$653,260	$573,946

Change in Net Pension (Asset) Liability

	Total Pension (Asset) Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Balances at December 31, 2024	$ 1,267,925	$ 461,052	$ 806,873
Changes for the year			-
Interest	53,937	-	53,937
Benefit changes	-	-	-
Difference between expected and actual experience			-
of Total Pension Liability	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	196,617	(196,617)
Net investment income	-	15,896	(15,896)
Benefit payments	(140,178)	(140,178)	-
Administrative expenses	-	(4,963)	4,963
Net Changes	(86,241)	67,372	(153,613)
Balances at December 31, 2025	$ 1,181,684	$ 528,424	$ 653,260

The City provides pension benefits to all of its full-time police officers through either its "Money Purchase Pension Plan" or through the "Old Hire Plan”.

General Employee Pension Plan

Plan Description. Eligible employees of the City are provided with pensions through the Local Government Division Trust Fund (“LGDTF”) - a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (“FNP”) and additions to/deductions from the FNP of the LGDTF 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.

Benefits Provided as of December 31, 2025. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51- 602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007 will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters as specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions Provisions as of December 31, 2025: Eligible employees of the City are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 9.0 percent of their PERA-includable salary during the period of January 1, 2025 through December 31, 2025.

The employer contribution requirements during the period of January 1, 2025 through December 31, 2025 are summarized in the table below:

	January to December 2025
Employer Contribution Rate1	11.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in CRS § 24-51-208(1)(f) 1	(1.02)%
Amount Apportioned to the LGDTF1	9.98%
Amortization Equalization Disbursement (AED) as specified in CRS § 24-51-411 1	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in CRS 24-51-411 1	1.50%
Defined Contribution Supplement as specified in C.R.S. § 24-51-415	.11%
Total Employer Contribution Rate to the LGDTF1	13.79%

[1]Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the City were $1,352,515 for the year ended December 31, 2025.

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

At December 31, 2025, the City reported a liability of $6,078,741 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll forward the total pension liability to December 31, 2024. The City's proportion of the net pension liability was based on City contributions to the LGDTF for the calendar year 2024 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2024, the City's proportion was 0.99067162 percent, which was a decrease of 0.01635313 percent from its proportion measured as of December 31, 2025. For the year ended December 31, 2025, the City recognized pension expense of $1,513,617.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 458,691	$ -
Changes of assumptions or other inputs	179,401	-
Net difference between projected and actual earnings on pension plan investments	572,034	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions		40,636
City contributions subsequent to the measurement date	1,352,515	-
Total	$ 2,562,641	$ 40,636

The $1,352,515 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Amortization
2026	1,074,358
2027	1,446,684
2028	(968,231)
2029	(383,321)
	$ 1,169,490

Actuarial Assumptions

The total pension liability in the December 31, 2023, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20% – 11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Postretirement benefit increases:	
PERA benefit structure hired prior to 1/7/07	1.00%
PERA benefit structure hired after 12/31/06[1]	Financed by the Annual Increase Reserve

[1]Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were $0.486 million and $0.020 million, respectively.

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019.

Post retirement non-disabled mortality assumptions were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Females**:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

Males: 97% of the rates for all ages, with generational projection using scale MP-2019.

Females: 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in 2024 Experience Study report dated January 3, 2025.

Several factors were considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis 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 percentages and then adding expected inflation.

The PERA Board adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of returns at its Board meeting on November 15, 2019, and again at the Boards' September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	**100.00%**	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the Local Government Division reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional disaffiliation payment allocations to the Local Government Division Trust Fund and HCTF were $0.486 million and $0.020 million, respectively.

Based on the above assumptions and methods, LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1.00 % Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
City’s proportionate share of the net pension liability	$ 13,305,146	$ 6,078,741	$ 7,737

Pension Plan Fiduciary Net Position. Detailed information about the LGDTF's fiduciary net position is available in PERA's annual comprehensive financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

9. Defined Benefit Other Post Employment Benefit Plan

OPEB. The City participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position ("FNP") and additions to/deductions from the FNP of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description. Eligible employees of the City are provided with OPEB through the HCTF - a cost-sharing multiple-employer defined benefit OPEB plan administered by the Public Employees' Retirement Association of Colorado. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Benefits Provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund ("DPS HCTF"). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, District, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the City is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the City were $99,676 for the year ended December 31, 2025.

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

At December 31, 2025, the City reported a liability of $375,850 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2024, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2024. The City's proportion of the net OPEB liability was based on contributions to the HCTF for the calendar year 2024 relative to the total contributions of participating employers to the HCTF.

At December 31, 2024, the City's proportion was 0.07860203 percent, which was a decrease of 0.00128195 percent from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the City recognized OPEB benefit of $47,223. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 82,905
Net difference between projected and actual earnings on OPEB plan investments	1,274	-
Changes in assumption or other inputs	4,310	120,140
Changes in proportionate share	10,386	
City contributions subsequent to the measurement date	99,676	-
Total	$ 115,646	$ 203,045

The $99,676 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,	Amortization
2026	$ (55,912)
2027	(27,910)
2028	(46,564)
2029	(26,168)
2030	(18,779)
Thereafter	(11,742)
	$ (187,075)

Actuarial Assumptions: The total OPEB liability in the December 31, 2023, valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.20% – 11.30%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.0 percent
PERACare Medicare plans	16.00% in 2024, then 6.75% in 2025, gradually decreasing to 4.50% in 2034
Medicare Part A premiums	3.5% in 2024, gradually increasing to 4.50% in 2033

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were $0.020 million and $0.486 million, respectively.

Each year the per capita health care costs are developed by plan option. As of the December 31, 2023, actuarial valuation, costs are based on 2024 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors were then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-68	2.20%	2.30%
69	2.80%	2.20%
70	2.70%	1.60%
71	3.10%	0.50%
72	2.30%	0.70%
73	1.20%	0.80%
74	0.90%	1.50%
75-85	0.90%	1.30%
86 and older	0.00%	0.00%

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	$1,710	$1,420	$585	$486	$1,897	$1,575
70	$1,921	$1,589	$657	$544	$2,130	$1,763
75	$2,122	$1,670	$726	$571	$2,353	$1,853

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	$6,536	$5,429	$4,241	$3,523	$7,063	$5,866

70	$7,341	$6,073	$4,764	$3,941	$7,933	$6,563
75	$8,110	$6,385	$5,262	$4,143	$8,763	$6,900

The 2024 Medicare Part A premium is $505 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models, and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. PERACare Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend because the first year rates are still below the maximum subsidy and to reflect the estimated impact of the Inflation Reduction Act for that plan option.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2024	16.00%	3.50%
2025	6.75%	3.75%
2026	6.50%	3.75%
2027	6.25%	4.00%
2028	6.00%	4.00%
2029	5.75%	4.25%
2030	5.50%	4.25%
2031	5.25%	4.25%
2032	5.00%	4.25%
2033	4.75%	4.50%
2034+	4.50%	4.50%

Mortality assumptions used in the December 31, 2023, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2023, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect costs for the 2024 plan year.
- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.
- The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation date based on an experience analysis of recent data.

The actuarial assumptions used in the December 31, 2023, valuation were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.0%	7.60%
Real Estate	10.0%	4.10%
Alternatives	6.00%	4.20%
Total	**100.00%**	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25 percent.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% decrease in trend	Current trend rates	1% increase in trend
Initial PERACare Medicare trend	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$365,723	$375,849	$387,309

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2023, and the financial status of the Trust Fund as of the prior measurement date. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2024, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

- Benefit payments and contributions were assumed to be made at the middle of the year.

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were $0.020 million and $0.486 million, respectively.

Based on the above assumptions and methods, the HCTF's FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$460,609	$375,849	$302,776

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's Annual Report which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

The total OPEB deferred outflows of resources, OPEB deferred inflows of resources, OPEB liability and OPEB expense/(income) are reported in the financial statements as follows at December 31, 2025:

Primary Government	**Governmental Activities**	**Enterprise Activities**	**Total**
Deferred outflows of resources	$ 63,027	$ 52,618	$ 115,646
Deferred inflows of resources	110,659	92,385	203,045
Net OPEB liability	204,836	171,014	375,849
Net OPEB expense/(income)	(84,486)	(70,535)	(155,021)

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the City carries commercial insurance. The City consolidates all its risk management activities into the Self Insurance Fund. Premiums are paid into the Risk Related Insurance Fund and are available to pay commercial insurance premiums, claims, and administrative costs of insurance related activities. The amounts of settlements have not exceeded insurance coverage the past three years, nor were there any significant changes in insurance coverage.

11. Contingencies

Grants and Contributions

The City participates in a number of federal, state, and county 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, 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 any of the individual governmental funds or the overall financial position of the City.

Litigation

At times, the City may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the City.

12. Beginning Balances Restated

During 2025, the City determined that an error existed in the previously issued government-wide-governmental activities and Capital Improvement Fund financial statements related to a loan agreement executed with Acadia Farms, LLC in 2022. Under the agreement, the City loaned $3,340,000 to Acadia Farms, LLC. The loan disbursements were incorrectly reported as expenditures rather than as a loan receivable, and interest earned on the loan was not recognized as revenue.

As a result of correcting this error, the City recognized a loan receivable and related accrued interest receivable, recorded previously unrecognized interest revenue, and reduced liabilities by $94,647 to eliminate amounts that should not have been recognized under the original accounting treatment. The correction affected the government-wide and Capital Improvement Fund financial statements. Accordingly, beginning net position and fund balance as of January 1, 2025 has been restated as follows:

Statement of Net Position

	Previously Reported December 31, 2024	Adjustment	Restated January 1, 2025
Total assets	$122,648,262	$3,510,358	$126,158,620
Total liabilities	17,677,545	(94,647)	17,582,898
Total net position	**104,857,983**	**3,605,005**	**108,462,988**

Capital Improvement Fund

	Previously Reported December 31, 2024	Adjustment	Restated January 1, 2025
Fund balance	117,087	3,605,005	3,722,092

13. Concentration of Utility Revenue

A significant portion of the City's Electric and Water revenue are generated from charges for services associated with a major local employer and industrial customer, Cargill Meat Solutions. During the year ended December 31, 2025, Electric Fund activity associated with this customer is 25% of total revenue, and 30 % of total Water revenue.

In April 2026, Cargill Meat Solutions suspended meat processing while negotiating with union employees. After the union rejected Cargill's proposed contract, Cargill locked out employees on May 20, 2026, causing all operations to be suspended. As of the date of the issuance of these financial statements, the work stoppage has continued for approximately two months.

Because of the City's Electric and Water Funds reliance on economic activity associated with this ratepayer, a prolonged reduction or suspension of operations could adversely affect future revenue and the City's financial condition.

City of Fort Morgan

Required Supplementary Information

City of Fort Morgan
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances—Budget and Actual
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes			
Property taxes	$ 3,750,000	$ 2,454,808	$ (1,295,192)
Specific ownership taxes	175,100	200,190	25,090
Sales taxes	7,500,000	7,444,540	(55,460)
Use taxes	400,000	70,522	(329,478)
Franchise taxes	78,700	64,373	(14,327)
Total taxes	11,903,800	10,234,433	(1,669,367)
Licenses and Permits			
Building permits	40,000	162,029	122,029
Liquor licenses	6,500	11,970	5,470
Other licenses and permits	19,025	26,409	7,384
Total licenses and permits	65,525	200,408	134,883
Intergovernmental			
Road and bridge	575,000	694,547	119,547
Motor vehicle fees	38,000	42,556	4,556
Severance and mineral taxes	200,000	29,550	(170,450)
Cigarette taxes	26,000	17,856	(8,144)
In lieu of taxes	4,077,000	4,202,948	125,948
Federal grants	5,000	-	(5,000)
State grants	5,200,000	4,792,908	(407,092)
Other intergovernmental revenues	332,500	383,576	51,076
Total intergovernmental	10,453,500	10,163,941	(289,559)
Charges for Services			
Recreation fees	979,000	1,341,207	362,207
Cemetery fees	127,500	143,415	15,915
Other charges for services	32,500	24,599	(7,901)
Total charges for services	1,139,000	1,509,221	370,221
Fines and forfeitures			
Traffic fines	45,000	70,270	25,270
Parking fines	3,800	3,920	120
Other fines and forfeitures	73,600	87,996	14,396
Total fines and forfeitures	122,400	162,186	39,786
Miscellaneous revenues			
Rents	12,000	219,545	207,545
Airport fees	15,000	14,533	(467)
Donations	10,000	32,825	22,825
Other revenues	102,000	123,013	21,013
Total miscellaneous revenues	139,000	389,916	250,916
Earnings on investments	500,005	999,386	499,381
TOTAL REVENUES	24,323,230	23,659,491	(663,739)

City of Fort Morgan
General Fund
Schedule of Revenues, Expenditures
and Changes in Fund Balances—Budget and Actual
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES			
General Government			
Mayor and council	72,958	66,382	6,576
City manager	212,298	202,515	9,783
Finance	132,253	159,911	(27,658)
City clerk	130,344	92,181	38,163
City attorney	78,275	53,386	24,889
Human resources	211,079	211,785	(706)
Other general government	789,980	761,187	28,793
Total general government	1,627,187	1,547,347	79,840
Public Safety			
Police	6,058,558	5,765,098	293,460
Fire	1,121,772	985,597	136,175
Building inspections	495,723	424,553	71,170
Municipal court	205,467	197,050	8,417
Total public safety	7,881,520	7,372,298	509,222
Community development and public works			
Airport	123,867	86,041	37,826
Economic development and marketing	5,277,850	4,842,891	434,959
Streets	2,246,306	1,739,432	506,874
Total community development and public works	7,648,023	6,668,364	979,659
Parks and recreation			
Recreation/senior center	1,499,768	1,431,008	68,760
Parks/cemetery	2,224,038	2,108,978	115,060
Library/museum	876,714	855,882	20,832
Community services	197,138	183,995	13,143
Golf	1,746,855	1,681,848	65,007
Total parks and recreation	6,544,513	6,261,711	282,802
TOTAL EXPENDITURES	23,701,243	21,849,720	1,851,523
Excess (deficiency) of revenues over expenditures	621,987	1,809,771	1,187,784
OTHER FINANCING SOURCES (USES)			
Sale of assets	-	14,203	14,203
TOTAL OTHER FINANCING SOURCES (USES)	-	14,203	14,203
NET CHANGE IN FUND BALANCE	$ 621,987	1,823,974	$ 1,201,987
FUND BALANCES, BEGINNING OF YEAR		26,936,567	
FUND BALANCES, END OF YEAR		$ 28,760,541	

Schedule of Proportionate Share of the Net Pension

Colorado PERA - Pension

Year Ending*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Net Pension Liability (Asset) as a Percentage of Member Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)
12/31/2015	1.0248%	$9,185,308	$5,614,826	163.59%	80.72%
12/31/2016	1.0308%	11,355,343	5,608,494	202.47%	76.90%
12/31/2017	1.0630%	14,353,748	6,463,667	222.07%	73.65%
12/31/2018	1.0302%	11,470,591	6,494,440	176.62%	79.40%
12/31/2019	1.0414%	13,092,645	7,075,603	185.04%	75.96%
12/31/2020	1.1000%	7,384,762	6,689,330	110.40%	86.26%
12/31/2021	0.9877%	5,147,273	6,934,657	74.23%	90.88%
12/31/2022	1.0202%	-874,649	7,561,136	-11.57%	101.49%
12/31/2023	1.0070%	7,391,975	8,058,627	91.57%	82.99%
12/31/2024	0.9907%	6,078,741	9,454,608	64.29%	90.45%

** The data provided in this schedule is based as of the measurement date of the net pension liability (December 31 of the year prior to the most recent fiscal year) in accordance with Government Accounting Standards Board Statement No. 68*

Schedule of Employer Contributions

Year Ending	Statutorily Required Contributions	Actual Employer Contributions	Contribution Excess/(Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2016	$711,157	$711,157	$ -	$5,608,494	12.68%
12/31/2017	819,593	819,593	-	6,463,667	12.68%
12/31/2018	823,495	823,495	-	6,494,440	12.68%
12/31/2019	897,187	897,187	-	7,075,603	12.68%
12/30/2020	848,207	848,207	-	6,689,330	12.68%
12/30/2021	902,827	902,827	-	6,934,657	13.02%
12/30/2022	1,004,479	1,004,479	-	7,561,136	13.28%
12/30/2023	981,540	981,540	-	8,058,627	12.18%
12/29/2024	1,308,431	1,308,431	-	9,454,608	13.84%
12/29/2025	1,352,515	1,352,515	-	9,772,157	13.84%

** Information presented in this schedule has been determined as of the City's most recent fiscal year end (December 31) in accordance with Governmental Accounting Standards Board Statement No. 68

Schedule of Proportionate Share of the Net OPEB Liability/(Asset)

Colorado PERA - OPEB

Year Ending*	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	OPEB Liability as a Percentage of Member Payroll	Fiduciary Net Position as a Percentage of Total OPEB Liability
12/31/2017	0.0815%	$1,058,784	$6,463,667	16.38%	16.72%
12/31/2018	0.0800%	1,040,248	6,494,440	16.02%	17.53%
12/31/2019	0.8080%	1,098,715	7,075,603	15.53%	17.03%
12/31/2020	0.0773%	869,314	6,689,330	13.00%	24.49%
12/31/2021	0.0754%	716,113	6,934,657	10.33%	32.78%
12/31/2022	0.0793%	683,817	7,561,136	9.04%	39.40%
12/31/2023	0.0799%	570,325	8,058,627	7.01%	38.57%
12/31/2024	0.0786%	375,849	9,454,608	3.98%	59.83%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

** The data provided in this schedule is based as of the measurement date of the City's net pension liability, (December 31 of the year prior to the most recent fiscal year) in accordance with Government Standards Board Statement No. 75*

Schedule of Employer Contributions

Year Ending	Statutorily Required Contributions	Actual Employer Contributions	Contribution Excess/(Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2016	$57,207	$57,207	$ -	$5,608,494	1.02%
12/31/2017	65,929	65,929	-	6,463,667	1.02%
12/31/2018	66,243	66,243	-	6,494,440	1.02%
12/31/2019	72,171	72,171	-	7,075,603	1.02%
12/31/2020	68,231	68,231	-	6,689,330	1.02%
12/31/2021	69,870	69,870	-	6,934,657	1.01%
12/31/2022	77,124	77,124	-	7,561,136	1.02%
12/31/2023	82,198	82,198	-	8,058,627	1.02%
12/31/2024	96,437	96,437	-	9,454,608	1.02%
12/31/2025	99,676	99,676	-	9,454,608	1.02%

** Information presented in this schedule has been determined as of the City's most recent fiscal year (December 31) in accordance with Governmental Accounting Standards Board Statement No. 75.

City of Fort Morgan
Required Supplementary Information
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios - Volunteer Firefighter's Pension Plan
Last 10 Years

Measurement period ended December 31,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ 6,331	$ 6,331	$ 7,266	$ 7,266	$ 6,399	$ 6,399	$ 7,129	$ 7,129	$ 6,762	$ 6,762
Interest	199,452	200,801	187,135	187,441	191,672	191,675	181,602	182,349	172,780	173,568
Changes of benefit terms	156,422	-	153,692	-	-	-	148,361	-	-	-
Difference between expected and actual expenditures	7,800	-	31,096	-	(66,549)	-	57,999	-	74,419	-
Assumption changes	-	-	30,723	-	-	-	124,629	-	66,544	-
Benefit payments	(235,681)	(217,446)	(211,110)	(187,428)	(197,190)	(199,026)	(205,650)	(193,437)	(192,785)	(188,933)
Net change in total pension liability	134,324	(10,314)	198,802	7,279	(65,668)	(952)	314,070	(3,959)	127,720	(8,603)
Total pension liability - beginning	2,962,048	2,972,362	2,773,560	2,766,281	2,831,949	2,832,901	2,518,831	2,522,790	2,395,070	2,403,673
Total pension liability - ending (a)	3,096,372	2,962,048	2,972,362	2,773,560	2,766,281	2,831,949	2,832,901	2,518,831	2,522,790	2,395,070
Plan fiduciary net position										
Employer contributions	203,481	203,481	197,554	238,790	-	72,481	88,404	91,820	76,585	150,177
Net investment income	158,979	144,317	(126,456)	197,764	140,593	157,913	1,530	157,663	56,550	21,490
Benefit payments	(235,681)	(217,446)	(211,110)	(187,428)	(197,190)	(199,026)	(205,650)	(193,437)	(192,785)	(188,933)
Administrative expense	(18,179)	(21,427)	(15,367)	(15,456)	(12,549)	(15,555)	(15,272)	(16,206)	(1,983)	(4,331)
State of Colorado supplemental discretionary payment	38,448	77,755	76,592	138,813	61,863	-	61,863	58,447	58,447	51,759
Net change in plan fiduciary net position	147,048	186,680	(78,787)	372,483	(7,283)	15,813	(69,125)	98,287	(3,186)	30,162
Plan fiduciary net position - beginning	1,676,568	1,489,888	1,568,675	1,196,192	1,203,475	1,187,662	1,256,787	1,158,500	1,161,686	1,131,524
Plan fiduciary net position - ending (b)	1,823,616	1,676,568	1,489,888	1,568,675	1,196,192	1,203,475	1,187,662	1,256,787	1,158,500	1,161,686
City's net pension liability - ending (a)-(b)	1,272,756	1,285,480	1,482,474	1,204,885	1,570,089	1,628,474	1,645,239	1,262,044	1,364,290	1,233,384
Plan fiduciary net position as a percentage of the total pension liability	58.90%	56.60%	50.12%	56.56%	43.24%	42.50%	41.92%	49.90%	45.92%	48.50%

Note 1: The data provided in this schedule is based as of the measurement date of the City's net pension liability/(asset) (December 31 of the year prior to the most recent fiscal year) in accordance with Governmental Accounting Standards Board Statement No. 68

City of Fort Morgan
Required Supplementary Information
Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios - Old Hire Pension Plan
Last 10 Years

Measurement period ended December 31,	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest	53,937	54,504	57,931	53,677	56,807	89,485	93,991	88,821	93,409	85,215
Changes of benefit terms	-	-	110,184	-	74,332	-	51,210	24,541	25,867	20,635
Difference between expected and actual expenditures	-	72,549	-	62,690	-	(195,554)	-	63,611	-	61,360
Assumption changes	-	(1,533)	-	-	-	236,444	-	-	-	67,767
Benefit payments	(140,178)	(136,096)	(132,132)	(131,911)	(120,919)	(148,641)	(159,315)	(159,194)	(150,126)	(153,012)
Net change in total pension liability	(86,241)	(10,576)	35,983	(15,544)	10,220	(18,266)	(14,114)	17,779	(30,850)	81,965
Total pension liability - Beginning	1,267,925	1,278,501	1,242,518	1,258,062	1,247,842	1,266,108	1,280,222	1,262,443	1,293,293	1,211,328
Total pension liability - Ending (a)	1,181,684	1,267,925	1,278,501	1,242,518	1,258,062	1,247,842	1,266,108	1,280,222	1,262,443	1,293,293
Plan fiduciary net position										
Employer contributions	196,617	196,617	141,059	188,078	113,746	113,746	102,792	99,660	88,699	88,680
Employee contributions	-	-	-	-	-	-	-	-	-	-
Net investment income	15,896	28,235	(56,323)	2,515	26,933	39,889	791	56,184	22,220	9,099
Benefit payments	(140,178)	(136,096)	(132,132)	(131,911)	(120,919)	(148,641)	(159,315)	(159,194)	(150,126)	(153,012)
Administrative expense	(4,963)	(1,795)	(4,374)	(1,445)	(4,023)	(1,585)	(4,701)	(1,715)	(3,848)	(1,054)
Net change in plan fiduciary net position	67,372	86,961	(51,770)	57,237	15,737	3,409	(60,433)	(5,065)	(43,055)	(56,287)
Plan fiduciary net position - beginning	461,052	374,091	425,861	368,624	352,887	349,478	409,911	414,976	458,031	514,318
Plan fiduciary net position - ending (b)	528,424	461,052	374,091	425,861	368,624	352,887	349,478	409,911	414,976	458,031
District's net pension liability - ending (a)-(b)	653,260	806,873	904,410	816,657	889,438	894,955	916,630	870,311	847,467	835,262
Plan fiduciary net position as a percentage of the total pension liability	44.72%	36.36%	29.26%	34.27%	29.30%	28.28%	27.60%	32.02%	32.87%	35.42%

Note 1: The data provided in this schedule is based as of the measurement date of the City's net pension liability/(asset) (December 31 of the year prior to the most recent fiscal year) in accordance with Governmental Accounting Standards Board Statement No. 68

City of Fort Morgan
Required Supplementary Information
Schedule of Employer Contributions - Volunteer Firefighters' Pension Plan
Last 10 Years

Measurement Period Ended	Actuarially Required Contributions	Actual Contributions*	Contribution Excess/(Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2016	$ 128,344	$ 135,032	$ 6,688	N/A	N/A
12/31/2017	128,344	150,267	21,923	N/A	N/A
12/31/2018	150,267	150,267	-	N/A	N/A
12/31/2019	134,344	72,481	(61,863)	N/A	N/A
12/31/2020	167,554	72,481	(95,073)	N/A	N/A
12/31/2021	209,691	313,148	103,457	N/A	N/A
12/31/2022	167,554	274,146	106,592	N/A	N/A
12/31/2023	181,659	281,235	99,576	N/A	N/A
12/31/2024	204,644	241,929	37,285	N/A	N/A
12/31/2025	160,627	209,585	48,958	N/A	N/A

* Includes both employer and State of Colorado Supplemental Discretionary Payment

City of Fort Morgan
Required Supplementary Information
Schedules of Employer Contributions - Old Hire Pension Plan
Last 10 Years

Measurement Period Ended	Actuarially Required Contributions	Actual Contributions*	Contribution Excess/(Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/2016	$ 88,699	$ 88,699	$ (19)	N/A	N/A
12/31/2017	99,655	99,660	-	N/A	N/A
12/31/2018	102,788	102,794	5	N/A	N/A
12/31/2019	106,878	108,761	6	N/A	N/A
12/31/2020	113,746	113,726	1,883	N/A	N/A
12/31/2021	113,746	188,078	(20)	N/A	N/A
12/31/2022	113,746	141,059	74,332	N/A	N/A
12/31/2023	113,746	141,059	27,313	N/A	N/A
12/31/2024	113,746	196,617	82,871	N/A	N/A
12/31/2025	113,746	163,848	50,102	N/A	N/A

* Includes both employer and State of Colorado Supplemental Discretionary Payment

City of Fort Morgan

Other Supplementary Information

City of Fort Morgan
Conservation Trust Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balance—Budget and Actual
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Other governmental revenues	150,000	141,148	(8,852)
TOTAL REVENUES	150,000	141,148	(8,852)
EXPENDITURES			
Capital outlay	120,000	-	120,000
TOTAL EXPENDITURES	120,000	-	120,000
NET CHANGE IN FUND BALANCE	$ 30,000	141,148	$ 111,148
FUND BALANCE, BEGINNING OF YEAR		10,100	
FUND BALANCE, END OF YEAR		$ 151,248	

City of Fort Morgan
Capital Improvement Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balance—Budget and Actual
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Taxes			
Sales taxes	$ 3,675,000	$ 3,666,714	$ (8,286)
Use taxes	115,000	78,404	(36,596)
Street sales taxes	3,825,000	3,760,287	(64,713)
Total taxes	7,615,000	7,505,405	(109,595)
Intergovernmental			
Highway users taxes	370,000	431,236	61,236
Federal grants	235,000	215,380	(19,620)
State grants	100,000	5,668	(94,332)
Total intergovernmental	705,000	652,284	(52,716)
Miscellaneous revenues	5,000	22,835	17,835
Earnings on investments	25,000	213,954	188,954
TOTAL REVENUES	8,350,000	8,394,478	44,478
EXPENDITURES			
Current:			
Debt service	983,000	979,259	3,741
Capital outlay	7,281,000	6,715,674	565,326
TOTAL EXPENDITURES	8,264,000	7,694,933	569,067
NET CHANGE IN FUND BALANCE	$ 86,000	699,545	$ 613,545
FUND BALANCE, BEGINNING OF YEAR (RESTATED)		3,722,092	
FUND BALANCE, END OF YEAR		$ 4,421,637	

City of Fort Morgan
Electric Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balance—Budget and Actual (Non-GAAP Basis)
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Charges for services	$21,923,000	$ 25,021,421	$ 3,098,421
EXPENDITURES			
Transmission, distribution and collection	6,587,140	3,340,379	3,246,761
Commodities	15,700,000	18,169,270	(2,469,270)
General administration	632,241	659,102	(26,861)
In lieu of fees	3,095,000	3,259,963	(164,963)
Capital outlay	1,155,400	1,057,407	97,993
TOTAL EXPENDITURES	27,169,781	26,486,121	683,660
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES	(5,246,781)	(1,464,700)	3,782,081
OTHER REVENUES			
Earnings on investments	167,000	813,656	646,656
Rents	43,000	43,356	356
Other revenues	358,900	353,068	(5,832)
TOTAL OTHER REVENUES	568,900	1,210,080	641,180
CHANGE IN FUND BALANCE, BUDGETARY BASIS	$ (4,677,881)	(254,620)	$ 4,423,261
ADJUSTMENTS FROM BUDGETARY BASIS TO GAAP BASIS			
Capital outlay		1,057,407	
Depreciation		(894,457)	
Gain/Loss on Asset		(345)	
CHANGE IN NET POSITION - GAAP BASIS		(92,015)	
NET POSITION, BEGINNING OF YEAR		18,013,501	
NET POSITION, END OF YEAR		$ 17,921,486	

City of Fort Morgan
Water Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balance—Budget and Actual (Non-GAAP Basis)
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Charges for services	$ 10,830,000	$ 11,408,456	$ 578,456
EXPENDITURES			
Transmission, distribution and collection	1,511,018	1,518,508	(7,490)
Treatment	4,368,730	7,045,189	(2,676,459)
General administration	712,342	629,627	82,715
Debt service			
Interest	-	179,317	(179,317)
Capital outlay	4,228,256	1,243,124	2,985,132
TOTAL EXPENDITURES	10,820,346	10,615,765	204,581
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENIDITURES	9,654	792,691	783,037
OTHER REVENUES			
Earnings on investments	55,000	475,556	420,556
Other revenues	420,000	1,700,946	1,280,946
TOTAL OTHER REVENUES	475,000	2,176,502	1,701,502
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS	484,654	2,969,193	2,484,539
Capital Contributions	400,000	172,416	(227,584)
CHANGE IN FUND BALANCE, BUDGETARY BASIS	$ 884,654	3,141,609	$ 2,256,955
ADJUSTMENTS FROM BUDGETARY BASIS TO GAAP BASIS			
Capital outlay		1,243,124	
Depreciation		(1,492,968)	
Gain/Loss on Asset		(4,784)	
CHANGE IN NET POSITION - GAAP BASIS		2,886,981	
NET POSITION, BEGINNING OF YEAR		53,937,102	
NET POSITION, END OF YEAR		$ 56,824,083	

City of Fort Morgan
Gas Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balance—Budget and Actual (Non-GAAP Basis)
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Charges for services	$ 6,080,000	$ 5,196,809	$ (883,191)
EXPENDITURES			
Transmission, distribution and collection	1,511,020	1,258,414	252,606
Commodities	3,200,000	2,611,561	588,439
General administration	662,263	579,927	82,336
In lieu of fees	800,000	717,161	82,839
TOTAL EXPENDITURES	6,173,283	5,167,063	1,006,220
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES	(93,283)	29,746	123,029
OTHER REVENUES			
Earnings on investments	50,000	269,273	219,273
Other revenues	70,000	59,244	(10,756)
TOTAL OTHER REVENUES	120,000	328,517	208,517
CHANGE IN FUND BALANCE, BUDGETARY BASIS	$ 26,717	358,263	$ 331,546
ADJUSTMENTS FROM BUDGETARY BASIS TO GAAP BASIS			
Depreciation		(116,191)	
CHANGE IN NET POSITION - GAAP BASIS		242,072	
NET POSITION, BEGINNING OF YEAR		9,022,413	
NET POSITION, END OF YEAR		$ 9,264,485	

City of Fort Morgan
Wastewater Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balance—Budget and Actual (Non-GAAP Basis)
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Charges for services	$ 2,970,000	$ 3,293,777	$ 323,777
EXPENDITURES			
Transmission, distribution and collection	732,657	699,782	32,875
Treatment	1,101,474	992,626	108,848
General administration	537,878	460,870	77,008
In lieu of fees	-	153,969	(153,969)
Capital outlay	7,850,000	3,569,100	4,280,900
TOTAL EXPENDITURES	10,222,009	5,876,347	4,345,662
DEFICIENCY OF OPERATING REVENUES UNDER EXPENDITURES	(7,252,009)	(2,582,570)	4,669,439
OTHER REVENUES (Expenditures)			
Earnings on investments	47,000	313,384	266,384
Other revenues	95,000	102,930	7,930
Plant investment fees	37,500	114,136	76,636
TOTAL OTHER REVENUES	179,500	530,450	350,950
CHANGE IN FUND BALANCE, BUDGETARY BASIS	$ (7,072,509)	(2,052,120)	$ 5,020,389
ADJUSTMENTS FROM BUDGETARY BASIS TO GAAP BASIS			
Capital outlay		3,569,100	
Gain (Loss) on asset disposal		(39,936)	
Depreciation		(741,650)	
CHANGE IN NET POSITION - GAAP BASIS		735,394	
NET POSITION, BEGINNING OF YEAR		15,363,968	
NET POSITION, END OF YEAR		$ 16,099,362	

City of Fort Morgan
Sanitation Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balance—Budget and Actual (Non-GAAP Basis)
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Charges for services	$ 1,250,000	$ 1,439,072	$ 189,072
EXPENDITURES			
Transmission, distribution and collection	1,447,280	1,212,045	235,235
In lieu of fees	-	69,360	(69,360)
General administration	243,526	261,249	(17,723)
TOTAL EXPENDITURES	1,690,806	1,542,654	148,152
DEFICIENCY OF OPERATING REVENUES UNDER EXPENDITURES	(440,806)	(103,582)	337,224
OTHER REVENUES			
Earnings on investments	10,000	93,830	83,830
Other income	-	859	859
TOTAL OTHER REVENUES	10,000	94,689	84,689
CHANGE IN FUND BALANCE, BUDGETARY BASIS	$ (430,806)	(8,893)	$ 421,913
ADJUSTMENTS FROM BUDGETARY BASIS TO GAAP BASIS			
Gain (Loss) on asset disposal		(8,968)	
Depreciation		(153,117)	
CHANGE IN NET POSITION - GAAP BASIS		(170,978)	
NET POSITION, BEGINNING OF YEAR		1,702,160	
NET POSITION, END OF YEAR		$ 1,531,182	

City of Fort Morgan
Self Insurance Fund
Schedule of Revenues, Expenditures
And Changes in Fund Balance—Budget and Actual (Non-GAAP Basis)
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES			
Charges for Services	$ 5,399,000	$ 5,420,855	$ 21,855
TOTAL REVENUES	5,399,000	5,420,855	21,855
EXPENDITURES			
Self insurance premiums	938,761	874,620	64,141
Self insurance claims	4,945,998	4,795,771	150,227
General administration	145,000	158,891	(13,891)
TOTAL EXPENDITURES	6,029,759	5,829,282	200,477
EXCESS (DEFICIENCY) OF OPERATING REVENUES OVER EXPENDITURES	(630,759)	(408,427)	222,332
OTHER FINANCING SOURCES			
Earnings on investments	8,000	23,573	15,573
Other revenues	450,000	1,328,563	878,563
TOTAL OTHER FINANCING SOURCES	458,000	1,352,135	894,135
CHANGE IN FUND BALANCE, BUDGETARY BASIS	$ (172,759)	943,708	$ 1,116,467
NET POSITION, BEGINNING OF YEAR		9,103,456	
NET POSITION, END OF YEAR		$ 10,047,164	

City of Fort Morgan
Cemetery Perpetual Care Fund
Schedule of Revenues, Expenditures
And Changes in Fiduciary Net Position—Budget and Actual
For the Year Ended December 31, 2025

	BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
ADDITIONS			
Charges for services	$ 19,000	$ 19,320	$ 320
Earnings on investments	2,500	9,969	7,469
Transfers In	8,000	1,050	(6,950)
TOTAL ADDITIONS	29,500	30,339	839
DEDUCTIONS			
Transfers out	8,000	570	7,430
TOTAL DEDUCTIONS	8,000	570	7,430
CHANGE IN FIDUCIARY NET POSITION- BUDGETARY BASIS	$ 21,500	29,769	$ 8,269
FIDUCIARY NET POSITION, BEGINNING OF YEAR		829,300	
FIDUCIARY NET POSITION, END OF YEAR		$ 859,069	

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

Form Approved
OMB No. 2125-0032

LOCAL HIGHWAY FINANCE REPORT	STATE: COLORADO YEAR ENDING (mm/yy): 12/2025
This Information From The Records Of: (MUNICIPALITY OR COUNTY NAME)	Prepared By: (STAFF PERSON'S NAME & EMAIL ADDRESS)

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

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

II. RECEIPTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Receipts from local sources:	
1. Local highway-user taxes	
a. Motor Fuel (from Item I.A.5.)	
b. Motor Vehicle (from Item I.B.5.)	
c. Total (a.+b.)	
2. General fund appropriations	$ 6,111,046.86
3. Other local imposts (from page 2)	$ 3,866,904.00
4. Miscellaneous local receipts (from page 2)	$ 82,539.00
5. Transfers from toll facilities	
6. Proceeds of sale of bonds and notes:	
a. Bonds - Original Issues	
b. Bonds - Refunding Issues	
c. Notes	
d. Total (a. + b. + c.)	$ -
7. Total (1 through 6)	$ 10,060,489.86
B. Private Contributions	
C. Receipts from State government (from page 2)	$ 521,198.00
D. Receipts from Federal Government (from page 2)	$ -
E. Total receipts (A.7 + B + C + D)	$ 10,581,687.86

III. EXPENDITURES FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT
A. Local highway expenditures:	
1. Capital outlay (from page 2)	$ 4,630,108.31
2. Maintenance:	$ 499,398.94
3. Road and street services:	
a. Traffic control operations	
b. Snow and ice removal	$ 22,692.27
c. Other	$ 1,185.15
d. Total (a. through c.)	$ 23,877.42
4. General administration & miscellaneous	$ 1,216,155.43
5. Highway law enforcement and safety	$ 4,906,695.01
6. Total (1 through 5)	$ 11,276,235.11
B. Debt service on local obligations:	
1. Bonds:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	$ -
2. Notes:	
a. Interest	
b. Redemption	
c. Total (a. + b.)	$ -
3. Total (1.c + 2.c)	$ -
C. Payments to State for highways	
D. Payments to toll facilities	
E. Total expenditures (A.6 + B.3 + C + D)	$ 11,276,235.11

IV. LOCAL HIGHWAY DEBT STATUS

(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)				$ -
1. Bonds (Refunding Portion)				$ -
B. Notes (Total)				$ -

V. LOCAL ROAD AND STREET FUND BALANCE (RECEIPTS AND DISBURSEMENTS ONLY)

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		$ 10,581,687.86	$ 11,276,235.11		$ (694,547.25)

Notes and Comments:

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

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		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	$ 70,270.00
1. Sales Taxes	$ 3,666,714.00	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	
5. Specific Ownership &/or Other	$ 200,190.00	g. Other Misc. Receipts	
6. Total (1. through 5.)	$ 3,866,904.00	h. Other	$ 12,269.00
c. Total (a. + b.)	$ 3,866,904.00	i. Total (a. through h.)	$ 82,539.00
(Carry forward to page 1)		***(Carry forward to page 1)***	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		**D. Receipts from Federal Government**	
1. Highway-user taxes (from Item I.C.5.)	$ 431,236.00	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	$ 42,556.00	d. Federal Transit Administration	
d. DOLA Grant		e. U.S. Corps of Engineers	
e. Other	$ 47,406.00	f. Other Federal ARPA	
f. Total (a. through e.)	$ 89,962.00	g. Total (a. through f.)	$ -
4. Total (1. + 2. + 3.f)	$ 521,198.00	3. Total (1. + 2.g)	$ -
(Carry forward to page 1)		***(Carry forward to page 1)***	

III. EXPENDITURES FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs			$ -
b. Engineering Costs		$ 296,080.38	$ 296,080.38
c. Construction:			
(1). New Facilities		$ 632,195.00	$ 632,195.00
(2). Capacity Improvements			$ -
(3). System Preservation		$ 3,701,832.93	$ 3,701,832.93
(4). System Enhancement And Operation			$ -
(5). Total Construction (1)+(2)+(3)+(4)	$ -	$ 4,334,027.93	$ 4,334,027.93
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.4)	$ -	$ 4,630,108.31	$ 4,630,108.31
(Carry forward to page 1)			

Notes and Comments:

FORM FHWA-536

page 2

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Fort Morgan, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Morgan, Colorado (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 23, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Fort Morgan's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clinger Hagerman, LLC

Greeley, Colorado
July 23, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Council
City of Fort Morgan, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Fort Morgan, Colorado's (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clinger Hagerman, LLC

Greeley, Colorado
July 23, 2026

City of Fort Morgan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor, Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the State of Colorado			
Community Development Block Grants	14.228	Unknown	$ 4,750,000
Total U.S. Department of Housing and Urban Development			4,750,000
U.S. Department of Transportation			
Passed through the Colorado Department of Transportation			
Airport Improvement Program	20.106	25-FMM-01	238,918
Total U.S. Department of Transportation			238,918
Total Expenditures of Federal Awards			$ 4,988,918

See accompanying notes to Schedule of Expenditures of Federal Awards.

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Fort Morgan, Colorado (the City) under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The City has elected not to use the 15 percent de minimus indirect cost rate allowed under the Uniform Guidance.

4. Subrecipients

The City has no subrecipients during the year ended December 31, 2025.

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	☒ Yes	☐ No
• Significant deficiency(ies) identified?	☒ Yes	☐ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	☐ Yes	☒ No

Identification of Major Federal Programs and Type of Auditor's Report Issued on Compliance For Major Federal Programs:

Assistance Listing Number	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
14.228	Community Development Block Grants	Unmodified

Dollar threshold used to distinguish between Type A and Type B Programs:	$1,000,000	
Auditee qualifies as a low-risk auditee?	☐ Yes	☒ No

Section II – Financial Statement Findings

2025-001 – Prior Period Misstatement - Non-Routine Loan Transaction (Material Weakness)

Criteria: Management is responsible for establishing and maintaining internal controls that provide reasonable assurance that transactions are identified, evaluated, and recorded in accordance with generally accepted accounting principles (GAAP). Internal controls should be designed and operating effectively to provide reasonable assurance that material misstatements are prevented or detected and corrected on a timely basis. Controls should include procedures to identify significant, non-routine, or unusual transactions and evaluate their appropriate accounting treatment to ensure the financial statements are fairly presented in conformity with GAAP.

Condition: During the audit, management identified an error in the accounting for a loan agreement executed during 2022 in which the City loaned $3,340,000 to a third party. The loan disbursements were incorrectly recorded as expenditures rather than as a loan receivable in the government-wide financial statements. In addition, accrued interest receivable and related interest revenue were not recognized, and certain liabilities remained recorded that should have been eliminated.

As a result, the City recorded a material prior period adjustment to beginning net position in the 2025 financial statements.

Cause: Management had not established a formal process requiring significant or unusual transactions to be evaluated for the appropriate accounting treatment under GAAP prior to recording the transaction and preparing the financial statements. As a result, the loan transaction was not subjected to an appropriate technical accounting review and the accounting error was not detected through the City's financial reporting process.

Effect or Potential Effect: The lack of effective internal controls resulted in a material misstatement of the previously issued government-wide financial statements. Loans receivable, accrued interest receivable, interest revenue, liabilities, expenditures, and net position were materially misstated, requiring a prior period adjustment to beginning net position in the current year to correct the error. Because the error remained undetected over multiple reporting periods, there is an increased risk that other non-routine transactions could be improperly accounted for and not be detected in a timely manner.

Recommendation: We recommend that management strengthen its internal controls over financial reporting by implementing procedures requiring all significant or non-routine transactions to undergo a documented technical accounting review before the financial statements are prepared. Such procedures should include evaluating the applicable accounting guidance, documenting the accounting conclusions reached, and ensuring that the accounting treatment is reviewed and approved by personnel with appropriate governmental accounting expertise prior to issuance of the financial statements.

Views of Responsible Officials: The City concurs with this recommendation. For additional information regarding the City’s planned corrective action, see Corrective Action Plan.

<u>2025-002</u> – Omitted Federal Program within the Schedule of Expenditures of Federal Awards (Material Weakness)

Criteria: The Uniform Guidance (2 CFR 200.510(b)) requires entities expending federal awards to prepare a Schedule of Expenditures of Federal Awards (SEFA) that accurately presents all federal awards expended during the fiscal year. Management is responsible for establishing and maintaining internal controls to identify all federal awards received and to ensure they are properly classified and reported on the SEFA.

Condition: During our audit, we noted that the City received grant funding totaling approximately $5,000,000 that management recorded as state grant revenue. Audit procedures determined that the funding was provided under the Community Development Block Grant (CDBG) program and constituted federal financial assistance required to be reported on the SEFA. Because the award was incorrectly identified as state funding, it was omitted from the City's initial SEFA.

Cause: The City did not have adequate procedures to identify the original source of grant funding or to determine whether awards administered by a state agency represented federal financial assistance. As a result, the City's controls over identifying federal awards and preparing the SEFA did not detect the omission.

Effect or Potential Effect: The omission resulted in a material understatement of federal expenditures reported on the SEFA. Had the error not been identified during the audit, the SEFA would not have been presented in accordance with Uniform Guidance requirements. In addition, the omission could have affected the determination of major programs and the scope of the Single Audit.

Recommendation: We recommend that management strengthen its procedures for identifying the funding source of all grant awards received. Such procedures should include reviewing grant agreements for Assistance Listing (ALN) number and federal award information, maintaining a centralized listing of all grant awards and their funding sources, and performing a documented review of the SEFA before issuance to ensure all federal awards are properly identified and reported.

Views of Responsible Officials: The City concurs with this recommendation. For additional information regarding the City’s planned corrective action, see Corrective Action Plan.

<u>2025-003</u> – Internal Control Over Financial Reporting and the Year-End Close Process (Significant Deficiency)

Criteria: Management is responsible for establishing and maintaining internal controls over financial reporting that provide reasonable assurance that transactions and account balances are accurately recorded and reported in accordance with generally accepted accounting principles. Internal controls should be designed and operating effectively to provide reasonable assurance that material misstatements are prevented or detected and corrected on a timely basis. Effective year-end closing procedures should include controls to identify significant liabilities incurred before year-end, ensure capital assets and related depreciation are accurately recorded, and evaluate contractual arrangements for compliance with applicable accounting standards, including Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

Condition: During the audit, we identified multiple errors affecting the City's financial statements that were not detected through the City's year-end financial reporting process, including:

- Two significant invoices related to the audit period that had not been accrued as accounts payable at year-end, resulting in an understatement of accounts payable and construction in progress.
- Errors in the capital asset depreciation records, including assets that were depreciated incorrectly or not depreciated, resulting in misstatements of depreciation expense and accumulated depreciation.
- An existing lessor lease agreement that commenced in July 2024 and met the requirements of GASB Statement No. 87. The lease conveyed the right to use City-owned property in exchange for fixed monthly payments. However, the arrangement had not been identified or recorded in the City’s accounting records. Accordingly, the related lease receivable and deferred inflow of resources remained unrecorded as of December 31, 2025.

Cause: The City's controls over the year-end financial reporting process were not sufficient to identify and evaluate all significant accounting transactions and balances. Specifically, controls over the review of subsequent expenditures for unrecorded liabilities, maintenance and review of capital asset records, and the identification and evaluation of contracts subject to GAAP reporting requirements, including lease arrangements under GASB Statement No. 87, were not operating effectively.

Effect or Potential Effect: As a result of these control deficiencies, adjustments were required to correct the financial statements for unrecorded liabilities and depreciation errors. In addition, an existing lease arrangement that should have been evaluated and recorded under GASB Statement No. 87 remained unrecorded, demonstrating that the City's controls were not effective in identifying all transactions requiring GAAP accounting and disclosure. Continued deficiencies in the financial reporting process increase the risk that material misstatements could occur and not be prevented or detected on a timely basis.

Recommendation: We recommend that the City strengthen its year-end financial reporting controls by implementing documented review procedures over significant accounting transactions, account balances, and related year-end financial reporting schedules. These procedures should include:

- Performing a comprehensive review of subsequent disbursements to identify liabilities incurred before year-end.
- Reviewing capital asset records and depreciation schedules for completeness and accuracy.
- Maintaining a complete inventory of contracts that may be subject to GASB reporting requirements, including lease arrangements, and periodically evaluating those agreements to ensure the appropriate accounting treatment is applied.
- Performing a documented supervisory review of significant year-end accounting entries and financial statement schedules before issuance.

Views of Responsible Officials: The City concurs with this recommendation. For additional information regarding the City’s planned corrective action, see Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

No matters were identified that were required to be reported.

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Audit Finding: 2025-001 – Prior Period Misstatement - Non-Routine Loan Transaction (Material Weakness)

Planned Corrective Actions To strengthen internal control over financial reporting and address the root cause, the City is implementing the following:

1. Establish a technical accounting review process
   - Implement a mandatory pre-close checklist to identify significant, non-routine, or unusual transactions
   - Require a documented technical accounting memorandum for each identified transaction that:
     - Cites applicable GAAP (GASB statements/implementation guides).
     - Details measurement, recognition, presentation, and disclosure conclusions.
     - Assesses government-wide and fund-level impacts
2. Approval and oversight
   - Require dual review and sign-off by:
     - the Accounting Manager (preparer) and
     - the City Treasurer (reviewer)
   - For highly complex matters, obtain pre-issuance consultation with the City's external advisor or auditor's consultation team documented in the workpapers.
3. Training and competency
   - Provide targeted annual training to accounting and budget staff on GASB recognition/measurement for loans/receivables, interest accruals, and government-wide conversion entries.
   - Maintain a rolling reference library of relevant GASB guidance and City templates (memos, checklists, JE packets).
4. Period-end close controls
   - Add specific close procedures to:
     - Reconcile loan receivables and accrued interest schedules to the general ledger.
     - Perform a targeted analytics review for unusual variances in loans receivable, interest revenue, liabilities, and expenditures.
5. Documentation and evidence of control operation
   - Retain the technical memo, approval sign-offs, supporting schedules, and journal entries in the period close electronic files.
   - Incorporate control operation dates and preparer/reviewer attestations.
6. Responsible Officials
   - City Treasurer Kasie Edson, primary owner of the technical accounting review and period-end controls.

- Accounting Manager Michelle Uhrick, preparer for technical memos and related journal entries

<u>2025-002</u> – Omitted Federal Program within the Schedule of Expenditures of Federal Awards (Material Weakness)

Planned Corrective Actions To strengthen internal control over financial reporting and address the root cause, the City is implementing the following:

1. Enhance the grant review process
    - Implement specific review of grant awards agreements for Assistance Listing (ALN) number
    - Maintain a centralized listing of all grant awards and funding sources
2. Approval and oversight
    - Require dual review and sign-off of SEFA by:
        - the Accounting Manager (preparer) and
        - the City Treasurer (reviewer)

3.Documentation and evidence of control operation

- Retain all grant agreements, SEFA, and proof of review

4.Responsible Officials

- City Treasurer Kasie Edson, primary owner of the grant agreement review and SEFA listing review
- Accounting Manager Michelle Uhrick, preparer for SEFA listing

<u>2025-003</u> – Internal Control Over Financial Reporting and the Year-End Close Process (Significant Deficiency)

Planned Corrective Actions To strengthen internal control over financial reporting and address the root cause, the City is implementing the following:

1.Enhance year end checklist to include:

- Perform a comprehensive review of subsequent disbursements to identify liabilities incurred before year end.
- Review capital assets records and depreciation schedules for completeness and accuracy.
- Review of all agreements ensure appropriate accounting treatment is applied.
- Maintain a complete inventory of all contracts that may be subject to GASB reporting requirements, including lease agreements, and subscription-based IT agreements (SBITA)
- Perform a documented review of significant year-end accounting entries and financial schedules

2.Approval and oversight

- Require dual review and sign-off by:
    - the Accounting Manager (preparer) and
    - the City Treasurer (reviewer)

3.Documentation and evidence of control operation

- Retain review of subsequent liabilities, review of capital assets, and inventory of contracts and agreements, with proof of secondary analysis.

4.Responsible Officials

- City Treasurer Kasie Edson, primary owner of review and approval
- Accounting Manager Michelle Uhrick, prepare listings and initial review