LOWER FOUNTAIN METROPOLITAN
SEWAGE DISPOSAL DISTRICT
El Paso County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2025 AND 2024

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
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YEARS ENDED DECEMBER 31, 2025 AND 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lower Fountain Metro Sewage Disposal 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 of Lower Fountain Metro Sewage Disposal 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 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 & Advisors PLLC

Longmont, Colorado
May 12, 2026

BASIC FINANCIAL STATEMENTS

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,407,100	$ 1,992,852
Cash and Cash Equivalents - Restricted	57,500	55,300
Accounts Receivable	21,846	27,981
Intergovernmental Receivable	133,564	121,648
Inventory	46,184	49,133
Total Current Assets	2,666,194	2,246,914
CAPITAL ASSETS		
Capital Assets, Not Being Depreciated	291,375	291,375
Capital Assets, Net of Accumulated Depreciation	31,119,688	32,145,912
Total Capital Assets	31,411,063	32,437,287
Total Assets	$ 34,077,257	$ 34,684,201
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and Contracts Payable	$ 36,838	$ 55,137
Accrued Liabilities	18,094	18,095
Intergovernmental Payable	74,343	66,423
Total Current Liabilities	129,275	139,655
NET POSITION		
Net Investment in Capital Assets	31,411,063	32,437,287
Restricted	57,500	55,300
Unrestricted	2,479,419	2,051,959
Total Net Position	33,947,982	34,544,546
Total Liabilities and Net Position	$ 34,077,257	$ 34,684,201

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

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Charges for Services	$ 1,831,247	$ 1,755,042
Total Operating Revenues	1,831,247	1,755,042
OPERATING EXPENSES		
Personnel Services	3,875	3,864
Depreciation	1,046,367	1,040,344
Supplies	145,234	166,930
Repairs and Maintenance	73,708	91,305
Purchased Services	872,780	815,788
Utilities	201,601	193,042
Management Fees	138,109	135,899
Fixed Charges	65,475	62,295
Total Operating Expenses	2,547,149	2,509,467
LOSS FROM OPERATIONS	(715,902)	(754,425)
NONOPERATING REVENUES		
Interest Income	85,338	86,344
Total Nonoperating Revenues	85,338	86,344
CAPITAL CONTRIBUTIONS		
Intergovernmental Contributions	34,000	68,062
Total Capital Contributions	34,000	68,062
CHANGE IN NET POSITION	(596,564)	(600,019)
Total Net Position - Beginning of Year	34,544,546	35,144,565
TOTAL NET POSITION - END OF YEAR	$ 33,947,982	$ 34,544,546

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

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	$ 1,837,382	$ 1,752,097
Payments to Directors	(3,600)	(3,600)
Payments to Vendors for Goods and Services	(1,516,529)	(1,462,022)
Net Cash Provided by Operating Activities	317,253	286,475
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisitions and Construction of Capital Assets	(20,143)	(50,057)
Intergovernmental Contributions	34,000	68,062
Net Cash Provided by Capital and Related Financing Activities	13,857	18,005
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	85,338	86,344
Net Cash Provided by Investing Activities	85,338	86,344
NET INCREASE IN CASH AND CASH EQUIVALENTS	416,448	390,824
Cash and Cash Equivalents - Beginning of Year	2,048,152	1,657,328
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,464,600	$ 2,048,152
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss from Operations	$ (715,902)	$ (754,425)
Adjustments to Reconcile Loss from Operations to Net Cash Provided by Operating Activities:		
Depreciation	1,046,367	1,040,344
Net Change in Operating Assets and Liabilities:		
Accounts Receivable	6,135	(2,945)
Inventory	2,949	4,319
Accounts Payable and Accrued Liabilities	(18,300)	(6,072)
Due from Fountain Sanitation District	(3,996)	5,254
Net Cash Provided by Operating Activities	$ 317,253	$ 286,475

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

NOTE 1 DEFINITION OF REPORTING ENTITY

Lower Fountain Metropolitan Sewage Disposal District (District), a quasi-municipal corporation and political subdivision of state of Colorado, 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 the 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the statements of revenues, expenses, and change in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing sanitation services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

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

Cash and Cash Equivalents

For purposes of the 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 shown net of allowance for uncollectibles. Accounts receivable are expended as bad debts at the time they are determined to be uncollectible.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
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.

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments 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 Cash Equivalents	$ 2,407,100	$ 1,992,852
Cash and Cash Equivalents - Restricted	57,500	55,300
Total Cash and Cash Equivalents	$ 2,464,600	$ 2,048,152

Cash and Investments for the District 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.

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

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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

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

As of December 31, 2025 and 2024, the District had the following investments:

Investment	Maturity	Amount 2025	Amount 2024
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	$ 1,731,692	$ 1,657,633

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.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE (Continued)

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 AAAmmf 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.

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	$ 291,375	$ -	$ -	$ 291,375
Total Capital Assets, Not Being Depreciated	291,375	-	-	291,375
Capital Assets Being Depreciated:				
Sewer Lines and Lagoons	8,461,114	-	-	8,461,114
Treatment Plant and Sewage Control	34,107,350	-	-	34,107,350
Equipment	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	(1,787,298)	(169,222)	-	(1,956,520)
Treatment Plant and Sewage Control	(8,710,157)	(852,339)	-	(9,562,496)
Equipment	(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	$ 32,437,287	$ (1,026,224)	$ -	$ 31,411,063

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	$ 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	$ 33,427,574	$ (990,287)	$ -	$ 32,437,287

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	$ 169,222	$ 169,222
Treatment Plant and Sewage Control	852,339	852,338
Equipment	24,806	18,784
Total Depreciation Expense	$ 1,046,367	$ 1,040,344

NOTE 5 INTERGOVERNMENTAL AGREEMENTS

Intergovernmental Agreement

On February 10, 2016 and as amended December 14, 2022, the District became party to an intergovernmental agreement with FSD, CCMD, CSU, and Vintage Development Company. The agreement obligates FSD, CCMD, CSU, and Vintage Development Company 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 contributed $8,499 and $27,851 and the other parties to the agreement contributed $25,500 and $40,211 to the District 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 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 $849,464 and $755,969 for operating and administrative services during the years ended December 31, 2025 and 2024, 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, 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	$ 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

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, 2025 and 2024 as follows:

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

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, 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 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.

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.

NOTE 9 SUBSEQUENT EVENTS

In preparing the financial statements, the District has evaluated transactions for potential disclosure through May 12, 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

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET TO ACTUAL
CASH BASIS
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Sewage Charges	$ 1,972,989	$ 1,825,467	$ (147,522)
Intergovernmental Revenue - Operations	34,000	34,000	-
Intergovernmental Revenue - Capital	75,000	-	(75,000)
Interest Income	1,550	85,338	83,788
Total Revenues	2,083,539	1,944,805	(138,734)
EXPENDITURES			
Sewage Collection and Transmission:			
Contract Services	117,641	94,213	23,428
Supplies	1,750	15,900	(14,150)
Repairs and Maintenance	2,000	-	2,000
Purchased Services	4,515	-	4,515
Capital Outlay and Contributions	5,500	-	5,500
Total Sewage Collection and Transmission	131,406	110,113	21,293
Sewer Treatment Plant:			
Contract Services	613,125	552,454	60,671
Supplies	258,921	153,332	105,589
Repairs and Maintenance	62,500	36,757	25,743
Purchased Services	296,635	161,535	135,100
Utilities	273,478	202,552	70,926
Capital Outlay	157,944	36,918	121,026
Total Sewer Treatment Plant	1,662,603	1,143,548	519,055
Sewage Administration:			
Management Fees	138,109	137,925	184
Supplies	3,000	-	3,000
General Administration	34,050	26,970	7,080
Purchased Services	49,309	32,353	16,956
Fixed Charges	64,929	65,475	(546)
Reserve Transfer	133	-	133
Total Sewage Administration	289,530	262,723	26,807
Total Expenditures	2,083,539	1,516,384	567,155
EXCESS OF REVENUES OVER EXPENDITURES	-	428,421	428,421
Funds Available - Beginning of Year	-	2,108,498	2,108,498
FUNDS AVAILABLE - END OF YEAR	$ -	$ 2,536,919	$ 2,536,919

LOWER FOUNTAIN METROPOLITAN SEWAGE DISPOSAL DISTRICT
SCHEDULE OF RECONCILIATION OF BUDGETARY BASIS TO
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2025

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, 2025 is presented below.

Total Revenue per Financial Statements (Operating and Nonoperating Revenue)	$ 1,950,585
Add:	
Revenue Accruals and Noncash Adjustments at December 31, 2024	150,567
Less:	
Revenue Accruals and Noncash Adjustments at December 31, 2025	(156,347)
Total Actual Revenue and Receipts per the Budget	$ 1,944,805
Total Expenses and Capital Expenditures per Financial Statements	$ 2,547,149
Add:	
Expenses and Capital Expenditures Accruals and Noncash Adjustments at December 31, 2024	508,376
Capital Expenditures	20,143
Less:	
Expenses and Capital Expenditures Accruals and Noncash Adjustments at December 31, 2025	(512,917)
Depreciation and Amortization Expenses	(1,046,367)
Total Actual Expenses and Capital Expenditures per the Budget	$ 1,516,384