

**FOUNTAIN SANITATION DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2025 AND 2024

**FOUNTAIN SANITATION DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fountain Sanitation District
El Paso County, Colorado

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Fountain Sanitation District (the "District") as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the 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 information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 listed 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 relate 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.

Prior Period Financial Statements

The financial statements of the District as of December 31, 2024, were audited by other auditors whose report dated June 9, 2025, expressed an unmodified opinion on those statements. Accordingly, we do not express an opinion or any other form of assurance on the 2024 financial statements as a whole.

Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or provide assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or other information otherwise appears to be materially misstated. If based on work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

ATLAS CPAs & Auditors PLLC

Longmont, Colorado
May 5, 2026

BASIC FINANCIAL STATEMENTS

**FOUNTAIN SANITATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025**

	Business-Type Activities - Enterprise Funds			
	Fountain Sanitation District			
	Fountain Sanitation	Jimmy Camp Creek Enterprise	Fountain Sanitation District Total	LFMSDD (Component Unit)
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 7,573,740	\$ 13,246,905	\$ 20,820,645	\$ 2,407,100
Cash and Investments - Restricted	137,100	560,000	697,100	57,500
Accounts Receivable, Net of Allowance for Doubtful Accounts	251,061	107,598	358,659	21,846
Receivable from County Treasurer	11,451	-	11,451	-
Property Taxes Receivable	1,533,349	-	1,533,349	-
Intergovernmental Receivable	-	74,343	74,343	133,564
Inventory	39,841	21,453	61,294	46,184
Total Current Assets	<u>9,546,542</u>	<u>14,010,299</u>	<u>23,556,841</u>	<u>2,666,194</u>
NONCURRENT ASSETS				
Investments - Government Securities and Corporate Bonds	7,170,267	5,897,521	13,067,788	-
Total Noncurrent Assets	<u>7,170,267</u>	<u>5,897,521</u>	<u>13,067,788</u>	<u>-</u>
CAPITAL ASSETS				
Capital Assets, Not Being Depreciated	450,064	-	450,064	291,375
Capital Assets, Net of Accumulated Depreciation	10,831,403	4,429,075	15,260,478	31,119,688
Total Capital Assets	<u>11,281,467</u>	<u>4,429,075</u>	<u>15,710,542</u>	<u>31,411,063</u>
Total Assets	<u>\$ 27,998,276</u>	<u>\$ 24,336,895</u>	<u>\$ 52,335,171</u>	<u>\$ 34,077,257</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts and Contracts Payable	\$ 28,372	\$ 7,020	\$ 35,392	\$ 36,838
Accrued Liabilities	31,382	134,651	166,033	18,094
Accrued Compensated Absences	329,679	140,191	469,870	-
Intergovernmental Payable	-	133,564	133,564	74,343
Current Maturities of Long-Term Obligations	-	341,672	341,672	-
Total Current Liabilities	<u>389,433</u>	<u>757,098</u>	<u>1,146,531</u>	<u>129,275</u>
LONG-TERM OBLIGATIONS	-	2,191,775	2,191,775	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	1,533,349	-	1,533,349	-
Total Deferred Inflows of Resources	<u>1,533,349</u>	<u>-</u>	<u>1,533,349</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	11,281,467	4,429,075	15,710,542	31,411,063
Restricted	137,100	560,000	697,100	57,500
Unrestricted	14,656,927	16,398,947	31,055,874	2,479,419
Total Net Position	<u>26,075,494</u>	<u>21,388,022</u>	<u>47,463,516</u>	<u>33,947,982</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 27,998,276</u>	<u>\$ 24,336,895</u>	<u>\$ 52,335,171</u>	<u>\$ 34,077,257</u>

The accompanying notes are an integral part of the Financial Statements.

**FOUNTAIN SANITATION DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2024**

	Business-Type Activities - Enterprise Funds			
	Fountain Sanitation District			
	Fountain Sanitation	Jimmy Camp Creek Enterprise	Fountain Sanitation District Total	LFMSDD (Component Unit)
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 5,044,928	\$ 12,158,220	\$ 17,203,148	\$ 1,992,852
Cash and Investments - Restricted	129,100	524,700	653,800	55,300
Accounts Receivable, Net of Allowance for Doubtful Accounts	238,534	102,228	340,762	27,981
Receivable from County Treasurer	10,962	-	10,962	-
Property Taxes Receivable	1,441,490	-	1,441,490	-
Intergovernmental Receivable	-	66,423	66,423	121,648
Inventory	39,282	21,152	60,434	49,133
Total Current Assets	<u>6,904,296</u>	<u>12,872,723</u>	<u>19,777,019</u>	<u>2,246,914</u>
NONCURRENT ASSETS				
Investments - Government Securities and Corporate Bonds	8,293,366	5,690,414	13,983,780	-
Total Noncurrent Assets	<u>8,293,366</u>	<u>5,690,414</u>	<u>13,983,780</u>	<u>-</u>
CAPITAL ASSETS				
Capital Assets, Not Being Depreciated	450,064	-	450,064	291,375
Capital Assets, Net of Accumulated Depreciation	10,754,681	4,410,500	15,165,181	32,145,912
Total Capital Assets	<u>11,204,745</u>	<u>4,410,500</u>	<u>15,615,245</u>	<u>32,437,287</u>
Total Assets	<u>\$ 26,402,407</u>	<u>\$ 22,973,637</u>	<u>\$ 49,376,044</u>	<u>\$ 34,684,201</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts and Contracts Payable	\$ 45,361	\$ 17,902	\$ 63,263	\$ 55,137
Accrued Liabilities	269,533	160,158	429,691	18,095
Accrued Compensated Absences	297,321	132,242	429,563	-
Intergovernmental Payable	-	121,648	121,648	66,423
Current Maturities of Long-Term Obligations	-	342,270	342,270	-
Total Current Liabilities	<u>612,215</u>	<u>774,220</u>	<u>1,386,435</u>	<u>139,655</u>
LONG-TERM OBLIGATIONS	-	2,533,447	2,533,447	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	1,441,490	-	1,441,490	-
Total Deferred Inflows of Resources	<u>1,441,490</u>	<u>-</u>	<u>1,441,490</u>	<u>-</u>
NET POSITION				
Net Investment in Capital Assets	11,204,745	4,410,500	15,615,245	32,437,287
Restricted	129,100	524,700	653,800	55,300
Unrestricted	13,014,857	14,730,770	27,745,627	2,051,959
Total Net Position	<u>24,348,702</u>	<u>19,665,970</u>	<u>44,014,672</u>	<u>34,544,546</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 26,402,407</u>	<u>\$ 22,973,637</u>	<u>\$ 49,376,044</u>	<u>\$ 34,684,201</u>

The accompanying notes are an integral part of the Financial Statements.

**FOUNTAIN SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2025**

	Business-Type Activities - Enterprise Funds			
	Fountain Sanitation District			
	Fountain Sanitation	Jimmy Camp Creek Enterprise	Fountain Sanitation District Total	LFMSDD (Component Unit)
OPERATING REVENUES				
Charges for Services	\$ 1,885,457	\$ 2,590,966	\$ 4,476,423	\$ 1,831,247
Intergovernmental Revenue - LFMSDD	-	849,464	849,464	-
Miscellaneous	4,304	488	4,792	-
Total Operating Revenues	<u>1,889,761</u>	<u>3,440,918</u>	<u>5,330,679</u>	<u>1,831,247</u>
OPERATING EXPENSES				
Personnel Services	1,502,395	2,041,463	3,543,858	3,875
Depreciation	663,101	314,463	977,564	1,046,367
Supplies	80,472	17,140	97,612	145,234
Repairs and Maintenance	107,360	50,391	157,751	73,708
Purchased Services	222,674	75,768	298,442	872,780
Utilities	147,478	55,212	202,690	201,601
Management Fees	-	-	-	138,109
Fixed Charges	163,240	-	163,240	65,475
Total Operating Expenses	<u>2,886,720</u>	<u>2,554,437</u>	<u>5,441,157</u>	<u>2,547,149</u>
OPERATING INCOME (LOSS)	(996,959)	886,481	(110,478)	(715,902)
NONOPERATING REVENUES (EXPENSES)				
Property Tax Revenue	1,438,351	-	1,438,351	-
Specific Ownership Taxes	141,448	-	141,448	-
County Treasurer's Fees	(21,623)	-	(21,623)	-
Net Investment Income	1,098,413	540,581	1,638,994	85,338
Interest Expense	-	(60,393)	(60,393)	-
Note Payable Premium Amortization	-	8,620	8,620	-
Total Nonoperating Revenues	<u>2,656,589</u>	<u>488,808</u>	<u>3,145,397</u>	<u>85,338</u>
CAPITAL CONTRIBUTIONS				
Intergovernmental Contributions	-	(8,499)	(8,499)	34,000
Tap Fees	66,033	356,391	422,424	-
Transfers (to) from Other Funds	1,129	(1,129)	-	-
Total Capital Contributions	<u>67,162</u>	<u>346,763</u>	<u>413,925</u>	<u>34,000</u>
CHANGE IN NET POSITION	1,726,792	1,722,052	3,448,844	(596,564)
Total Net Position - Beginning of Year	<u>24,348,702</u>	<u>19,665,970</u>	<u>44,014,672</u>	<u>34,544,546</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 26,075,494</u>	<u>\$ 21,388,022</u>	<u>\$ 47,463,516</u>	<u>\$ 33,947,982</u>

The accompanying notes are an integral part of the Financial Statements.

**FOUNTAIN SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2024**

	Business-Type Activities - Enterprise Funds			
	Fountain Sanitation District			
	Fountain Sanitation	Jimmy Camp Creek Enterprise	Fountain Sanitation District Total	LFMSDD (Component Unit)
OPERATING REVENUES				
Charges for Services	\$ 1,887,522	\$ 2,468,078	\$ 4,355,600	\$ 1,755,042
Intergovernmental Revenue - LFMSDD	600	755,369	755,969	-
Miscellaneous	1,554	7,012	8,566	-
Total Operating Revenues	<u>1,889,676</u>	<u>3,230,459</u>	<u>5,120,135</u>	<u>1,755,042</u>
OPERATING EXPENSES				
Personnel Services	1,416,429	1,902,020	3,318,449	3,864
Depreciation	624,953	312,189	937,142	1,040,344
Supplies	88,794	14,642	103,436	166,930
Repairs and Maintenance	85,795	39,432	125,227	91,305
Purchased Services	187,532	65,335	252,867	815,788
Utilities	204,767	77,258	282,025	193,042
Management Fees	-	-	-	135,899
Fixed Charges	146,022	-	146,022	62,295
Total Operating Expenses	<u>2,754,292</u>	<u>2,410,876</u>	<u>5,165,168</u>	<u>2,509,467</u>
OPERATING INCOME (LOSS)	(864,616)	819,583	(45,033)	(754,425)
NONOPERATING REVENUES (EXPENSES)				
Property Tax Revenue	1,484,576	-	1,484,576	-
Specific Ownership Taxes	133,994	-	133,994	-
County Treasurer's Fees	(22,368)	-	(22,368)	-
Net Investment Income	793,724	440,526	1,234,250	86,344
Loss on Disposal of Capital Assets	(1,750)	-	(1,750)	-
Interest Expense	-	(62,725)	(62,725)	-
Note Payable Premium Amortization	-	9,268	9,268	-
Total Nonoperating Revenues	<u>2,388,176</u>	<u>387,069</u>	<u>2,775,245</u>	<u>86,344</u>
CAPITAL CONTRIBUTIONS				
Intergovernmental Contributions	-	(27,851)	(27,851)	68,062
Tap Fees	142,472	1,059,911	1,202,383	-
Capital Contributions	10,230	-	10,230	-
Transfers (to) from Other Funds	(731)	731	-	-
Total Capital Contributions	<u>151,971</u>	<u>1,032,791</u>	<u>1,184,762</u>	<u>68,062</u>
CHANGE IN NET POSITION	1,675,531	2,239,443	3,914,974	(600,019)
Total Net Position - Beginning of Year	<u>22,673,171</u>	<u>17,426,527</u>	<u>40,099,698</u>	<u>35,144,565</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 24,348,702</u>	<u>\$ 19,665,970</u>	<u>\$ 44,014,672</u>	<u>\$ 34,544,546</u>

The accompanying notes are an integral part of the Financial Statements.

**FOUNTAIN SANITATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025**

	Business-Type Activities - Enterprise Funds			
	Fountain Sanitation District			
	Fountain Sanitation	Jimmy Camp Creek Enterprise	Fountain Sanitation District Total	LFMSDD (Component Unit)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 1,876,745	\$ 3,435,548	\$ 5,312,293	\$ 1,837,382
Payments to Employees and Directors	(1,210,263)	(381,129)	(1,591,392)	(3,600)
Payments for Employee Benefits	(292,132)	(89,321)	(381,453)	-
Payments for Operating Expenses from LFMSDD	-	(1,571,013)	(1,571,013)	-
Payments to Suppliers	(944,565)	(223,256)	(1,167,821)	(1,516,529)
Net Cash Provided (Used) by Operating Activities	(570,215)	1,170,829	600,614	317,253
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer (to) from Other Funds	1,129	(1,129)	-	-
Taxes Received	1,579,799	-	1,579,799	-
County Treasurer's Fees	(21,623)	-	(21,623)	-
Net Cash Provided (Used) by Noncapital Financing Activities	1,559,305	(1,129)	1,558,176	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Fees Received as Contributions in Aid of Construction	(673,790)	356,391	(317,399)	-
Acquisitions and Construction of Capital Assets	-	(333,038)	(333,038)	(20,143)
Interest Expense	-	(60,393)	(60,393)	-
Capital Contributions	-	-	-	34,000
Principal Paid on Note Payable	-	(333,650)	(333,650)	-
Net Cash Used by Capital and Related Financing Activities	(673,790)	(370,690)	(1,044,480)	13,857
CASH FLOWS FROM INVESTING ACTIVITIES				
Intergovernmental Contributions	-	(8,499)	(8,499)	-
Sale (Purchase) of Investments	1,123,099	(207,107)	915,992	-
Interest Received	1,098,413	540,581	1,638,994	85,338
Net Cash Provided by Investing Activities	2,221,512	324,975	2,546,487	85,338
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,536,812	1,123,985	3,660,797	416,448
Cash and Cash Equivalents - Beginning of Year	5,174,028	12,682,920	17,856,948	2,048,152
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,710,840</u>	<u>\$ 13,806,905</u>	<u>\$ 21,517,745</u>	<u>\$ 2,464,600</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net Income (Loss) from Operations	\$ (996,959)	\$ 886,481	\$ (110,478)	\$ (715,902)
Adjustments to Reconcile Net Income (Loss) from Operations to Net Cash Flows Provided by Operating Activities:				
Depreciation/Amortization	663,101	314,463	977,564	1,046,367
Net Change in Operating Assets and Liabilities:				
Accounts Receivable	(13,016)	(5,370)	(18,386)	6,135
Due to/from LFMSDD and FSD	-	3,996	3,996	(3,996)
Inventory	(559)	(301)	(860)	2,949
Accounts Payable	(16,989)	(10,882)	(27,871)	(18,300)
Accrued Liabilities	(238,151)	(25,507)	(263,658)	-
Accrued Vacation and Sick Leave	32,358	7,949	40,307	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (570,215)</u>	<u>\$ 1,170,829</u>	<u>\$ 600,614</u>	<u>\$ 317,253</u>

The accompanying notes are an integral part of the Financial Statements.

**FOUNTAIN SANITATION DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024**

	Business-Type Activities - Enterprise Funds			
	Fountain Sanitation District			
	Fountain Sanitation	Jimmy Camp Creek Enterprise	Fountain Sanitation District Total	LFMSDD (Component Unit)
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 1,820,046	\$ 3,297,515	\$ 5,117,561	\$ 1,752,097
Payments to Employees and Directors	(1,161,976)	(358,815)	(1,520,791)	(3,600)
Payments for Employee Benefits	(254,453)	(80,756)	(335,209)	-
Payments for Operating Expenses from LFMSDD	-	(1,462,449)	(1,462,449)	-
Payments to Suppliers	(655,069)	(223,661)	(878,730)	(1,462,022)
Net Cash Provided (Used) by Operating Activities	<u>(251,452)</u>	<u>1,171,834</u>	<u>920,382</u>	<u>286,475</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer (to) from Other Funds	(731)	731	-	-
Taxes Received	1,618,570	-	1,618,570	-
County Treasurer's Fees	(22,368)	-	(22,368)	-
Net Cash Provided by Noncapital Financing Activities	<u>1,595,471</u>	<u>731</u>	<u>1,596,202</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Fees Received as Contributions in Aid of Construction	142,472	1,059,911	1,202,383	-
Acquisitions and Construction of Capital Assets	(521,482)	(190,197)	(711,679)	(50,057)
Proceeds from Sales of Capital Assets	(1,750)	-	(1,750)	-
Capital Contributions	10,230	-	10,230	68,062
Interest Expense	-	(62,725)	(62,725)	-
Principal Paid on Note Payable	-	(327,796)	(327,796)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(370,530)</u>	<u>479,193</u>	<u>108,663</u>	<u>18,005</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Sale (Purchase) of Investments	(8,293,366)	(5,690,414)	(13,983,780)	-
Interest Received	793,724	440,526	1,234,250	86,344
Net Cash Used by Investing Activities	<u>(7,499,642)</u>	<u>(5,277,739)</u>	<u>(12,777,381)</u>	<u>86,344</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,526,153)	(3,625,981)	(10,152,134)	390,824
Cash and Cash Equivalents - Beginning of Year	<u>11,700,181</u>	<u>16,308,901</u>	<u>28,009,082</u>	<u>1,657,328</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,174,028</u>	<u>\$ 12,682,920</u>	<u>\$ 17,856,948</u>	<u>\$ 2,048,152</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net Income (Loss) from Operations	\$ (864,616)	\$ 819,583	\$ (45,033)	\$ (754,425)
Adjustments to Reconcile Net Income (Loss) from Operations to Net Cash Flows Provided by Operating Activities:				
Loss (Gain) on Disposal of Capital Assets	1,750	-	1,750	-
Net Change in Operating Assets and Liabilities:				
Accounts Receivable	(69,630)	67,056	(2,574)	(2,945)
Due to/from LFMSDD and FSD	-	(5,254)	(5,254)	5,254
Inventory	4,866	2,620	7,486	4,319
Accounts Payable	24,878	9,355	34,233	(6,072)
Accrued Liabilities	(4,045)	(41,036)	(45,081)	-
Accrued Vacation and Sick Leave	30,392	7,321	37,713	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (251,452)</u>	<u>\$ 1,171,834</u>	<u>\$ 920,382</u>	<u>\$ 286,475</u>
NONCASH CAPITAL ACTIVITIES				

During the year ended December 31, 2024, the District received sewer lines contributed by developers in the amount of \$10,230

The accompanying notes are an integral part of the Financial Statements.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 DEFINITION OF REPORTING ENTITY

Fountain Sanitation District (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court for El Paso County on January 1, 1955, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Section 1, Colorado Revised statutes). The District's service area is located in El Paso County, Colorado. The District was established to provide sewage services and treatment facilities for residents and businesses located within the District's boundaries, which are comprised of a specified portion of the city of Fountain, Colorado, and certain surrounding areas.

As of December 31, 2025 and 2024, the District is comprised of two business-type activity funds, Fountain Sanitation (FS) and Jimmy Camp Creek Basin Wastewater Enterprise (JCCE). JCCE was established by a resolution of the District's Board of Directors on September 7, 2011 in order to facilitate funding of a new treatment plant which will provide service to residents and businesses located in the Jimmy Camp Creek Basin which is located within the boundaries of the District. The establishment of JCCE allowed the District to obtain additional financing to complete payment for its share of the new treatment plant, to adopt fees for wastewater services and for new taps to be added.

Based on the number of customers located in JCCE's boundaries and the miles of pipeline serving JCCE, the District has adopted a general allocation percentage of 55.56% of expenses and assets for JCCE and 44.44% for FS. The effective date for segregating the activities of JCCE from the District was September 1, 2011. As of the effective date, FS transferred the cash accounts established for the construction of the new treatment plant and 55.56% of the value of pipelines and equipment to JCCE, as well as a 55.56% allocation of certain other assets and liabilities. All revenues related to customers located in JCCE have been recorded in JCCE beginning in September of 2011, and operating expenses (excluding administrative expenses) were allocated to JCCE on a 55.56% basis through December 31, 2013. JCCE does not levy any property taxes.

On January 1, 2016, the District updated the allocation percentages based on current operations. All expenses related to sewage collection and transmission are allocated 64% to JCCE and 36% to FS. All expenses related to the District's sewage treatment plant are allocated 36% to JCCE and 64% to FS. All administrative expenses are allocated 100% to FS.

On January 1, 2019, the District updated the allocation percentages based on current operations. All expenses related to sewage collection and transmission are allocated 58% to JCCE and 42% to FS. All expenses related to the District's sewage treatment plant are allocated 35% to JCCE and 65% to FS. All administrative expenses are allocated 100% to FS.

On January 1, 2022, the District updated the allocation percentages based on current operations. All expenses related to sewage collection and transmission are allocated 50% to JCCE and 50% to FS. All expenses related to the District's sewage treatment plant are allocated 35% to JCCE and 65% to FS. All administrative expenses are allocated 100% to FS.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 DEFINITION OF REPORTING ENTITY (CONTINUED)

On January 1, 2024, the District updated the allocation percentages based on current operations. All expenses related to sewage collection and transmission are allocated 30% to JCCE and 70% to FS. All expenses related to the District's sewage treatment plant are allocated 35% to JCCE and 65% to FS. All administrative expenses are allocated 100% to FS. For the year ended December 31, 2025 and 2024, this rate did not change.

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.

The District is not a component unit of any other primary governmental 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.

The District has been financially accountable for Lower Fountain Metropolitan Sewage Disposal District (LFMSDD) since 2003. LFMSDD is a component unit because the District appoints a voting majority of its Board of Directors, and therefore can control LFMSDD. LFMSDD is also financially dependent upon the District. LFMSDD's purpose is to construct and operate a new sewage treatment facility and interceptor sewer that will serve the future needs of the District and of other entities. LFMSDD's financial statements are presented as a discrete component unit. Financial statements for LFMSDD may be obtained by contacting Jim Heckman at the District offices (11545 Link Road, Fountain, Colorado 80817).

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.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses, and changes 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 water and sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

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

Cash and Cash Equivalents

For purposes of the statements 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.

Accounts Receivable

Accounts receivable consist of sewage collection services receivable. Accounts receivable are unsecured and stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. As of December 31, 2025 and 2024, allowances for doubtful accounts totaled \$1,361.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

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.

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
Building and Improvements	10 to 50 Years
Treatment Plant and Sewage Control	10 to 40 Years
Equipment	5 to 20 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 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.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the estimated fair value when received. Capital contributions from charges for the years ended December 31, 2025 and 2024 were \$422,424 and \$1,202,383, respectively. Sewer lines contributed for the years ended December 31, 2025 and 2024 were \$-0- and \$10,230, respectively.

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, that item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amounts become available.

Amortization – Original Issue Discount/Premium

Debt premiums and discounts are amortized over the respective terms of the borrowing using the interest method.

Compensated Absences

The District has a policy that allows all full-time employees to accumulate for vacation benefits at various rates, up to a maximum of 360 hours (45 days), based on their length of service.

Full-time employees are also entitled to accumulate personal leave at a rate of four hours every two weeks, up to a maximum of 720 hours (90 days). These accumulated hours are payable to the employee upon separation from the District.

Accrued vacation and personal leave totaling \$469,870 and \$429,563 represents the total actual vacation and personal leave hours accrued as of December 31, 2025 and 2024, respectively, for all employees.

Accounting Standards

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures* (Statement 102). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2025 and 2024 are classified in the accompanying financial statements of the District as follows:

	2025	2024
Statement of Net Position:		
Cash and Investments	\$ 20,820,645	\$ 17,203,148
Cash and Investments - Restricted	697,100	653,800
Cash and Investments - Noncurrent	13,067,788	13,983,780
Total Cash and Investments	\$ 34,585,533	\$ 31,840,728

Cash and cash equivalents for the District as of December 31, 2025 and 2024 consist of the following:

	2025	2024
Cash on Hand	\$ 100	\$ 100
Deposits with Financial Institutions	1,846,117	457,661
Investments	32,739,316	31,382,967
Total Cash and Investments	\$ 34,585,533	\$ 31,840,728

Cash and cash equivalents as of December 31, 2025 and 2024 are classified in the accompanying financial statements of LFMSDD as follows:

	2025	2024
Statement of Net Position:		
Cash and Investments	\$ 2,407,100	\$ 1,992,852
Cash and Investments - Restricted	57,500	55,300
Total Cash and Investments	\$ 2,464,600	\$ 2,048,152

Cash and cash equivalents for LFMSDD as of December 31, 2025 and 2024 consist of the following:

	2025	2024
Deposits with Financial Institutions	\$ 732,908	\$ 390,519
Investments	1,731,692	1,657,633
Total Cash and Investments	\$ 2,464,600	\$ 2,048,152

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.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2025, the District's cash deposits had a bank balance of \$1,894,412 and a carrying balance of \$1,846,217. As of December 31, 2024, the District's cash deposits had a bank balance of \$654,264 and a carrying balance of \$457,761.

As of December 31, 2025, LFMSDD's cash deposits had a bank balance of \$764,639 and a carrying balance of \$732,908. As of December 31, 2024, LFMSDD's cash deposits had a bank balance of \$416,053 and a carrying balance of \$390,519.

Investments

On April 11, 2024, the District adopted a formal investment policy; in addition to the investment policy, the District also 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

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include certificates of deposits, money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee), CSAFE (which are recorded at net asset value), and COLOTRUST (which are recorded at amortized cost).

As of December 31, 2025, the District had the following investments:

<u>Investment</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>Value</u>
Colorado Liquid Asset Trust (Colotrust)	\$ 3,351,860	\$ -	\$ 3,351,860
Colorado Surplus Asset Fund Trust (CSAFE)	12,893,257	-	12,893,257
Certificates of Deposits	264,039	-	264,039
Money Market Funds	914,029	-	914,029
U.S. Treasury Issues	1,511,760	10,089,545	11,601,305
Corporate Bonds	736,582	2,978,243	3,714,825
Total	<u>\$ 19,671,527</u>	<u>\$ 13,067,788</u>	<u>\$ 32,739,315</u>

As of December 31, 2024, the District had the following investments:

<u>Investment</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>Value</u>
Colorado Liquid Asset Trust (Colotrust)	\$ 3,210,161	\$ -	\$ 3,210,161
Colorado Surplus Asset Fund Trust (CSAFE)	13,472,945	-	13,472,945
Certificates of Deposits	252,923	-	252,923
Money Market Funds	463,158	-	463,158
U.S. Treasury Issues	-	10,357,530	10,357,530
Corporate Bonds	-	3,626,250	3,626,250
Total	<u>\$ 17,399,187</u>	<u>\$ 13,983,780</u>	<u>\$ 31,382,967</u>

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

As of December 31, 2025, LFMSDD had the following investments:

<u>Investment</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>Value</u>
Colorado Surplus Asset Fund Trust (CSAFE)	\$ 1,731,692	\$ -	\$ 1,731,692
Total	<u>\$ 1,731,692</u>	<u>\$ -</u>	<u>\$ 1,731,692</u>

As of December 31, 2024, LFMSDD had the following investments:

<u>Investment</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>Value</u>
Colorado Surplus Asset Fund Trust (CSAFE)	\$ 1,657,633	\$ -	\$ 1,657,633
Total	<u>\$ 1,657,633</u>	<u>\$ -</u>	<u>\$ 1,657,633</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 currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations 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, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable net asset value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, 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 CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. 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.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable net asset value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAaf/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

U.S. Treasury Issues and Corporate Bonds (Level 1)

The District invested a portion of its reserve money into U.S. Treasury Notes and Corporate Bonds. As of December 31, 2025, investment details are as follows:

Description	Market Value	S&P Rating	Coupon Rate	Maturity Date
Government and Agency Bonds:				
U.S. Treasury Notes	\$ 1,511,760	AAA	4.375 %	12/15/2026
U.S. Treasury Notes	1,510,665	AAA	3.875	11/30/2027
U.S. Treasury Notes	1,503,990	AAA	3.625	3/31/2028
U.S. Treasury Notes	1,522,380	AAA	4.125	7/31/2028
U.S. Treasury Notes	1,483,245	AAA	3.125	11/15/2028
U.S. Treasury Notes	1,012,730	AAA	4.000	1/31/2029
U.S. Treasury Notes	1,524,840	AAA	4.125	3/31/2029
U.S. Treasury Notes	1,531,695	AAA	4.250	6/30/2029
Corporate Bonds:				
Walmart, Inc.	736,582	AA	1.050	9/17/2026
Procter & Gamble Co.	740,797	AA-	2.800	3/25/2027
Microsoft Corp	747,098	AAA	3.300	2/6/2027
Johnson & Johnson	744,458	AAA	2.950	12/3/2026
Apple Inc.	745,890	AAA	3.200	5/11/2027
Total	<u>\$ 15,316,130</u>			

The District invested a portion of its reserve money into U.S. Treasury Notes and Corporate Bonds. As of December 31, 2024, investment details are as follows:

Description	Market Value	S&P Rating	Coupon Rate	Maturity Date
Government and Agency Bonds:				
U.S. Treasury Notes	\$ 1,503,405	AAA	4.375 %	12/15/2026
U.S. Treasury Notes	1,483,065	AAA	3.875	11/30/2027
U.S. Treasury Notes	1,469,130	AAA	3.625	3/31/2028
U.S. Treasury Notes	1,489,650	AAA	4.125	7/31/2028
U.S. Treasury Notes	1,435,335	AAA	3.125	11/15/2028
U.S. Treasury Notes	1,485,255	AAA	4.125	3/31/2029
U.S. Treasury Notes	1,491,690	AAA	4.250	6/30/2029
Corporate Bonds:				
Walmart, Inc.	709,515	AA	1.050	9/17/2026
Procter & Gamble Co.	725,625	AA-	2.800	3/25/2027
Microsoft Corp	734,295	AAA	3.300	2/6/2027
Johnson & Johnson	727,515	AAA	2.950	12/3/2026
Apple Inc.	729,300	AAA	3.200	5/11/2027
Total	<u>\$ 13,983,780</u>	n/a		

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

U.S. Treasury Issues and Corporate Bonds (Level 1) (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk the District requires that U.S. Agency Securities and Corporate Bonds have the highest possible ratings. Colorado statutes standards for local government investment pools and the District require the investment pool to maintain the highest possible rating.

Interest Rate Risk – Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. State statute limits investments in U.S. Agency Securities and Corporate Bonds to a maximum five-year maturity. The District seeks to minimize interest rate risk by:

- Structuring investments to meet ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
- Structuring investments to have staggered maturities of less than five years.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 CAPITAL ASSETS

Capital asset activity of the District for the year ended December 31, 2025 was as follows:

	Balance - December 31, 2024	Increases	Decreases	Balance - December 31, 2025
Capital Assets Not Being Depreciated:				
Land	\$ 450,064	\$ -	\$ -	\$ 450,064
Total Capital Assets, Not Being Depreciated	450,064	-	-	450,064
Capital Assets Being Depreciated:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	13,512,560	430,571	-	13,943,131
Building and Improvements	7,074,440	497,338	-	7,571,778
Equipment	5,555,957	-	-	5,555,957
Land Improvements	2,161,726	144,952	-	2,306,678
Total Capital Assets Being Depreciated	43,858	-	-	43,858
Less Accumulated Depreciation For:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	(5,433,958)	(417,959)	-	(5,851,917)
Building and Improvements	(4,993,767)	(204,211)	-	(5,197,978)
Equipment	(1,057,433)	(179,417)	-	(1,236,850)
Land Improvements	(1,665,349)	(173,158)	-	(1,838,507)
Total Accumulated Depreciation	(32,853)	(2,819)	-	(35,672)
Total Capital Assets Being Depreciated	(13,183,360)	(977,564)	-	(14,160,924)
Total Capital Assets Being Depreciated	15,165,181	95,297	-	15,260,478
Capital Assets, Net	\$ 15,615,245	\$ 95,297	\$ -	\$ 15,710,542

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital asset activity of the District for the year ended December 31, 2024 was as follows:

	Balance - December 31, 2023	Increases	Decreases	Balance - December 31, 2024
Capital Assets Not Being Depreciated:				
Land	\$ 450,064	\$ -	\$ -	\$ 450,064
Total Capital Assets Not Being Depreciated	450,064	-	-	450,064
Capital Assets Being Depreciated:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	13,520,562	418,857	426,859	13,512,560
Control	6,682,060	392,380	-	7,074,440
Building and Improvements	5,555,957	-	-	5,555,957
Equipment	1,987,354	327,301	152,929	2,161,726
Land Improvements	43,858	-	-	43,858
Total Capital Assets Being Depreciated	27,789,791	1,138,538	579,788	28,348,541
Less Accumulated Depreciation For:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	(5,036,940)	(397,018)	-	(5,433,958)
Control	(4,808,500)	(185,267)	-	(4,993,767)
Building and Improvements	(878,016)	(179,417)	-	(1,057,433)
Equipment	(1,642,632)	(173,896)	(151,179)	(1,665,349)
Land Improvements	(31,309)	(1,544)	-	(32,853)
Total Accumulated Depreciation	(12,397,397)	(937,142)	(151,179)	(13,183,360)
Total Capital Assets Being Depreciated	15,392,394	201,396	428,609	15,165,181
Capital Assets, Net	<u>\$ 15,842,458</u>	<u>\$ 201,396</u>	<u>\$ 428,609</u>	<u>\$ 15,615,245</u>

Depreciation expense of the District for the years ended December 31, 2025 and 2024 was charged to the following operations:

	2025	2024
Sewer Lines and Lagoons	\$ 417,959	\$ 397,018
Treatment Plant and Sewage Control	204,211	185,267
Building and Improvements	179,417	179,417
Equipment	173,158	173,896
Land Improvements	2,819	1,544
Total Depreciation Expense	<u>\$ 977,564</u>	<u>\$ 937,142</u>

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital asset activity of LFMSDD for the year ended December 31, 2025 was as follows:

	Balance - December 31, 2024	Increases	Decreases	Balance - December 31, 2025
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	8,461,114	-	-	8,461,114
Equipment	34,107,350	-	-	34,107,350
Total Capital Assets Being Depreciated	186,651	20,143	-	206,794
Total Capital Assets Being Depreciated	42,755,115	20,143	-	42,775,258
Less Accumulated Depreciation For:				
Sewer Lines and Lagoons Treatment Plant and Sewage Control	(1,787,298)	(169,222)	-	(1,956,520)
Equipment	(8,710,157)	(852,339)	-	(9,562,496)
Total Accumulated Depreciation	(111,748)	(24,806)	-	(136,554)
Total Accumulated Depreciation	(10,609,203)	(1,046,367)	-	(11,655,570)
Total Capital Assets Being Depreciated	32,145,912	(1,026,224)	-	31,119,688
Capital Assets, Net	<u>\$ 32,437,287</u>	<u>\$ (1,026,224)</u>	<u>\$ -</u>	<u>\$ 31,411,063</u>

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Capital asset activity of LFMSDD for the year ended December 31, 2024 was as follows:

	Balance - December 31, 2023	Increases	Decreases	Balance - December 31, 2024
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	8,461,114	-	-	8,461,114
Treatment Plant and Sewage Control	34,107,350	-	-	34,107,350
Equipment	136,594	50,057	-	186,651
Total Capital Assets Being Depreciated	42,705,058	50,057	-	42,755,115
Less Accumulated Depreciation For:				
Sewer Lines and Lagoons	(1,618,076)	(169,222)	-	(1,787,298)
Treatment Plant and Sewage Control	(7,857,819)	(852,338)	-	(8,710,157)
Equipment	(92,964)	(18,784)	-	(111,748)
Total Accumulated Depreciation	(9,568,859)	(1,040,344)	-	(10,609,203)
Total Capital Assets Being Depreciated	33,136,199	(990,287)	-	32,145,912
Capital Assets, Net	<u>\$ 33,427,574</u>	<u>\$ (990,287)</u>	<u>\$ -</u>	<u>\$ 32,437,287</u>

Depreciation expense of LFMSDD for the years ended December 31, 2025 and 2024 was charged to the following operations:

	2025	2024
Sewer Lines and Lagoons	\$ 169,222	\$ 169,222
Treatment Plant and Sewage Control	852,339	852,338
Equipment	24,806	18,784
Total Depreciation Expense	<u>\$ 1,046,367</u>	<u>\$ 1,040,344</u>

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 LONG-TERM OBLIGATIONS

Long-term obligation activity for the years ended December 31, 2025 and 2024 was as follows:

	Balance December 31, 2024	Additions	Reductions	Balance December 31, 2025	Amounts Due Within One Year
2011 CWRPDA Loan	\$ 2,833,094	\$ -	\$ 333,650	\$ 2,499,444	\$ 333,650
Plus Loan Premium	42,623	-	8,620	34,003	8,022
Total Long-Term Obligations	<u>\$ 2,875,717</u>	<u>\$ -</u>	<u>\$ 342,270</u>	<u>\$ 2,533,447</u>	<u>\$ 341,672</u>
	Balance December 31, 2023	Additions	Reductions	Balance December 31, 2024	Amounts Due Within One Year
2011 CWRPDA Loan	\$ 3,160,890	\$ -	\$ 327,796	\$ 2,833,094	\$ 333,650
Plus Loan Premium	51,891	-	9,268	42,623	8,620
Total Long-Term Obligations	<u>\$ 3,212,781</u>	<u>\$ -</u>	<u>\$ 337,064</u>	<u>\$ 2,875,717</u>	<u>\$ 342,270</u>

Loan Agreements

On November 3, 2011, the District entered into an agreement to borrow \$7,097,680 from the Colorado Water Resources and Power Development Authority (CWRPDA) repayable in initial semi-annual installments of \$202,374 escalating to \$207,659 including servicing fee, principal and interest, at a gross interest rate of 2.23% per annum, maturing August 1, 2032, and secured by District revenues. In May of 2021, CWRPDA refunded certain bonds to generate savings for the District. The refunding savings for the District totaled \$244,760 and will be applied as payment credits to the District's upcoming loan repayments.

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under the Loan Agreement:

- i. Failure by the District to pay, or cause to be paid, any Loan Repayment set forth in Schedule C of the Loan Agreement, required to be paid hereunder when due, which failure shall continue for a period of 10 days;
- ii. Failure by the District to make, or cause to be made, any required payments of principal of, redemption premium, if any, and interest on any bonds, notes or other obligations of the District for borrowed money (other than the Loan and the District Bond), after giving effect to the applicable grace period, the payments of which are secured by the Pledged Property;

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Loan Agreements (Continued)

Events of Default (Continued)

- iii. Failure by the District to pay, or cause to be paid, the Administrative Fee or any portion thereof when due or to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in paragraph (a) of this Section 5.01 and other than a failure to comply with the provisions of Section 2.03 of the Loan Agreement, which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the District by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period the Trustee may not unreasonably withhold its consent to an extension of such time up to sixty (60) days from the delivery of the Written notice referred to above if corrective action is instituted by the District within the applicable period and diligently pursued until the Event of Default is corrected;
- iv. A petition is filed by or against the District under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, unless in the case of any such petition filed against the District such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal; or the District shall become insolvent or bankrupt or make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee of the District or any of its property) shall be appointed by court order to take possession of the District or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days.

Notice of Default

The District shall give the Trustee and CWRPDA prompt telephonic notice of the occurrence of any Event of Default referred to in Section 5.01(d) of the Loan Agreement, and of the occurrence of any other event or condition that constitutes an Event of Default at such time as any senior administrative or financial officer of the District becomes aware of the existence thereof. Such notice to be given to the person(s) at the telephone number(s) as identified by CWRPDA from time to time. Any telephonic notice pursuant to this Section 5.02 shall be confirmed in writing by the end of the next Business Day (as defined in the Bond Resolution).

Remedies of Default

Whenever an Event of Default referred to in Section 5.01 of the Loan Agreement shall have occurred and be continuing, CWRPDA shall have the right to take or to direct the Trustee to take any action permitted or required pursuant to the Loan Agreement and to take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce the performance and observance of any duty, covenant, obligation or agreement of the District hereunder, including, without limitation, to obtain ex parte the appointment of a receiver of the System.

As of December 31, 2025, the District was not in default.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Loan Agreements (Continued)

The components of interest expense for this loan for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Interest	\$ 11,548	\$ 13,880
Administrative Fee	48,845	48,845
Total	\$ 60,393	\$ 62,725

The District's long-term obligations will mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	\$ 333,650	\$ 31,796	\$ 365,446
2027	339,503	29,263	368,766
2028	339,503	24,321	363,824
2029	345,357	19,528	364,885
2030	362,917	14,803	377,720
2031-2032	778,514	15,064	793,578
Total	\$ 2,499,444	\$ 134,775	\$ 2,634,219

The amounts reported in the long-term obligations maturity schedule represent the amounts before the District's savings disclosed above. In addition to principal and interest, the District pays \$48,845 annually in administration/servicing fees, which are reduced in 2030, 2031, and 2032 to \$36,634, \$24,423, and \$12,211, respectively. There are a number of covenants and restrictions contained in the note payable agreement, including a provision that a reserve equal to three months of operations and maintenance expenses be maintained by the District. The District was in compliance with all covenants and restrictions as of December 31, 2025 and 2024.

NOTE 6 INTERGOVERNMENTAL AGREEMENTS

City of Fountain Colorado

On February 1, 2012 and as amended March 11, 2015, the District has a service contract with the City of Fountain, Colorado, a municipal corporation and home rule city on behalf of its utility enterprise, the City of Fountain Electric, Water, and Wastewater Enterprise (the City). Under the terms of the contract, the City through its utility enterprise performs billing, collection, customer service turn on and turn offs, reports, and new account sign up for the District. For the years ended December 31, 2025 and 2024, the City service fees were \$65,578 for each year.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

Lower Fountain Metropolitan Sewage Disposal District

Intergovernmental Agreement

On February 10, 2016 and as amended December 14, 2022, the District is party to an intergovernmental agreement with LFMSDD. The agreement obligates the District 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 of the District to meet anticipated future needs. The District contributed \$8,499 and \$27,851 to LFMSDD for the years ended December 31, 2025 and 2024, respectively.

Operating Services Agreement

On May 11, 2010, the District entered into an operating services agreement with LFMSDD. The District agrees to provide management and operational services for LFMSDD 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. LFMSDD paid the District a total of \$849,464 and \$755,969 for operating and administrative services during the years ended December 31, 2025 and 2024, respectively.

NOTE 7 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, 2025 and 2024, the District had the following net investment in capital assets, calculated as follows:

	2025	2024
Net Investment in Capital Assets:		
Invested in Capital Assets	\$ 29,871,466	\$ 28,798,605
Less Depreciation	(14,160,924)	(13,183,360)
Net Investment in Capital Assets	\$ 15,710,542	\$ 15,615,245

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 7 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, 2025 and 2024 as follows:

	2025	2024
Restricted Net Position:		
Emergency Reserves	\$ 137,100	\$ 129,100
Note Payable Requirements	560,000	524,700
Total Restricted Net Position	\$ 697,100	\$ 653,800

LFMSDD 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, 2025 and 2024, LFMSDD had the following net investment in capital assets, calculated as follows:

	2025	2024
Net Investment in Capital Assets:		
Invested in Capital Assets	\$ 43,066,633	\$ 43,046,490
Less: Depreciation	(11,655,570)	(10,609,203)
Net Investment in Capital Assets	\$ 31,411,063	\$ 32,437,287

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. LFMSDD had restricted net position as of December 31, 2025 and 2024 as follows:

	2025	2024
Restricted Net Position:		
Emergency Reserves	\$ 57,500	\$ 55,300

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

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 BOARD-DESIGNATED CASH BALANCES

The District’s Board of Directors has chosen to designate the unrestricted cash balance for specific future needs to reflect the expected future use of available resources. These designations are nonbinding and subject to change.

- Designated for capital outlay – Represents an amount reserved for future capital outlay.
- Designated for renewal and replacement – Represents amounts to be used to secure financing for aging infrastructure within the existing system.
- Designated for note payable and liabilities – Represents amounts needed in the future to repay note payable and other liabilities.
- Designated for operations – Represents amounts set aside for operational expenses as determined by the Board of Directors.
- Designated for LFMSDD – Represents amounts designated to be used to fund construction and improvements of the treatment plant and interceptor sewer.

Cash and investment balances designated by the Board of Directors are as follows:

	Balance January 1, 2025	Additions/ Dispositions	Balance December 31, 2025
Capital Outlay	\$ 14,998,993	\$ 1,860,174	\$ 16,859,167
Renewal and Replacement	3,008,476	373,111	3,381,587
Notes Payable and Liabilities	3,889,355	(551,049)	3,338,306
Restricted Reserve	643,100	54,100	697,200
Operations	782,334	-	782,334
LFMSDD	7,794,841	986,715	8,781,556
Total	\$ 31,117,099	\$ 2,723,051	\$ 33,840,150

NOTE 9 RETIREMENT PLANS

Defined Contribution Pension Plan

The District participates in the Colorado Retirement Association (CRA), a multiple employer defined contribution plan, to which permanent employees contribute. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees become plan members after one year of regular full-time, or regular part-time service. Under this plan, 5% of the plan members’ compensation is withheld and remitted to the plan administrator along with a matching payment of 5% from the District. Both the District and employees match are 100% vested at the time of contribution.

Contributions to the retirement plan for the years ended December 31, 2025 and 2024 were \$62,452 and \$61,302, respectively.

There is no liability for benefits under the plan beyond the District’s matching payments.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 9 RETIREMENT PLANS (CONTINUED)

Deferred Compensation Plan

The District maintains a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by CRA. The plan allows the employee to defer a portion of their salary until future years. Effective January 1, 2020, the District will contribute up to a maximum of 3% of the employee's annual salary provided the employee contributes up to 3% of their salary. The assets held are not material to the statements of net position. There is no liability for benefits under the plan beyond the District's payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors.

Contributions to the retirement plan for the years ended December 31, 2025 and 2024 were \$63,539 and \$46,786, respectively.

NOTE 10 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, 2025 and 2024. 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 11 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.

**FOUNTAIN SANITATION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 11 TAX, SPENDING, AND DEBT OBLIGATIONS (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.

Prior to TABOR, sewer tap fees paid by customers were treated as contributions in aid of construction in fund equity. With the passing of TABOR, the appropriate treatment of tap fees was ambiguous. On May 7, 1996, an election was held whereby the voters in the District authorized the District to retain and spend revenues collected in 1993 and thereafter, which were in excess of the spending limits previously established by TABOR. Accordingly, tap fees have been classified as capital contributions.

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.

NOTE 12 SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated transactions for potential disclosure through May 5, 2026, the date the financial statements were available to be issued. Management has determined there are no events that have occurred subsequent to December 31, 2025 that would require disclosure.

SUPPLEMENTARY INFORMATION

**FOUNTAIN SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
FOUNTAIN SANITATION –
BUDGET COMPARED TO ACTUAL – CASH BASIS
YEAR ENDED DECEMBER 31, 2025**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Sewage Charges	\$ 1,788,724	\$ 1,872,928	\$ 84,204
Property Taxes	1,441,490	1,438,351	(3,139)
Specific Ownership Taxes	65,000	141,448	76,448
Tap Fees	100,000	66,033	(33,967)
Interest Income	696,500	1,098,413	401,913
Miscellaneous Income	1,750	3,140	1,390
Reserve Transfer for CIP	838,441	-	(838,441)
Total Revenues	<u>4,931,905</u>	<u>4,620,313</u>	<u>(311,592)</u>
EXPENDITURES			
Sewage Collection and Transmission:			
Personnel Services	509,401	375,472	133,929
Supplies	46,095	17,648	28,447
Repairs and Maintenance	293,825	60,210	233,615
Purchased Services	123,206	65,316	57,890
Utilities	7,350	6,811	539
System Renewal and Replacement Projects	574,350	301,400	272,950
Capital Outlay	473,813	39,931	433,882
Total Sewage Collection and Transmission	<u>2,028,040</u>	<u>866,788</u>	<u>1,161,252</u>
Sewer Treatment Plant:			
Personnel Services	497,777	514,839	(17,062)
Supplies	51,513	18,051	33,462
Repairs and Maintenance	157,100	39,996	117,104
Purchased Services	207,366	92,657	114,709
Utilities	123,500	118,686	4,814
Facility Renewal and Replacement Projects	347,773	323,269	24,504
Capital Outlay	146,656	23,687	122,969
Total Sewer Treatment Plant	<u>1,531,685</u>	<u>1,131,185</u>	<u>400,500</u>
Sewage Administration:			
Personnel Services	596,945	580,232	16,713
Supplies	61,400	41,950	19,450
Repairs and Maintenance	56,250	1,999	54,251
Purchased Services	239,975	77,598	162,377
Utilities	85,000	33,738	51,262
Fixed Charges	199,025	163,240	35,785
County Treasurer's Fees	41,235	21,623	19,612
Renewal and Replacement Projects	27,350	-	27,350
Capital Outlay	65,000	51,901	13,099
Transfer from JCC	-	(1,129)	1,129
Total Sewage Administration	<u>1,372,180</u>	<u>971,152</u>	<u>401,028</u>
Total Expenditures	<u>4,931,905</u>	<u>2,969,125</u>	<u>1,962,780</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	1,651,188	1,651,188
Funds Available - Beginning of Year	-	13,142,839	13,142,839
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ 14,794,027</u>	<u>\$ 14,794,027</u>

**FOUNTAIN SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF REVENUES
AND EXPENDITURES – FOUNTAIN SANITATION
YEAR ENDED DECEMBER 31, 2025**

The accompanying Supplementary Schedule of Revenues and Expenditures – Budget Compared to Actual for Fountain Sanitation on page 32 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, 2025 is presented below.

Total Revenue per Financial Statements (Operating and Nonoperating Revenue)	\$ 4,635,135
Add:	
Revenue Accruals and Noncash Adjustments at December 31, 2024	242,431
Less:	
Revenue Accruals and Noncash Adjustments at December 31, 2025	(256,124)
Transfers from JCC	<u>(1,129)</u>
Total Actual Revenue and Receipts per the Budget	<u><u>\$ 4,620,313</u></u>
Total Expenses and Capital Expenditures per Financial Statements	\$ 2,908,343
Add:	
Expenses and Capital Expenditures Accruals and Noncash Adjustments at December 31, 2024	203,076
Capital Expenditures	740,188
Less:	
Expenses and Capital Expenditures Accruals and Noncash Adjustments at December 31, 2025	(219,381)
Depreciation and Amortization Expenses	<u>(663,101)</u>
Total Actual Expenses and Capital Expenditures per the Budget	<u><u>\$ 2,969,125</u></u>

**FOUNTAIN SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES –
JIMMY CAMP CREEK ENTERPRISE –
BUDGET COMPARED TO ACTUAL – CASH BASIS
YEAR ENDED DECEMBER 31, 2025**

	Original Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Sewage Charges	\$ 2,618,558	\$ 2,585,595	\$ (32,963)
Tap Fees	870,000	356,391	(513,609)
IGA Contract Service Revenue - LFMSDD	663,951	841,545	177,594
Interest Income	303,812	540,581	236,769
Miscellaneous Income	1,750	1,140	(610)
Total Revenues	<u>4,458,071</u>	<u>4,325,252</u>	<u>(132,819)</u>
EXPENDITURES			
Sewage Collection and Transmission:			
Personnel Services	218,314	160,125	58,189
Supplies	19,755	7,563	12,192
Repairs and Maintenance	159,658	25,804	133,854
Purchased Services	61,151	27,387	33,764
Utilities	3,150	2,919	231
System Renewal and Replacement Projects	265,594	129,171	136,423
Capital Outlay	227,068	17,113	209,955
Capital Contributions LFMSDD	12,000	-	12,000
Total Sewage Collection and Transmission	<u>966,690</u>	<u>370,082</u>	<u>596,608</u>
Sewer Treatment Plant:			
Personnel Services	2,117,880	1,837,285	280,595
Supplies	27,737	9,477	18,260
Repairs and Maintenance	73,823	21,536	52,287
Purchased Services	111,657	49,531	62,126
Utilities	66,500	63,908	2,592
Facility Renewal and Replacement Projects	282,432	174,068	108,364
Capital Outlay	228,969	12,755	216,214
Capital Contributions LFMSDD	158,000	8,499	149,501
Total Sewer Treatment Plant	<u>3,066,998</u>	<u>2,177,059</u>	<u>889,939</u>
Sewage Administration:			
Personnel Services	33,862	25,687	8,175
Debt Service Payments	390,521	394,043	(3,522)
Transfer to FSD	-	1,129	(1,129)
Total Sewage Administration	<u>424,383</u>	<u>420,859</u>	<u>3,524</u>
Total Expenditures	<u>4,458,071</u>	<u>2,968,000</u>	<u>1,490,071</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	1,357,252	1,357,252
Funds Available - Beginning of Year	-	18,135,142	18,135,142
FUNDS AVAILABLE - END OF YEAR	<u>\$ -</u>	<u>\$ 19,492,394</u>	<u>\$ 19,492,394</u>

**FOUNTAIN SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF REVENUES
AND EXPENDITURES – JIMMY CAMP CREEK ENTERPRISE
YEAR ENDED DECEMBER 31, 2025**

The accompanying Supplementary Schedule of Revenues and Expenditures – Budget Compared to Actual for Jimmy Camp Creek Enterprise on page 34 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, 2025 is presented below.

Total Revenue per Financial Statements (Operating and Nonoperating Revenue)	\$ 4,346,510
Add:	
Revenue Accruals and Noncash Adjustments at December 31, 2024	224,485
Less:	
Revenue Accruals and Noncash Adjustments at December 31, 2025	<u>(245,743)</u>
Total Actual Revenue and Receipts per the Budget	<u>\$ 4,325,252</u>
Total Expenses and Capital Expenditures per Financial Statements	\$ 2,624,458
Add:	
Principal Payment on Bonds	333,650
Amortization on Bond Premium	8,620
Expenses and Capital Expenditures Accruals and Noncash Adjustments at December 31, 2025	761,443
Capital Expenditures	333,107
Less:	
Expenses and Capital Expenditures Accruals and Noncash Adjustments at December 31, 2024	(777,686)
Transfers to FSD	(1,129)
Depreciation and Amortization Expenses	<u>(314,463)</u>
Total Actual Expenses and Capital Expenditures per the Budget	<u>\$ 2,968,000</u>

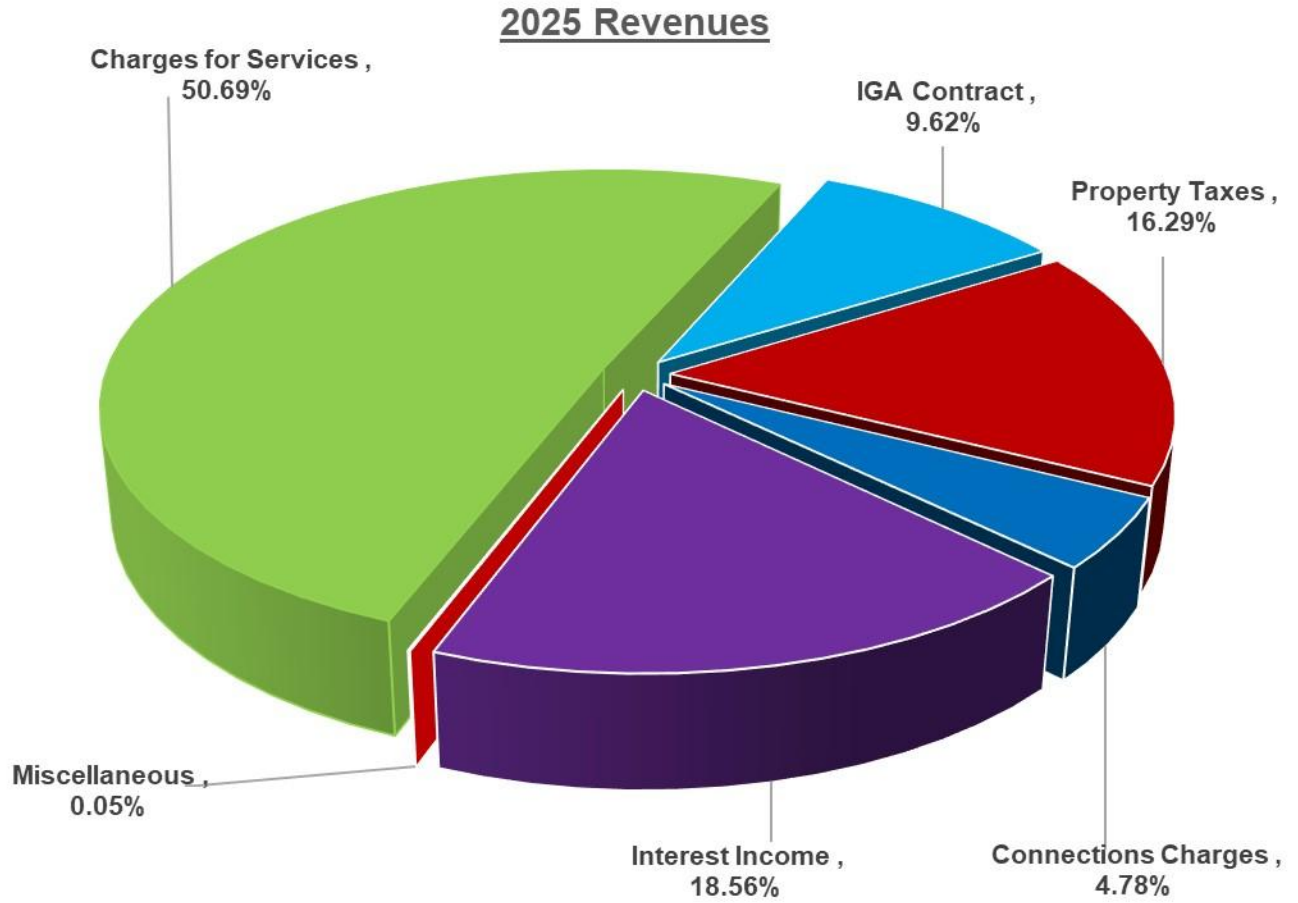
OTHER INFORMATION

**FOUNTAIN SANITATION DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2025**

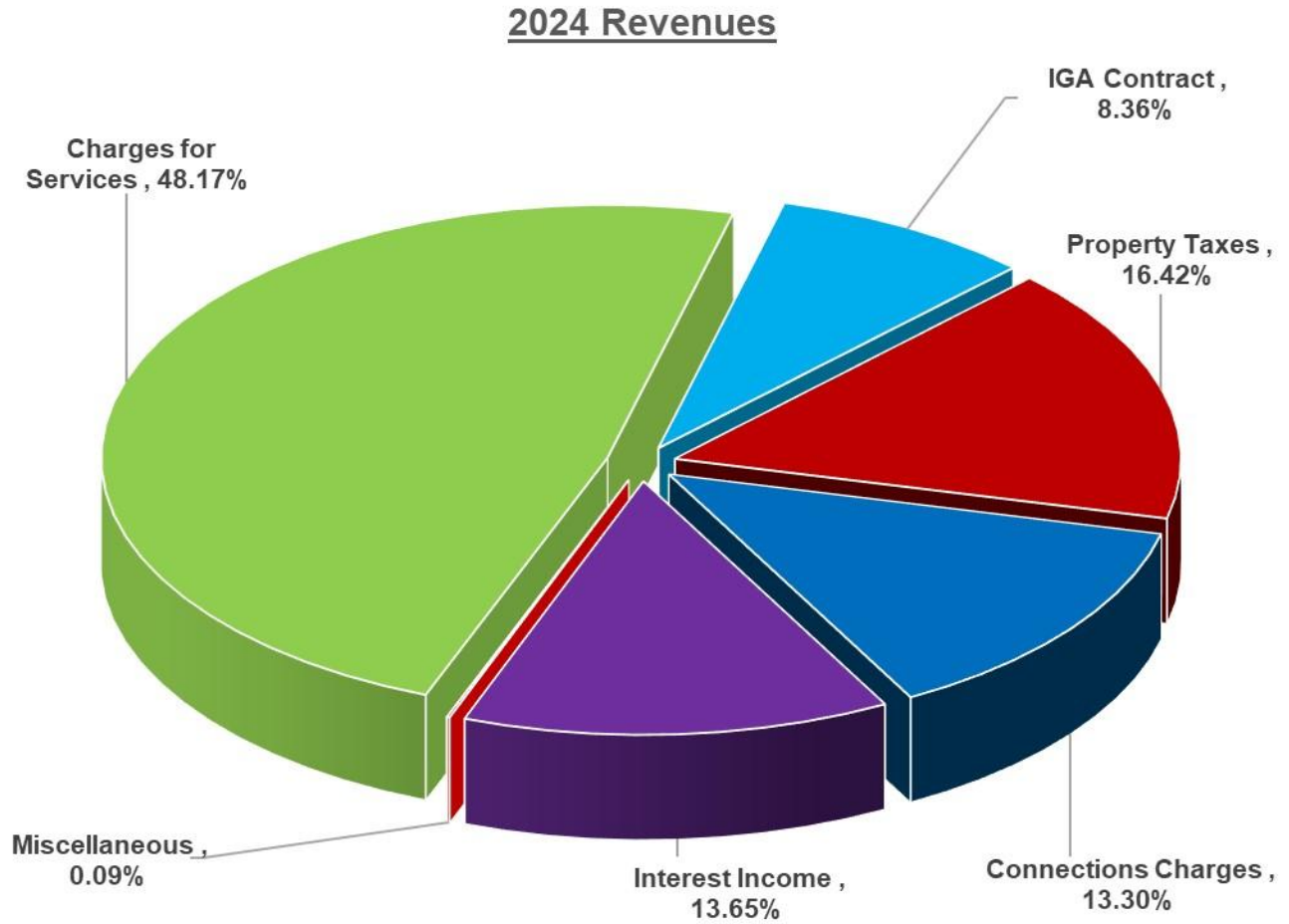
\$6,860,303 Loan Dated
November 1, 2011 Colorado
Water Resources and Power
Development Authority Gross Rates of
2.23% Principal and
Interest Payable February 1
and August 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 333,650	\$ 31,796	\$ 365,446
2027	339,503	29,263	368,766
2028	339,503	24,321	363,824
2029	345,357	19,528	364,885
2030	362,917	14,803	377,720
2031	380,478	9,996	390,474
2032	398,036	5,068	403,104
Total	<u>\$ 2,499,444</u>	<u>\$ 134,775</u>	<u>\$ 2,634,219</u>

**FOUNTAIN SANITATION DISTRICT
SCHEDULE I
REVENUES BY CATEGORY
YEARS ENDED DECEMBER 31, 2025 AND 2024**

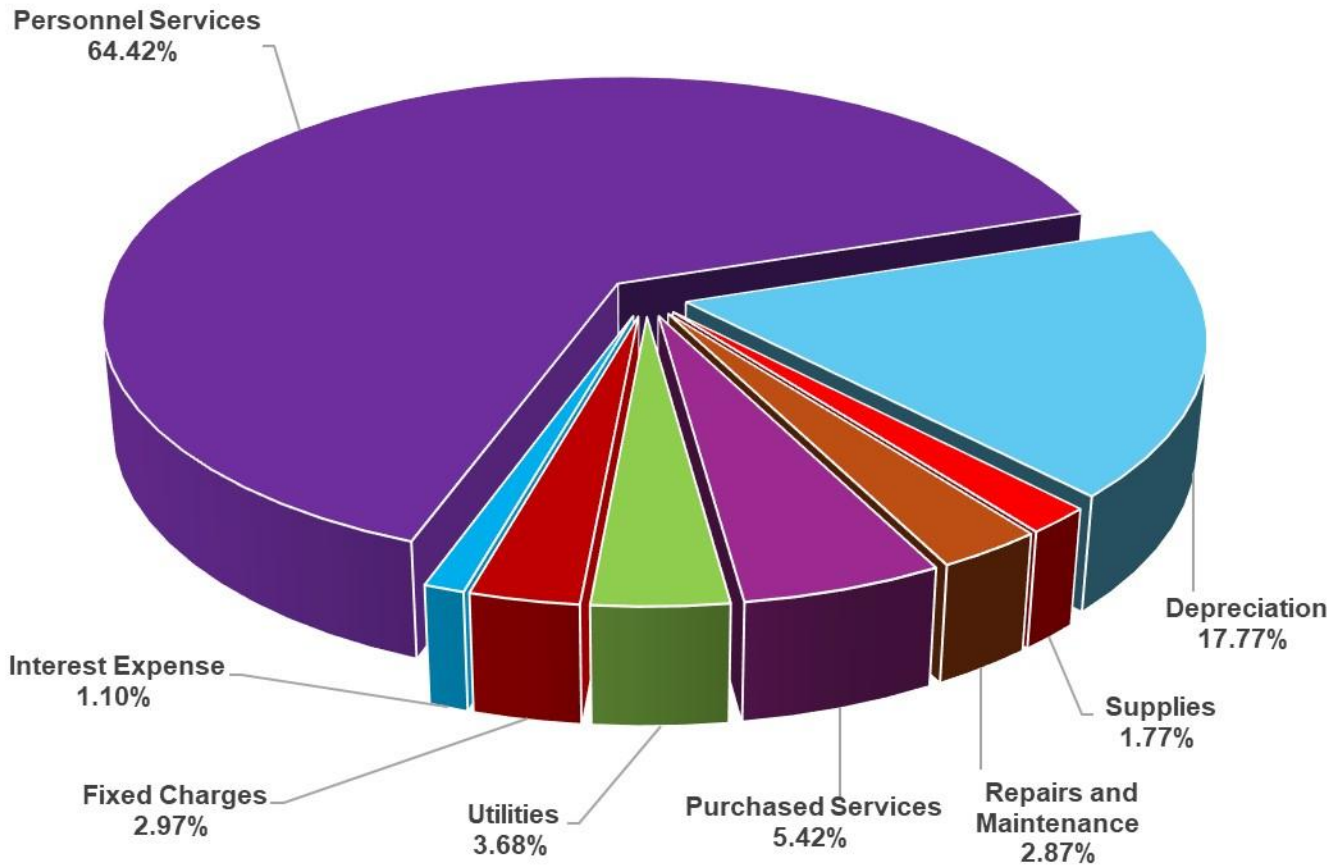


**FOUNTAIN SANITATION DISTRICT
SCHEDULE I
REVENUES BY CATEGORY
YEARS ENDED DECEMBER 31, 2025 AND 2024**



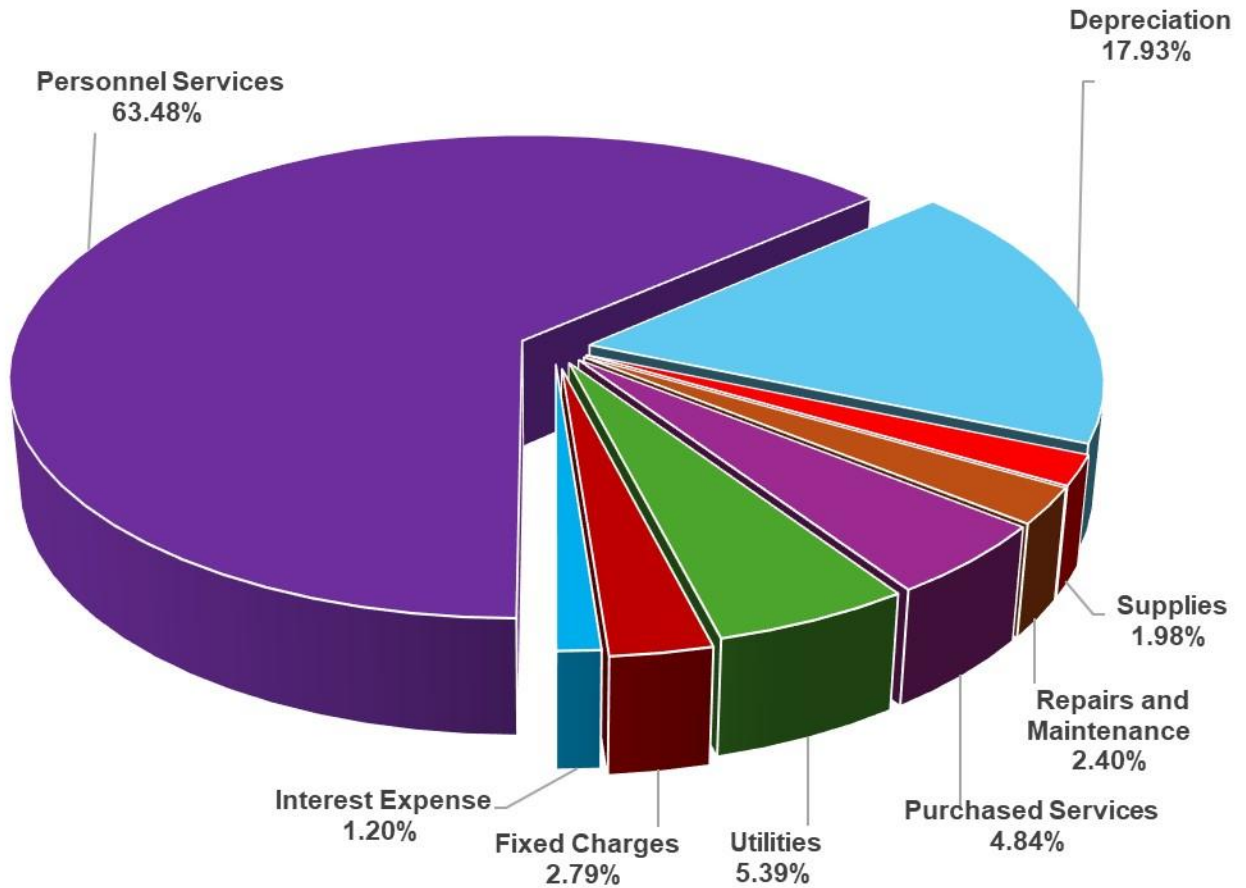
**FOUNTAIN SANITATION DISTRICT
SCHEDULE II
EXPENSES BY CATEGORY
YEARS ENDED DECEMBER 31, 2025 AND 2024**

2025 Expenses

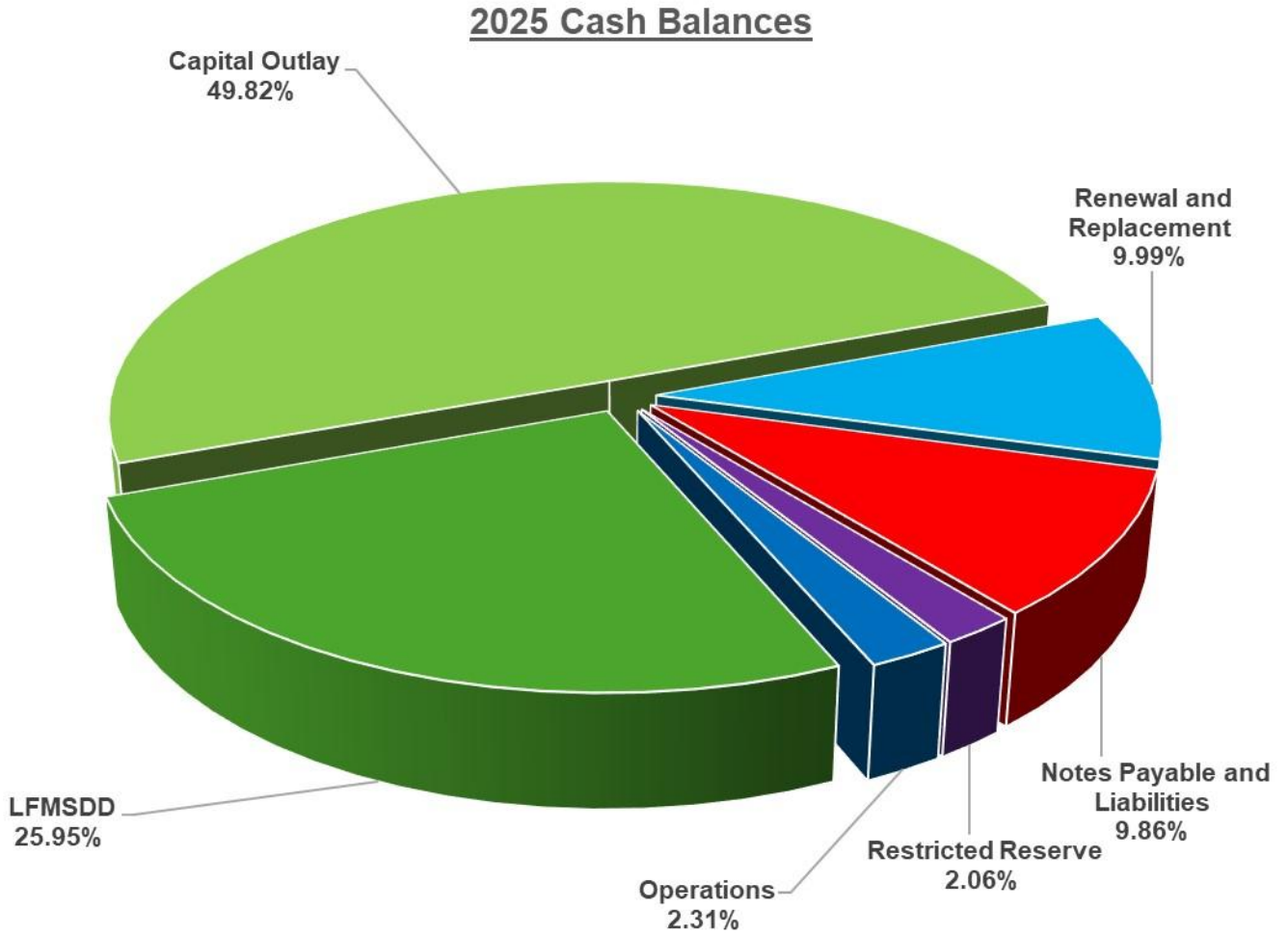


**FOUNTAIN SANITATION DISTRICT
SCHEDULE II
EXPENSES BY CATEGORY
YEARS ENDED DECEMBER 31, 2025 AND 2024**

2024 Expenses



**FOUNTAIN SANITATION DISTRICT
SCHEDULE III
CASH BALANCES DESIGNATED BY BOARD OF DIRECTORS
YEARS ENDED DECEMBER 31, 2025 AND 2024**



**FOUNTAIN SANITATION DISTRICT
SCHEDULE III
CASH BALANCES DESIGNATED BY BOARD OF DIRECTORS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

