

LFMSDD

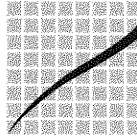
LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS SPECIALISTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
**Lower Fountain Metropolitan
Sewage Disposal District**
Fountain, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of Lower Fountain Metropolitan Sewage Disposal District as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lower Fountain Metropolitan Sewage Disposal District as of December 31, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado

June 8, 2016

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**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 868,653	\$ 460,527
Accounts receivables	6,816	4,469
Grant receivable	57,306	107,805
Inventory	21,719	7,791
<u>Total current assets</u>	<u>954,494</u>	<u>580,592</u>
Non-current assets:		
Capital assets, not being depreciated:		
Land	291,375	291,375
Construction in progress	1,353,519	194,698
<u>Capital assets, net</u>	<u>33,086,411</u>	<u>33,918,359</u>
<u>Total non-current assets</u>	<u>34,731,305</u>	<u>34,404,432</u>
<u>Total assets</u>	<u>\$ 35,685,799</u>	<u>\$ 34,985,024</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts/contracts payable	\$ 63,212	\$ 123,810
Accrued liabilities	45,577	-
Due to Fountain Sanitation District	28,741	23,632
<u>Total current liabilities</u>	<u>137,530</u>	<u>147,442</u>
<u>NET POSITION</u>		
Invested in capital assets	33,377,786	34,209,734
Restricted for emergency reserves	22,600	22,825
Unrestricted	2,147,883	605,023
<u>Total net position</u>	<u>35,548,269</u>	<u>34,837,582</u>
<u>Total liabilities and net position</u>	<u>\$ 35,685,799</u>	<u>\$ 34,985,024</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

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**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION**

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 1,052,434	\$ 759,728
Miscellaneous	25,234	35
<u>Total operating revenues</u>	<u>1,077,668</u>	<u>759,763</u>
<u>OPERATING EXPENSES</u>		
Personnel services	\$ 212	\$ 5,444
Depreciation and amortization	831,948	786,981
Supplies	41,851	55,181
Repairs and maintenance	6,966	10,273
Purchased services	422,358	360,272
Utilities	189,991	216,519
General and administrative expenses	15,724	36,816
Management fees	59,728	59,728
Fixed charges	13,596	16,597
<u>Total operating expenses</u>	<u>1,582,374</u>	<u>1,547,811</u>
<u>Operating loss</u>	<u>(504,706)</u>	<u>(788,048)</u>
<u>NON-OPERATING REVENUES</u>		
Interest income	2,008	769
<u>Total non-operating revenues</u>	<u>2,008</u>	<u>769</u>
<u>Loss before contributions</u>	<u>(502,698)</u>	<u>(787,279)</u>
Intergovernmental contributions	328,083	(104,871)
Grant revenues	885,302	194,698
Sewer lines contributed	-	2,646,007
<u>Change in net position</u>	<u>710,687</u>	<u>1,948,555</u>
<u>Total net position, beginning of year</u>	<u>34,837,582</u>	<u>32,889,027</u>
<u>Total net position, end of year</u>	<u>\$ 35,548,269</u>	<u>\$ 34,837,582</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from members	\$ 1,050,087	\$ 755,259
Payments to directors	(3,616)	(3,616)
Payments to vendors for goods and services including construction in progress	<u>(694,917)</u>	<u>(1,108,253)</u>
Net cash provided by (used in) operating activities	<u>351,554</u>	<u>(356,610)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisitions and construction in progress	(1,158,821)	(701,328)
Grant revenues	885,302	194,698
Intergovernmental contributions	<u>328,083</u>	<u>(104,871)</u>
Net cash provided by (used in) capital and related financing activities	<u>54,564</u>	<u>(611,501)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>2,008</u>	<u>769</u>
Net cash provided by investing activities	<u>2,008</u>	<u>769</u>
Net increase (decrease) in cash and equivalents	408,126	(967,342)
Cash and equivalents, beginning of year	<u>460,527</u>	<u>1,427,869</u>
Cash and equivalents, end of year	<u>\$ 868,653</u>	<u>\$ 460,527</u>

The accompanying notes and independent auditor's report
should be read with these financial statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating loss	\$ (504,706)	\$ (788,048)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	831,948	786,981
Net change in operating assets and liabilities:		
Accounts receivables	(2,347)	(4,469)
Grant receivable	50,499	(107,805)
Inventory	(13,928)	(7,791)
Accounts payable and accrued liabilities	(15,021)	(33,162)
Due to Fountain Sanitation District	5,109	(202,316)
Net cash provided by (used in) operating activities	<u>\$ 351,554</u>	<u>\$ (356,610)</u>

NON-CASH CAPITAL ACTIVITIES

During the year ended December 31, 2014, the District received sewer lines contributed by Fountain Sanitation District in the amount of \$2,646,007.

The accompanying notes and independent auditor's report
should be read with these financial statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. DEFINITION OF REPORTING ENTITY

Lower Fountain Metropolitan Sewage Disposal District ("District") was established in 1985 for the purpose of providing regional wastewater treatment service for areas located within the Jimmy Camp Creek Drainage Basin and the Sand Creek Drainage Basin, which is a specified portion of the City of Fountain, Colorado and certain surrounding areas. The nature of the District's organization limits it to serving governmental entities only. Currently, the only members of the District are Fountain Sanitation District ("FSD") and Colorado Centre Metropolitan District ("CCMD").

The District has constructed and now operates a new sewage treatment facility and interceptor sewer that serves the needs of the District and its members. On August 3, 2013, construction on the new sewage treatment facility and interceptor sewer was completed and the District started operations.

The governing body consists of a three member board of directors appointed by FSD and CCMD.

The District follows the Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial reporting entity

The District's policy is to include in the financial statements all funds, account groups, departments, agencies, boards, commissions, and other material component units for which the District is considered to be financially accountable.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial reporting entity (continued)

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

FSD has been financially accountable for the District since 2003. The District is a component unit of FSD because FSD appoints a voting majority of its board of directors, and therefore can control the District.

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Operating revenues and expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Fund Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sanitation services to its members. Operating revenues consist of charges to members for services provided.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating revenues and expenses (continued)

Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets and budgetary accounting

Budgetary comparison schedules are provided as supplementary information as required by the Colorado Revised Statutes. There were no changes to the original budget during the years ended December 31, 2015 and 2014.

The District is required by state law to adopt an annual budget. The budget is prepared on a cash basis. The supplementary information on pages 21 to 22 compares the budgeted activity to the actual activity and reconciles such to the actual revenues earned and expenses incurred as shown in the financial statements.

Once a budget is approved, it can be amended in accordance with state provisions only by approval of a majority of the members of the board of directors. A copy of the adopted resolution must be filed with the State Division of Local Governments.

The District's budget establishes control over the following categories of expenditures: general operating, capital outlay, contingency, general fund reserve and emergency fund reserve. Unexpended budgeted amounts lapse at year-end. Contributions of sewer lines are not reflected as a budgetary revenue or expenditure as they do not generate or require the use of funds available.

Cash and equivalents

For purposes of the statements of cash flows, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Inventory

Inventory is composed of various spare parts, replacement equipment and expendable supplies and materials used in the operations of the District. Inventory is valued at the lower of cost or market value under the first-in, first-out ("FIFO") method.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets

Capital assets purchased or acquired with an original cost of \$500 or greater are recorded at historical cost. Contributed capital assets are recorded at their fair value on the date received. Additions, improvements, and other capital outlays that significantly extend the life of an asset are capitalized. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Sewer lines	20 - 50 years
Treatment plant and sewage control	10 - 40 years

Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in non-operating revenues (expenses).

Costs of certain engineering, feasibility, environmental and other studies are capitalized until the projects become operational. When projects become operational, the costs are included in capital assets and depreciated over the estimated useful life of the related asset.

Net position

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

3. CASH AND INVESTMENTS

Cash deposits

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. CASH AND INVESTMENTS (CONTINUED)

Cash deposits (continued)

The state commissioners 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.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

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

The District has only invested in local government investment pools.

Custodial credit risk

Custodial credit risk is the risk that, in the event of a counterparty's failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2015 and 2014, none of the District's investments were insured, but they were all registered in the District's name and held by the counterparty or the counterparty's trust department, and are therefore, not exposed to custodial credit risk. GASB has concluded that investments in Mutual Funds and external investment pools are not exposed to custodial credit risk.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. CASH AND INVESTMENTS (CONTINUED)

Custodial credit risk (continued)

The District invests in Colorado local government investment pools, which include the Colorado Surplus Asset Fund Trust ("CSAFE") and the Colorado Local Government Liquid Asset Trust ("ColoTrust") and are rated AAAM by Standard & Poor's. These trusts specifically permit investments by statute and are organized under the laws of Colorado to pool funds from local governments in Colorado and invest them in securities permitted by law. The District's funds are included in portfolios that invest only in United States Treasury Securities and repurchase agreements collateralized by United States Treasury Securities and certain approved obligations of agencies of the United States government. The funds are liquid and can be made available to the District immediately, and as such are considered cash equivalents.

The carrying amounts of cash and equivalents for the District, which equals fair value, as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Bank deposits	\$ 212,464	\$ 174,286
Investments in CSAFE	<u>656,189</u>	<u>286,241</u>
	<u>\$ 868,653</u>	<u>\$ 460,527</u>

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

4. CAPITAL ASSETS

LFMSDD capital asset activity for the year ended December 31, 2015:

	<u>Balance 01/01/15</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions/ Reclass- ifications</u>	<u>Balance 12/31/15</u>
Capital assets, not being depreciated:				
Land	\$ 291,375	\$ -	\$ -	\$ 291,375
Total capital assets not being depreciated	<u>291,375</u>	<u>-</u>	<u>-</u>	<u>291,375</u>
Capital assets, being depreciated:				
Sewer lines	8,095,031	-	-	8,095,031
Treatment plant and sewage control	<u>26,801,900</u>	<u>-</u>	<u>-</u>	<u>26,801,900</u>
Total capital assets being depreciated	<u>34,896,931</u>	<u>-</u>	<u>-</u>	<u>34,896,931</u>
Less accumulated depreciation:				
Sewer lines	(149,456)	(161,901)	-	(311,357)
Treatment plant and sewage control	<u>(829,116)</u>	<u>(670,047)</u>	<u>-</u>	<u>(1,499,163)</u>
Total accumulated depreciation	<u>(978,572)</u>	<u>(831,948)</u>	<u>-</u>	<u>(1,810,520)</u>
Total capital assets, being depreciated, net	<u>\$ 33,918,359</u>	<u>\$ (831,948)</u>	<u>\$ -</u>	<u>\$ 33,086,411</u>

Depreciation expense for the year ended December 31, 2015 totaled \$831,948.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

5. CONSTRUCTION IN PROGRESS

The District construction in progress activity for the year ended December 31, 2015 is as follows:

	<u>Balance 01/01/15</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions/ Reclass- ifications</u>	<u>Balance 12/31/15</u>
Nutrient control improvements, in progress	<u>\$ 194,698</u>	<u>\$ 1,158,821</u>	<u>\$ -</u>	<u>\$ 1,353,519</u>

6. NET POSITION

The District has net positions consisting of three components - invested in capital assets; restricted; and unrestricted.

Invested in capital assets, net of accumulated depreciation. As of December 31, 2015 and 2014, the District had an investment in capital assets, net of accumulated depreciation as follows:

	<u>2015</u>	<u>2014</u>
Invested in capital assets, net of accumulated depreciation	<u>\$ 33,377,786</u>	<u>\$ 34,209,734</u>

Restricted net position consists of amounts to be used for declared emergencies as required by TABOR. Restricted net position as of December 31, 2015 and 2014 was \$22,600 and \$22,825, respectively. (see Note 10).

Unrestricted net position consists of net assets that do not meet the definition of invested in capital assets or restricted.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

7. NUTRIENT GRANT

On November 25, 2013 the District received a grant from the State of Colorado. The grant is intended to improve water quality for District members through nutrient control at the Harold D. Thompson Regional Water Reclamation Facility. The District is eligible to request reimbursement once costs are incurred. The total grant award is \$1,080,000 for the period of November 25, 2013 through the end of the contract on May 31, 2016. As of December 31, 2015 the District had incurred costs totaling \$1,353,519 and had received reimbursement from the State of Colorado totaling \$1,022,694. As of December 31, 2015, the District recorded \$57,306 of grant receivable. The District has also received intergovernmental contributions related to the nutrient project.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool") as of December 31, 2015 and 2014. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, equipment breakdown and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials liability and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

9. INTER-GOVERNMENTAL AGREEMENT

Intergovernmental agreement

The District is party to an intergovernmental agreement with FSD and CCMD. The agreements obligate FSD and CCMD to fund their proportionate shares of the cost of constructing and operating a regional treatment facility, which will increase the treatment capacity to meet anticipated future needs. FSD and CCMD contributed \$328,083 and \$265,762 to the District during the years ended December 31, 2015 and 2014, respectively. During the year ended December 31, 2014, the District refunded \$370,633 to FSD related to excess contributions in the prior year for the treatment facility.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

9. INTER-GOVERNMENTAL AGREEMENT (CONTINUED)

Operating services agreement

On May 11, 2010, the District entered into an operating services agreement with FSD. FSD will provide services related to the operations of the District as set forth in the agreement. The District paid FSD a total of \$245,763 and \$175,483 for operating and administrative services during the years ended December 31, 2015 and 2014, respectively.

10. TAX, SPENDING AND DEBT LIMITATIONS

During the November 1992 general election, the voters of the State of Colorado passed an amendment to the Colorado State Constitution, Article X, Section 20, popularly referred to as "TABOR". TABOR imposes several limitations including revenue raising, spending abilities, and other specific requirements on the state and local governments.

In general, any increases in spending over a calculated base must be approved, and revenues received in excess of the defined spending limit are subject to refund unless retention is approved by voters. Property tax revenue is also subject to limitations under TABOR. The amendment also requires the establishment of an emergency reserve based upon defined calculations.

TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL
CASH BASIS
YEAR ENDED DECEMBER 31, 2015**

Sources of Funds: (Revenues and receipts)	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Charges for services	\$ 1,197,798	\$ 1,052,433	\$ (145,365)
Intergovernmental revenue - operations	15,699	28,083	12,384
Intergovernmental revenue - capital	719,501	300,000	(419,501)
Nutrient Grant Funding	996,000	935,801	(60,199)
Interest income	1,354	2,008	654
Miscellaneous	-	25,234	25,234
Total funds available	\$ 2,930,352	\$ 2,343,559	\$ (586,793)
Uses of funds: (Operating expenditures and disbursements)			
Sewage administration:			
Personnel services	\$ 201,630	\$ 212	\$ 201,418
Supplies	85,750	40,886	44,864
Repairs and maintenance	85,000	6,113	78,887
Purchased services	415,900	495,268	(79,368)
Utilities	311,500	197,755	113,745
General and administrative expenses	32,056	22,574	9,482
Management fees	58,394	59,728	(1,334)
Fixed charges	39,623	13,596	26,027
Total operating expenditures	1,229,853	836,132	393,721
Capital outlay:			
Capital expenditures	1,716,599	1,158,821	557,778
Total capital outlay expenditures	1,716,599	1,158,821	557,778
Total expenditures	\$ 2,946,452	\$ 1,994,953	\$ 951,499

See independent auditor's report.

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION YEAR ENDED DECEMBER 31, 2015

The accompanying Supplementary Schedule of Revenues and Expenditures - Budget Compared to Actual on page 21 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America, a reconciliation of differences in expenditures for the year ended December 31, 2015 is presented below.

Total revenue per financial statements (operating and non-operating revenue)	\$ 2,293,061
<hr/>	
Add:	
Revenue accruals and non-cash adjustments at December 31, 2015	50,498
<hr/>	
Total actual revenue and receipts per the budget	<u>\$ 2,343,559</u>
<hr/>	
Total expenses and capital expenditures per financial statements	\$ 1,582,374
<hr/>	
Add:	
Expense and capital expenditure accruals and non-cash adjustments at December 31, 2014	202,602
Capital expenditures	1,158,821
<hr/>	
Less:	
Expense and capital expenditure accruals and non-cash adjustments at December 31, 2015	(116,896)
Depreciation and amortization expense	(831,948)
<hr/>	
Total actual expenses and capital expenditures per the budget	<u>\$ 1,994,953</u>

See independent auditor's report.

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
CAPITAL CONTRIBUTIONS AND EXPENDITURES BY PARTICIPANT - HDTRWRF AND INTERCEPTOR
FOR YEARS ENDED DECEMBER 31, 2008, 2009, 2010, 2011, 2012, 2013 and 2014

	CCMD	%	FSD	%	TOTAL
Contributions:					
Capital contributions - 2008	\$ 35,997	25.11%	\$ 107,336	74.89%	\$ 143,333
Capital contributions - 2009	391,685	18.47%	1,729,342	81.53%	2,121,027
Capital contributions - 2010	1,201,639	16.22%	6,206,368	83.78%	7,408,007
Capital contributions - 2011	1,921,033	25.18%	5,709,377	74.82%	7,630,410
Capital contributions - 2012	1,955,355	25.00%	5,866,066	75.00%	7,821,421
Capital contributions - 2013	1,873,458	25.00%	5,620,374	75.00%	7,493,832
Capital contributions - 2014	83,036	100.00%	-	0.00%	83,036
Total capital contributions	7,462,203	22.82%	25,238,863	77.18%	32,701,066
Capital expenditures - HDTRWRF	6,700,475		20,101,424		26,801,899
Total capital HDTRWRF	6,700,475	25.00%	20,101,424	75.00%	26,801,899
Capital expenditures - Interceptor	682,218		4,766,806		5,449,024
Total capital interceptor	682,218	12.52%	4,766,806	87.48%	5,449,024
Total capital expenditures	7,382,693		24,868,230		32,250,923
Reimbursement of capital contributions	79,510		370,633		450,143
Inception to date amount funded above expenditures	\$ -		\$ -		\$ -

See independent auditor's report.

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
CAPITAL CONTRIBUTIONS AND EXPENDITURES BY PARTICIPANT - NUTRIENT GRANT PROJECT
FOR YEARS ENDED DECEMBER 31, 2014, AND 2015

	CCMD	%	FSD	%	TOTAL
Contributions:					
Capital contributions - 2014	25,000	25.00%	75,000	75.00%	100,000
Capital contributions - 2015	75,000	25.00%	225,000	75.00%	300,000
Total capital contributions	100,000	25.00%	300,000	75.00%	400,000
Grant revenue:					
Grant revenue - 2014	48,675	25.00%	146,024	75.00%	194,698
Grant revenue - 2015	221,326	25.00%	663,977	75.00%	885,302
Total grant revenue	270,000	25.00%	810,000	75.00%	1,080,000
Capital expenditures - Nutrient project	338,380		1,015,139		1,353,519
Total capital nutrient project	338,380	25.00%	1,015,139	75.00%	1,353,519
Inception to date amount funded above expenditures	\$ 31,620		\$ 94,861		\$ 126,481

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