



LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**



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## INDEPENDENT AUDITOR'S REPORT

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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, 2018 and 2017, 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, 2018 and 2017, 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 7, 2019

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**LOWER FOUNTAIN METROPOLITAN SEWAGE  
DISPOSAL DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and equivalents	\$ 1,056,732	\$ 830,215
Accounts receivable	17,732	17,051
Due from FSD	90,289	87,880
Inventory	46,621	36,141
<u>Total current assets</u>	<u>1,211,374</u>	<u>971,287</u>
Non-current assets:		
Capital assets, not being depreciated:		
Land	291,375	291,375
Construction in progress	-	815,715
<u>Capital assets, net</u>	<u>37,596,293</u>	<u>32,967,183</u>
<u>Total non-current assets</u>	<u>37,887,668</u>	<u>34,074,273</u>
<u>Total assets</u>	<u>\$ 39,099,042</u>	<u>\$ 35,045,560</u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts/contracts payable	\$ 132,555	\$ 270,475
Accrued liabilities	18,073	18,106
Due to Fountain Sanitation District	81	37,576
<u>Total current liabilities</u>	<u>150,709</u>	<u>326,157</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Deferred revenue	137,871	-
<b><u>NET POSITION</u></b>		
Invested in capital assets	37,887,668	33,258,558
Restricted for emergency reserves	29,900	29,328
Unrestricted	892,894	1,431,517
<u>Total net position</u>	<u>38,810,462</u>	<u>34,719,403</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>\$ 39,099,042</u>	<u>\$ 35,045,560</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>OPERATING REVENUES</u></b>		
Charges for services	\$ 1,127,123	\$ 984,310
Miscellaneous	47	-
<u>Total operating revenues</u>	<u>1,127,170</u>	<u>984,310</u>
<b><u>OPERATING EXPENSES</u></b>		
Personnel services	\$ 76,611	\$ 83,268
Depreciation and amortization	885,833	868,416
Supplies	79,670	82,826
Repairs and maintenance	42,781	27,603
Purchased services	481,389	476,886
Utilities	203,687	202,938
General and administrative expenses	20,588	20,774
Management fees	74,117	70,964
Fixed charges	17,625	12,345
<u>Total operating expenses</u>	<u>1,882,301</u>	<u>1,846,020</u>
<u>Operating loss</u>	<u>(755,131)</u>	<u>(861,710)</u>
<b><u>NON-OPERATING REVENUES</u></b>		
Interest income	12,432	12,185
<u>Total non-operating revenues</u>	<u>12,432</u>	<u>12,185</u>
<u>Loss before contributions</u>	<u>(742,699)</u>	<u>(849,525)</u>
Intergovernmental contributions	4,833,758	533,965
<u>Change in net position</u>	<u>4,091,059</u>	<u>(315,560)</u>
<u>Total net position, beginning of year</u>	<u>34,719,403</u>	<u>35,034,963</u>
<u>Total net position, end of year</u>	<u>\$ 38,810,462</u>	<u>\$ 34,719,403</u>

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should be read with these financial statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE  
DISPOSAL DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from members	\$ 1,126,442	\$ 984,955
Payments to directors	(3,750)	(3,750)
Payments to vendors for goods and services	(1,043,137)	(758,109)
Net cash provided by operating activities	<u>79,555</u>	<u>223,096</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Acquisitions and construction in progress	(4,699,228)	(892,996)
Intergovernmental contributions	4,833,758	533,965
Net cash provided by (used in) capital and related financing activities	<u>134,530</u>	<u>(359,031)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	12,432	12,185
Net cash provided by investing activities	<u>12,432</u>	<u>12,185</u>
Net increase (decrease) in cash and equivalents	226,517	(123,750)
Cash and equivalents, beginning of year	830,215	953,965
Cash and equivalents, end of year	<u>\$ 1,056,732</u>	<u>\$ 830,215</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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (755,131)	\$ (861,710)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	885,833	868,415
Net change in operating assets and liabilities:		
Accounts receivables	(681)	645
Grant receivable	(2,409)	220
Inventory	(10,480)	(7,609)
Accounts payable and accrued liabilities	(137,953)	216,445
Deferred Revenue	137,871	-
Due to Fountain Sanitation District	(37,495)	6,690
Net cash provided by operating activities	<u>\$ 79,555</u>	<u>\$ 223,096</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, 2018 AND 2017**

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**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"), 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. 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  
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NOTES TO FINANCIAL STATEMENTS  
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**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 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, 2018 AND 2017**

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**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, 2018 and 2017.

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 23 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  
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**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.

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.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE  
DISPOSAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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**3. CASH AND INVESTMENTS**

As of December 31, 2018 and 2017, cash deposits and investments are classified on the statements of net assets as follows:

	<b>2018</b>	<b>2017</b>
Bank deposits	\$ 573,900	\$ 184,823
Investments in CSAFE	482,832	645,392
	<b>\$ 1,056,732</b>	<b>\$ 830,215</b>

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, 2018, the LFMSDD's cash deposits had a bank balance of \$861,142 and a carrying balance of \$1,486,303.

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.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE  
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NOTES TO FINANCIAL STATEMENTS  
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**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 Commissioners. 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, 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, 2018, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Surplus Asset Trust Fund (CSAFE)	Weighted average under 60 days	<u>\$ 482,834</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. CSAFE may invest in US Treasury securities, repurchase agreements collateralized by US 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, 2018 AND 2017**

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**4. CAPITAL ASSETS**

LFMSDD capital asset activity for the year ended December 31, 2018:

	<u>Balance 01/01/18</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions/ Reclass- ifications</u>	<u>Balance 12/31/18</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	8,101,444	-	-	8,101,444
Treatment plant and sewage control	28,361,622	5,510,693	-	33,872,315
Equipment	<u>15,000</u>	<u>4,250</u>	<u>-</u>	<u>19,250</u>
Total capital assets being depreciated	<u>36,478,066</u>	<u>5,514,943</u>	<u>-</u>	<u>41,993,009</u>
Less accumulated depreciation:				
Sewer lines	(635,157)	(162,029)	-	(797,186)
Treatment plant and sewage control	(2,875,726)	(720,521)	-	(3,596,247)
Equipment	<u>-</u>	<u>(3,283)</u>	<u>-</u>	<u>(3,283)</u>
Total accumulated depreciation	<u>(3,510,883)</u>	<u>(885,833)</u>	<u>-</u>	<u>(4,396,716)</u>
Total capital assets, being depreciated, net	<u>\$ 32,967,183</u>	<u>\$ 4,629,110</u>	<u>\$ -</u>	<u>\$ 37,596,293</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$885,833 and \$868,415, respectively.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE  
DISPOSAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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**5. CONSTRUCTION IN PROGRESS**

The District construction in progress activity for the year ended December 31, 2018 is as follows:

	<u>Balance 01/01/18</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions/ Reclass- ifications</u>	<u>Balance 12/31/18</u>
Nutrient control improvements, in progress	<u>\$ 815,715</u>	<u>\$ 4,694,979</u>	<u>\$ (5,510,694)</u>	<u>\$ -</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, 2018 and 2017, the District had an investment in capital assets, net of accumulated depreciation as follows:

	<u>2018</u>	<u>2017</u>
Invested in capital assets, net of accumulated depreciation	<u>\$ 37,887,668</u>	<u>\$ 33,258,558</u>

Restricted net position consists of amounts to be used for declared emergencies as required by TABOR. Restricted net position as of December 31, 2018 and 2017 was \$29,900 and \$29,328, 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, 2018 AND 2017**

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**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, 2018 and 2017. 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, CCMD and CSU. 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 \$4,833,758 and \$328,083 to the District during the years ended December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, CSU did not contribute any funds.

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 \$300,818 and \$301,269 for operating and administrative services during the years ended December 31, 2018 and 2017, respectively.

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE  
DISPOSAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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**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, 2018**

Sources of Funds: (Revenues and receipts)	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Charges for services	\$ 1,235,291	\$ 1,124,057	\$ (111,234)
Intergovernmental revenue - operations	33,748	33,748	-
Intergovernmental revenue - capital	5,812,200	4,800,000	(1,012,200)
Miscellaneous income	-	47	47
Interest income	725	12,432	11,707
<b>Total funds available</b>	<b>\$ 7,081,964</b>	<b>\$ 5,970,284</b>	<b>\$ (1,111,680)</b>
<b>Uses of funds: (Operating expenditures and disbursements)</b>			
<b>Sewage collection and transmission:</b>			
Contract services	\$ 64,341	\$ 82,503	\$ (18,162)
Supplies	4,250	10,873	(6,623)
Repairs and maintenance	3,500	-	3,500
Purchased services	7,500	2,660	4,840
Utilities	-	-	-
Capital outlay and contributions	4,953	5,304	(351)
<b>Total sewage collection and transmission</b>	<b>84,544</b>	<b>101,340</b>	<b>(16,796)</b>
<b>Sewer treatment plant:</b>			
Contract services	362,961	326,061	36,900
Supplies	63,775	58,544	5,231
Repairs and maintenance	50,000	47,033	2,967
Purchased services	228,125	150,336	77,789
Utilities	272,520	208,744	63,776
Capital outlay	5,951,544	4,824,010	1,127,534
<b>Total sewer treatment plant</b>	<b>6,928,925</b>	<b>5,614,728</b>	<b>1,314,197</b>

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE  
DISPOSAL DISTRICT  
SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET COMPARED TO ACTUAL  
CASH BASIS  
YEAR ENDED DECEMBER 31, 2018**

Uses of funds: (continued)	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Sewage administration:			
Management fees	\$ 74,117	\$ 80,031	\$ (5,914)
Supplies	5,500	-	5,500
General administration	33,973	20,264	13,709
Purchased services	51,000	47,606	3,394
Fixed charges	18,250	17,625	625
Total sewage administration	182,840	165,526	17,314
Total expenditures	\$ 7,196,309	\$ 5,881,594	\$ 1,314,715
Excess revenues over expenditures	\$ (114,345)	\$ 88,690	\$ 203,035

See independent auditor's report.

**LOWER FOUNTAIN METROPOLITAN SEWAGE  
DISPOSAL DISTRICT  
NOTE TO SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2018**

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The accompanying Supplementary Schedule of Revenues and Expenditures - Budget Compared to Actual on page 21 and 22 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, 2018 is presented below.

Total revenue per financial statements (operating and non-operating revenue)	\$ 5,973,360
Less:	
Revenue accruals and non-cash adjustments at December 31, 2017	(4,529)
Revenue accruals and non-cash adjustments at December 31, 2018	1,453
Total actual revenue and receipts per the budget	<u>\$ 5,970,284</u>
Total expenses and capital expenditures per financial statements	\$ 1,882,301
Add:	
Expense and capital expenditure accruals and non-cash adjustments at December 31, 2017	152,188
Capital expenditures	4,699,229
Less:	
Expense and capital expenditure accruals and non-cash adjustments at December 31, 2018	33,709
Depreciation and amortization expense	(885,833)
Total actual expenses and capital expenditures per the budget	<u>\$ 5,881,594</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, 2017 and 2018**

	<u>CCMD</u>	<u>%</u>	<u>FSD</u>	<u>%</u>	<u>TOTAL</u>
Contributions:					
Capital contributions - 2018	1,246,331	25.70%	3,602,684	74.30%	4,849,015
Capital contributions - 2017	125,000	25.00%	375,000	75.00%	500,000
<u>Total capital contributions</u>	<u>1,371,331</u>	<u>25.64%</u>	<u>3,977,684</u>	<u>74.36%</u>	<u>5,349,015</u>
Capital expenditures - 2018 Phosphorus Removal	1,163,123		3,489,368		4,652,491
Capital expenditures - 2017 Phosphorus Removal	203,285		609,854		813,138
<u>Total capital phosphorus removal project</u>	<u>1,366,408</u>	<u>25.00%</u>	<u>4,099,222</u>	<u>75.00%</u>	<u>5,465,629</u>
Inception to date amount					
<u>funded over (under) expenditures</u>	<u>\$ 4,923</u>		<u>\$ (121,538)</u>		<u>\$ (116,614)</u>

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