

LFMSDD

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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Office of the State Auditor

July 10, 2018

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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, 2017 and 2016, 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, 2017 and 2016, 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 11, 2018

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**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT**

**STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 830,215	\$ 953,965
Accounts receivable	17,051	17,696
Due from Jimmy Camp Creek Enterprise	87,880	88,100
Inventory	36,141	28,532
Total current assets	<u>971,287</u>	<u>1,088,293</u>
Non-current assets:		
Capital assets, not being depreciated:		
Land	291,375	291,375
Construction in progress	815,715	45,144
Capital assets, net	<u>32,967,183</u>	<u>33,713,173</u>
Total non-current assets	<u>34,074,273</u>	<u>34,049,692</u>
Total assets	<u>\$ 35,045,560</u>	<u>\$ 35,137,985</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts/contracts payable	\$ 270,475	\$ 47,447
Accrued liabilities	18,106	24,689
Due to Fountain Sanitation District	37,576	30,886
Total current liabilities	<u>326,157</u>	<u>103,022</u>
<u>NET POSITION</u>		
Invested in capital assets	33,258,558	34,004,548
Restricted for emergency reserves	29,400	24,134
Unrestricted	<u>1,431,445</u>	<u>1,006,281</u>
Total net position	<u>34,719,403</u>	<u>35,034,963</u>
Total liabilities and net position	<u>\$ 35,045,560</u>	<u>\$ 35,137,985</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUES</u>		
Charges for services	\$ 984,310	\$ 925,373
Miscellaneous	-	494
<u>Total operating revenues</u>	<u>984,310</u>	<u>925,867</u>
<u>OPERATING EXPENSES</u>		
Personnel services	\$ 83,268	\$ 39,005
Depreciation and amortization	868,416	831,948
Supplies	82,826	28,204
Repairs and maintenance	27,603	15,749
Purchased services	476,886	411,628
Utilities	202,938	207,369
General and administrative expenses	20,774	27,604
Management fees	70,964	63,155
Fixed charges	12,345	11,736
<u>Total operating expenses</u>	<u>1,846,020</u>	<u>1,636,398</u>
<u>Operating loss</u>	<u>(861,710)</u>	<u>(710,531)</u>
<u>NON-OPERATING REVENUES</u>		
Interest income	12,185	4,599
<u>Total non-operating revenues</u>	<u>12,185</u>	<u>4,599</u>
<u>Loss before contributions</u>	<u>(849,525)</u>	<u>(705,932)</u>
Intergovernmental contributions	533,965	192,626
Change in net position	(315,560)	(513,306)
Total net position, beginning of year	35,034,963	35,548,269
<u>Total net position, end of year</u>	<u>\$ 34,719,403</u>	<u>\$ 35,034,963</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from members	\$ 984,955	\$ 826,393
Payments to directors	(3,750)	(2,850)
Payments to vendors for goods and services including construction in progress	<u>(758,109)</u>	<u>(785,121)</u>
Net cash provided by operating activities	<u>223,096</u>	<u>38,422</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisitions and construction in progress	(892,996)	(150,335)
Intergovernmental contributions	<u>533,965</u>	<u>192,626</u>
Net cash provided by (used in) capital and related financing activities	<u>(359,031)</u>	<u>42,291</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>12,185</u>	<u>4,599</u>
Net cash provided by investing activities	<u>12,185</u>	<u>4,599</u>
Net increase (decrease) in cash and equivalents	(123,750)	85,312
Cash and equivalents, beginning of year	<u>953,965</u>	<u>868,653</u>
Cash and equivalents, end of year	<u><u>\$ 830,215</u></u>	<u><u>\$ 953,965</u></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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF OPERATING LOSS TO NET <u>CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating loss	\$ (861,710)	\$ (710,531)
Adjustments to reconcile operating loss to net cash used in operating activities:		
<u>Depreciation and amortization</u>	868,415	831,948
Net change in operating assets and liabilities:		
<u>Accounts receivables</u>	645	(98,980)
<u>Grant receivable</u>	220	57,306
<u>Inventory</u>	(7,609)	(6,813)
<u>Accounts payable and accrued liabilities</u>	216,445	(36,653)
<u>Due to Fountain Sanitation District</u>	6,690	2,145
Net cash provided by operating activities	<u>\$ 223,096</u>	<u>\$ 38,422</u>

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, 2017 AND 2016**

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 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 line 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, 2017 AND 2016**

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, 2017 AND 2016**

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, 2017 and 2016.

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, 2017 AND 2016**

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

As of December 31, 2017 and 2016, cash deposits and investments are classified on the statements of net assets as follows:

	<u>2017</u>	<u>2016</u>
Bank deposits	\$ 184,823	\$ 76,904
Investments in CSAFE	645,392	877,061
	<u>\$ 830,215</u>	<u>\$ 953,965</u>

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. CASH AND INVESTMENTS (CONTINUED)

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 equal to 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, 2017, the LFMSDD's cash deposits had a bank balance of \$861,142 and a carrying balance of \$830,215.

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 or investment custodial risk disclosure requirements for investments that are in the possession of another party.

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

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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

As of December 31, 2017, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Trust Fund (CSAFE)	Weighted average under 60 days	<u>\$ 645,392</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), 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 the Trust. The Trust 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 using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

4. CAPITAL ASSETS

LFMSDD capital asset activity for the year ended December 31, 2017:

	<u>Balance 01/01/17</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions/ Reclass- ifications</u>	<u>Balance 12/31/17</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	6,413	-	8,101,444
Treatment plant and sewage control	28,260,610	101,012	-	28,361,622
Equipment	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total capital assets being depreciated	<u>36,355,641</u>	<u>122,425</u>	<u>-</u>	<u>36,478,066</u>
Less accumulated depreciation:				
Sewer lines	(473,258)	(161,899)	-	(635,157)
Treatment plant and sewage control	<u>(2,169,210)</u>	<u>(706,516)</u>	<u>-</u>	<u>(2,875,726)</u>
Total accumulated depreciation	<u>(2,642,468)</u>	<u>(868,415)</u>	<u>-</u>	<u>(3,510,883)</u>
Total capital assets, being depreciated, net	<u>\$ 33,713,173</u>	<u>\$ (745,990)</u>	<u>\$ -</u>	<u>\$ 32,967,183</u>

Depreciation expense for the year ended December 31, 2017 totaled \$868,415.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

5. CONSTRUCTION IN PROGRESS

The District construction in progress activity for the year ended December 31, 2017 is as follows:

	<u>Balance 01/01/17</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions/ Reclass- ifications</u>	<u>Balance 12/31/17</u>
Nutrient control improvements, in progress	<u>\$ 45,144</u>	<u>\$ 770,571</u>	<u>\$ -</u>	<u>\$ 815,715</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, 2017 and 2016, the District had an investment in capital assets, net of accumulated depreciation as follows:

	<u>2017</u>	<u>2016</u>
Invested in capital assets, net of accumulated depreciation	<u>\$ 33,258,558</u>	<u>\$ 34,004,548</u>

Restricted net position consists of amounts to be used for declared emergencies as required by TABOR. Restricted net position as of December 31, 2017 and 2016 was \$29,400 and \$24,134, 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, 2017 AND 2016**

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 ("Pool") as of December 31, 2017 and 2016. 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.

8. 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 \$533,965 and \$328,083 to the District during the years ended December 31, 2017 and 2016, respectively.

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 \$301,269 and \$267,212 for operating and administrative services during the years ended December 31, 2017 and 2016, respectively.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE
DISPOSAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

9. 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.

* * * * *

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, 2017**

Sources of Funds: (Revenues and receipts)	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Charges for services	\$ 1,183,036	\$ 984,602	\$ (198,434)
Intergovernmental revenue - operations	33,272	24,954	(8,318)
Intergovernmental revenue - capital	2,500,000	500,000	(2,000,000)
Interest income	225	12,185	11,960
Total funds available	\$ 3,716,533	\$ 1,521,741	\$ (2,194,792)
Uses of funds: (Operating expenditures and disbursements)			
Sewage administration:			
Personnel services	\$ 349,217	\$ 82,890	\$ 266,327
Supplies	46,250	83,790	(37,540)
Repairs and maintenance	59,500	35,127	24,373
Purchased services	261,322	476,463	(215,141)
Utilities	258,080	204,142	53,938
General and administrative expenses	33,497	21,165	12,332
Management fees	70,764	70,313	451
Fixed charges	24,150	12,345	11,805
Total operating expenditures	1,102,780	986,235	116,545
Capital outlay:			
Capital expenditures	2,598,967	892,996	1,705,971
Total capital outlay expenditures	2,598,967	892,996	1,705,971
Total expenditures	\$ 3,701,747	\$ 1,879,231	\$ 1,822,516

See independent auditor's report.

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2017

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, 2017 is presented below.

Total revenue per financial statements (operating and non-operating revenue)	\$ 1,530,460
Less:	
Revenue accruals and non-cash adjustments at December 31, 2016	(4,189)
Revenue accruals and non-cash adjustments at December 31, 2017	(4,529)
<u>Total actual revenue and receipts per the budget</u>	<u>\$ 1,521,742</u>
Total expenses and capital expenditures per financial statements	\$ 1,846,020
Add:	
Expense and capital expenditure accruals and non-cash adjustments at December 31, 2016	160,819
Capital expenditures	892,996
Less:	
Expense and capital expenditure accruals and non-cash adjustments at December 31, 2017	(152,188)
Depreciation and amortization expense	(868,416)
<u>Total actual expenses and capital expenditures per the budget</u>	<u>\$ 1,879,231</u>

See independent auditor's report.

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
CAPITAL CONTRIBUTIONS AND EXPENDITURES BY PARTICIPANT - PHOSPHORUS REMOVAL PROJECT
FOR YEARS ENDED DECEMBER 31, 2016 and 2017

	<u>CCMD</u>	<u>%</u>	<u>FSD</u>	<u>%</u>	<u>TOTAL</u>
Contributions:					
Capital contributions - 2017	125,000	25.00%	375,000	75.00%	500,000
Total capital contributions	125,000	25.00%	375,000	75.00%	500,000
Capital expenditures - Phosphorus Removal	203,929		611,786		815,715
Total capital phosphorus removal project	203,929	25.00%	611,786	75.00%	815,715
Inception to date amount funded above expenditures	<u>\$ (78,929)</u>		<u>\$ (236,786)</u>		<u>\$ (315,715)</u>

See independent auditor's report.