

**LOWER FOUNTAIN METROPOLITAN
SEWAGE DISPOSAL DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019 AND 2018

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	2
STATEMENTS OF CASH FLOWS	3
NOTES TO BASIC FINANCIAL STATEMENTS	4
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES – BUDGET TO ACTUAL – CASH BASIS	15
SCHEDULE OF RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF REVENUES AND EXPENSES	16



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 financial statements of Lower Fountain Metropolitan Sewage Disposal District as of and for the years ended December 31, 2019 and 2018, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2019 and 2018, 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
July 1, 2020

BASIC FINANCIAL STATEMENTS

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS	2019	2018
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 950,354	\$ 1,022,532
Cash and Cash Equivalents - Restricted	41,100	34,200
Accounts Receivable	18,709	17,732
Intergovernmental Receivable	95,048	90,289
Inventory	65,166	46,621
Total Current Assets	1,170,377	1,211,374
CAPITAL ASSETS		
Capital Assets Not Being Depreciated	291,375	291,375
Capital Assets, Net of Accumulated Depreciation	36,770,793	37,596,293
Total Capital Assets	37,062,168	37,887,668
Total Assets	\$ 38,232,545	\$ 39,099,042
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and Contracts Payable	\$ 70,798	\$ 132,555
Accrued Liabilities	18,094	18,073
Intergovernmental Payable	46,789	81
Total Current Liabilities	135,681	150,709
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue	-	137,871
Total Deferred Inflows of Resources	-	137,871
NET POSITION		
Net Investment in Capital Assets	37,062,168	37,887,668
Restricted	41,100	34,200
Unrestricted	993,596	888,594
Total Net Position	38,096,864	38,810,462
Total Liabilities and Net Position	\$ 38,232,545	\$ 39,099,042

See accompanying Notes to Basic Financial Statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for Services	\$ 1,328,505	1,127,123
Miscellaneous	20,331	47
Total Operating Revenues	<u>1,348,836</u>	<u>1,127,170</u>
OPERATING EXPENSES		
Personnel Services	91,336	76,611
Depreciation and Amortization	1,027,647	885,833
Supplies	196,562	79,670
Repairs and Maintenance	31,788	42,781
Purchased Services	568,345	481,389
Utilities	196,694	203,687
General and Administrative	20,903	20,588
Management Fees	84,357	74,117
Fixed Charges	11,025	17,625
Total Operating Expenses	<u>2,228,657</u>	<u>1,882,301</u>
OPERATING LOSS	(879,821)	(755,131)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	17,842	12,432
Total Nonoperating Revenues	<u>17,842</u>	<u>12,432</u>
CAPITAL CONTRIBUTIONS		
Intergovernmental Contributions	148,381	4,833,758
Total Capital Contributions	<u>148,381</u>	<u>4,833,758</u>
CHANGE IN NET POSITION	(713,598)	4,091,059
Total Net Position - Beginning of Year	<u>38,810,462</u>	<u>34,719,403</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 38,096,864</u>	<u>\$ 38,810,462</u>

See accompanying Notes to Basic Financial Statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 1,327,528	\$ 1,126,442
Payments to Directors	(3,375)	(3,750)
Payments to Vendors for Goods and Services	(1,353,507)	(1,043,137)
Net Cash Provided (Used) by Operating Activities	(29,354)	79,555
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions and Construction of Capital Assets	(202,147)	(4,699,228)
Intergovernmental Contributions	148,381	4,833,758
Net Cash Provided (Used) by Capital and Related Financing Activities	(53,766)	134,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	17,842	12,432
Net Cash Provided by Investing Activities	17,842	12,432
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,278)	226,517
Cash and Cash Equivalents - Beginning of Year	1,056,732	830,215
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 991,454	\$ 1,056,732
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss from Operations	\$ (879,821)	\$ (755,131)
Adjustments to Reconcile Income (loss) from Operations to Net Cash Flows Provided by Operating Activities:		
Depreciation/Amortization	1,027,647	885,833
Net Change in Operating Assets and Liabilities:		
Accounts Receivable	(977)	(681)
Grant Receivable	-	(2,409)
Inventory	(18,545)	(10,480)
Accounts Payable and Accrued Liabilities	(61,736)	(137,953)
Deferred Revenue	(137,871)	137,871
Due from (to) Fountain Sanitation District	41,949	(37,495)
Net Cash Provided (Used) by Operating Activities	\$ (29,354)	\$ 79,555

See accompanying Notes to Basic Financial Statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

Lower Fountain Metropolitan Sewage Disposal District (District), a quasi-municipal 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), Colorado Centre Metropolitan District (CCMD) and City of Colorado Springs on behalf of its enterprise Colorado Springs Utilities (CSU).

The District operates a 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 line was completed and the District started operations.

The governing body consists of a five member board of directors appointed by FSD, CCMD, and CSU.

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.

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.

The District has no employees and all operations and administrative functions are contracted.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

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.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Change in 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 customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and 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.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include land, plant and buildings, distribution and collection systems, and machinery and equipment, are reported by the District. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Sewer Lines and Lagoons	20 - 50 Years
Treatment Plant and Sewage Control	10 - 40 Years
Equipment	5 - 20 Years

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.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the item deferred revenue is deferred and recognized as an inflow of resources in the period that the amounts become available.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand.

Reclassifications

For comparability, certain 2018 amounts have been reclassified where appropriate to conform with the 2019 financial statement presentation.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019 and 2018 are classified in the accompanying financial statements of the District as follows:

	2019	2018
Statement of Net Position:		
Cash and Cash Equivalents	\$ 950,354	\$ 1,022,532
Cash and Cash Equivalents - Restricted	41,100	34,200
Total Cash and Cash Equivalents	\$ 991,454	\$ 1,056,732

Cash and Investments for the District as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Deposits with Financial Institutions	\$ 305,979	\$ 573,900
Investments	685,475	482,832
Total Cash and Investments	\$ 991,454	\$ 1,056,732

Deposits with Financial Institutions

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 102% of the aggregate uninsured deposits.

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.

As of December 31, 2019, the District's cash deposits had a bank balance of \$310,462 and a carrying balance of \$305,979. As of December 31, 2018, the District's cash deposits had a bank balance of \$1,003,471 and a carrying balance of \$573,900.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements for investments that are in the possession of another party.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the board of directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2019 and 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>	
		<u>2019</u>	<u>2018</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	<u>\$ 685,475</u>	<u>\$ 482,832</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 CAPITAL ASSETS

Capital asset activity of the District for the year ended December 31, 2019 was as follows:

	Balance - December 31, 2018	Increases	Decreases	Balance - December 31, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 291,375	\$ -	\$ -	\$ 291,375
Construction in progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	291,375	-	-	291,375
Capital Assets Being Depreciated:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	8,101,444	13,430	-	8,114,874
Equipment	33,872,315	188,717	-	34,061,032
	19,250	-	-	19,250
Total Capital Assets Being Depreciated	41,993,009	202,147	-	42,195,156
Less Accumulated Depreciation For:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	(797,186)	(162,835)	-	(960,021)
Equipment	(3,596,247)	(860,962)	-	(4,457,209)
	(3,283)	(3,850)	-	(7,133)
Total Accumulated Depreciation	(4,396,716)	(1,027,647)	-	(5,424,363)
Total Capital Assets Being Depreciated	37,596,293	(825,500)	-	36,770,793
Capital Assets, Net	<u>\$ 37,887,668</u>	<u>\$ (825,500)</u>	<u>\$ -</u>	<u>\$ 37,062,168</u>

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital asset activity of the District for the year ended December 31, 2018 was as follows:

	Balance - December 31, 2017	Increases	Decreases	Balance - December 31, 2018
Capital Assets Not Being Depreciated:				
Land	\$ 291,375	\$ -	\$ -	\$ 291,375
Construction in progress	815,715	4,694,978	5,510,693	-
Total Capital Assets Not Being Depreciated	1,107,090	4,694,978	5,510,693	291,375
Capital Assets Being Depreciated:				
Sewer Lines	8,101,444	-	-	8,101,444
Treatment Plant and Sewage Control	28,361,622	5,510,693	-	33,872,315
Equipment	15,000	4,250	-	19,250
Total Capital Assets Being Depreciated	36,478,066	5,514,943	-	41,993,009
Less Accumulated Depreciation For:				
Sewer Lines and Lagoons	(635,157)	(162,029)	-	(797,186)
Treatment Plant and Sewage Control	(2,875,726)	(720,521)	-	(3,596,247)
Equipment	-	(3,283)	-	(3,283)
Total Accumulated Depreciation	(3,510,883)	(885,833)	-	(4,396,716)
Total Capital Assets Being Depreciated	32,967,183	4,629,110	-	37,596,293
Capital Assets, Net	<u>\$ 34,074,273</u>	<u>\$ 9,324,088</u>	<u>\$ 5,510,693</u>	<u>\$ 37,887,668</u>

Depreciation expense of the District for the years ended December 31, 2019 and 2018 was charged to the following operations:

	2019	2018
Sewer Lines and Lagoons	\$ 162,835	\$ 162,029
Treatment Plant and Sewage Control	860,962	720,521
Equipment	3,850	3,283
Total Depreciation Expense	<u>\$ 1,027,647</u>	<u>\$ 885,833</u>

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

Intergovernmental Agreement

The District is party to an intergovernmental agreement with FSD, CCMD and CSU. The agreement obligates FSD and CCMD to fund its proportionate share of the cost of constructing and operating a regional treatment facility and interceptor sewer, which will increase the treatment capacity to meet anticipated future needs. FSD and CCMD contributed \$148,381 and \$4,833,758 to the District for the years ended December 31, 2019 and 2018, respectively.

Operating Services Agreement

On May 11, 2010, the District entered into an operating services agreement with FSD. FSD agrees to provide management and operational services for the District as set forth in the agreement. The initial term of this agreement shall end on December 31, 2010. Contingent upon the appropriation of funds necessary to meet the responsibilities of each party to this agreement, the agreement shall be automatically extended for successive one year terms, commencing January 1 of each year, unless notice of non-renewal is given by either party not less than one hundred eighty (180) days prior to the end of the existing term. The District paid FSD a total of \$523,522 and \$462,785 for operating and administrative services during the years ended December 31, 2019 and 2018, respectively.

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019 and 2018, the District had the following net investment in capital assets, calculated as follows:

	2019	2018
Net Investment in Capital Assets:		
Invested in Capital Assets	\$ 42,486,531	\$ 42,284,384
Less Depreciation	(5,424,363)	(4,396,716)
Net Investment in Capital Assets	\$ 37,062,168	\$ 37,887,668

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 6 NET POSITION (CONTINUED)

Restricted assets include net position that are restricted for use either externally by creditors, granters, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2019 and 2018 as follows:

	2019	2018
Restricted Net Position:		
Emergency Reserves	\$ 41,100	\$ 34,200

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

NOTE 7 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 (the Pool) as of December 31, 2019 and 2018. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, 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.

NOTE 8 TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

NOTE 8 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an Enterprise will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
CASH BASIS
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Sewage Charges	\$ 1,405,946	\$ 1,323,364	\$ (82,582)
Intergovernmental Revenue - Operations	31,172	31,172	-
Intergovernmental Revenue - Capital	170,000	116,560	(53,440)
Interest Income	1,925	17,842	15,917
Total Revenues	<u>1,609,043</u>	<u>1,488,938</u>	<u>(120,105)</u>
EXPENDITURES			
Sewage Collection and Transmission:			
Contract Services	94,375	81,131	13,244
Supplies	1,750	4,073	(2,323)
Repairs and Maintenance	1,750	56	1,694
Purchased Services	1,500	66	1,434
Utilities	2,953	2,551	402
Capital Outlay and Contributions	6,000	13,430	(7,430)
Total Sewage Collection and Transmission	<u>108,328</u>	<u>101,307</u>	<u>7,021</u>
Sewer Treatment Plant:			
Contract Services	434,705	316,892	117,813
Supplies	213,850	206,265	7,585
Repairs and Maintenance	45,000	132,933	(87,933)
Purchased Services	171,625	155,335	16,290
Utilities	239,160	190,669	48,491
Capital Outlay	209,700	188,717	20,983
Total Sewer Treatment Plant	<u>1,314,040</u>	<u>1,190,811</u>	<u>123,229</u>
Sewage Administration:			
Management Fees	84,357	77,327	7,030
Supplies	4,750	-	4,750
General Administration	31,397	20,128	11,269
Purchased Services	47,000	36,154	10,846
Fixed Charges	13,500	128,565	(115,065)
Total Sewage Administration	<u>181,004</u>	<u>262,174</u>	<u>(81,170)</u>
Total Expenditures	<u>1,603,372</u>	<u>1,554,292</u>	<u>49,080</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 5,671</u>	<u>\$ (65,354)</u>	<u>\$ (71,025)</u>
Funds Available - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUNDS AVAILABLE - END OF YEAR	<u>\$ 5,671</u>	<u>\$ (65,354)</u>	<u>\$ (71,025)</u>

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
SCHEDULE OF RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF REVENUES AND
EXPENSES
YEAR ENDED DECEMBER 31, 2019**

The accompanying Supplementary Schedule of Revenues and Expenditures – Budget Compared to Actual on page 15 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 revenues and expenditures for the year ended December 31, 2019 is presented below.

Total Revenue per Financial Statements (Operating and Non-Operating Revenue)	\$ 1,515,059
Less:	
Revenue Accruals and Non-Cash Adjustments at December 31, 2019	<u>(26,121)</u>
Total Actual Revenue and Receipts per the Budget	<u>\$ 1,488,938</u>
Total Expenses and Capital Expenditures per Financial Statements	\$ 2,228,657
Add:	
Expenses and Capital Expenditures Accruals and Non-Cash Adjustments at December 31, 2019	151,135
Capital Expenditures	202,147
Less:	
Depreciation and Amortization Expenses	<u>(1,027,647)</u>
Total Actual Expenses and Capital expenditures per the budget	<u>\$ 1,554,292</u>