

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2020 AND 2019**

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
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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 financial statements of the business-type activities of Lower Fountain Metropolitan Sewage Disposal District as of and for the years ended December 31, 2020 and 2019, 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 the business-type activities of Lower Fountain Metropolitan Sewage Disposal District as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
June 8, 2021

## **BASIC FINANCIAL STATEMENTS**

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 969,736	\$ 950,354
Cash and Cash Equivalents - Restricted	43,400	41,100
Accounts Receivable	19,651	18,709
Intergovernmental Receivable	103,468	95,048
Inventory	46,430	65,166
Total Current Assets	1,182,685	1,170,377
<b>CAPITAL ASSETS</b>		
Capital Assets Not Being Depreciated	291,375	291,375
Capital Assets, Net of Accumulated Depreciation	35,850,344	36,770,793
Total Capital Assets	36,141,719	37,062,168
Total Assets	\$ 37,324,404	\$ 38,232,545
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts and Contracts Payable	\$ 60,735	\$ 70,798
Accrued Liabilities	18,094	18,094
Intergovernmental Payable	67,457	46,789
Total Current Liabilities	146,286	135,681
<b>NET POSITION</b>		
Net Investment in Capital Assets	36,141,719	37,062,168
Restricted	43,400	41,100
Unrestricted	992,999	993,596
Total Net Position	37,178,118	38,096,864
Total Liabilities and Net Position	\$ 37,324,404	\$ 38,232,545

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, 2020 AND 2019**

	2020	2019
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 1,438,681	1,328,505
Miscellaneous	-	20,331
Total Operating Revenues	1,438,681	1,348,836
<b>OPERATING EXPENSES</b>		
Personnel Services	82,757	91,336
Depreciation and Amortization	1,027,333	1,027,647
Supplies	320,018	196,562
Repairs and Maintenance	62,870	31,788
Purchased Services	611,183	568,345
Utilities	190,666	196,694
General and Administrative	23,307	20,903
Management Fees	87,557	84,357
Fixed Charges	77,307	11,025
Total Operating Expenses	2,482,998	2,228,657
<b>LOSS FROM OPERATIONS</b>	(1,044,317)	(879,821)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	6,326	17,842
Total Nonoperating Revenues	6,326	17,842
<b>CAPITAL CONTRIBUTIONS</b>		
Intergovernmental Contributions	119,245	148,381
Total Capital Contributions	119,245	148,381
<b>CHANGE IN NET POSITION</b>	(918,746)	(713,598)
Total Net Position - Beginning of Year	38,096,864	38,810,462
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 37,178,118	\$ 38,096,864

See accompanying Notes to Basic Financial Statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 1,437,739	\$ 1,327,528
Payments to Directors	(3,600)	(3,375)
Payments to Vendors for Goods and Services	(1,431,144)	(1,353,507)
Net Cash Provided (Used) by Operating Activities	2,995	(29,354)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisitions and Construction of Capital Assets	(106,884)	(202,147)
Intergovernmental Contributions	119,245	148,381
Net Cash Provided (Used) by Capital and Related Financing Activities	12,361	(53,766)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	6,326	17,842
Net Cash Provided by Investing Activities	6,326	17,842
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	21,682	(65,278)
Cash and Cash Equivalents - Beginning of Year	991,454	1,056,732
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,013,136	\$ 991,454
 <b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Loss from Operations	\$ (1,044,317)	\$ (879,821)
Adjustments to Reconcile Loss from Operations to Net Cash Flows Provided (Used) by Operating Activities:		
Depreciation/Amortization	1,027,333	1,027,647
Net Change in Operating Assets and Liabilities:		
Accounts Receivable	(942)	(977)
Inventory	18,736	(18,545)
Accounts Payable and Accrued Liabilities	(10,063)	(61,736)
Deferred Revenue	-	(137,871)
Due from Fountain Sanitation District	12,248	41,949
Net Cash Provided (Used) by Operating Activities	\$ 2,995	\$ (29,354)

See accompanying Notes to Basic Financial Statements.

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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  
DECEMBER 31, 2020 AND 2019**

**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.

The District amended its annual budget for the year ended December 31, 2020.

**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  
DECEMBER 31, 2020 AND 2019**

**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 to 50 Years
Treatment Plant and Sewage Control	10 to 40 Years
Equipment	5 to 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 nonoperating 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.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2020 and 2019 are classified in the accompanying financial statements of the District as follows:

	2020	2019
Statement of Net Position:		
Cash and Cash Equivalents	\$ 969,736	\$ 950,354
Cash and Cash Equivalents - Restricted	43,400	41,100
Total Cash and Cash Equivalents	\$ 1,013,136	\$ 991,454

Cash and Investments for the District as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Deposits with Financial Institutions	\$ 322,008	\$ 305,979
Investments	691,128	685,475
Total Cash and Investments	\$ 1,013,136	\$ 991,454

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 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 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, 2020, the District's cash deposits had a bank balance of \$347,701 and a carrying balance of \$322,008. As of December 31, 2019, the District's cash deposits had a bank balance of \$310,462 and a carrying balance of \$305,979.

**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.

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

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments (Continued)**

As of December 31, 2020 and 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>	
		<u>2020</u>	<u>2019</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	<u>\$ 691,128</u>	<u>\$ 685,475</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  
DECEMBER 31, 2020 AND 2019**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity of the District for the year ended December 31, 2020 was as follows:

	Balance - December 31, 2019	Increases	Decreases	Balance - December 31, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 291,375	\$ -	\$ -	\$ 291,375
Total Capital Assets, Not Being Depreciated	291,375	-	-	291,375
Capital Assets Being Depreciated:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	8,114,874	29,799	-	8,144,673
Equipment	34,061,032	13,214	-	34,074,246
Total Capital Assets Being Depreciated	19,250	63,871	-	83,121
Total Capital Assets Being Depreciated	42,195,156	106,884	-	42,302,040
Less Accumulated Depreciation For:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	(960,021)	(162,298)	-	(1,122,319)
Equipment	(4,457,209)	(850,580)	-	(5,307,789)
Total Accumulated Depreciation	(7,133)	(14,455)	-	(21,588)
Total Accumulated Depreciation	(5,424,363)	(1,027,333)	-	(6,451,696)
Total Capital Assets Being Depreciated	36,770,793	(920,449)	-	35,850,344
Capital Assets, Net	<u>\$ 37,062,168</u>	<u>\$ (920,449)</u>	<u>\$ -</u>	<u>\$ 36,141,719</u>

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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
Total Capital Assets Not Being Depreciated	291,375	-	-	291,375
Capital Assets Being Depreciated:				
Sewer Lines	8,101,444	13,430	-	8,114,874
Treatment Plant and Sewage Control	33,872,315	188,717	-	34,061,032
Equipment	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	(797,186)	(162,835)	-	(960,021)
Treatment Plant and Sewage Control	(3,596,247)	(860,962)	-	(4,457,209)
Equipment	(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>

Depreciation expense of the District for the years ended December 31, 2020 and 2019 was charged to the following operations:

	2020	2019
Sewer Lines and Lagoons	\$ 162,298	\$ 162,835
Treatment Plant and Sewage Control	850,580	860,962
Equipment	14,455	3,850
Total Depreciation Expense	<u>\$ 1,027,333</u>	<u>\$ 1,027,647</u>

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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 \$119,245 and \$148,381 to the District for the years ended December 31, 2020 and 2019, 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 nonrenewal 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 \$614,235 and \$523,522 for operating and administrative services during the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the District had the following net investment in capital assets, calculated as follows:

	2020	2019
Net Investment in Capital Assets:		
Invested in Capital Assets	\$ 42,593,415	\$ 42,486,531
Less Depreciation	(6,451,696)	(5,424,363)
Net Investment in Capital Assets	\$ 36,141,719	\$ 37,062,168

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2020 and 2019 as follows:

	2020	2019
Restricted Net Position:		
Emergency Reserves	\$ 43,400	\$ 41,100

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, 2020 and 2019. 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  
DECEMBER 31, 2020 AND 2019**

**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, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sewage Charges	\$ 1,459,282	\$ 1,551,788	\$ 1,429,318	\$ (122,470)
Intergovernmental Revenue - Operations	31,172	31,172	31,172	-
Intergovernmental Revenue - Capital	67,500	88,073	88,073	-
Interest Income	1,925	6,326	6,326	-
Total Revenues	<u>3,237,238</u>	<u>1,677,359</u>	<u>1,554,889</u>	<u>(122,470)</u>
<b>EXPENDITURES</b>				
Sewage Collection and Transmission:				
Contract Services	79,146	135,000	107,953	27,047
Supplies	1,750	1,750	519	1,231
Repairs and Maintenance	1,750	1,750	429	1,321
Purchased Services	1,500	1,500	-	1,500
Utilities	2,953	2,953	2,289	664
Capital Outlay and Contributions	7,700	2,500	-	2,500
Total Sewage Collection and Transmission	<u>94,799</u>	<u>145,453</u>	<u>111,190</u>	<u>34,263</u>
Sewer Treatment Plant:				
Contract Services	465,688	465,688	406,117	59,571
Supplies	208,388	265,000	239,829	25,171
Repairs and Maintenance	48,000	75,000	72,887	2,113
Purchased Services	210,572	210,572	196,269	14,303
Utilities	235,500	235,500	190,970	44,530
Capital Outlay	117,500	137,320	92,671	44,649
Total Sewer Treatment Plant	<u>1,285,648</u>	<u>1,389,080</u>	<u>1,198,743</u>	<u>190,337</u>
Sewage Administration:				
Management Fees	87,557	95,000	87,290	7,710
Supplies	2,656	2,656	134	2,522
General Administration	31,397	31,397	25,678	5,719
Purchased Services	37,978	37,978	32,865	5,113
Fixed Charges	19,500	80,000	77,307	2,693
Total Sewage Administration	<u>179,088</u>	<u>247,031</u>	<u>223,274</u>	<u>23,757</u>
Total Expenditures	<u>1,559,535</u>	<u>1,781,564</u>	<u>1,533,207</u>	<u>248,357</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,677,703	(104,205)	21,682	125,887
Funds Available - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u><u>\$ 1,677,703</u></u>	<u><u>\$ (104,205)</u></u>	<u><u>\$ 21,682</u></u>	<u><u>\$ 125,887</u></u>

**LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT  
SCHEDULE OF RECONCILIATION OF BUDGETARY BASIS TO  
STATEMENT OF REVENUES AND EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

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, 2020 is presented below.

Total Revenue per Financial Statements (Operating and Nonoperating Revenue)	\$ 1,564,252
Add:	
Revenue Accruals and Noncash Adjustments at December 31, 2019	113,757
Less:	
Revenue Accruals and Noncash Adjustments at December 31, 2020	<u>(123,120)</u>
Total Actual Revenue and Receipts per the Budget	<u><u>\$ 1,554,889</u></u>
Total Expenses and Capital Expenditures per Financial Statements	\$ 2,482,998
Add:	
Expenses and Capital Expenditures Accruals and Noncash Adjustments at December 31, 2019	117,586
Capital Expenditures	106,884
Less:	
Expenses and Capital Expenditures Accruals and Noncash Adjustments at December 31, 2020	(146,928)
Depreciation and Amortization Expenses	<u>(1,027,333)</u>
Total Actual Expenses and Capital Expenditures per the Budget	<u><u>\$ 1,533,207</u></u>