This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 11, 2015

NEW ISSUE
BOOK-ENTRY-ONLY
BANK QUALIFIED

INSURED RATING: Standard & Poor's "AA"
INSURANCE: ASSURED GUARANTY MUNICIPAL CORP.
UNDERLYING RATING: Standard & Poor's "A"
(See "MISCELLANEOUS—Ratings")

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. To the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. The City has designated the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. For a more complete description, see "TAX MATTERS."

$3,975,000*
CITY OF FOUNTAIN
in El Paso County, Colorado
ACTING BY AND THROUGH THE CITY OF FOUNTAIN ELECTRIC, WATER AND WASTEWATER UTILITY ENTERPRISE
Water Revenue Bonds, Series 2015

Dated: Date of Delivery **Due: December 1, as shown below**

The Bonds are being issued by the City acting by and through its Utility Enterprise, in fully registered form in denominations of $5,000 or integral multiples thereof. DTC will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates evidencing their ownership interests in the Bonds. As long as DTC or its nominee is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made by the Paying Agent, initially UMB Bank, n.a., Denver, Colorado, directly to DTC, which will remit such payments to Participants for subsequent distribution to the Beneficial Owners. Interest on the Bonds is payable semiannually on June 1 and December 1 each year, commencing on June 1, 2016. Capitalized terms used on the cover page of this Official Statement are defined in the Introduction herein. The Bonds mature, bear per annum interest and are priced or priced to yield as follows.

MATURITY SCHEDULE*
CUSIP _____ [1©]

Maturity Date (December 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP [1©]	Maturity Date (December 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP [1©]
2016	$ 95,000				2031	$125,000			
2017	95,000				2032	130,000			
2018	95,000				2033	135,000			
2019	95,000				2034	140,000			
2020	95,000				2035	145,000			
2021	100,000				2036	150,000			
2022	100,000				2037	150,000			
2023	105,000				2038	155,000			
2024	105,000				2039	165,000			
2025	110,000				2040	170,000			
2026	110,000				2041	175,000			
2027	115,000				2042	180,000			
2028	115,000				2043	185,000			
2029	120,000				2044	190,000			
2030	125,000				2045	200,000			

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

The Bonds are special revenue obligations of the City, acting by and through the Utility Enterprise, payable out of the Net Revenues derived from the Utility Enterprise, all as more particularly set forth herein and in the authorizing Bond Ordinance. The Bonds will also be secured by the Reserve Account. The Bonds constitute an irrevocable and first lien upon the Net Revenues, but not necessarily an exclusive first lien. The Bonds do not constitute a general obligation debt or indebtedness within the meaning of any constitutional or statutory debt limitation or provision, and are not payable in whole or in part from the proceeds of ad valorem property taxes.

The Bonds are subject to redemption prior to maturity as described herein.

Proceeds from the sale of the Bonds will be used to finance the construction of certain capital projects and pay the costs of issuance of the Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision particularly the section titled "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as and if issued by the City, acting by and through its Utility Enterprise, subject to the approval of legality and certain other matters by Kutak Rock LLP, as Bond Counsel and subject to certain other conditions. Kutak Rock LLP has assisted the City with the preparation of this Official Statement. Piper Jaffray & Co. has acted as financial advisor to the City in connection with the Bonds. The Bonds are expected to be available for delivery through the facilities of DTC on or about December 2, 2015.

SELLING: **November 17, 2015 10:00 A.M., MST**
MANNER OF SALE: **(ELECTRONICALLY THROUGH PARITY)**

This Official Statement is dated November __, 2015.

* Preliminary; subject to change.
[1] The City takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds.
© Copyright 2015, American Bankers Association, Standard & Poor's, CUSIP Service Bureau, a division of McGraw-Hill Companies, Inc.

CITY OF FOUNTAIN, COLORADO

City Council

Gabriel Ortega, Mayor
Jim Coke, Mayor Pro Tem
Sharon Thompson
Phil Thomas
Sam Gieck
Greg Lauer
Richard Applegate

City Officials

Scott Trainor, City Manager
Patrick J. McDivitt, City Attorney
Donald Yucuis, Finance Director
Curtis Mitchell, Director of Utilities

Paying Agent

UMB Bank, n.a.
Denver, Colorado

Financial Advisor

Piper Jaffray & Co.
Denver, Colorado

Bond Counsel

Kutak Rock LLP
Denver, Colorado

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the City or the Financial Advisor. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The information set forth herein has been furnished by the City and obtained from other sources which are believed to be reliable.

TABLE OF CONTENTS

INTRODUCTION 1
INVESTMENT CONSIDERATIONS 6
- Limited Obligations 6
- Parity Lien Obligations 6
- Drought Conditions 6
- General Economic Conditions 7
- Availability and Cost of Electric Power 7
- Secondary Market 7
- Future Changes in Laws 7
- Legal Matters Relating to the System 8
- Limitations on Remedies Available to Owners 8

BOND INSURANCE 8
- Insurance Policy 8
- Assured Guaranty Municipal Corp 8

THE BONDS 10
- Description 10
- Prior Redemption of Bonds 11
- Use of Bond Proceeds 12
- Security for the Bonds 12
- Historical Rate Covenant Compliance 18
- Estimated Debt Service Coverage 18
- Debt Service Requirements 19

THE SYSTEM 20
- Establishment of Enterprises 20
- Generally 21
- Electric Facilities 21
- Water Facilities 23
- Federal and State Regulations; Environmental 25
- Capital Improvement Plan 26

SYSTEM FINANCIAL INFORMATION 27
- Customer Information 27
- Electric Facilities User Rates and Charges 29
- Water Facilities User Rates and Charges 30
- Rate Comparisons 31
- Billing and Collection 31
- Historical and Budgeted System Financial Information 32

THE CITY 34
- Description 34
- City Powers 35
- Governing Body 35
- Administration 36
- City Employees and Benefits 37
- Services Available to City Residents 37

CITY FINANCIAL INFORMATION 37
- Accounting Policies 37
- Historical and Budgeted General Fund Financial Information 38
- Administration's Summary of Material Trends 40
- Constitutional Amendment Limiting Taxes and Spending 40
- Deposit and Investment of City Funds 41
- Retirement and Pension Matters 41
- Insurance Coverage 41

DEBT STRUCTURE 42
- Required Elections 42
- General Obligation Debt 42
- Revenue and Other Financial Obligations 42

LEGAL MATTERS 43
- Sovereign Immunity 43
- Pending and Threatened Litigation 44
- Legal Representation 44

TAX MATTERS 44
MISCELLANEOUS 46
- Rating 46
- Financial Advisor 46
- Underwriting 46
- Registration of Bonds 46
- Continuing Disclosure Undertaking 47
- Interest of Certain Persons Named in this Official Statement 47
- Independent Accountants 47
- Additional Information 47
- Official Statement Certification 48

APPENDIX A Form of Continuing Disclosure Undertaking
APPENDIX B Audited Financial Statements as of and for the Fiscal Year Ended December 31, 2014
APPENDIX C Economic and Demographic Information
APPENDIX D Certain Definitions and Terms of the Bond Ordinance
APPENDIX E Form of Bond Counsel Opinion
APPENDIX F Book-Entry-Only System
APPENDIX G Specimen Municipal Bond Insurance Policy

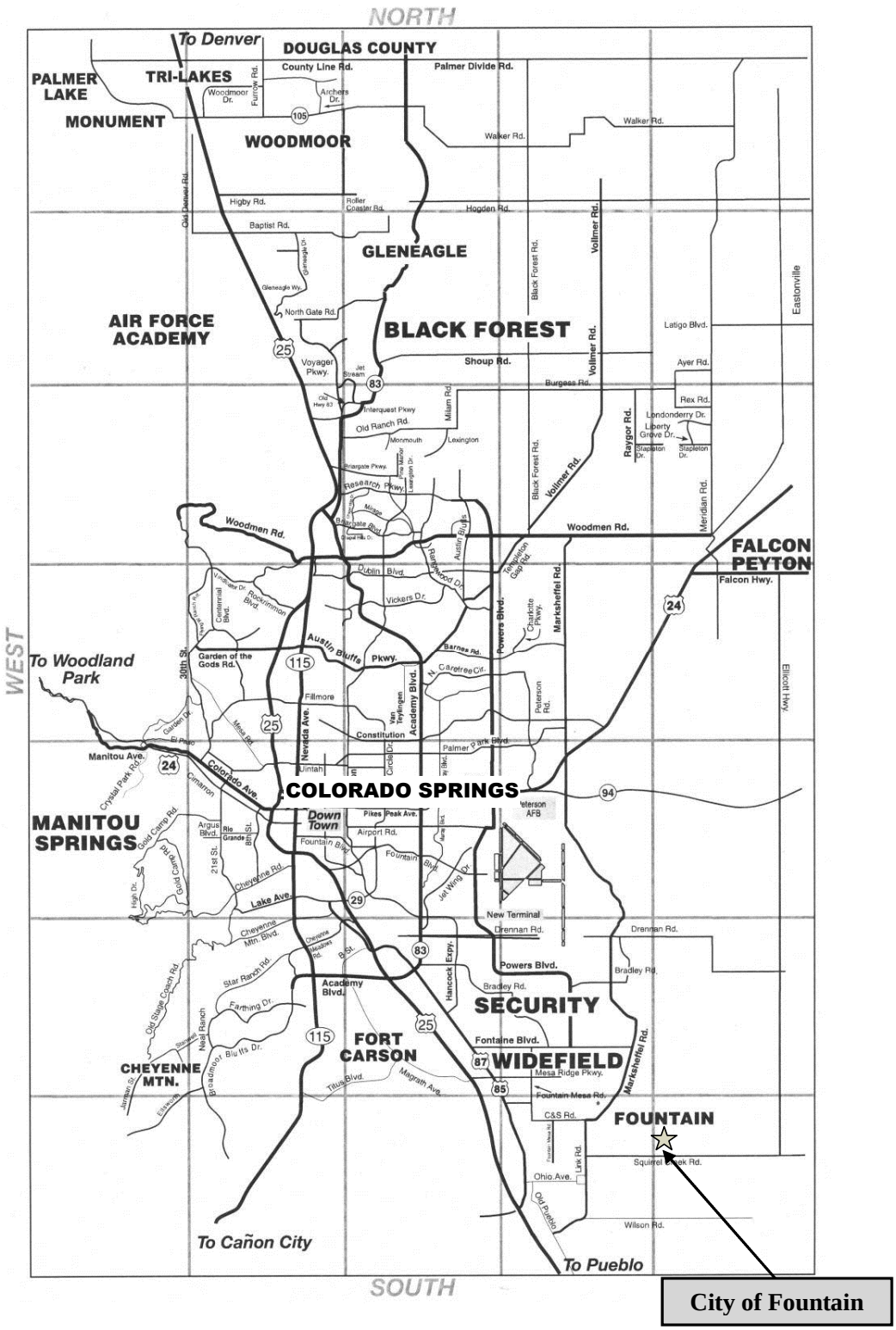
Neither the Securities and Exchange Commission nor the Securities Regulatory Authority of any state has approved or disapproved the Bonds or this Official Statement. Any representation to the contrary is unlawful.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX G—Specimen Municipal Bond Insurance Policy".

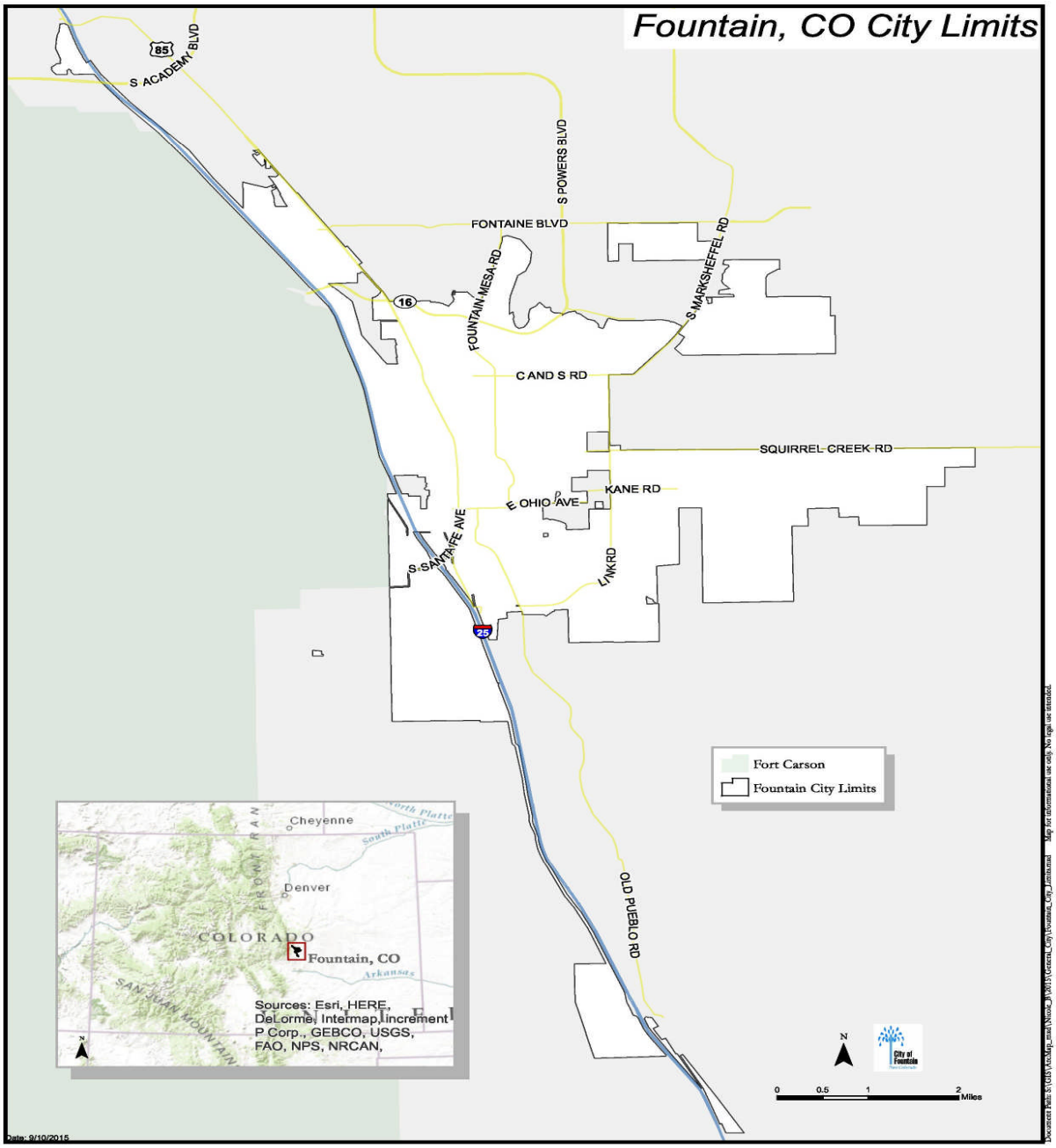
INDEX OF TABLES

Table		Page
I	Historical Rate Covenant Compliance Calculations	18
II	Estimated 2015-2019 Pledged Revenue and Debt Service Coverage	19
III	The Bonds and Other Debt Service Requirements	20
IV	Water Fund Five Year Capital Improvement Plan	26
V	Electric Fund Five Year Capital Improvement Plan	26
VI	Historical System Users	27
VII	System Customer Classification	27
VIII	Historical Water Usage and Billed Revenue by Customer Classifications	28
IX	Historical Electric Billed Revenue by Customer Classification	28
X	Historical Electric Usage by Customer Classification	28
XI	Largest Electric System Users	29
XII	Largest Water System Users	29
XIII	Electric and Water Rate Comparison	31
XIV	History of Revenues, Expenditures and Changes in Fund Net Assets	33
XV	Utility Enterprise Budget Summary and Comparison	34
XVI	History of General Fund Revenues Expenditures and Changes in Fund Balances	38
XVII	General Fund Budget Summary and Comparison	40
XVIII	Outstanding Revenue Obligations	43

REGIONAL MAP



CITY MAP


Fountain, CO City Limits
S ACADEMY BLVD
85
S POWERS BLVD
FONTAINE BLVD
FOUNTAIN MESA RD
16
S MARKSHEFFEL RD
C AND S RD
SQUIRREL CREEK RD
KANE RD
E OHIO AVE
S SANTA FE AVE
LINK RD
25
OLD PUEBLO RD
Fort Carson
Fountain City Limits
Cheyenne
Denver
COLORADO
Fountain, CO
Arkansas
Sources: Esri, HERE, DeLorme, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN,
N
0 0.5 1 2
Miles
Date: 9/10/2015

INTRODUCTION

This Official Statement is furnished to prospective purchasers of $3,975,000* Water Revenue Bonds, Series 2015 (the "Bonds"), issued by the City of Fountain, in El Paso County, Colorado (the "City"), acting by and through its Electric, Water and Wastewater Utility Enterprise (the "Utility Enterprise.") The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Accordingly, prospective purchasers should read this entire Official Statement before making an investment decision. This Official Statement speaks only as of the date set forth on the cover page hereof, and the information contained herein is subject to change. Certain of the capitalized terms used herein are defined in APPENDIX D hereto.

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein.

Issuer..... The City is a home rule city located approximately 10 miles south of the City of Colorado Springs, Colorado ("Colorado Springs"), adjacent to Fort Carson Army Base, the largest employer in the State of Colorado (the "State"). See "APPENDIX C—Economic and Demographic Information—*Employment*." The City encompasses approximately 17.9 square miles and has a current estimated population of 28,470. See "THE CITY" and the preceding "REGIONAL MAP" and "CITY MAP."

The Utility Enterprise ..... The City, by and through its utilities department, has historically provided and will continue to provide electricity and water, and may provide wastewater services in the future, as enterprises under State law. Pursuant to the terms and provisions of Title 37, Article 45.1, C.R.S. (the "Water Activity Law"), on May 1, 2002, the City established, by ordinance (the "Enterprise Ordinance"), the "City of Fountain Electric, Water and Wastewater Utility Enterprise" which is comprised of the businesses represented by all of the City's Electric Facilities and Water Facilities. "Electric Facilities," as defined in the Enterprise Ordinance, include any one or more of the works and improvements jointly owned by the City and other persons or entities, used in and as part of the generation, transmission or distribution of electricity for the beneficial uses and purposes for which the electricity has been or may be appropriated. "Water Facilities," as defined in the Enterprise Ordinance, means any one or more works and improvements used in and as a part of the collection, treatment, or distribution of water for the beneficial uses and purposes for which the water has been or may be appropriated. Collectively, the Electric Facilities and the Water Facilities are referred to herein as the "System." The Utility Enterprise constitutes an "enterprise" within the meaning of Article X, Section 20 of the Colorado Constitution ("TABOR").

Purpose ..... Proceeds from the sale of the Bonds, together with legally available moneys of the City, will be used to finance the construction of certain capital projects and pay the costs of issuance of the Bonds. See "THE BONDS—Use of Bond Proceeds."

Security..... The Bonds are revenue obligations of the City, acting by and through its Utility Enterprise, secured by a parity lien on the Net Revenues (defined below) and are payable only out of: (a) a special account of the City designated as the Water Revenue Bonds, Series 2015, Bond Account (the "Bond Account"), into which the City covenants and agrees to deposit the Revenues less Operation and Maintenance Expenses (the "Net Revenues"); however, no more than 50% of connection fees can be included in Revenues; and (b) if necessary, a special account designated as the Water Revenue Bonds, Series 2015, Reserve Account (the "Reserve Account"), initially funded in the amount of $_____[*]. For the purposes of the foregoing, "Revenues" is defined as all income and revenues directly or indirectly derived by the City from the operation and use of the System, or any part thereof, including without limitation, any rates, fees, plant investment fees, standby charges, availability fees, tolls, and charges for the services furnished by, or the use of, the System, and all income attributable to any past or future dispositions of property or rights or related contracts, settlements, or judgments held or obtained in connection with the System or its operations, and including investment income accruing from moneys held to the credit of the Utility Fund, and "Operations and Maintenance Expenses" is defined as all reasonable and necessary current expenses of the City, paid or accrued, for operating, maintaining, and repairing the System, including without limitation legal and overhead expenses directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries and administrative expenses, labor, and the cost of materials and supplies for current operation; provided however, that there shall be excluded from Operation and Maintenance Expenses any allowance for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with capital improvements, payments due in connection with any bonds or other obligations issued to provide capital improvements, and charges for the accumulation of reserves.

Upon the issuance of the Bonds, the Reserve Account will be funded through the purchase of a surety bond issued by the Bond Insurer (the "Reserve Account Surety Bond"). See "THE BONDS—Security for the Bonds."

The Bonds do not constitute a debt or an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation, nor will they be considered or held to be general obligations of the City.

Parity Lien Obligations ..... The Bonds are secured by a parity first lien (but not necessarily an exclusive first lien) on the Net Revenues. The City has previously issued the following Parity Lien Obligations (as defined herein): (i) in connection with a Loan Agreement, dated as of December 1, 2008, by and between the City and the Colorado Water Resources and Power Development Authority, a body corporate and political subdivision of the

[*] Preliminary; subject to change.

State (the "Authority") (the "2008 Authority Loan Agreement"), the City issued that certain City Bond, dated January 21, 2009, originally issued to the Authority in the aggregate principal amount of $8,795,000, and currently outstanding in the aggregate principal amount of $7,765,000 (the "2008 Authority Bond"); (ii) in connection with a Loan Agreement, dated as of May 1, 2011, by and between the City and the Authority (the "2011 Authority Loan Agreement"), the City has previously issued that certain City Bond, dated May 4, 2011, originally issued to the Authority in the aggregate principal amount of $9,350,000, and currently outstanding in the aggregate principal amount of $8,810,000 (the "2011 Authority Bond"); (iii) in connection with a Loan Agreement, dated as of March 1, 2013, by and between the City and the Authority (the "2013 Authority Loan Agreement"), the City has previously issued that certain City Bond, dated March 14, 2013, originally issued to the Authority in the aggregate principal amount of $11,615,000, and currently outstanding in the aggregate principal amount of $11,160,000 (the "2013 Authority Bond"); (iv) in connection with a Loan Agreement, dated as of October 1, 2014, by and between the City and the Authority (the "2014 Authority Loan Agreement" and together with the 2008 Authority Loan Agreement, the 2011 Authority Loan Agreement, and the 2013 Authority Loan Agreement, the "Authority Loan Agreements"), the City has previously issued that certain City Bond, dated November 25, 2014, originally issued to the Authority in the aggregate principal amount of $16,900,000, and currently outstanding in the aggregate principal amount of $16,835,000 (the "2014 Authority Bond" and together with the 2008 Authority Bond, the 2011 Authority Bond, and the 2013 Authority Bond, the "Authority Bonds"); (v) a Promissory Note, dated April 21, 2003, to Glen C. Ermel and Michele T. Ermel in the original principal amount of $727,000 and currently outstanding in the amount of $72,700 (the "2003 Water Rights Note") in connection with a purchase of water rights; and (vi) a Promissory Note, dated August 1, 2007, to Glen C. Ermel and Michele T. Ermel in the original principal amount of $390,500 and currently outstanding in the amount of $39,050 (the "2007 Water Rights Note" and together with the 2003 Water Rights Note, the "Water Rights Notes") in connection with a purchase of water rights. The Bonds are to be issued on parity with the Authority Bonds and Water Rights Notes (collectively, the "Parity Lien Obligations".) See "THE BONDS—Security for the Bonds" and "APPENDIX D—CERTAIN DEFINITIONS AND TERMS OF THE BOND ORDINANCE."

Bond Insurance..... Assured Guaranty Municipal Corp. has committed to issue, effective as of the date of issuance of the Bonds, a policy of insurance (the "Insurance Policy" or "Policy") guaranteeing the payment, when due, of the principal of and interest on the Bonds. The insurance extends over the life of the issue and cannot be canceled by the Bond Insurer. Payment under the Policy is subject to the conditions described in "BOND INSURANCE." A specimen of the Insurance Policy is attached as APPENDIX G to this Official Statement. See "BOND INSURANCE."

Payment Provisions and the Record Date..... The Bonds mature and bear interest at the rates (computed on the basis of a 360-day year of twelve 30-day months) as set forth on the cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 each year, commencing on June 1, 2016. Payments for the principal of and interest on the Bonds will be made as described in "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM."

The record date with respect to each Interest Payment Date is the fifteenth day of the month immediately preceding the month (whether or not such day is a Business Day) in which such Interest Payment Date occurs (the "Record Date").

Authority for Issuance..... The Bonds are issued in conformity with the constitution and laws of the State particularly Title 11, Article 57, Part 2, C.R.S. (the "Act") and pursuant to an authorizing ordinance (the "Bond Ordinance") adopted by the City Council acting as the governing body of the Utility Enterprise (the "City Council") prior to the issuance of the Bonds.

Book-Entry-Only Registration ..... The Bonds will be issued in fully registered form and will be registered initially in the name of "Cede & Co." as nominee for The Depository Trust Company, New York, New York ("DTC"), a securities depository. Beneficial ownership interests in the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof through participants in the DTC system (the "Participants"). Such beneficial ownership interests will be recorded in the records of the Participants. Persons for which Participants acquire interests in the Bonds (the "Beneficial Owners") will not receive certificates evidencing their interests in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal, premium, if any, and interest on the Bonds, as well as notices and other communications made by or on behalf of the City pursuant to the Bond Ordinance, will be made to DTC or its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See "APPENDIX F—BOOK–ENTRY–ONLY SYSTEM" for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters.

Prior Redemption..... The Bonds are subject to redemption prior to maturity as described in "THE BONDS—Prior Redemption of Bonds."

Registration and Denominations..... The Bonds are issued in fully registered form in denominations of $5,000 each or integral multiples thereof.

Exchange and Transfer ..... While the Bonds remain in book-entry-only form, transfer of ownership by Beneficial Owners (as defined by the rules of DTC) may be made as described in "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM." In the event that DTC ceases to act as securities depository for the Bonds, the Bond Ordinance (as defined herein) provides for the transfer and exchange of Bonds at the principal office of the Paying Agent pursuant to specified terms and provisions.

Tax Status ..... In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. To the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. The City has designated the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. For a more complete description, see "TAX MATTERS."

Financial Statements ..... Appended hereto are the audited basic financial statements of the City as of and for the year ended December 31, 2014, as the most recent audited financial statements available for the City.

Public Sale Information ..... The Bonds will be sold pursuant to a competitive sale to be conducted as provided in the Notice of Sale accompanying this Preliminary Official Statement. Electronic bids for the Bonds will be received by the Financial Advisor by 12:00 p.m. prevailing Eastern time (10:00 a.m. prevailing Mountain time) on November 17, 2015, as provided in the Notice of Sale. During the offering period, copies of the document referred to herein may be obtained from Piper Jaffray & Co. (the "Financial Advisor"), 1200 17th Street, Suite 1250, Denver, Colorado 80202, telephone: (303) 820-5865.

Delivery Information..... The Bonds are offered when, as and if issued by the City, acting by and through its Utility Enterprise, subject to the approving legal opinion of Bond Counsel. It is expected that the Bonds will be available for delivery at the offices of DTC on or about December __, 2015, against payment therefore.

ALL OF THE SUMMARIES OF THE STATUTES, RESOLUTIONS, ORDINANCES, OPINIONS, CONTRACTS, AGREEMENTS AND DOCUMENTS DESCRIBED IN THIS OFFICIAL STATEMENT ARE SUBJECT TO THE ACTUAL PROVISIONS OF SUCH DOCUMENTS. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from: City of Fountain, 116 S. Main Street, Fountain, Colorado 80817, Telephone: (719) 322-2072; or Piper Jaffray & Co., 1200 17th Street, Suite 1250, Denver, Colorado 80202, Telephone: (303) 820-5865.

INVESTMENT CONSIDERATIONS

The purchase of the Bonds involves certain investment risks that are discussed throughout this Official Statement, and each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. Particular attention should be given to the factors described below, which, among others, could affect the payment of debt service on the Bonds.

Limited Obligations

The Bonds do not constitute a lien upon the physical properties of the System or any part thereof, but constitute a lien only on Net Revenues. Therefore, the security for the punctual payment of the principal of and interest on the Bonds is dependent on the City's ability to generate such Net Revenues in an amount sufficient to meet the debt service requirements of the Bonds and the Parity Lien Obligations. The Bonds and the interest thereon do not constitute a debt or indebtedness of the City within the meaning of any constitutional or statutory debt provision or limitation, and do not give rise to a charge against the City's general credit or taxing power. See "THE BONDS—Security for the Bonds."

In the event that the City is unable to generate Net Revenues in amounts sufficient to pay debt service on the Bonds when due, for whatever reason, the moneys in the Reserve Account will be applied thereto. Further, in the event of a shortfall in Net Revenues, the City is obligated, pursuant to its covenant in the Bond Ordinance, to increase its System rates and charges so as to generate amounts sufficient to meet said debt service and the additional amounts required by the Bond Ordinance. See "THE BONDS—Security for the Bonds."

Parity Lien Obligations

The Bonds constitute an irrevocable and first lien on the Net Revenues, but not necessarily an exclusive such lien. The Bonds are issued on a parity with the Parity Lien Obligations. The City may in the future issue one or more series of additional bonds, notes, interim securities or other obligations with a pledge of and lien on the Net Revenues on a parity with the lien of the Bonds (such Bonds referred to herein as "Parity Lien Obligations") or with a pledge of and lien on the Net Revenues that is subordinate or junior to the lien of the Bonds (such Bonds referred to herein as "Subordinate Lien Obligations"). See "THE BONDS—Security for the Bonds—*Additional Obligations*."

Drought Conditions

The amount of available water depends on many factors, including water quality, economics, delivery system restrictions and maintenance of adequate carry-over storage for droughts. As with all other water providers, the City's water supply is subject to environmental conditions resulting from the semi-arid climate of the State, and the water supply is impacted by drought from time to time. In addition, the amount of water available for use under water rights owned by the City may be limited by the operation of Colorado's water rights administration system, also known as the prior appropriation doctrine, which allocates the use of water to users in accordance with the seniority of their water rights. Accordingly, in times of drought, the City's water rights could be curtailed, which could result in less water availability. Additionally, Colorado is a party to numerous Interstate Compacts and United States Supreme Court decrees that apportion water deliveries to Colorado's neighboring states from the seven river basins of Colorado. In times of drought, interstate delivery obligations could limit the amount of water available for use in Colorado. Despite drought conditions affecting certain other western states (excluding Colorado), the City's water supply has not been curtailed to meet any obligations existing under any Interstate Compacts in 2014 or thus far in 2015.

In times of drought in Colorado, the City's drought response strategy establishes a progressive response to worsening drought conditions. The Council will consider a range of hydrologic indicators such as snowpack, precipitation and stream flow which consequently determine the reservoirs' storage levels. In addition, the Council will consider other factors such as political, social and economic conditions to determine appropriate drought response actions. The City maintains a strategic water reserve of 7,400 acre-feet that is designed to sustain the System through a continuous four-year drought. Specific drought response actions are aimed at increasing water supplies and reducing water use.

General Economic Conditions

The demand for the consumption of energy, as well as growth of the City's customer base and the Net Revenues generated therefrom, could be affected by general economic conditions. The elasticity of such demand as well as the expansion of the City's customer base, also may be affected by factors such as the availability of jobs, interest rates and the availability of mortgage funds. The economy of the area continues to recover from the recent recession. See "APPENDIX C—ECONOMIC AND DEMOGRAPHIC INFORMATION."

Availability and Cost of Electric Power

Substantially all of the revenues generated by the Electric Facilities are derived from the sale of electricity to customers. Consequently, a reliable source of electric power adequate to meet the growing demands of the City's electric customers is essential to ensure payment of the Bonds and the Parity Lien Obligations. Currently, the City buys substantially (approximately 97%) all of its power from Twin Eagle Resource Management ("TERM") and the remaining 3% from the Western Area Power Administration ("WAPA"). The contract with TERM expires on December 31, 2025 and the contract with WAPA expires on September 30, 2054 as described in "THE SYSTEM—Electric Facilities—*Sources of Electric Power*." Increased operation and maintenance expenses may necessitate future rate increases which may have an effect upon the City's ability to collect the charges it bills its customers. However, due to historic stability in the City's purchase of power, it has not been necessary for the City to increase the rates charged to its customers since June 1, 2013. See "SYSTEM FINANCIAL INFORMATION—Electric Facilities User Rates and Charges."

Secondary Market

While the Financial Advisor expects, insofar as possible, that a secondary market for the Bonds will be maintained, no assurance can be given concerning the future existence of such a secondary market, and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold the Bonds to maturity or prior redemption.

Future Changes in Laws

Various State laws and constitutional provisions apply to the imposition and collection of City rates, fees, and charges, and the financing of System operations. Other state and federal laws, constitutional provisions, and regulations apply to the obligations created by the issuance of the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to the applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the City and the imposition, collection, and expenditure of Net Revenues.

Legal Matters Relating to the System

The City is also subject to extensive State and federal regulation of its Water Facilities and Electric Facilities. While the City intends to comply with all valid laws and regulations affecting such operations, there can be no assurance that actions of and standards imposed by State and federal authorities will not result in increases in the City's future costs of operations, impairment of its ability to serve its present or future customers, or both.

Limitations on Remedies Available to Owners

There is no bond trustee or similar person to monitor or enforce the provisions of the Bond Ordinance, and Owners should be prepared to enforce such provisions themselves if the need to do so arises. In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, the remedies of Owners (consisting primarily of an action in the nature of mandamus requiring the City and certain other public officials to perform the terms of the Bond Ordinance) may have to be enforced from year to year.

The enforceability of the rights and remedies of the Owners, and the obligations incurred by the City in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers granted to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

BOND INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix G for a specimen of the Policy. None of the City, the Underwriter or the Trustee make any representation or warranty regarding the accuracy or completeness of such information.

Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure

and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Capitalization of AGM

At June 30, 2015, AGM's policyholders' surplus and contingency reserve were approximately $3,729 million and its net unearned premium reserve was approximately $1,670 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015 (filed by AGL with the SEC on August 6, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the Bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

THE BONDS

Description

The Bonds are revenue obligations of the City, acting by and through its Utility Enterprise. The maturities and interest rates for the Bonds are set forth on the cover page hereof. Certain matters relating to the Bonds are described in detail under the caption "INTRODUCTION" and are not restated under this caption. These include provisions regarding registration and denominations of the Bonds, payment of the principal of and interest on the Bonds, a description of the authority for issuance of the Bonds, and

information regarding delivery of the Bonds. For a complete statement of the details of the Bonds, reference is made to the authorizing Bond Ordinance, copies of which are available from the Financial Advisor prior to delivery of the Bonds.

Prior Redemption of Bonds

Optional Redemption of Bonds. The Bonds maturing on and before December 1, 2025 are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 2026 are subject to redemption prior to maturity at the option of the City, in whole or in part in integral multiples of $5,000, and if in part in such order of maturities as the City shall determine, subject to the approval of the Insurer, and by lot within a maturity, on December 1, 2025 and on any date thereafter, at a redemption price equal to the principal amount thereof (without redemption premium), plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption of Bonds. The Bonds maturing on _____, 20__ are subject to mandatory sinking fund redemption by lot on _____ of the years and in the principal amounts specified below, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date:

Redemption Date	**Principal Amount**
20__ [1]	

[1] Final maturity; not a sinking fund redemption payment.

Notice of Redemption. At its option, to be exercised on or before the forty-fifth (45th) day next preceding each sinking fund redemption date, the City may (i) deliver to the Paying Agent for cancellation any Bonds with the same maturity date as the Bonds subject to such sinking fund redemption and (ii) receive a credit in respect of its sinking fund redemption obligation for any Bonds with the same maturity date as the Bonds subject to such sinking fund redemption which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Paying Agent and not theretofore applied as a credit against any sinking fund redemption obligation. Each Bond so delivered or previously redeemed shall be credited by the Paying Agent at the principal amount thereof to the obligation of the City on such sinking fund redemption date, and the principal amount of Bonds to be redeemed by operation of such sinking fund on such date shall be accordingly reduced.

Redemption Procedures. Notice of any redemption of Bonds shall be given by the Paying Agent in the name of the City by sending a copy of such notice by first-class, postage prepaid mail, not less than thirty (30) days prior to the redemption date, to the Owner of each Bond being redeemed. Such notice shall specify the number or numbers of the Bonds so to be redeemed (if redemption shall be in part) and the redemption date. If any Bond shall have been duly called for redemption and if, on or before the redemption date, there shall have been deposited with the Paying Agent in accordance with this Ordinance funds sufficient to pay the redemption price of such Bond on the redemption date, then such Bond shall become due and payable at such redemption date, and from and after such date interest will cease to accrue thereon. Failure to deliver any redemption notice or any defect in any redemption notice shall not affect the validity of the proceeding for the redemption of Bonds with respect to which such

failure or defect did not occur. Any Bond redeemed prior to its maturity by prior redemption or otherwise shall not be reissued and shall be cancelled.

Use of Bond Proceeds

The Project. The net proceeds of the Bonds, together with other available City funds, are expected to be used to finance (a) the construction of a portion of the Southern Delivery System Project (the "SDS Project"), (b) the purchase of certain water rights, (c) the replacement or construction of certain water mains, (d) installation of a Supervisory Control and Data Acquisition ("SCADA") system for the Water Facilities, and (e) purchase of, or engineering and design of, a new water building facility (collectively, the "Project"). The anticipated useful life of the Project is approximately 40 years with the exception of the SCADA Project which has a useful life of approximately 20 years. The estimated costs of the Project to be financed are as follows:

Project	**Estimated Cost**
SDS Project	$1,987,500
Purchase Water Rights	660,000
Water Mains	870,000
SCADA Project	82,500
Water Building	250,000
Total	$3,850,000

Sources and Uses of Funds. The estimated sources and uses of funds relating to the Bonds are set forth below.

SOURCES
Proceeds of Bonds [1].....
Total .....

USES
Deposit to Project Account.....
Costs of issuance, insurance fees, surety fees,
rating agency fees, professional fees[2] and printing costs.....
Total .....

[1] Includes original issue premium on sale of certain of the Bonds.
[2] See "MISCELLANEOUS—Underwriting."

Security for the Bonds

Special Revenue Obligations. The Bonds are special revenue obligations of the City, acting by and through its Utility Enterprise, payable only out of: (a) the Utility Fund, in which the City covenants and agrees to deposit Net Revenues sufficient to pay the principal of and interest on the Bonds when the same become due and payable, which amounts are designated to pay the Bonds; however, no more than 50% of connection fees can be included in Revenues; and (b) if necessary, from the Reserve Account, all as more particularly set forth in the Bond Ordinance.

The Bonds constitute an irrevocable and first lien on Net Revenues, but not an exclusive such lien. The lien of the Bonds on Net Revenues is on a parity with the lien of the Parity Lien Obligations. Subject to express conditions, obligations in addition to the Bonds may be issued and made payable from Net Revenues which are (1) subordinate and junior to the lien of the Bonds (the "Subordinate Lien

Obligations") or (2) having a lien on Net Revenues which is on a parity with the lien of the Bonds (the "Parity Lien Obligations"), in accordance with the provisions of the Bond Ordinance. No bonds or other obligations of the City may be issued or entered into having a lien on Net Revenues which is superior to the lien of the Bonds.

The Bonds do not constitute a debt or an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City.

Net Revenues. Net Revenues is defined in the Bond Ordinance as the Revenues (as defined below) after deducting Operation and Maintenance Expenses (as defined below); however, no more than 50% of connection fees can be included in Revenues. Revenues are defined as all income and revenues directly or indirectly derived by the City from the operation and use of the System, or any part thereof, including without limitation, any rates, fees, plant investment fees, standby charges, availability fees, tolls, and charges for the services furnished by, or the use of, the System, and all income attributable to any past or future dispositions of property or rights or related contracts, settlements, or judgments held or obtained in connection with the System or its operations, and including investment income accruing from moneys held to the credit of the Utility Fund.

Operation and Maintenance Expenses are defined as all reasonable and necessary current expenses of the City, paid or accrued, for operating, maintaining, and repairing the System, including without limitation legal and overhead expenses directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries and administrative expenses, labor, and the cost of materials and supplies for current operation; provided however, that there shall be excluded from Operation and Maintenance Expenses any allowance for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with capital improvements, payments due in connection with any bonds or other obligations issued to provide capital improvements, and charges for the accumulation of reserves.

Flow of Funds. Pursuant to the Bond Ordinance, the City is to credit to the Utility Fund all Revenues immediately upon receipt. The City is to pay from the Utility Fund all Operation and Maintenance Expenses as they become due and payable. After such payments, the City is to apply the Net Revenues in the following order of priority: (i) on a pro rata basis, to the credit of the Bond Account, the amounts required by the Bond Ordinance and to the credit of any other account established for the payment of the principal of, premium if any, and interest on Parity Lien Obligations, the amounts required by the instruments authorizing or controlling the payment of such Parity Lien Obligations; (ii) to the credit of the Reserve Account the amounts discussed below under "Reserve Account," and to any reserve accounts established in connection with any Parity Lien Obligations in any amounts required in connection therewith; (iii) to the credit of any other fund or account hereafter established for the payment of the principal of, premium if any, and interest on any subordinate lien obligations; and (iv) to the credit of any other fund or account as may be designated by the City, to be used for any lawful purpose.

Payment of Bonds. Moneys deposited in the Bond Account are to be used solely for the purpose of paying the principal of, premium, if any, and interest on the Bonds. The Bond Ordinance provides that on or before the last day of each month, commencing in the month next succeeding the date of issuance of the Bonds, the City shall deposit to the Bond Account from the Net Revenues, an amount equal to the Pro Rata Portion of the interest and principal to come due on the Bonds on the next succeeding Interest Payment Date and Principal Payment Date, respectively. All deposits to the Bond Account shall first be allocated to the payment of interest to come due on the Bonds.

Reserve Account. The Reserve Account is to be maintained in the amount of $_____ (the "Reserve Account Requirement") and may be satisfied by cash, Permitted Investments, surety bond, insurance policy, letter of credit, investment agreement, investment contract or similar instrument meeting the requirements set forth in the Bond Ordinance, or a combination of the foregoing. Upon the issuance of the Bonds, the Reserve Account is to be funded by the deposit in the Reserve Account of the Reserve Account Surety Bond in the amount of the Reserve Account Requirement.

As defined in the Bond Ordinance, the Reserve Account Requirement means, as of any date on which it is calculated, the least of (a) 10% of the principal amount of the outstanding Bonds and Parity Lien Obligations, (b) the maximum annual debt service in any calendar year on the outstanding Bonds and Parity Lien Obligations or (c) 125% of the average annual debt service on the outstanding Bonds and Parity Lien Obligations; provided, however, that the Reserve Account Requirement may be reduced if, in the opinion of Bond Counsel, the funding or maintenance of it at the level otherwise determined pursuant to this definition will adversely affect the exclusion from gross income tax for federal income tax purposes of interest on any of the Bonds or Parity Lien Obligations.

Moneys in the Reserve Account are to be used, if necessary, only to prevent a default in the payment of the principal of, premium, if any, and interest on the Bonds when due, and the Reserve Account is pledged by the Bond Ordinance to the payment of the Bonds. Moneys on deposit in the Reserve Account or proceeds of the liquidation of Permitted Investments on deposit in the Reserve Account will be transferred to the Bond Account on any date on which a payment of principal of, premium, if any, or interest on the Bonds is due to the extent the amount on deposit in the Bond Account is insufficient to make such payment.

The Reserve Account Requirement for the Bonds is to be calculated as of (i) the date of issuance of the Bonds and (ii) not less than every five years. If at any time the calculated amount of the Reserve Account is less than the Reserve Account Requirement or transfers are made from the Reserve Account as provided for above, then the City is to deposit to the Reserve Account from the Net Revenues, amounts sufficient to bring the amounts deposited in the Reserve Account to the Reserve Account Requirement for the Bonds. If at any time the calculated amounts of the Reserve Account are more than the Reserve Account Requirement for the Bonds, then the City shall transfer from the Reserve Account to the Bond Account any amounts that are in excess of the Reserve Account Requirement for the Bonds. Such deposits are to be made as soon as possible after a deficiency is identified, but in accordance with, and subject to the limitations of, the priority of payments set forth in "Flow of Funds" above. The Reserve Account is to be maintained in the amount of the Reserve Account Requirement with respect to the Bonds until such time as the amount credited to the Reserve Account, when combined with moneys in the Bond Account designated to pay the Bonds, will be sufficient to pay in full the principal of and interest on the Bonds, at which time such moneys may be applied for such purpose.

Operations and Maintenance Reserve. As set forth in the Bond Ordinance, in addition to the Reserve Account Requirement, the City is to maintain an operations and maintenance reserve in an amount equal to three months of operation and maintenance expenses excluding depreciation of the System as set forth in the annual budget for the current fiscal year. Said reserve may be in the form of unobligated fund balances or other unobligated cash or securities (i.e., capital reserves) or may be in a separate segregated fund and shall be maintained as a continuing reserve for payment of any lawful purpose relating to the System. If the operations and maintenance reserves fall below this requirement, the shortfall shall be made up in twenty-four substantially equal monthly installments beginning the second month after such shortfall or the date of delivery.

Maintenance of Rates and Coverage. The City covenants in the Bond Ordinance that it will establish and collect rates and charges for the use or the sale of the products and services of the System, which together with other moneys available therefor, are expected to produce Revenues for each calendar year which will be at least sufficient for such calendar year to pay the sum of: (a) all amounts estimated to be required to pay Operation and Maintenance Expenses during such calendar year; (b) a sum equal to 110% of the debt service due on the Bonds for such calendar year and debt service coming due during such calendar year on any indebtedness payable on the Parity Lien Obligations, in each case computed as of the beginning of such calendar year; (c) the amount, if any, to be paid during such calendar year into any debt service reserve account; (d) a sum equal to the debt service on any subordinated debt for such calendar year computed as of the beginning of such calendar year; and (e) amounts necessary to pay and discharge all charges and liens payable out of the Revenues during such calendar year (the "Rate Covenant"). However, no more than 50% of connection fees can be included in Revenues for the purposes of this Rate Covenant.

Additional Covenants and Agreements. The City irrevocably covenants and agrees in the Bond Ordinance, among other things, that:

(a) The City will maintain the System in good repair, working order and operating condition and at all times operate the properties of the System and any business in connection therewith in an efficient manner and from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the System so that at all times the business carried on in connection therewith will be properly and advantageously conducted.

(b) The City will exercise its best efforts in accordance with prudent water and electric utility practice to complete the Project and to provide from the Net Revenues all moneys, in excess of the total amount of the Bonds, required to complete the Project.

(c) Except for the disposal of assets of the System up to a cumulative amount of $2,000,000, and except for the disposal of any portion of the System which the City determines is no longer necessary for the operation of the System, the City will not sell, lease, abandon or otherwise dispose of all or substantially all of the System, or any other component of the System which provides revenues to provide for the payment of the Bonds or any Parity Lien Obligations, except in accordance with the Authority Loan Agreements, and, in addition, shall not so sell, lease, abandon or otherwise dispose of the same unless the City shall determine that such sale, lease, abandonment or other disposition will not adversely affect the City's ability to meet its duties, covenants, obligations and agreements under the Bond Ordinance, will not adversely affect the value of the Net Revenues as security for the payment of Bonds and interest thereon, and adversely affect the eligibility of interest on Bonds then Outstanding for exclusion from gross income for purposes of Federal income taxation, and the City obtains the consent of a majority of the Owners in principal amount of the applicable Bonds then Outstanding to the sale, lease, abandonment, or disposition of the System.

(d) The City will promptly render bills for services furnished by or the use of the System, shall use all legal means to assure prompt payment thereof, shall take such action as may be necessary to make delinquent rates, fees, and charges of the System a lien upon the real property served, and to the extent permitted by law, shall discontinue service to any user who becomes delinquent in the payment of such charges until the delinquency and all interest, costs, and expenses incident thereto have been paid in full.

(e) The City shall keep accurate records and accounts for the System separate and distinct from its other records and accounts which will be maintained in accordance with GAAP and will be audited annually by an independent accountant, which audit may be part of the annual audit of the City.

Such records will be filed and recorded in the places, time, and manner provided by law and will be on file in the office of the City Clerk for inspection.

(f) The City will maintain or cause to be maintained, in force, insurance policies with responsible insurers or self-insurance programs providing against risk of direct physical loss, damage or destruction of the System, at least to the extent that similar insurance is usually carried by utilities constructing, operating and maintaining facilities of the nature of the System, including liability coverage, all to the extent available at reasonable cost.

(g) The City Council has determined that the Utility Enterprise is an enterprise within the meaning of Article X, Section 20 of the State Constitution and the City has and will continue to maintain the System as an "enterprise" within the meaning Article X, Section 20 of the State Constitution.

Additional Obligations. The Bond Ordinance provides that no bonds, notes, interim securities, or other obligations shall be issued payable from Net Revenues and having a lien thereon which is superior to the lien of the Bonds.

Parity Lien Obligations. The Bond Ordinance provides that the City will not issue any Additional Parity Obligations with a lien on the Net Revenues and payable from the Net Revenues which is on a parity with the lien of the Bonds and the Parity Lien Obligations, unless the City certifies that Net Revenues for any 12 consecutive months out of the 18 months preceding the month in which such Additional Parity Obligations are to be issued is at least equal to the sum (a) of 110% of the maximum annual debt service of (i) the Bonds, (ii) all Parity Lien Obligations outstanding during such 12 month period, and (iii) such proposed Additional Parity Obligations to be issued, and (b) 100% of maximum annual debt service of all other indebtedness secured by and payable from the Net Revenues; provided, however, that no more than 50% of revenue connection fees will be included in Revenues for the purposes of this section. Net Revenues for the purpose of the preceding sentence may be adjusted to reflect any rate increases adopted prior to the issuance of such Additional Parity Obligations. Notwithstanding the foregoing, the City may issue Additional Parity Obligations to refund the Bonds or outstanding Parity Lien Obligations without compliance with the requirements stated above, provided that the debt service payments on such refunding obligations do not exceed the debt service payments on the refunded obligations on any interest during any calendar year.

Subordinate Lien Obligations. In addition, the City covenants that it will not issue any obligations payable from the Net Revenues that are subordinate to the lien of the Bonds and the Parity Lien Obligations on the Net Revenues unless the City certifies that for any 12 consecutive months out of the 18 months preceding the month in which such obligations are to be issued Net Revenues were at least 100% of the maximum annual debt service on all indebtedness outstanding during such period which is payable from Net Revenues.

Events of Default and Remedies. The Bond Ordinance provides that an Event of Default will have occurred upon the occurrence of any of the following: (a) failure to make any payment of principal of, premium, if any, or interest on the Bonds when due; (b) failure to make, or cause to be made, any required payments of principal of, redemption premium, if any, and interest on any Parity Lien Obligations; (c) failure by the City to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under the Bond Ordinance, other than a failure to comply with the Continuing Disclosure Provisions required pursuant to Rule 15(c)2-12 which failure continues for a period of 30 days after written notice; and, (d) a petition is filed by or against the City under any federal or State bankruptcy or insolvency law or other similar law in effect or the City becomes 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 City or any of its property) is appointed by court order to

take possession of the City or its property or assets if such order remains in effect or such possession continues for more than 30 days.

The City will give the Paying Agent prompt telephonic notice of the occurrence of any Event of Default referred to in (d) above 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 City becomes aware of the existence thereof. Any telephonic notice given will be confirmed in writing by the end of the next Business Day.

When an Event of Default has occurred, the Owners of not less than 25% in principal amount of the applicable Bonds then Outstanding have the right to take or to direct the Paying Agent to take any action permitted or required pursuant to the Bond Ordinance 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 or to enforce the performance and observance of any duty, covenant, obligation or agreement of the City, including, without limitation, to obtain ex parte the appointment of a receiver of the System.

No remedy conferred upon or reserved to the Paying Agent is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Bond Ordinance or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient.

Amendments to Bond Ordinance. The Bond Ordinance provides that the City may, without the consent of or notice to the Owners of the Bonds, adopt one or more ordinances amending or supplementing the Bond Ordinance, which ordinances shall thereafter become a part hereof, for any one or more or all of the following purposes: (i) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision of the Bond Ordinance; (ii) to subject to the Bond Ordinance additional revenues, properties or collateral; (iii) to facilitate the designation of a substitute securities depository or to terminate the book-entry registration system for the Bonds; (iv) to facilitate the issuance of Parity Lien Obligations permitted to be issued pursuant to the subsection hereof entitled "Additional Lien Obligations"; (v) to facilitate the funding of the Reserve Account or the substitution of one source of funding of the Reserve Account for another permitted source in accordance with the subsection hereof entitled "Reserve Account"; or (vi) to make any other change that does not materially adversely affect the Owners of the Bonds or the Parity Lien Obligations. Except for the foregoing, the Owners of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of such amendatory or supplemental ordinances as are deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Bond Ordinance; provided however, that the consent of the Owners of all the Bonds affected thereby shall be required to effect: (a) a change in the maturity of such Bond; (b) a reduction of the interest rate on such Bond; (c) a change in the terms of redemption of such Bond; (d) a delay in the payment of principal of, premium, if any, or interest on such Bond; (e) the creation of any pledge of or lien upon any revenues or moneys pledged for the payment of such Bond hereunder that is superior to the pledge and lien for the payment of such Bond hereunder; (f) a relaxation of the conditions to the issuance of Parity Lien Obligations or to the creation of any pledge of or lien upon any revenues or moneys pledged for the payment of such Bond hereunder that is equal to or on a parity with the pledge and lien for the payment of such Bond hereunder; (g) a reduction of the principal amount or percentage of Bonds whose consent is required for an amendatory ordinance; or (h) the establishment of a priority or preference for the payment of any amount due with respect to any other Bond over such Bond.

Bond Ordinance Irrepealable. The Bond Ordinance provides that after any of the Bonds are issued, such resolution shall remain irrepealable, but amendable, until the Bonds and the interest accruing thereon shall have been fully paid, satisfied, and discharged.

Historical Rate Covenant Compliance

The following table sets forth the historical compliance with the Rate Covenant for the System for the past five years. See "THE BONDS—Security for the Bonds—Maintenance of Rates and Coverage" and "SYSTEM FINANCIAL INFORMATION" for the financial information used in the computation of Net Revenues.

TABLE I
Historical Rate Covenant Compliance Calculations

	2010	2011	2012	2013	2014
Non-Connection Revenues [1]					
Electric	$20,031,111	$20,858,686	$22,678,620	$23,875,709	$24,447,161
Water	5,445,856	5,980,677	7,006,345	6,627,063	7,508,448
Connection Fees (Cash Only) [2]					
Electric	113,159	120,080	626,913	163,428	108,387
Water	1,015,342	906,382	2,069,814	1,900,250	2,270,672
Less: 50% of Connection Fees [3]	(564,251)	(513,231)	(1,348,364)	(1,031,839)	(1,189,530)
Total Revenues Available	26,041,218	27,352,594	31,033,329	31,534,611	33,145,139
Operation and Maintenance Expenses					
Electric	$18,259,831	$19,564,019	$20,606,018	$22,137,107	$23,217,027
Water	4,877,233	5,105,655	5,041,989	5,734,978	5,418,415
Total Expenses	23,137,064	24,669,674	25,648,007	27,872,085	28,635,442
Revenues Available for Debt Service	$ 2,904,151	$ 2,682,920	$ 5,385,323	$ 3,662,526	$ 4,509,697
Debt Service Requirements [4]	$ 1,374,455	$ 1,369,783	$ 1,518,720	$ 2,034,897	$ 2,506,275
Coverage Factor	2.11x	1.96x	3.55x	1.80x	1.80x

[1] Includes Total Operating Revenues and Investment Income. See TABLE XII.
[2] Includes Connection Charges / Developer Contributions. See TABLE XII.
[3] The Bond Ordinance provides that no more than 50% of the water and electric revenues derived from connection fees are to be included in Revenues for the purpose of the rate covenant. See "THE BONDS—Security for the Bonds—*Rate Covenant*" herein.
[4] Includes actual historical annual debt service payments on the Parity Lien Obligations. See "DEBT STRUCTURE—Revenue Obligations and Other Financial Obligations."

Estimated Debt Service Coverage

The following table shows the estimated debt service coverage using the actual debt service on the Bonds and the Parity Obligations expected for the next five years. See "—Debt Service Requirements" below for the debt service requirements for the Bonds and the Parity Lien Obligations. There can be no assurance that the collection of Net Revenues will continue at the levels stated below, or that coverage factors in future years will remain at such levels. See "THE BONDS—Security for the Bonds—*Maintenance of Rates and Coverage*," "SYSTEM FINANCIAL INFORMATION" and TABLE I for the financial information used in the computation of Net Revenues.

TABLE II
Estimated 2015 to 2019 Pledged Revenue and Debt Service Coverage

	2015 Actual [1]	2016	2017	2018	2019
Non-Connection Revenues [1]					
Electric	$18,611,866	$22,801,044	$23,029,054	$23,259,000	$23,492,000
Water	6,816,414	8,223,300	10,070,000	8,894,000	9,339,000
Connection Fees (Cash Only) [2]					
Electric	280,654	542,000	542,000	542,000	542,000
Water	1,093,623	1,324,000	1,324,000	1,324,000	1,324,000
Less: 50% of Connection Fees [3]	(687,139)	(933,000)	(933,000)	(933,000)	(933,000)
Total Revenues Available	26,115,419	31,957,344	34,032,054	33,086,000	33,764,000
Operation and Maintenance Expenses					
Electric	15,115,737	21,866,865	22,086,000	22,307,000	22,530,000
Water	3,681,593	6,301,474	6,364,000	6,428,000	6,492,000
Total Expenses	18,797,330	28,168,339	28,450,000	28,735,000	29,022,000
Revenues Available for Debt Service	$ 7,318,089	$ 3,789,005	$ 5,582,054	$ 4,351,000	$ 4,742,000
Debt Service Requirements [4]	$ 2,803,175	$ 3,303,924	$ 3,366,426	$ 3,543,748	$ 3,785,508
Coverage Factor	2.61x	1.15x	1.66x	1.23x	1.25x

[1] Includes estimated annual debt service payment on the Bonds and actual debt service on the Parity Lien Obligations. See "DEBT STRUCTURE" and TABLES I and III.
Source: The City and Financial Advisor

Debt Service Requirements

Set forth in the following table are the debt service requirements for the Bonds and the Parity Lien Obligations. See the cover page of this Official Statement for the actual interest rates for each maturity of the Bonds.

[Remainder of Page Intentionally Left Blank]

TABLE III
The Bonds and Other Debt Service Requirements [1]

	The Bonds				
Year	**Principal***	**Interest**	**Bonds Total Annual**	**Outstanding Parity Lien Obligations [2]**	**Total Amount**
2016	$ 95,000			$ 3,096,796	
2017	95,000			2,984,603	
2018	95,000			2,987,828	
2019	95,000			2,980,728	
2020	95,000			2,988,078	
2021	100,000			2,992,965	
2022	100,000			2,980,340	
2023	105,000			2,977,571	
2024	105,000			2,987,559	
2025	110,000			2,982,811	
2026	110,000			2,985,611	
2027	115,000			2,980,293	
2028	115,000			2,985,905	
2029	120,000			2,989,740	
2030	125,000			2,980,324	
2031	125,000			2,987,978	
2032	130,000			2,982,043	
2033	135,000			2,982,388	
2034	140,000			2,988,950	
2035	145,000			2,984,038	
2036	150,000			2,524,938	
2037	150,000			2,520,950	
2038	155,000			2,521,806	
2039	165,000			1,947,569	
2040	170,000			1,943,763	
2041	175,000			1,946,625	
2042	180,000			1,340,700	
2043	185,000			1,332,000	
2044	190,000			656,250	
2045	200,000			--	
Total	$3,975,000			$76,541,145	

[1] Assumes no redemptions prior to maturity. Figures have been rounded and actual payments may vary slightly from amounts presented.
[2] Includes the outstanding Authority Loan Agreements and the Water Rights Notes. See "DEBT STRUCTURE—Revenue and Other Financial Obligations."
* Preliminary; subject to change.
Source: The Financial Advisor

THE SYSTEM

Establishment of Enterprises

In April 2002, the City combined its electric enterprise and its water activity enterprise and established the Utility Enterprise to administer the combined operations of the former enterprises. The

City currently does not have a wastewater enterprise, however, if created, the Utility Enterprise would administer the wastewater activities of the City.

Pursuant to the Enterprise Ordinance duly adopted by the City, the Utility Enterprise has all of the authority, powers, rights, obligations, and duties as may be provided or permitted by Title 37, Article 45.1, C.R.S., (as previously defined, the "Water Activity Law"), and as may be further prescribed by ordinance or resolution of the City. For a description of the City's covenant to maintain the System as an "enterprise" within the meaning of TABOR, see "THE BONDS—Security for the Bonds."

Generally

The System is comprised of all of the Electric Facilities and Water Facilities. The System presently serves approximately 16,881 electric customers and approximately 7,850 water customers, all of whom are metered. The service area for the Water Facilities is primarily, but not exclusively, within the City limits. The Utility Enterprise provides electricity to customers within the City and outside City limits in portions of unincorporated El Paso County. The System is administered by the City's Water and Electric Departments and is currently staffed with approximately 64 employees.

The Electric Department includes the electric superintendent, planning and engineering manager and general foreman. The Water Department includes the water superintendent, water resources engineer, water foreman and six water system operators. In addition the Water Department is served by a water meter technician and administrative assistant.

Electric Facilities

The City purchases power and distributes and sells electricity to its customers. The City's Electrical PUC Certificated Area covers 36.33 square miles. The City does not own any electrical generating facilities. Historically, the City purchased approximately 97% of its electricity from the Municipal Energy Agency of Nebraska ("MEAN"), a member-owned organization that supplies wholesale electricity supply, transmission and related services to its more than 65 member communities in four states: Colorado, Iowa, Nebraska and Wyoming. The contract with MEAN expired on June 30, 2015. After an RFP process, the City entered into a 10.5-year power purchase contract with TERM effective July 1, 2015 and TERM now provides approximately 97% of the City's power. The remaining 3% of the City's electricity is purchased from WAPA.

The City's Electric Facilities are comprised of a 115 kilovolt ("kV") transmission system and a 12.47 kV distribution system. The City owns and operates 2.64 miles of 115 kV looped transmission lines and 58 miles of 12.47 kV three phase main line. The two City-owned and operated substations are comprised of seven 115 kV breakers and five 115 kV to 12.47 kV power transformers with a total capacity of 88 megavolt-ampere ("MVA"). Twelve, 12.47 kV circuits serve the Electric Facilities. The electrical system hit a peak of 52 megawatts ("MW") in July 2012. In 2014, there were 206,411 megawatt-hours ("MWh") sold to City customers.

Sources of Electric Power. The City receives substantially all of its power from two sources: TERM and WAPA. The power purchase contracts with TERM and WAPA as well as a brief description of each of these entities follows.

Twin Eagle Resource Management, LLC. On August 14, 2014, TERM and the City, acting by and through the Utility Enterprise, executed a Partial Requirements Agreement setting forth the terms for delivery of power to the City beginning on July 1, 2015 (the "TERM Agreement"). TERM is, pursuant to the terms of the TERM Agreement, a partial requirement supplier for the City and is required to provide

electric power and energy needs of the City in excess of the power allocation received by the City from WAPA. The City expects to purchase approximately 97% of its power requirements from TERM. The agreement between TERM and the City is effective through December 31, 2025.

TERM, along with its subsidiaries, provides wholesale energy and midstream services. TERM engages in, among others, the wholesale marketing of energy-related commodities, including natural gas, power, and environmental products and services. Furthermore, it offers asset management services, such as commercial services to producers, utilities, generating plants, and end users; and energy management services for generators and retailers, as well as wholesale marketing and origination services. TERM was founded in 2010 and is based in Houston, Texas, and has locations in Laredo, Big Spring, and San Antonio, Texas; La Salle, Colorado; and Douglas, Wyoming. TERM has a presence throughout the major U.S. power markets with more than 9,000 MW under management, and offers a comprehensive suite of services to meet the needs of electric load and generation customers.

TERM bills the City monthly for power and energy delivered to the City from the CSU Fountain Substation (the "Point of Measurement") the point of delivery. The monthly charge is calculated as the Contract Rate x Monthly Load, where the Contract Rate means the annual rate, expressed in $/MWh set forth in the TERM Agreement (being $0.0485 per kilowatt hour for 2015) and Monthly Load means the sum, expressed in MWh, of the Load for all hours in the relevant month of delivery.

Western Area Power Administration ("WAPA"). WAPA was established in December 1977 under the Department of Energy Organization Act and is headquartered in Lakewood, Colorado. WAPA markets hydroelectric power from 57 power plants operated by the Bureau of Reclamation, the U.S. Army Corp of Engineers and the International Boundary and Water Commission. Additionally, WAPA markets surplus power from the United States of America's 24.3% entitlement from the coal-fired Navaho Generating Station near Page, Arizona. Current maximum operating capacity is nearly 10,504 MWs.

WAPA's service area covers approximately 1.3 million square miles. Wholesale power customers of WAPA provide service to millions of customers in 15 western area states including Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming. Some of WAPA's largest customers include the Sacramento Municipal Utility District, the Colorado River Commission, the City of Santa Clara, California, Intermountain Consumer Power Association, the Arizona Power Authority and the Platte River Power Authority.

The City has been allocated power by WAPA and receives approximately 3% of its power from WAPA pursuant to Contract No. 03-RMR-1382, Firm Electric Service, as amended or supplemented which expires at the end of the calendar day on September 30, 2024. However, on August 3, 2015, the City and WAPA executed Contract No. 14-RMR-2552 allowing for the provision of Firm Electric Service beginning October 1, 2025 through September 30, 2054, subject to the conditions set forth therein. WAPA transmits power from Federal dams in the Pick-Sloan Missouri Basin Program and the Fryingpan-Arkansas Project ("LAP") and delivers this power to the Point of Measurement.

The amount of energy and cost of energy delivered to the City by WAPA is subject to change by WAPA on an annual basis. The contract between the City and WAPA and the amendments thereto outlines the amount of energy delivered to the City and the cost of that energy to the City. Presently, the maximum monthly kilowatt capacity available for the summer season billing period is 78,000 kilowatts and the maximum monthly capacity available for the winter months is 78,000 kilowatts. There are provisions in the agreement with WAPA to account for transmission systems capacity losses. The monthly energy from WAPA may be increased from time to time at WAPA's discretion, should the

short-term conditions allow. If the monthly energy is increased for any month, it will revert in subsequent months to the monthly energy set for in the contract.

Presently, WAPA charges the City an administrative charge, a delivery charge ($0.001646/KWH), a capacity charge ($5.43/KW/month) and an energy charge ($0.02071). During calendar year 2014 the City was billed $273,431 for electricity provided by WAPA.

Water Facilities

Water Supply. The City receives the majority of its water, approximately 78%, from the Fryingpan-Arkansas Project ("Fry-Ark"), a Bureau of Reclamation water project administered by the Southeastern Colorado Water Conservancy District ("SEWCD") for the purpose of supplying water for irrigation, municipal, domestic and industrial uses; generating and transmitting hydroelectric power and energy; controlling floods; recreation; fish and wildlife; and for other useful and beneficial purposes. Fry-Ark was authorized by Congress in 1962 to serve the agricultural and municipal needs of southern Colorado and to provide flood control on the Arkansas River. Fry-Ark facilities include Ruedi Reservoir on the West Slope and Turquoise Lake, Twin Lakes Reservoir, Mt. Elbert Forebay Reservoir, and Pueblo Reservoir on the East Slope as well as various ditches, conduits, tunnels, and pipelines, which are used to divert, collect, and transport water from tributaries of the Colorado River on the West Slope to water users in the Arkansas River basin on the East Slope.

Pursuant to a "Contract between the United States and the Southeastern Colorado Water Conservancy District for Conveyance Service from the Fountain Valley Conduit" executed on July 10, 1979 (the "Pipeline Contract"), as a component of Fry-Ark, the Bureau of Reclamation agreed to construct the Fountain Valley Conduit Pipeline and treatment plant for use in transmitting water from Pueblo Reservoir to the respective FVA Participants (defined below), including the City. Such facilities were completed in 1985. The City's financial obligations with respect to the facilities will be complete on December 31, 2022.

The Fountain Valley Authority, a political subdivision of the State of Colorado ("FVA"), was established on July 10, 1979, pursuant to an Establishing Contract executed by and on behalf of the City, Colorado Springs, Security Water and Sanitation District ("Security"), Stratmoor Hills Water District and the Widefield Homes Water Company (the "FVA Participants") (as amended, the "FVA Establishing Contract") for the purpose of developing water resources, systems and facilities for the benefit of the FVA Participants. Fry-Ark water is provided to the FVA Participants, including the City, pursuant to the Water Treatment Contract between the FVA and the FVA Participants executed on November 1, 1979 (the "FVA Agreement"). Under the terms of the FVA Agreement, the City is responsible for a 9.95% share of the fixed operations, maintenance, and capital improvements expenses of the FVA. The variable operation and maintenance expenses (such as chemical and pumping costs) are based on the City's percentage of delivered water from the total delivered water for the month of all FVA Participants. The FVA Agreement expires on December 31, 2025, at which time, assuming all conditions therein have been fulfilled, and all financial obligations met, the City will own the water rights provided for therein in perpetuity.

The City's water supply is supplemented by four groundwater wells that are owned by the City, which pump approximately 22% of the City's water from the Fountain Creek alluvium. Well water is chlorinated at the well heads. The City's five well sites are located within City limits, and each well is housed and fenced with security measures in place and sign postings around the area; however, only four of the five wells are in production. With the exception of the four groundwater wells used to supplement the water supply during peak summer demands, the City's water system primarily relies on water from Fry-Ark and other surface water rights owned by the City.

In addition, the City owns several shares in Big Johnson Reservoir located north of the City, which is owned and operated by Fountain Mutual Irrigation Company ("FMIC"). The Big Johnson Reservoir is used to store irrigation water rights and augmentation water rights. The City also owns Keeton Reservoir/Dam located approximately 6.5 miles south of Colorado Springs, which is used to store augmentation water rights. Augmentation water rights are used to offset out of priority depletions to Fountain Creek that result from pumping the City's wells.

As described above, the City owns, or has a contract right to use, a variety of direct flow and storage water rights, including both surface water and groundwater rights, that are used to provide potable and non-potable water to users of the Water Facilities. The City estimates that it has water rights sufficient to meet its needs through approximately 2040. The City is continually investigating the additional acquisition of water rights.

Water Filtration, Storage and Distribution Facilities. Fry-Ark water is delivered pursuant to a Conveyance Service Contract between the FVA and SEWCD. Fry-Ark water is delivered through the Fountain Valley Conduit, owned by the FVA, from Pueblo Reservoir to the Goldfield Tank Site, which is located in Widefield, approximately 3.5 miles north and east of the City. The City owns one booster station and jointly owns an additional booster station with the Widefield Water and Sanitation District ("Widefield Water"), both of which are located at the Goldfield Tank Site. There are an additional six treated water tanks that are jointly owned by the City, Widefield Water and the FVA that receive treated water from the FVA Water Treatment Plant. All of the water tanks are interconnected and the City's booster stations are small pumping stations that can be used to move water between the tanks or provide water to the City's pressure zone areas. The City also has a Southwest Tank site located approximately two miles southwest of the City. The 3 million gallon ("MG") Southwest Tank site receives water from the FVA Water Treatment Plant via the Fountain Valley Conduit. The City owns five pressure regulating stations, which are buried concrete vaults located throughout the City's water system. The City owns approximately 123 miles of water distribution line that distributes, at its peak, approximately 4.1 million gallons of water per day ("MGD") and an annual average of 2.5 MGD to its 7,850 water customers.

According to the City Manager, the overall general condition of the existing water storage and distribution facilities of the Water Facilities is excellent.

The Southern Delivery System Project. The City, along with Colorado Springs, Security and Pueblo West Metropolitan District ("Pueblo West"), are partners in the ongoing Southern Delivery System Project (the "SDS Project"), which is a regional water delivery system designed to convey raw water from Pueblo Reservoir through a 66-inch diameter, 53-mile pipeline to Upper Williams Creek Reservoir and Universal Water Treatment Plant located east of Colorado Springs to the City, Security, Colorado Springs and Pueblo West (collectively, the "Participants"). Effective August 1, 2003, Colorado Springs, the City and Security entered into the Intergovernmental Agreement for Construction of the Southern Delivery System (the "Initial SDS IGA," later amended by the First Amendment to the Intergovernmental Agreement for Construction of the Southern Delivery System, effective February 4, 2008, that added Pueblo West as a Participant, and subsequently amended by the Second Amendment to the Intergovernmental Agreement for Construction of the Southern Delivery System, effective September 27, 2011, that specified the manner in which Project Assets (as defined therein) will be owned during the construction of the Project and thereafter (collectively, the "SDS Agreement").

The SDS Project is designed to serve future water needs of the Participants through a system consisting of: (a) construction of the North Outlet Works, a connection to the Pueblo Dam at the Pueblo Reservoir; (b) installation of 2,200 feet of 78-inch diameter pipeline capable of conveying 96 MGD and 1,100 feet of 72-inch diameter pipeline capable of conveying 78 MGD of untreated water; (c) construction of a 53-mile long, 66-inch diameter pipeline and three pumping stations capable of

conveying 78 MGD of untreated water; (d) construction of a 30,500 acre-foot local terminal storage reservoir; and (e) construction of a water treatment plant with a capacity to treat up to 109 MGD (collectively, "SDS Project - Phase I"). Construction on the SDS Project-Phase I began in 2011 after two decades of studies, agreements and various governmental approvals and permits. The construction of the Pueblo Dam connection and pipeline, including the construction of approximately 7,000 50-foot sections of mostly 66-inch diameter, welded-steel blue pipe, has been completed. Construction is currently underway on the water treatment plant, finished water pump station and raw water pump stations. The SDS Project-Phase I is scheduled to be in service by April 2016.

The current estimate of SDS Project-Phase I costs is approximately $846 million at completion. The costs are allocated among the Participants according to the SDS Agreement. The actual costs incurred as of June 2015 under the terms of the SDS Agreement are $674 million, with total expenditures incurred by the City through June 2015 being approximately $31.2 million. The current estimate of the City's additional costs after June 2015 for the SDS Project-Phase I is approximately $7.4 million to consist of $4.2 million from July 2015 to December 2015, $2.0 million in 2016, and $400,000 per year in 2017, 2018 and 2019.

Phase II of the SDS Project is anticipated to include construction of two reservoirs, an expansion to the capacity of the water treatment plant, and construction of pump stations in order to deliver more than 100 MGD of treated drinking water. Construction of Phase II is expected to begin in 2020–2025 as communities require additional water. The City is not obligated, nor has it committed to, participate in Phase II if Phase II were to be implemented.

The City`s estimated allocation of the conveyance capacity in the SDS Project is 2,500 acre-feet per year, and the City's estimated allocated in the water treatment plant is 5.625 MGD. After completion of the SDS Project, the City anticipates that its groundwater rights (described above) will be used only to meet peak demands on the City's Water Facilities.

Federal and State Regulations; Environmental

Electrical Facilities. Electric utilities are subject to continuing environmental regulation. Federal, state, and local environmental requirements, standards and procedures that regulate electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action affecting such requirements, standards and procedures. Consequently, there is no assurance that the City's Electric Facilities will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. An inability to comply with environmental requirements could result in reduced operating levels or the complete shutdown of individual electric units not in compliance.

Water Facilities. Federal water quality standards imposed on water treatment systems may affect their operating costs and capital requirements. In addition, the Colorado Department of Public Health and Environment has the authority to enforce drinking water quality standards, which are related to the quality of water supply, and these enforcement measures could result in increased costs associated with water treatment operations of the City. Further, Water Facilities operations may be subject to various forms of environmental regulations, which could result in increased operating costs or capital expenditures. Representative areas involving significant environmental compliance responsibilities include the Safe Drinking Water Act, the Clean Water Act, the Water Conservation Act of 1991, and provisions relating to wetlands protection and dam safety. According to the City Manager, water treated at the FVA Water Treatment Plant meets all applicable water quality standards. Monitoring occurs continuously during the treatment processes and at varying frequencies throughout the entire water distribution system to ensure compliance.

Environmental. According to City officials, there are no known special hazards or environmental conditions relating to any of the principal facilities of the System that affect their use, that violate any laws or pose special risks to persons or property to an extent material to the payment of the Bonds.

Capital Improvement Plan

As set forth in the following tables, the City expects to undertake certain capital improvements to the System between 2016 and 2019 in the approximate amount of $27.1 million, including approximately $18.8 million of additional Water Facilities and $8.2 million of additional Electric Facilities. Over $3.1 million of the capital improvements to the Water Facilities are currently expected to be part of the SDS Project and $2 million are expected to be financed with proceeds of the Bonds. See "THE BONDS—Use of Bond Proceeds." The City expects to incur additional debt to finance System improvements in future years totaling $7.4 million and will use available City revenues, to the extent available, for financing such capital improvements. The following table sets forth the capital budget for the Water Facilities and the Electric Facilities for the period 2015–2019.

TABLE IV
Water Fund Five-Year Capital Improvement Plan

	2015					
Description	**Budget**	**Year to Date[1]**	**2016 Budget**	**2017 Budget**	**2018 Budget**	**2019 Budget**
Water Rights Acquisition	$1,561,380	$ 90,244	$2,023,790	$ 700,000	$ 700,000	$ 700,000
System Improvements	7,769,030	4,169,329	3,173,500	4,042,403	5,035,958	1,085,958
Buildings	100,000	95,247	240,000	75,000	850,000	--
Computer Equipment/Software	376,700	23,585	65,000	95,000	--	--
Furniture	13,050	9,525	--	--	--	--
Vehicles	129,000	42,444	--	38,000	--	--
Equipment	7,180	5,226	4,350	--	--	--
Total	$9,956,340	$4,435,600	$5,506,640	$4,950,403	$6,585,958	$1,785,958

[1] Year to date actual expenditures as of September 30, 2015.

TABLE V
Electric Fund Five-Year Capital Improvement Plan

	2015					
Description	**Budget**	**Year to Date[1]**	**2016 Budget**	**2017 Budget**	**2018 Budget**	**2019 Budget**
System Improvements	$4,176,100	$2,072,320	$2,337,500	$1,095,000	$ 975,000	$ 975,000
Land	354,110	9,274	455,670	455,670	--	--
Buildings	225,000	62,795	--	--	250,000	1,000,000
Computer Equipment/Software	611,900	47,185	285,600	25,000	25,000	25,000
Furniture	--	770	--	--	--	--
Vehicles	128,800	122,773	40,000	250,000	--	--
Equipment	82,110	45,363	70,000	--	--	--
Total	$5,578,020	$2,360,480	$3,188,770	$1,825,670	$1,250,000	$2,000,000

[1] Year to date actual expenditures as of September 30, 2015.

SYSTEM FINANCIAL INFORMATION

The Bonds are secured by and payable solely from the Net Revenues. See "THE BONDS—Security for the Bonds." Set forth hereafter is a description of System customer information and historical and budgeted financial information for the Utility Fund.

Customer Information

The City currently provides electric and water service to 16,881 and 7,850 customers, respectively, 95% of which are classified as residential. The following table sets forth a breakdown of such customers. Electric and water customers generated $23,693,839 and $7,242,996, respectively, in electric and water service fee revenue in 2014.

TABLE VI
Historical System Users

Year	Electric Customers	Percent Change	Water Customers	Percent Change
2010	15,687	--	7,219	--
2011	15,708	0.13%	7,267	0.66%
2012	16,152	2.83	7,420	2.11
2013	16,700	3.39	7,453	0.44
2014	16,818	0.71	7,583	1.74
2015 [1]	16,881	0.37	7,850	3.52

[1] As of August 31, 2015.
Source: City Finance Department

TABLE VII
System Customer Classification

	Electric Customers		Water Customers	
Classification	Inside City	Outside City	Inside City	Outside City
Residential	9,373	6,517	7,527	5
Commercial	742	249	317	1
Total	10,115	6,766	7,844	6

[1] As of August 31, 2015.
Source: City Finance Department

TABLE VIII
Historical Water Usage and Billed Revenue by Customer Classification

	Water Revenues			Water Usage (gallons)		
Year	**Residential**	**Commercial**	**Total**	**Residential**	**Commercial**	**Total**
2010	$3,921,835	$1,307,278	$5,229,113	664,565,674	207,155,885	871,721,559
2011	4,237,665	1,442,851	5,680,516	661,927,352	206,016,010	867,943,362
2012	4,856,803	1,862,917	6,719,720	694,655,326	239,390,805	934,046,131
2013	4,612,252	1,705,902	6,318,154	580,491,828	192,229,910	772,721,738
2014	5,269,638	1,973,358	7,242,996	581,525,339	201,572,170	783,097,509
2015 [1]	5,203,653	1,808,720	7,012,373	537,462,459	177,218,270	714,680,729

[1] Through August 31, 2015.
Source: City audited financial statements for year ended December 31, 2014, and the City Finance Department

TABLE IX
Historical Electric Billed Revenue by Customer Classification

	Residential		Commercial		
Year	**Inside**	**Outside**	**Inside**	**Outside**	**Total**
2010	$7,304,774	$5,766,927	$4,998,003	$1,153,385	$19,223,089
2011	7,723,760	6,029,776	5,243,284	1,169,656	20,166,476
2012	8,340,921	6,488,210	5,894,940	1,259,752	21,983,823
2013	9,064,892	6,740,561	6,043,262	1,394,599	23,243,314
2014	9,522,120	6,836,575	6,071,818	1,263,326	23,693,839
2015 [1]	9,708,569	6,933,637	6,674,769	1,384,656	24,701,631

[1] Through August 31, 2015.
Source: City audited financial statements for year ended December 31, 2014, and the City Finance Department

TABLE X
Historical Electric Usage (kWh) by Customer Classification

	Residential		Commercial		
Year	**Inside**	**Outside**	**Inside**	**Outside**	**Total**
2010	71,327,642	58,505,848	56,818,302	13,006,567	199,658,359
2011	73,363,908	58,749,490	58,274,334	13,055,589	203,443,321
2012	74,304,463	58,870,222	60,105,657	13,206,462	206,486,804
2013	76,930,528	58,012,143	61,833,071	13,030,685	209,806,427
2014	75,808,661	55,831,697	62,074,818	12,696,182	206,411,358
2015 [1]	77,680,652	56,213,123	62,461,190	12,711,100	209,066,065

[1] Through August 31, 2015.
Source: City audited financial statements for year ended December 31, 2014 and the City Finance Department

The following tables set forth the five largest users in each of the Electric Facilities and Water Facilities in 2014.

TABLE XI
Largest Electric Facilities Users

Customer	Electricity Used (kWh)	Percent of Total Electricity Used [1]
Fountain-Fort Carson School District No. 8	8,613,942	4.17%
Widefield School District No. 3	4,845,016	2.35
Wal-Mart	4,441,440	2.15
GHC Grocery Distribution	3,834,240	1.86
Safeway	2,688,340	1.30
Total	24,422,978	11.83%

[1] Based on total electric consumption of 206,411,358 kWh in 2014.
Source: City Finance Department

TABLE XII
Largest Water Facilities Users

Customer	Water Used (gallons)	Percent of Total Water Used [1]
Fountain-Fort Carson School District No. 8	49,559,110	6.33%
Widefield School District No. 3	23,906,400	3.05
City	19,371,690	2.47
Markets at Mesa Ridge	7,831,600	1.00
Crest Mobile Home Park	5,177,900	0.66
Total	105,846,700	13.52%

[1] Based on total water consumption of 783,097,509 gallons in 2014.
Source: City Finance Department

Electric Facilities User Rates and Charges

The City's current electric rates for customers both inside and outside City boundaries are determined based on actual usage and type of customer. Rates have been in effect since June 1, 2013. As a result of the new 10.5-year contract with TERM, City electric bills are expected to decrease approximately 12% beginning July 1, 2015, with the decrease reflected in the Energy Cost Adjustment portion of the bill that makes adjustments for the wholesale cost of electricity.

Residential User Fees. Residential rates are applicable to single-family homes and buildings appurtenant to the residence and multi-family dwelling units within a single structure and under one ownership provided that the predominant electric use is attributable to the primary dwelling unit. A residential bill includes a customer charge ($0.38 per customer per day), delivery charge ($0.03/kWh), energy charge ($0.07/kWh) and electric cost adjustment charge (determined monthly as set forth in the City rate schedule). The average consumption for an electric residential customer is 700 kWh per month with the average monthly electric bill for a single-family residence being approximately $71.

Commercial User Fees. Commercial rates are determined based on the size of the customer, time of day of usage and actual demand. The following table sets forth a comparison of commercial and industrial rates effective as of June 1, 2013. An electric cost adjustment charge is added to the monthly bill as determined monthly.

	Customer Charge/Day	Delivery Charge (kWh)	Energy Charge (kWh)	2014 Average Monthly Bill
Small Commercial	$0.63115	$0.02460	$0.07120	$ 137.32
Commercial-Demand	2.81639	0.28139	0.06472	1,448.16
(usage over 10,000 kWh/month in any 3 months in a 12 month billing period or demand of 20 kWh or greater and less than 100kW)				
Large Commercial – Time of Day [1]	1.78984	0.24785	0.06657	8,830.35
(billing demand is 100 kW or greater in any 3 months during the preceding 12 month period and less than 2,000 kW)				
Industrial—Time of Day [1]	1.78984	0.24785	0.06657	n/a
(large industrial, manufacturing facilities, and large commercial customers as well as customers whose billing demand is 2,000 kW or greater in any 3 months during the preceding 12 month period)				

[1] Customers are also charged a power factor adjustment fee and a billing demand fee consisting of an on-peak demand and off-peak demand fee as provided in the Resolution No. 13-022 (the "Rate Resolution").

Electric Facilities Development Charge. The City charges a System Development Fee ("SDC") to every new customer or new load (as defined in the Rate Resolution). A new customer is any customer applying for new electric service on and after January 1, 2006. For purposes of residential developments, the developer shall be grandfathered and not subject to the SDC if (a) an approved plat has been issued by the City on or before December 31, 2005, and (b) the developer has paid on or before December 31, 2005, the line extension and/or customary underground residential distribution ("URD") per foot costs, or if the Utility Director or his designee issues an acknowledgment in writing before December 31, 2005, that the plat has been approved and an estimate of the URD costs is being prepared by the Department of Utilities for submittal to the developer.

The SDC fee is a non-refundable charge of $953 for each new customer load or new lot within a development as shown in the approved plat and can only be used to fund growth related electric utility capital improvement projects.

Other Electric Facilities Charges. In addition to service fees and the SDC, the City also charges fees for water pumping, general lighting, yard lighting, street lighting and fees for small power producers and co-generators fee.

Water Facilities User Rates and Charges

All water customers are supplied through metered taps. A cost of service study for City water rates was completed in each of the years 2013 through 2015 resulting in rate increases of 10.5%, 9.0% and 8.0%, respectively, for each those years. An additional rate increase of approximately 3% is expected to be implemented in May of 2016. The City's current rate structure has been in effect since May 1, 2015.

Rates to be paid by customers who are located in whole or in part outside the corporate limits of the City are required to pay twice the rate that would be imposed for in-City customers.

Water User Fees. The City's water rates are broken down into blocks based on the size of the tap at each building's location and water usage. For a residential ¾-inch tap, Block 1 users are assessed a monthly minimum charge of $33.08 including usage up to 1,501 gallons. Block rates range from Block 2 at $5.31 per 1,000 gallons used from 1,501–3,000 gallons to Block 7 rates of $9.36 per 1,000 gallons over 21,000 gallons used. Block 1 commercial customers with a ¾-inch tap are assessed a monthly minimum charge of $41.07 for usage up to 3,000 gallons. Usage rates range from Block 2 at $5.50 per 1,000 gallons for 3,001–6,000 gallons used to Block 6 rates of $9.36 per 1,000 gallons over 21,000 gallons used. The average monthly residential water bill within the City in 2014 was approximately $59.50.

Water Tap Fees. The City charges a one-time water tap fee to all contractors/builders, property owners or annexed entities (residential or commercial) wanting to tap into the City's water infrastructure system. Tap fees are based on the size of the meter to be used with most single-family homes having a ¾-inch meter. Tap fees are paid at the issuance of a building permit. The current tap fee schedule went into effect in June 2014. Water tap fees include two components, an infrastructure fee and a water acquisition fee and range from $17,324 for a ¾-inch tap to $310,081 for a 4-inch tap. Taps in excess of 4-inches are negotiated between the user and the City. For the ¾-inch tap fee of $17,324, $10,824 is allocated to the infrastructure fee and $6,500 is allocated to the water acquisition fee.

Other Water Charges. The City also assesses fees for after-hours service, reconnecting to the Water Facilities and credit and collection fees.

Rate Comparisons

The following table sets forth a comparison of the annual electric and water costs of a single-family home in the City and certain neighboring communities as of August 2015.

TABLE XIII
Electric and Water Rate Comparisons [1]

	Fixed Charges [2]	Water Usage (gallon)	Water Charges	Electric Usage (kWh)	Electric Charges	Total Charges
City	$534	96,000	$454	8,400	$ 831 [3]	$1,819
Colorado Springs	340	96,000	473	8,400	879	1,692
Pueblo	330	96,000	180	8,400	1,224	1,734
Security	255	96,000	250	8,400	831 [3]	1,336
Widefield	344	96,000	404	8,400	831 [3]	1,579

[1] As of August 2015.
[2] Fixed charges include per day base and customer rate.
[3] Customers of the Electric Facilities.
Source: The City, Pueblo Board of Water Works, Black Hills

Billing and Collection

Service charges for the System are billed on a monthly basis with ten residential and two commercial billing cycles. If a bill is not paid within 15 days of the billing date, it is considered delinquent. If the account remains unpaid 30 days from the billing date, the customer is sent a service termination notice. Service is then subject to discontinuance 45 days from the billing date. The City may turn off service until all amounts due have been paid. According to City officials, collections of utility bills have historically been in excess of 99%.

The City was one of the first utilities in the area to install remote meter reading devices. Using Advanced Metering Infrastructure ("AMI") and Automated Meter Reading ("AMR") systems, the City is able to provide an efficient and reliable way of accurately collecting customer usage data for billing purposes. AMR meters have a small transmitter attached to the meter, and an employee in a vehicle drives by, receiving meter readings electronically via radio waves. The AMI electric meters allow the City to gather reads and remotely connect/disconnect, saving the expense of truck rolls.

Under the City Code, a lien is to be imposed for all unpaid water charges on final bills. This lien, plus a 10% collection penalty, is to be collected through the County property tax assessment and is a first lien upon the property served and is superior to all other liens or claims against such property.

Historical and Budgeted System Financial Information

The City accounts for electric services through the Electric Fund and water services through the Water Fund. Set forth below is a comparative schedule of the Utility Enterprise for fiscal years ended December 31, 2010 through 2014. Since the Electric Fund and Water Fund are accounted for separately in the City's financial statements, the comparative schedule is derived from combining schedules for both enterprises. See the City's audited financial statements appended hereto.

Set forth hereafter is a five-year comparative statement of revenues and expenditures, and a comparison of the City's 2015 and 2016 budgets and 2015 year-to-date actual unaudited figures for the Utility Enterprise.

[Remainder of Page Intentionally Left Blank]

TABLE XIV
Utility Enterprise
History of Revenues, Expenditures and Changes in Fund Net Assets

	2010	2011	2012	2013	2014
Operating Revenues					
Electric charges	$19,223,089	$20,166,476	$22,469,395	$23,243,314	$23,693,839
Water charges	5,229,113	5,680,516	6,988,153	6,318,154	7,242,996
Miscellaneous	764,118	755,261	754,005	792,239	867,307
Total	25,216,320	26,602,253	29,457,548	30,353,707	31,804,142
Operating Expenses					
Source of supply	13,442,139	14,492,634	15,083,339	16,057,244	17,256,095
Operations and maintenance	4,413,104	4,587,938	4,666,544	5,289,887	4,746,682
Customer accounts & collection	1,652,334	1,754,976	1,736,185	2,032,841	1,991,999
Administration	3,428,463	3,605,822	3,888,708	4,175,143	4,323,696
Depreciation/amortization	1,741,550	1,790,305	1,800,466	1,957,201	2,069,357
Total	24,677,550	26,231,675	27,175,242	29,512,316	30,387,829
Operating Income	538,770	370,578	2,282,306	841,391	1,416,313
Non-Operating Revenues (Expenses)					
Investment income	260,647	237,110	227,417	149,065	151,467
Bond issuance costs	--	--	--	--	(92,146)
Interest expense	(1,006,129)	(1,022,742)	(1,059,292)	(988,595)	(846,666)
Total	(713,196)	(785,632)	(831,875)	(839,530)	(787,345)
Net Income (Loss) Before Transfers and Capital Contributions	(206,712)	(415,054)	1,450,431	1,861	628,968
Transfers in	438,852	406,720	406,720	411,140	411,140
Transfers out	(639,876)	(635,024)	(679,950)	(728,110)	(728,110)
Grant Revenue	--	199,687	178,217	1,687,605	56,970
System Development Fees	1,128,501	1,026,462	2,696,727	2,063,678	2,379,059
Change in Net Position	720,765	582,791	4,052,145	3,436,174	2,748,027
Beginning Net Position	73,033,788	73,754,553	74,337,344	78,034,785	81,470,959
Restatement	--	--	354,704	--	--
Ending Net Position	$73,754,553	$74,337,344	$78,034,785	$81,470,959	$84,218,986

Source: The City Finance Department

TABLE XV
Utility Enterprise Budget Summary and Comparison

	2015 Budget (as amended)	2015 Year-to-Date (unaudited)[1]	2016 Budget
Operating Revenue			
Electric Service Charges	$23,263,166	$18,245,186	$22,242,166
Water Service Charges	7,571,280	5,612,020	8,094,984
Other	2,042,298	1,534,367	566,804
Total Operating Revenue	32,876,744	25,391,573	30,903,954
Operating Expenses			
Source and Supply	15,468,978	10,112,124	14,073,978
Operations and Maintenance	6,364,180	3,730,675	6,276,730
Customer Accounts	2,190,520	1,364,512	2,203,740
Administration	4,628,810	2,905,158	4,670,742
Depreciation [2]	2,070,000	1,248,000	2,150,000
Total Operating Expenses	30,722,488	19,360,469	29,375,190
Operating Income (Loss)	2,154,256	6,031,104	1,528,764
Non-Operating Revenues (Expenses)			
Investment Earnings	120,390	36,707	120,390
Interest Expense	(2,212,000)	(1,055,998)	(2,082,813)
Total Non-Operating	(2,091,610)	(1,019,291)	(1,962,423)
Net Income (Loss) Before Transfers and Capital Contributions	62,646	5,011,813	(433,659)
Transfers In	455,246	303,497	455,246
Transfers Out	(913,149)	(684,861)	(943,149)
Contributed Capital (Development)	1,741,000	1,374,777	1,866,000
Change in Net Assets	1,345,743	6,004,726	944,438
Beginning Net Assets	84,218,986	84,218,986	85,564,729
Ending Net Assets	$85,564,729	$90,233,712	$86,509,167

[1] Unaudited figures through September 30, 2015.
[2] For purposes of the City's rate covenant and additional obligations covenants, depreciation is excluded from the definition of "Operation and Maintenance Expenses." See "THE BONDS—Security for the Bonds."
Source: City 2016 and 2015 Biennial Budget document and the City Finance Department

THE CITY

Description

The City, a municipal corporation and a political subdivision of the State incorporated in 1903, became a home rule municipality in 1976 upon adoption of its Home Rule Charter (the "Charter"). The City is primarily a residential community located approximately 10 miles south of the City of Colorado Springs adjacent to the Fort Carson Army Base. See "REGIONAL MAP." The City encompasses approximately 17.9 square miles and has an estimated population of 28,470.

City Powers

Pursuant to the Charter, the City has the power of local self-government and home rule, as well as all municipal powers established by the constitution and laws of the State of Colorado. Among those powers, rights and liabilities specifically granted by the Charter are the following: perpetual succession; to own, possess and hold real and personal property; to succeed to all rights and liabilities, to acquire all benefits and to assume payment of all bonds, obligations and indebtedness of the City; to sue and defend, plead and be impleaded in all courts and places and in all matters and proceedings; to purchase, receive, hold and enjoy, or sell and dispose of real and personal property; and to have and use a common seal.

Governing Body

The City operates under a council manager form of government whereby, except as otherwise provided by the Charter or statute, the Council exercises all powers conferred upon or possessed by the City and has the power and authority to adopt such laws, ordinances and resolutions as it deems proper in the exercise thereof, and the City Manager serves as the chief administrative officer of the City government.

The Council consists of seven members, one elected from each of three districts and the remaining four elected at large to serve staggered four-year terms. No member of the Council can serve more than two consecutive terms in office. The Council constitutes the legislative body of the City and has all the municipal legislative powers conferred by general law, the constitution and the Charter. The mayor is the presiding officer of the Council and has an equal voice and vote in all proceedings of the Council. The mayor serves a two-year term and cannot serve more than four elected consecutive terms of office. The mayor pro tem is appointed from the Council membership to serve in the event of absence or disability of the mayor. The mayor and members of the Council, their principal occupation, their length of service on the Council, and terms of office are set forth in the following table.

Name, Position	Principal Occupation	Years of Service	Term Expires (November)
Gabriel Ortega, Mayor	School Teacher	2	2017
Jim Coke, Mayor Pro Tem	Restaurant Owner	2	2019
Sam Gieck	Retired	2	2017
Sharon Thompson	Business Owner	2	2017
Greg Lauer	System Engineering Analyst	2	2017
Phil Thomas	Retired	4	2019
Richard Applegate	Retired	--	2019

The Council effects its decisions through the passage of ordinances, resolutions, and motions. All legislative enactments which are of a permanent nature, provide for a penalty or fine, imprisonment, or both, or provide appropriations for any purpose regardless of time limitations; or which deal with items of such significance that the City Attorney recommends enactment by ordinance, must be in the form of ordinances. All other actions may be in the form of resolutions or motions. Except as otherwise provided in the Charter, the adoption of ordinances requires a majority affirmative vote of the Council members present and all ordinances take effect five days from the date of final publication subsequent to passage on second reading. The Charter reserves the right of the City's qualified electors to propose ordinances to the Council by means of an initiatory petition procedure and to subject ordinances (except certain ordinances as set forth in the Charter) to reconsideration by the Council or a referendum vote through the submission of a referendary petition.

Administration

The adoption of the council manager form of government provided for the hiring of a City Manager selected by the Council and an administrative staff to direct day to day activities of the City. With the exception of the City Attorney's office, the staff functions through various departments under the control and supervision of the City Manager. The City Manager and City Attorney serve at the pleasure of the Council. The following is a list of the administrative and management personnel most directly involved in the issuance of the Bonds, their duties within the City government, and their background experience.

City Manager. The City Manager is the chief executive officer and head of the administrative branch of the City government. His powers and duties include, among others: responsibility for the enforcement of the laws and ordinances of the City; appointing, suspending, transferring and removing City employees; preparing and administering annual budgets; preparing an annual report on finances and administrative activities; exercising supervision and control over all executive and administrative departments; enforcing all terms and conditions imposed in favor of the City or its inhabitants in any contract or public utility franchise; and performing such other duties as may be prescribed by the Charter or required of him by the Council.

Scott Trainor has served as the City Manager since 2007. He attended Brigham Young University, receiving his Bachelor degree in Planning and Resource Management and his Master degree in Public Administration. Prior to his employment with the City he served as the City Manager for Cedar Hills, Utah from 1997–2002, and as the City Manager for Ontario, Oregon from 2002–2007. Mr. Trainor is a board member on the Fountain Valley Chamber of Commerce, and also serves on the Sustainability Communities Advisory Board for the International City Manager's Association ("ICMA") as well as the Military Communities Council for the National League of Cities. He has been a Credentialed City Manager with ICMA since 2003.

Finance Director. The Finance Director oversees the City's financial administration, including human resources, accounting, revenue and budget and information technology.

Donald Yucuis has served as the City's Finance Director since June 2014. He attended Valparaiso University where he received his Bachelor of Science degree in Accounting. Mr. Yucuis worked for the Village of LaGrange, Illinois from 1980 to 1990 and served as Finance Director for eight of those years. Prior to his employment with the City, he served as the Finance Director for the City of Iowa City, Iowa from 1990 to 1999; City of Little Rock, Arkansas from 2000 to 2001; and City of Clayton, Missouri from 2001 to 2011. He also was chief financial officer for a private property owners association in Hot Springs Village from 2011 to 2014. Mr. Yucuis is a long standing member of the Government Finance Officers Association.

City Attorney. The City Attorney is appointed by the Council and serves at its pleasure as legal representative of the City in litigation and as advisor to the Council and City officials regarding legal matters. The City Attorney is also responsible for the prosecution of offenses in municipal court and for the review of all City documents, including draft ordinances, resolutions, contracts and instruments of conveyance.

Patrick J. McDivitt was appointed City Attorney in April 2014, after holding the position of Administrative Services Director for the City since August 2013. Mr. McDivitt graduated from the University of Colorado with his Bachelor of Arts (Economics), Master of Public Administration, and Juris Doctor, and received a Master of Laws in Taxation from the University of Denver. He is licensed as a Certified Public Accountant (Colorado, retired). He served as a judicial law clerk at the Colorado Court

of Appeals (1979-80); a utilities law attorney in a private practice in Denver, Colorado (1981-84); a Legislative Assistant, U.S. Senate, Washington, D.C. (1984-85); an attorney, Office of the General Counsel, Board of Governors of the Federal Reserve System, Washington, D.C. (1985-94); in private practice (workers' compensation), in Colorado Springs, Colorado (1995-2001); and as a Senior Attorney, Office of the City Attorney, Colorado Springs, Colorado (2001-2013) before joining the City.

Director of Utilities. The Director of Utilities is responsible for the operation and maintenance of the electric, water and wastewater utilities.

Curtis Mitchell has served as Director of Utilities since April 2013. Mr. Mitchell received a Bachelor of Science degree in Civil Engineering from the University of Colorado. He is a registered professional engineer in the State of Colorado. Prior to his employment with the City, Mr. Mitchell was employed for thirty years at Colorado Springs Utilities. Among others, Mr. Curtis is currently a board member of the SECWCD and FVA.

City Employees and Benefits

The City has approximately 233 employees, with approximately 202 full-time regular employees and approximately 31 regular part-time employees. City employees do not belong to any labor unions. Benefits offered to full-time regular City employees include medical insurance, life insurance, vision insurance, dental insurance, sick leave and vacation time. The City also offers a deferred compensation plan and qualified pension plan to all of its employees. The current state of management/employee relations is good.

Services Available to City Residents

The City is a full service town, providing a broad range of municipal services to the community including police and fire protection, street and drainage maintenance, and water and electric services and general administrative services. Additional services are provided by various public and private entities. Wastewater, natural gas, cable television, internet and telephone service, as well as medical facilities, are provided by private entities.

CITY FINANCIAL INFORMATION

Accounting Policies

The accounts of the City are organized on the basis of funds and account groups. Such funds are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. For a description of the various funds and account groups, see the City's basic financial statements appended hereto.

Financial operations are accounted for by the City's Finance Department which prepares monthly financial information. State law and the Charter require that an independent audit shall be made of all City accounts at least annually. The audited financial statements must be filed with the State auditor by July 31 of each year. Failure to comply with this requirement to file an audit report may result in the withholding of the City's property tax revenues by the County Treasurer pending compliance.

The City's fiscal year 2014 financial statements were audited by Swanhorst & Company LLC, Certified Public Accountants, Greenwood Village, Colorado. The general purpose financial statements from the City's 2014 Annual Financial Report are appended hereto. Such financial statements are the most current audited financial information available for the City.

Historical and Budgeted General Fund Financial Information

Set forth in the following table is a five-year comparative statement of revenues and expenditures of the City's General Fund, including the December 31 fund balance for each year. The following information should be read together with the general purpose financial statements and accompanying notes of the City appended hereto. Preceding years' audited financial statements of the City may be obtained from the sources designated in "MISCELLANEOUS—Additional Information."

TABLE XVI
History of General Fund Revenues,
Expenditures, and Changes in Fund Balances

	2010	2011	2012	2013	2014
Revenues					
Taxes	$ 9,577,049	$ 9,659,691	$10,649,771	$10,867,608	$11,596,410
Intergovernmental	1,176,535	1,026,062	1,258,243	827,352	3,837,220
Licenses and Permits	79,151	67,875	87,815	128,163	114,018
Fines and Forfeitures	231,679	376,861	469,968	343,706	308,225
Service Charges	174,588	142,104	319,956	446,192	515,188
Investment Income	23,298	14,717	14,000	(7,861)	21,222
Miscellaneous	262,564	64,945	76,019	112,313	276,809
Total Revenue	11,524,864	11,352,255	12,875,772	12,717,473	16,669,092
Expenditures					
General Government	2,481,379	2,266,380	2,394,602	2,405,973	2,696,178
Public Safety	6,843,009	7,439,202	9,144,864	10,180,952	8,591,184
Public Works	1,252,187	1,333,584	1,708,671	1,361,243	1,585,840
Health and Welfare	185,744	203,847	253,336	275,818	296,392
Culture and Recreation	481,473	534,526	688,787	704,756	698,125
Debt Service	285,270	218,440	225,158	482,429	516,621
Total Expenditures	11,529,062	11,995,979	14,415,418	15,411,171	14,384,340
Excess of Revenues Over (Under) Expenditures	(4,198)	(643,724)	(1,539,646)	(2,693,698)	2,284,752
Other Financing Sources (Net)					
Debt Issued	--	271,250	3,188,485	474,571	609,300
Insurance Proceeds	--	--	290,000	--	--
Transfers In	661,526	591,084	646,299	675,270	675,270
Transfers Out	(404,104)	(465,950)	(489,792)	(597,853)	(527,345)
Total	257,422	396,384	3,634,992)	551,988	757,225
Net Change in Fund Balance	253,224	(247,340)	2,095,346	(2,141,710)	3,041,977
Beginning Fund Balance	2,149,083	2,402,307	2,154,967	4,250,313	2,108,603
Ending Fund Balance	$ 2,402,307	$ 2,154,967	$ 4,250,313	$ 2,108,603	$ 5,150,580

Source: City audited financial statements for the years ended December 31, 2010-2014

Budget and Appropriation Procedure. The City's biennial budget is constructed on a fiscal year basis as required by the Charter. On or before October 1 of each year the City Manager must prepare and submit a budget to the Council which is a complete financial plan and accompanying message for the ensuing fiscal year. The budget must include, but is not limited to: detailed estimates of all anticipated revenues of the City by source; detailed estimates, with supporting explanations, of all proposed expenditures for each department, office and agency of the City during the next fiscal year, together with

the proposed method of financing such expenditures; a reasonable provision for contingencies; required expenditures for debt service, judgments, cash deficient recovery and statutory expenditures; proposed capital expenditures during the next fiscal year, detailed by offices, departments and agencies when practicable and the proposed method of financing each such capital expenditure; anticipated net surplus or deficit for the next fiscal year for each utility owned or operated by the City and the proposed method of its disposition, together with subsidiary budgets for each such utility stating anticipated income and expenditure information; the bonded and other indebtedness of the City, showing the debt redemption and interest requirements, the debt authorized and unissued and the condition of special funds, if any; and such other information as the Council may request.

A public hearing on the proposed budget must be held by the Council and notice of the hearing must be published within seven days of the hearing on the budget, and copies of the proposed budget must be on file at the office of the City Clerk for public inspection during business hours. The budget and appropriation ordinance must be adopted not less than 15 days prior to the first day of the next fiscal year. The Council may certify to the county assessor the amount to be levied on taxable property within the City for collection by the county treasurer. Such levy must be certified no later than December 15. The Council adopted the City's 2015-2016 Biennial Budget in a timely manner pursuant to the above described procedure.

Set forth in the following table is a summary of the 2015 and 2016 budgets for the General Fund as compared with actual unaudited year to date figures for 2015.

[Remainder of Page Intentionally Left Blank]

TABLE XVII
General Fund Budget Summary and Comparison

	2015 Budget (as amended)	2015 Year to Date Actual (unaudited) [1]	2016 Budget
Revenues			
Taxes	$11,949,700	$ 7,955,999	$14,840,590
Licenses and Permits	110,750	63,704	110,750
Intergovernmental	1,285,200	680,978	1,033,660
Charges for Services	536,300	335,059	445,120
Fines and Court Costs	332,700	222,731	358,700
Other Income	445,600	395,821	222,700
Transfers In	1,099,344	732,729	899,344
Investment Income	25,000	8,445	20,200
Other	--	--	675,000
Total Revenues	15,784,594	10,395,466	18,606,064
Beginning Fund Balance	5,150,580	5,150,580	4,272,999
Total Available Funds	20,935,174	15,546,046	22,879,063
Expenditures			
Operating Expenditures	14,947,595	9,456,633	17,085,825
Debt Service	534,930	335,785	595,990
Capital	669,270	225,385	838,750
Transfers Out	510,380	382,785	485,380
Total Expenditures	16,662,175	10,400,588	19,005,945
Ending Fund Balance	$ 4,272,999	$ 5,145,459	$ 3,873,118

[1] Unaudited figures through September 30, 2015.
Source: City 2015/2016 Biennial Budget and the City

Further information relating to the General Fund as well as certain other funds of the City may be found in the Financial Statements of the City for the fiscal year ended December 31, 2014 attached hereto.

Administration's Summary of Material Trends

For a discussion and analysis of City operations, see the City's audited financial statements appended hereto for the Management's Discussion and Analysis which provides a narrative overview and analysis of the financial activities of the City for the year ended December 31, 2014.

Constitutional Amendment Limiting Taxes and Spending

On November 3, 1992, Colorado voters approved an amendment to the Colorado Constitution, which is commonly referred to as the Taxpayer's Bill of Rights, or TABOR, and now constitutes Section 20 of Article X of the Colorado Constitution. TABOR imposes various limits and new requirements on the State of Colorado and all Colorado local governments which do not qualify as "enterprises" under TABOR (each of which is referred to in this section as a "governmental unit"). Any of the following actions, for example, now requires voter approval in advance: (a) any increase in a governmental unit's spending from one year to the next in excess of the rate of inflation plus a "growth factor" based on (i) for the State, the percentage change in State population, (ii) for a school district, the percentage change in student enrollment, and (iii) for any other local government, the net percentage change in actual value of

all real property from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property; (b) any increase in the real property tax revenues of a local governmental unit (not including the State) from one year to the next in excess of inflation plus the appropriate "growth factor" referred to in (a) above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a State general election, at the governmental unit's regular biennial election or on the first Tuesday in November of odd numbered years, and must be conducted in accordance with procedures described in TABOR.

Revenue collected, kept or spent in violation of the provisions of TABOR must be refunded, with interest. TABOR requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending in 1995 and subsequent years. TABOR provides that "[w]hen [a governmental unit's] annual . . . revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, the [voter approval requirement for mill levy and other tax increases referred to in clause (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency." The preferred interpretation of TABOR shall, by its terms, be the one that reasonably restrains most the growth of government.

Enterprise Exemption. A governmental entity that qualifies as an "enterprise" is exempt from the provisions of TABOR. TABOR defines the term "enterprise" as a government owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado State and local governments combined. Qualification as an enterprise is determined annually. If an activity that qualified as an enterprise in one year no longer qualifies in a subsequent year, the revenue and spending of the activity will be subject to TABOR's fiscal year spending limits in the subsequent year (the limit will be adjusted for the revenue and spending of the City during the previous year).

Deposit and Investment of City Funds

State statutes set forth requirements for the deposit of City funds in eligible depositaries and for the collateralization of such deposited funds. See also Note 3 to the City's audited financial statements appended hereto. The City also may invest available funds in accordance with applicable State statutes. The investment of the proceeds of this issue also is subject to the provisions of the Federal Tax Code. See "TAX MATTERS."

Retirement and Pension Matters

See Note 10 to the City's basic financial statements appended hereto for a discussion of the City's pension plans.

Insurance Coverage

The Council acts to protect the City against loss and liability by maintaining certain insurance coverages. The City is insured as a member of CIRSA, a property and liability insurance pool established for Colorado municipalities on January 1, 1982. CIRSA provides liability coverage, including errors and omissions; property coverage; and specific catastrophe coverage, which insurance is renewable annually on January 1. See Note 9 to the City's financial statements appended hereto for a discussion of CIRSA.

The City Manager believes the City's present insurance coverage to be adequate; however, there can be no assurance that the City will continue to maintain this level of coverage.

DEBT STRUCTURE

The following is a discussion of the City's authority to incur general obligation indebtedness and other financial obligations and the amount of such obligations presently outstanding.

Required Elections

Article X, Section 20 of the Colorado Constitution requires that, except for refinancing bonded debt at a lower interest rate, the City must have voter approval in advance for the creation of any multiple fiscal year direct or indirect City debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Enterprises, as defined in Article X, Section 20 of the Colorado Constitution, are excluded from the application of said Section and the voter approval requirements established therein. For a discussion of Article X, Section 20 of the Colorado Constitution, see the caption "CITY FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending" herein.

General Obligation Debt

Any general obligation indebtedness of the City is subject to the election requirements described above in "Required Elections." Pursuant to Section 31-15-302 C.R.S., the total outstanding indebtedness of the City, including the total of principal amounts payable under any installment or lease option contracts, may not exceed 3% of the statutory actual value of taxable property within the City as determined by the county assessor for the last preceding assessment. Excluded from the limitation is any indebtedness for the acquisition or extension of a water system and supply, public utilities, projects, enterprises, works or ways from which the City will derive revenue. Upon issuance of the Bonds, the City has no general obligation indebtedness outstanding and applicable to the debt limitation.

Revenue and Other Financial Obligations

The City has the power to issue revenue obligations, subject to the election requirements described above, payable from the net revenue of City facilities, or payable in whole or in part from the proceeds of sales and use taxes. The City provides for the operation of certain of its services, such as water and electric, as enterprises which are not subject to the provisions of TABOR. See "CITY FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending." The following table sets forth the City's outstanding revenue obligations.

TABLE XVIII
Outstanding Revenue Obligations [1]

Issue	Outstanding Principal	Principal Totals
Water Revenue Bonds		
Water Revenue Bonds, Series 2015*	$ 3,975,000	
Subtotal*	3,975,000	$ 3,975,000
Water Rights Notes [2]		
2003 Water Rights Notes	72,700	
2007 Water Rights Notes	39,050	
Subtotal	111,750	111,750
Authority Loans [2]		
2008 Authority Bond	7,650,000	
2011 Authority Bond	8,810,000	
2013 Authority Bond	11,160,000	
2014 Authority Bond	16,835,000	
Subtotal	44,455,000	44,455,000
Total*		$48,541,750

* Preliminary; subject to change.
[1] Upon issuance of the Bonds.
[2] Represents Parity Lien Obligations.
Source: City Finance Department

Other Financial Obligations. The City Council has the authority to enter into installment or lease purchase contracts, subject to annual appropriation, for the purchase of property or capital equipment without prior electoral approval. The term of any such contract may not extend over a period greater than the estimated useful life of the property or equipment. The City has executed several capital leases for the purchase of police vehicles, buses, the construction of a new fire station and remodel of the police building and the purchase of information technology equipment. As of December 31, 2014, the principal amount of the leases outstanding was $3,946,540.

LEGAL MATTERS

Sovereign Immunity

The Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S., as amended (the "Governmental Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the City, for injuries which lie in tort or could lie in tort.

The Governmental Immunity Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. In general, public entities will be held liable for willful and wanton acts or omissions or willful and wanton acts or omissions of its public employees which occurred during the performance of their duties and within the scope of their employment. However, if a plaintiff can meet the burden of proof required to show that any one of the exceptions specified in the Governmental Immunity Act applies, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which was not willful and wanton, and which occur during the performance of their duties and within the

scope of their employment. The maximum amounts that may be recovered under the Governmental Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of $350,000; and (b) for an injury to two or more persons in any single occurrence, the sum of $990,000, except in such instance, no person may recover in excess of $350,000. Suits against both the City and a public employee do not increase such maximum amounts which may be recovered. The City may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the City is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten mills per annum for all outstanding settlements or judgments.

The City may be subject to civil liability and may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include, but are not limited to, suits filed pursuant to 42 U.S.C. Section 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the City may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Governmental Immunity Act provides that it applies to any action brought against a public entity or a public employee in any Colorado State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Pending and Threatened Litigation

In connection with the issuance of the Bonds, the City will deliver a certificate to the effect that, as of the date of issuance of the Bonds, to the best of their knowledge, there is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body pending or threatened against the City, wherein an unfavorable decision, ruling or finding would have a material adverse effect upon the City's ability to comply with its obligations under the Bond Ordinance.

Legal Representation

Legal matters incident to the authorization and issuance of the Bonds are subject to approval by Kutak Rock LLP, Denver, Colorado, Bond Counsel. In addition to acting as Bond Counsel, Kutak Rock LLP has been retained to advise the City concerning, and has assisted the City in the preparation of, this Official Statement.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Generally. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal and income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and continuing compliance by the City with certain covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause such interest on the Bonds to be included in gross income for federal and income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance

of the Bonds. The City has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

To the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of Colorado or any other state or jurisdiction.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax exempt obligations.

Bank Qualified. The City has represented that it does not reasonably anticipate issuing greater than $10,000,000 of tax-exempt obligations in calendar year 2015 (excluding certain private activity and refunding bonds) and that it has designed the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. Accordingly, assuming the accuracy of such representations, Bond Counsel is of the opinion that in the case of certain banks, thrift institutions or other financial institutions owning the Bonds, a deduction is allowed for 80% of that portion of such institutions' interest expense allocable to interest on such bonds. Bond Counsel has expressed no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by an owner of the Bonds or a related person to purchase or carry such bonds.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is

threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

MISCELLANEOUS

Rating

Standard & Poor's ("S&P") is expected to assign a rating to the Bonds of "AA" (stable outlook) based upon the Policy to be issued concurrently with the delivery of the Bonds by AGM. In addition, S&P has assigned the underlying rating to the Bonds of "A" based upon its rating of the Bonds without regard to the delivery of the Policy by the Bond Insurer. Such ratings reflect only the view of such rating agency. Any explanation of the significance of such ratings may be obtained from S&P at 55 Water Street, New York, New York 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

Piper Jaffray & Co. is employed as financial advisor to the City to render certain professional services including advising the City concerning the plan of financing for the Bonds and assisting in the preparation of this Official Statement.

Underwriting

The Bonds were purchased at competitive sale on _____, 2015, by the Underwriter named on the cover page hereof (the "Underwriter"), for a price equal to $_____ plus accrued interest to the date of their delivery to the Underwriter.

Registration of Bonds

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, or the Colorado Securities Act, as amended, pursuant to exemptions from registration provided in such acts. THE CITY ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED.

Continuing Disclosure Undertaking

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12) (the "Rule"), the City, acting by and through its Utility Enterprise, has agreed, for the benefit of the holders of the Bonds, to provide certain financial information and other operating data that the City customarily prepares and makes publicly available and notices of material events (the "Undertaking") after the Bonds are issued. The form of the Continuing Disclosure Undertaking is attached hereto as APPENDIX A.

The City, acting by and through its Utility Enterprise, had previously failed to file its audited financial statements, financial operating data and material event notices related to rating changes, as required under previous undertakings under the Rule. The City, once aware of such omissions, filed the required audited financial statements and financial operating data and rating changes with the Municipal Security Regulatory Board.

The City, acting by and through its Utility Enterprise, has implemented procedures to assure the submittal of future filings in a timely manner in compliance with the Undertaking, including contracting with the Paying Agent to provide an annual reminder to the City for the posting of the City's Annual Financial Information. Such failures to comply with the Rule or any future failure to comply with the Rule, by the City will not constitute an event of default under the Bond Ordinance. Nevertheless, any future failures must be reported in accordance with the Rule, and any future failures and previously reported failures must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market.

Interest of Certain Persons Named in this Official Statement

The legal fees to be paid to Kutak Rock LLP, are contingent upon the sale and delivery of the Bonds.

Independent Accountants

The basic financial statements of the City as of and for the year ended December 31, 2014, appended to this Official Statement as APPENDIX B, have been audited by Swanhorst & Company, LLC, Certified Public Accountants, Greenwood Village, Colorado, as stated in their report appearing therein.

Additional Information

Copies of statutes, resolutions, ordinances, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Official Statement are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from the sources provided under the caption "INTRODUCTION" above.

Official Statement Certification

The preparation of this Official Statement and its distribution have been authorized by the City Council, acting as the governing body of its Utility Enterprise. This Official Statement is hereby duly approved by the City Council, acting as the governing body of the Utility Enterprise, as of the date on the cover page hereof. This Official Statement is not to be construed as an agreement or contract between the City, acting by and through its Utility Enterprise, and the purchasers or the holders of any Bond.

CITY OF FOUNTAIN, acting by and through its
Electric, Water and Wastewater Utility Enterprise

By /s/_____
Mayor

APPENDIX A

FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS UNDERTAKING (the "Continuing Disclosure Undertaking" or the "Undertaking") is executed and delivered by the City of Fountain, in El Paso County, Colorado, acting by and through the City of Fountain Electric, Water and Wastewater Utility Enterprise (the "City"), in connection with the issuance of its Water Revenue Bonds, Series 2015, originally issued in the aggregate principal amount of $_____ (the "Bonds"). The Bonds are being issued by the City for the purpose of funding the (a) construction of a portion of the Southern Delivery System Project, (b) purchase of certain water rights, (c) replacement or construction of certain water mains, (d) installation of a Supervisory Control and Data Acquisition project for the City's water system, and (e) purchase of or engineering and designing of a new water building facility (the "Project") pursuant to a Bond Ordinance approved by the City on October 27, 2015 (the "Bond Ordinance"). Any capitalized terms used and not defined herein shall have the meanings assigned to them in the Bond Ordinance.

SECTION 1. Purpose of the Undertaking. This Undertaking is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and the Bond Insurer and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the "SEC").

SECTION 2. Definitions. In addition to the terms parenthetically defined herein, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Undertaking.

"*Bond Insurer*" shall mean _____.

"*City*" shall mean the City of Fountain, in El Paso County, Colorado, acting by and through the City of Fountain Electric, Water and Wastewater Utility Enterprise.

"*Dissemination Agent*" shall mean, initially, the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Material Events*" shall mean any of the events listed in Section 5 of this Undertaking.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB's required method of filing is electronically via its Electronic Municipal Market Access ("EMMA") system available on the Internet at http://emma.msrb.org.

"*Official Statement*" means the final Official Statement dated _____ __, 2015, together with any supplements thereto prior to the date the Bonds are issued, delivered in connection with the original issue and sale of the Bonds.

"*Participating Underwriter*" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

a. The City shall, or shall cause the Dissemination Agent to, not later than 210 days following the end of the City's fiscal year, commencing 210 days following the end of the City's fiscal year ending December 31, 2015, provide to the MSRB in an electronic format as prescribed by the MSRB and to the Bond Insurer, an Annual Report which is consistent with the requirements of Section 4 of this Undertaking. Not later than five (5) business days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Undertaking; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report.

b. If the City is unable to provide to the MSRB an Annual Report by the date required in Section 3(a) hereof, the City shall send or cause to be sent a notice in substantially the form attached as Exhibit A to the MSRB and the Bond Insurer.

c. The Dissemination Agent shall:

i. determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

ii. if the Dissemination Agent is other than the City, send written notice to the City at least forty-five (45) days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

iii. if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Undertaking, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

a. A copy of the City's annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) hereof, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

b. An update of the type of information identified in Exhibit B hereto, which is contained in the tables in the Official Statement with respect to the Bonds.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City; the Electric, Water and Wastewater Utility Enterprise; or related public entities, which are available to the public on the MSRB's Internet Website or filed with the SEC. The City shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The City shall provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds to the MSRB and to the Bond Insurer:

a. Principal and interest payment delinquencies;

b. Non-payment related defaults, if material;

c. Unscheduled draws on debt service reserves reflecting financial difficulties;

d. Unscheduled draws on credit enhancements reflecting financial difficulties;

e. Substitution of credit or liquidity providers or their failure to perform;

f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

g. Modifications to rights of holders of the Bonds, if material;

h. Optional contingent or unscheduled calls of any Bonds other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23867, if material, and tender offers;

i. Defeasances;

j. Release, substitution or sale of property securing repayment of the Bonds, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person[1];

m. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 6. Identifying Information. All documents provided to the MSRB pursuant to this Undertaking shall be accompanied by identifying information as prescribed by the MSRB.

[1] For the purposes of the event identified in this subparagraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

SECTION 7. Termination of Reporting Obligation. The City's obligations under this Undertaking shall terminate upon the earliest of: (a) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (b) the date that the City shall no longer constitute an "obligated person" within the meaning of the Rule; or (c) the date on which those portions of the Rule that require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

SECTION 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist the City in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Undertaking, the City may amend this Undertaking and may waive any provision of this Undertaking, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The City will provide notice of such amendment or waiver to the MSRB and to the Bond Insurer.

SECTION 10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the City to comply with any provision of this Undertaking, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the Bond Ordinance, and the sole remedy under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

SECTION 12. Beneficiaries. This Undertaking shall inure solely to the benefit of the City, the Bond Insurer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: _____, 2015

CITY OF FOUNTAIN, ACTING BY AND THROUGH THE CITY OF FOUNTAIN ELECTRIC, WATER AND WASTEWATER UTILITY ENTERPRISE, COLORADO

By:_____

APPENDIX B

AUDITED FINANCIAL STATEMENTS AS OF AND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

(THIS PAGE INTENTIONALLY LEFT BLANK)

Honorable Mayor and Members of the City Council
City of Fountain
Fountain, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fountain as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City of Fountain, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fountain Urban Renewal Authority, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fountain Urban Renewal Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fountain as of December 31, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 10 to the financial statements, in the year ended December 31, 2014, the City of Fountain adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters (Required Supplementary Information)
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 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.

Other Matters (Other Information)
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fountain's basic financial statements. The introductory section, supplementary information, statistical section, and local highway finance report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information and the local highway finance report are the responsibility of management and were 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 the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Swanbeck & Company, LLC

July 29, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the City of Fountain's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2014. Please read it in conjunction with the City's financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Highlights

- The assets of the City of Fountain exceeded its liabilities at the close of 2014 by $166.0 million (net position). Of this amount, $15.2 million (unrestricted net position) may be used to pay the City's obligations to citizens and creditors.
- At December 31, 2014, the City of Fountain's governmental funds reported combined ending fund balances of $9.4 million, an increase of $3.9 million in comparison with the prior year. $1.2 million of this total amount is available for spending at the government's discretion (unrestricted, unassigned).
- The unrestricted, unassigned fund balance for the General Fund was $1.2 million, or 8.2% of the total General Fund expenditures.
- Sales Tax, the City's largest source of General Fund revenue, was $6.2 million for 2014 as compared to $5.8 million for the prior year, an increase of 7.0%.
- Recovery from the economic downturn, in the area of new housing construction, continued in 2014 with 116 new housing starts and four new Commercial starts were the same in 2014 as 2013.

Using this Annual Report

This discussion and analysis is intended to serve as an introduction to the City of Fountain's basic financial statements. The City of Fountain's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements
The government-wide financial statements are designed to provide readers with a broad overview of the City of Fountain's finances, in a manner similar to a private-sector business.

The ***statement of net position*** presents information on all of the City of Fountain's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Fountain is improving or deteriorating.

The ***statement of activities*** presents information showing how the City of Fountain's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Fountain that are principally supported by taxes and intergovernmental revenues (*Governmental Activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities).* The Governmental Activities of the City of

Fountain include General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation and Interest Expense. The Business-type Activities of the City of Fountain include Water, Electric, Ambulance, and Drainage.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fountain, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view of cash, the governmental fund operations and the basic services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Proprietary funds – The *enterprise fund* type of proprietary funds is used to report the same functions presented as business-type activities in the government-wide financial statements, but provide more detail and additional information, such as cash flow. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Fiduciary funds-Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-36 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Fountain's progress in funding its obligation to provide pension benefits to volunteer fire fighters. This supplementary information can be found on page 37 of this report. The Schedule of Funding Progress Postemployment Benefit Plan is located on page 38. The Budgetary Comparison Schedule for the General Fund and the notes to the required supplementary information can be found on pages 39-42.

The combining statements, referred to earlier in connection with non-major Governmental Funds and Enterprise Funds, are presented immediately following the required supplementary information on pensions and the General Fund. Combining and individual fund statements and schedules can be found on pages 43-59.

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fountain, assets exceeded liabilities by $166.0 million at the close of 2014, a change of $4.8 million from the end of 2013.

Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Current and other assets	$13,783	$8,960	$27,406	$27,536	$41,189	$36,496
Capital assets	75,647	77,840	115,319	101,332	190,966	179,172
Total assets	89,430	86,800	142,725	128,868	232,155	215,668
Deferred outflows of resources	-	-	228	-	228	-
Long-term liabilities outstanding	4,953	4,878	47,117	36,413	52,070	41,291
Other liabilities	2,991	2,405	9,657	9,194	12,648	11,599
Total liabilities	7,944	7,283	56,774	45,607	64,718	52,890
Deferred inflows of resources	1,846	1,758	-	-	1,846	1,758
Net position:						
Net investment in capital assets	71,701	74,221	73,772	70,249	145,473	144,470
Restricted	4,538	3,626	577	577	5,115	4,203
Unrestricted	3,400	-88	11,830	12,434	15,230	12,346
Total net position	79,639	77,759	86,179	83,260	165,818	161,019

The largest portion of the City of Fountain's net position (87.7%) is reflected in the net investment in capital assets (e.g. land, buildings, infrastructure, vehicles, equipment, etc.), less any related debt still outstanding (current and long-term), that was used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

A small portion of the City of Fountain's net position (3.1%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position ($15.2 million) may be used to meet the City's ongoing obligations to citizens and creditors.

Changes in Net Position (in thousands)

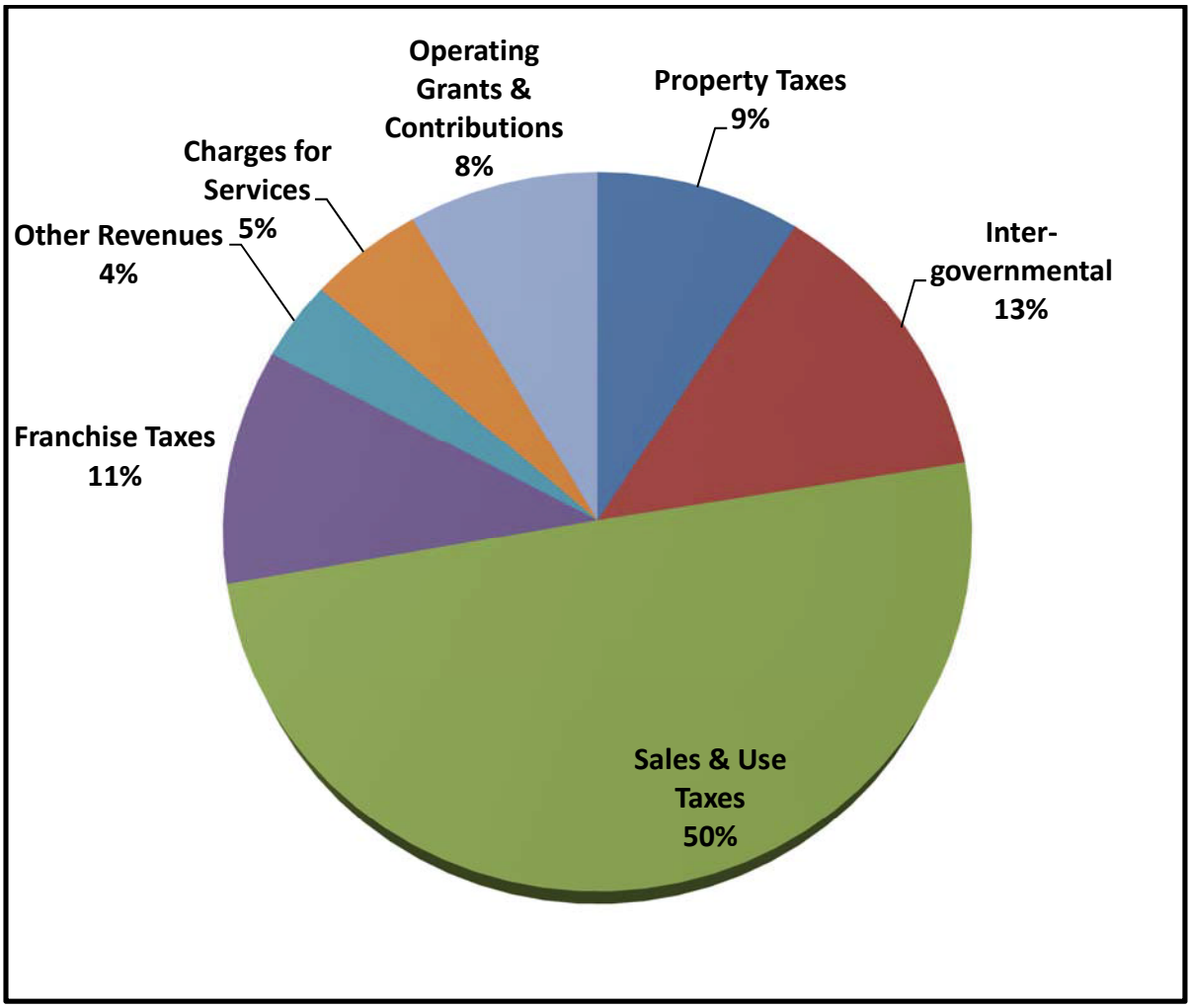
	Governmental Activities		Business-type Activities		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Revenues:						
Program Revenues:						
Charges for services	$966	$961	$32,518	$31,037	$33,484	$31,998
Operating grants and contributions	1,593	1,104	-	-	1,593	1,104
Capital grants and Contributions	-	-	2,436	3,751	2,436	3,751
General Revenues:						
Property taxes	1,716	1,692	-	-	1,716	1,692
Sales and use taxes	9,340	8,679	-	-	9,340	8,679
Spec. Own. taxes	188	172	-	-	188	172
Intergovernmental	2,500	-	-	-	2,500	-
Franchise taxes	1,994	1,861	-	-	1,994	1,861
Other revenues	285	135	-	-	285	135
Investment earnings	55	-22	162	144	217	122
Total revenues	18,637	14,582	35,116	34,932	53,753	49,514
Program expenses:						
General government	2,699	3,088	-	-	2,699	3,088
Public Safety	8,486	8,167	-	-	8,486	8,167
Public Works	4,488	3,403	-	-	4,488	3,403
Health and welfare	297	276	-	-	297	276
Culture and recreation	799	778	-	-	799	778
Interest expense	136	133			136	133
Water utility	-	-	6,912	7,221	6,912	7,221
Electric utility	-	-	24,279	23,026	24,279	23,026
Ambulance	-	-	859	826	859	826
Drainage	-	-	-	-	-	-
Total expenses	16,905	15,845	32,050	31,073	48,955	46,918
Excess/Deficiency Before transfers	1,732	-1,263	3,066	3,859	4,798	2,596
Transfers In (Out)	148	77	-148	-77	-	-
Increase/(Decrease in net position	1,880	-1,186	2,918	3,782	4,798	2,596
Net position, beginning	77,759	78,945	83,260	79,477	161,019	158,423
Net position, ending	$79,639	$77,759	$86,178	$83,260	$165,817	$161,019

The City's overall net position increased $4.8 million during 2014 and the Governmental and Business-type major changes are described in the next two sections.

Governmental Activities

Governmental activities net position for 2014 increased by $1.9 million. This is attributed to $489,000 more in program revenue from grants and contributions, $1.1 million more in program expenses comprised of, $319,000 in public safety, $1,085,000 in public works, $389,000 less in general government, $70,000 more in net transfers and offset by $3,567,000 more in general revenue and charges for services.

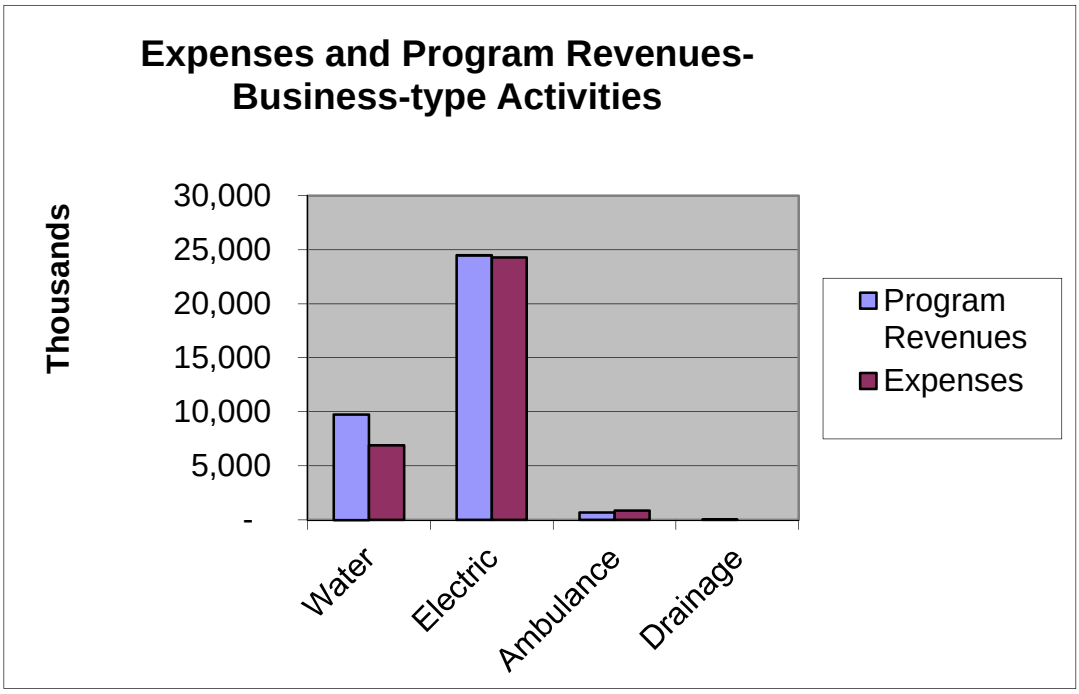
The following pie chart illustrates the Governmental Activities revenues.



- Revenue from general sales tax increased $411,000 or 6.9% compared to 2013.
- Revenue from the voter approved .75% Public Transportation sales tax, which was effective January 1, 2010, generated $521,000 for public transit; $313,000 for street resurfacing; and $730,000 for street improvements.
- Revenue from use tax is $1.5 million and approximately $146,000 more than 2013.
- Revenue from Fines and Court Costs decreased $35,000 due to less tickets issued in 2014 vs. 2013.
- Revenue from franchise fees of $1,994,000 increased by $133,000 compared to 2013 due to an increase in water rates.
- Revenue from Intergovernmental of $2,500,000 is from the Urban Renewal Authority.

Business-type Activities

The City of Fountain 2014 business-type activities net position increased by $2.9 million. The following chart illustrates the business-type activities program revenues and expenses.



- Combined 2014 revenue of $35.1 million was approximately the same as 2013.
  - water charges for services increased by $903,000 due to a rate increase.
  - electric charges for services increased by $547 million due to increased usage.
  - capital grants and contributions in water was more by $370,000 and electric was $1.7 million less due to a drastic reduction in new home development.

- Program expense of $32.0 million was approximately $1.0 million more than 2013.
  - Overall, water decreased by $308,000 due to decreases in operating expenses.
  - Electric increased by $1.2 million due to an increase in source of supply costs.

Fiduciary Activities

The City of Fountain maintains a fiduciary fund to account for money designated to pay benefits under the City's Volunteer Fire Pension Plan.

Financial Analysis of the City's Funds

The City of Fountain uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the City's financing requirements.

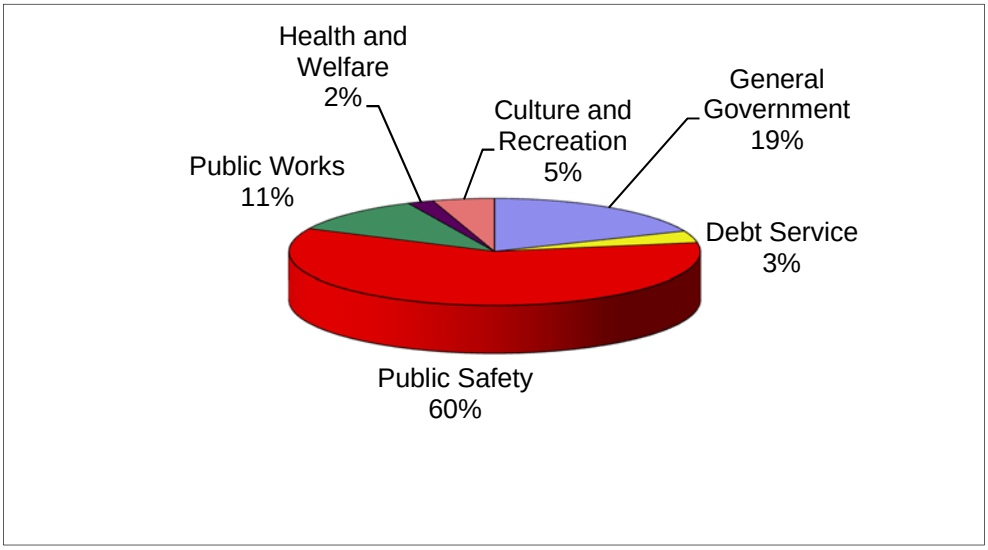
The City's General Fund reported a 2014 ending fund balance of $5.1 million, an increase of $3.0 million in comparison with the previous year due to a $2.5 million intergovernmental revenue from the Fountain Urban Renewal Authority, and revenues greater than expenses and transfers. $3.7 million or 71% of this total represents unrestricted, unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted for emergencies ($414,000), commitments for park improvements, school zone improvements, and traffic signals ($793,345) and assigned to public safety capital improvements ($259,430).

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail. Unrestricted net position of the water and electric utilities were ($3.1) million and $13.0 million, respectively.

General Fund Budgetary Highlights

The General Fund accounts for all of the general government services provided by the City of Fountain including: City Council, Municipal Court, Economic Development, Election, Administration, Planning & Engineering, and Information Technology. The following pie chart illustrates the General Fund expenditures by type.



Line item budget transfers are allowed within a fund with the approval of the City Manager. Increases in the expenditure budget for any fund must be approved by the City Council. The General Fund original budgeted expenditures (including transfers out) were $13.8 million. During the year, the City Council approved numerous budget amendments totaling $1.3 million for a final budget of $15.1 million.

These budget amendments included $73,395 in carryovers from the 2013 budget to complete projects that were started in 2013. Additionally, the budget was amended for expenditures relating to the following items:

- $210 thousand for street improvements at Sneffels
- $234 thousand for the purchase of 6 police vehicles and related equipment through capital lease financing.
- $ 82 thousand for Police Department cameras, radios, pistols and tasers.
- $150 thousand for IT virtualization in the Police Department.

- $169 thousand for Parks related projects including a new pocket park and master plan.
- $200 thousand for Ambulance Fund transfer.
- $100 thousand for a study related to a golf course development.
- $ 50 thousand to demolish a building.

Variances from the final budget to actual expenditures worth noting include the following:

- General government saved $377 thousand by delaying information technology purchases and savings in all other Departments.
- Public Safety was over by $233 thousand, with savings in Communications and Fire of $391 thousand offsetting the overage of $624 thousand in Police.

Capital Assets and Debt Administration

Capital Assets

The City of Fountain's investment in capital assets for its governmental and business- type activities as of December 31, 2014 totaled $190.9 million (net of accumulated depreciation). This investment in capital assets includes land and easements, water and storage rights, buildings and improvements, infrastructure, machinery and equipment, computers and software, and vehicles. The City's investment in capital assets increased by $11.8 million during 2014; governmental activities decreased by $2.2 million while business-type activities increased by $14.0 million.

Major capital events for 2014 included the following items:

- The water utility expended $11.5 million during 2014 related to the financing, engineering, design, permitting, and construction of the Southern Delivery System. The City of Fountain is a partner, along with the City of Colorado Springs, Security Water and Sanitation District, and Pueblo West Metropolitan District in this regional project, which is designed to deliver water through a 53 mile pipeline from Pueblo Reservoir to Upper Williams Creek Reservoir and the Universal Water Treatment plant located east of Colorado Springs. Fountain expects this project to be completed in 2016. The City will capitalize its share of ownership in this project.
- Police department replaced thirteen vehicles at a cost of $518 thousand and utilities replaced several vehicles at a cost of $318 thousand during 2013.
- Computers and software totaling $643 thousand.
- Machinery and equipment totaling $595 thousand.
- Building and Improvements totaled $3.4 million and mainly comprising the new Customer Service Building.
- Utilities infrastructure additions totaled $6.5 million.

Note 6 on pages 21-22 of the financial statements provide a detailed summary of the City's capital assets.

Long-term Debt

The City of Fountain's total long-term debt increased by $10.8 million from $44.9 million to $55.7 million during the year ended 2014.

The City's long-term debt related to governmental activities increased by $106,000. Capital lease obligations increased by approximately $206,000, compensated absences decreased by $127,000,

post-employment benefits increased by $83,000, and the early retirement program decreased by $56,000.

The City's long-term debt related to business-type activities increased by $10.7 million to $49.7 million during 2014. In October 2014, the Utility Enterprise entered into a $16.9 million loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) for the Utility's continued portion of the construction of the Southern Delivery System, water main replacement, water rights, a supervisory control and data acquisition system and renovations and refunding the $6.4 million of the 2005 CWRPDA loan. Compensated absences decreased by $4,000 thousand and the early retirement program decreased by $40,000.

Note 7 of the financial statements provide a detailed summary on the City's long-term debt.

Economic Factors and Next Year's Budget and Rates

The unemployment rate for 2014 for the Colorado Springs area was 6.0% versus the national rate of 6.2%.

Sales tax and Use tax revenue remains flat through April 2015 on a cash basis over the same timeframe in 2014. With 48 housing and commercial starts through May 2015, the City is on track to meet or exceed the number of housing and commercial starts completed in 2014.

A water rate increase of 8% or $6.72 per month for the average residential customer using 9,000 gallons is effective May 1, 2015. There will be no electric rate increase for 2015.

Requests for Information

This financial report is designed to provide a general overview of the City of Fountain's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or additional financial information should be addressed to the Finance Director:

City of Fountain
116 South Main Street
Fountain, CO 80817
719-322-2000

(THIS PAGE INTENTIONALLY LEFT BLANK)

BASIC FINANCIAL STATEMENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF FOUNTAIN, COLORADO

STATEMENT OF NET POSITION
December 31, 2014

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	URBAN RENEWAL AUTHORITY
ASSETS				
Cash and Investments	$ 10,402,328	$ 11,866,648	$ 22,268,976	$ 592,454
Committed Cash and Investments	-	809,878	809,878	-
Restricted Cash and Investments	-	7,362,464	7,362,464	3,394,818
Accounts Receivable	1,887,619	4,269,832	6,157,451	46,499
Accrued Interest Receivable	8,622	10,126	18,748	-
Grants Receivable	-	-	-	2,000
Taxes Receivable	1,846,283	-	1,846,283	94,852
Inventories	-	2,349,961	2,349,961	-
Prepaid Expenses	-	374,975	374,975	-
Internal Balances	(362,219)	362,219	-	-
Capital Assets, Not Being Depreciated	1,712,390	62,273,341	63,985,731	28,455,000
Capital Assets, Net of Accumulated Depreciation	73,934,994	53,045,278	126,980,272	-
TOTAL ASSETS	89,430,017	142,724,722	232,154,739	32,585,623
DEFERRED OUTFLOWS OF RESOURCES				
Loss on Debt Refunding, Net of Accumulated Amortization	-	228,143	228,143	-
LIABILITIES				
Accounts Payable	549,364	4,757,996	5,307,360	10,580
Accrued Liabilities	428,878	327,384	756,262	-
Deposits	693,653	1,368,318	2,061,971	-
Accrued Interest Payable	-	617,466	617,466	874,677
Insurance Claims Payable	310,906	-	310,906	-
Noncurrent Liabilities				
Due Within One Year	1,008,215	2,585,579	3,593,794	-
Due in More Than One Year	4,953,135	47,117,503	52,070,638	33,355,000
TOTAL LIABILITIES	7,944,151	56,774,246	64,718,397	34,240,257
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	1,846,283	-	1,846,283	94,852
NET POSITION				
Net Investment in Capital Assets	71,700,844	73,772,083	145,472,927	-
Restricted for Parks	265,398	-	265,398	-
Restricted for District Repairs and Maintenance	377,522	-	377,522	-
Restricted for Transportation	486,290	-	486,290	-
Restricted for Street Repairs and Maintenance	81,645	-	81,645	-
Restricted for Street Improvements	2,913,693	-	2,913,693	-
Restricted for Debt Service	-	576,900	576,900	3,376,495
Restricted for Capital Projects	-	-	-	7,823
Restricted for Emergencies	414,000	-	414,000	10,500
Unrestricted	3,400,191	11,829,636	15,229,827	(5,144,304)
TOTAL NET POSITION	$ 79,639,583	$ 86,178,619	$ 165,818,202	$ (1,749,486)

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	$ 2,699,475	$ 292,864	$ -	$ -
Public Safety	8,485,869	382,940	285,552	-
Public Works	4,488,188	37,455	1,049,720	-
Health and Welfare	296,720	14,777	34,448	-
Culture and Recreation	798,755	238,348	223,370	-
Interest Expense	136,046	-	-	-
Total Governmental Activities	16,905,053	966,384	1,593,090	-
Business-Type Activities				
Water	6,912,357	7,499,994	-	2,270,672
Electric	24,279,421	24,304,148	-	165,357
Ambulance	858,779	678,983	-	-
Drainage	-	35,309	-	-
Total Business-Type Activities	32,050,557	32,518,434	-	2,436,029
TOTAL PRIMARY GOVERNMENT	$ 48,955,610	$ 33,484,818	$ 1,593,090	$ 2,436,029
Component Unit				
Urban Renewal Authority	$ 2,317,199	$ -	$ 2,000	$ 80,000
GENERAL REVENUES				
Property Taxes				
Sales and Use Taxes				
Specific Ownership Taxes				
Franchise Taxes				
Intergovernmental Revenues not Restricted to Specific Programs				
Investment Income				
Miscellaneous				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION, Beginning				
NET POSITION, Ending				

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION			
PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	URBAN RENEWAL AUTHORITY
$ (2,406,611)	$ -	$ (2,406,611)	$ -
(7,817,377)	-	(7,817,377)	-
(3,401,013)	-	(3,401,013)	-
(247,495)	-	(247,495)	-
(337,037)	-	(337,037)	-
(136,046)	-	(136,046)	-
(14,345,579)	-	(14,345,579)	-
-	2,858,309	2,858,309	-
-	190,084	190,084	-
-	(179,796)	(179,796)	-
-	35,309	35,309	-
-	2,903,906	2,903,906	-
(14,345,579)	2,903,906	(11,441,673)	-
-	-	-	(2,235,199)
1,715,894	-	1,715,894	92,490
9,340,449	-	9,340,449	-
187,619	-	187,619	-
1,993,771	-	1,993,771	-
2,500,000	-	2,500,000	254,559
55,200	162,378	217,578	1,553
285,505	-	285,505	-
147,925	(147,925)	-	-
16,226,363	14,453	16,240,816	348,602
1,880,784	2,918,359	4,799,143	(1,886,597)
77,758,799	83,260,260	161,019,059	137,111
$ 79,639,583	$ 86,178,619	$ 165,818,202	$ (1,749,486)

(THIS PAGE INTENTIONALLY LEFT BLANK)

CITY OF FOUNTAIN, COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
ASSETS			
Cash and Investments	$ 5,134,347	$ 4,067,816	$ 9,202,163
Accounts Receivable	1,589,627	270,646	1,860,273
Accrued Interest Receivable	4,150	3,423	7,573
Taxes Receivable	1,763,057	83,226	1,846,283
TOTAL ASSETS	$ 8,491,181	$ 4,425,111	$ 12,916,292
LIABILITIES			
Accounts Payable	$ 462,808	$ 79,591	$ 542,399
Accrued Liabilities	421,083	7,795	428,878
Deposits	693,653	-	693,653
TOTAL LIABILITIES	1,577,544	87,386	1,664,930
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	1,763,057	83,226	1,846,283
FUND BALANCES			
Restricted for Parks	-	265,398	265,398
Restricted for District Repairs and Maintenance	-	377,522	377,522
Restricted for Transportation	-	486,290	486,290
Restricted for Street Repairs and Maintenance	-	81,645	81,645
Restricted for Street Improvements	-	2,913,693	2,913,693
Restricted for Emergencies	414,000	-	414,000
Committed to Park Improvements	512,486	-	512,486
Committed to School Zone	72,859	-	72,859
Committed to Traffic Signal	208,000	-	208,000
Committed to South Academy Highlands Project	2,500,000	-	2,500,000
Committed to Volunteer Fire Activities	-	129,951	129,951
Assigned to Public Safety Capital Improvements	259,430	-	259,430
Unrestricted, Unassigned	1,183,805	-	1,183,805
TOTAL FUND BALANCES	5,150,580	4,254,499	9,405,079
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 8,491,181	$ 4,425,111	$ 12,916,292

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2014

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds	$	9,405,079
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		75,647,384
Long-term liabilities are not due and payable in the curent year and, therefore, are not reported in governmental funds.		(5,961,350)
An internal service fund is used by management to charge the costs of health insurance to individual funds. A portion of the assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		548,470
Total Net Position of Governmental Activities	$	79,639,583

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2014

	GENERAL	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
REVENUES			
Taxes	$ 11,596,410	$ 1,641,323	$ 13,237,733
Licenses and Permits	114,018	-	114,018
Charges for Services	515,188	28,953	544,141
Fines and Forfeitures	308,225	-	308,225
Intergovernmental	3,837,220	255,870	4,093,090
Investment Income	21,222	26,507	47,729
Miscellaneous	276,809	8,696	285,505
TOTAL REVENUES	16,669,092	1,961,349	18,630,441
EXPENDITURES			
Current			
General Government	2,696,178	338,749	3,034,927
Public Safety	8,591,184	45,875	8,637,059
Public Works	1,585,840	491,601	2,077,441
Health and Welfare	296,392	-	296,392
Culture and Recreation	698,125	160,067	858,192
Debt Service			
Principal	382,038	21,601	403,639
Interest	134,583	1,463	136,046
TOTAL EXPENDITURES	14,384,340	1,059,356	15,443,696
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,284,752	901,993	3,186,745
OTHER FINANCING SOURCES (USES)			
Debt Issued	609,300	-	609,300
Transfers In	675,270	-	675,270
Transfers Out	(527,345)	-	(527,345)
TOTAL OTHER FINANCING SOURCES (USES)	757,225	-	757,225
NET CHANGE IN FUND BALANCES	3,041,977	901,993	3,943,970
FUND BALANCES, Beginning	2,108,603	3,352,506	5,461,109
FUND BALANCES, Ending	$ 5,150,580	$ 4,254,499	$ 9,405,079

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Change in Fund Balances of Governmental Funds	$	3,943,970
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense ($3,612,566) exceeded capital outlay $1,419,500 in the current year.		(2,193,066)
Payments of long-term debt principal are expenditures in governmental funds, but the payments reduce long-term liabilities in the statement of net position and do not affect the statement of activities. This amount represents capital lease payments.		403,639
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This amount represents a capital lease issued in the current year.		(609,300)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in accrued compensated absences $126,829, postemployment benefits ($83,628), and early retirement $56,000.		99,201
An internal service fund is used by management to charge the costs of health insurance to individual funds. A portion of the net income of the internal service fund is included in governmental activities in the statement of activities.		236,340
Change in Net Position of Governmental Activities	$	1,880,784

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2014

	WATER	ELECTRIC	NONMAJOR PROPRIETARY FUNDS	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
ASSETS					
Current Assets					
Cash and Investments	$ 1,492,517	$ 8,724,884	$ 1,649,247	$ 11,866,648	$ 1,200,165
Committed Cash and Investments	-	809,878	-	809,878	-
Restricted Cash and Investments	7,362,464	-	-	7,362,464	-
Accounts Receivable	771,724	3,444,463	53,645	4,269,832	27,346
Accrued Interest Receivable	-	8,711	1,415	10,126	1,049
Inventories	252,494	2,097,467	-	2,349,961	-
Prepaid Expenses	374,975	-	-	374,975	-
Total Current Assets	10,254,174	15,085,403	1,704,307	27,043,884	1,228,560
Noncurrent Assets					
Advances to Other Funds	-	2,087,368	-	2,087,368	-
Capital Assets, Not Being Depreciated	62,078,226	195,115	-	62,273,341	-
Capital Assets, Net of Accumulated Depreciation	25,782,109	27,263,169	-	53,045,278	-
Total Noncurrent Assets	87,860,335	29,545,652	-	117,405,987	-
TOTAL ASSETS	98,114,509	44,631,055	1,704,307	144,449,871	1,228,560
DEFERRED OUTFLOWS OF RESOURCES					
Loss on Debt Refunding, Net of Accumulated Amortizatio	228,143	-	-	228,143	-
LIABILITIES					
Current Liabilities					
Accounts Payable	2,818,565	1,929,768	9,663	4,757,996	6,965
Accrued Liabilities	85,909	211,552	29,923	327,384	-
Customer Deposits	144,375	1,223,943	-	1,368,318	-
Accrued Interest Payable	617,466	-	-	617,466	-
Insurance Claims Payable, Current Portion	-	-	-	-	310,906
Compensated Absences Payable, Current Portion	118,514	246,366	38,308	403,188	-
Early Retirement Payable, Current Portion	15,200	24,800	-	40,000	-
Loans Payable, Current Portion	2,142,391	-	-	2,142,391	-
Total Current Liabilities	5,942,420	3,636,429	77,894	9,656,743	317,871
Long-Term Liabilities					
Advances from Other Funds	2,087,368	-	-	2,087,368	-
Compensated Absences Payable	28,693	353,959	28,999	411,651	-
Early Retirement Payable	105,600	182,400	-	288,000	-
Loans Payable	46,417,852	-	-	46,417,852	-
Total Long-Term Liabilities	48,639,513	536,359	28,999	49,204,871	-
TOTAL LIABILITIES	54,581,933	4,172,788	106,893	58,861,614	317,871
NET POSITION					
Net Investment in Capital Assets	46,313,799	27,458,284	-	73,772,083	-
Restricted for Debt Service	576,900	-	-	576,900	-
Unrestricted	(3,129,980)	12,999,983	1,597,414	11,467,417	910,689
TOTAL NET POSITION	$ 43,760,719	$ 40,458,267	$ 1,597,414	85,816,400	$ 910,689

Amounts Reported for Business-Type Activities in the Statement of Net Position are Different Because:

An internal service fund is used by management to charge the costs of health insurance to individual funds. A portion of the assets and liabilities of the internal service fund is included in business-type activities in the statement of net position.	362,219
Total Net Position of Business-Type Activities	$ 86,178,619

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2014

	WATER	ELECTRIC	NONMAJOR PROPRIETARY FUNDS	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
OPERATING REVENUES					
Charges for Services	$ 7,242,996	$ 23,693,839	$ 714,292	$ 31,651,127	$ 3,337,089
Miscellaneous	256,998	610,309	-	867,307	-
TOTAL OPERATING REVENUES	7,499,994	24,304,148	714,292	32,518,434	3,337,089
OPERATING EXPENSES					
Source of Supply	1,797,377	15,458,718	-	17,256,095	-
Operations and Maintenance	1,263,092	3,483,590	861,531	5,608,213	-
Customer Accounts and Collection	529,770	1,462,229	-	1,991,999	-
Administration and General	1,444,696	2,879,000	-	4,323,696	223,607
Insurance Premiums	-	-	-	-	365,706
Insurance Claims	-	-	-	-	2,381,292
Depreciation	968,885	1,100,472	-	2,069,357	-
TOTAL OPERATING EXPENSES	6,003,820	24,384,009	861,531	31,249,360	2,970,605
OPERATING INCOME (LOSS)	1,496,174	(79,861)	(147,239)	1,269,074	366,484
NONOPERATING REVENUES (EXPENSES)					
Investment Income	8,454	143,013	10,911	162,378	7,471
Interest Expense	(846,666)	-	-	(846,666)	-
Debt Issuance Costs	(92,146)	-	-	(92,146)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(930,358)	143,013	10,911	(776,434)	7,471
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	565,816	63,152	(136,328)	492,640	373,955
Transfers In	-	411,140	198,095	609,235	-
Transfers Out	(383,480)	(344,630)	(29,050)	(757,160)	-
System Development Fees	2,223,953	108,387	-	2,332,340	-
Grants	46,719	56,970	-	103,689	-
CHANGE IN NET POSITION	2,453,008	295,019	32,717	2,780,744	373,955
NET POSITION, Beginning	41,307,711	40,163,248	1,564,697	83,035,656	536,734
NET POSITION, Ending	$ 43,760,719	$ 40,458,267	$ 1,597,414	$ 85,816,400	$ 910,689

Amounts Reported for Business-Type Activities in the Statement of Activities are Different Because:

Change in Net Position of Proprietary Funds	$ 2,780,744
An internal service fund is used by management to charge the costs of health insurance to individual funds. A portion of the net income of the internal service fund is included in business-type activities in the statement of activities.	137,615
Change in Net Position of Business-Type Activities	$ 2,918,359

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2014

	WATER	ELECTRIC	NONMAJOR PROPRIETARY FUNDS	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	$ 7,432,032	$ 24,471,230	$ 708,095	$ 32,611,357	$ 3,320,702
Cash Payments to Employees	(1,528,592)	(3,385,209)	(426,504)	(5,340,305)	-
Cash Payments to Suppliers	(3,662,451)	(20,035,400)	(415,327)	(24,113,178)	(2,838,333)
Net Cash Provided (Used) by Operating Activities	2,240,989	1,050,621	(133,736)	3,157,874	482,369
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	-	411,140	198,095	609,235	-
Transfers to Other Funds	(383,480)	(344,630)	(29,050)	(757,160)	-
Payments from Component Unit	-	53,771	-	53,771	-
Net Cash Provided (Used) by Noncapital Financing Activities	(383,480)	120,281	169,045	(94,154)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(13,185,795)	(1,598,298)	-	(14,784,093)	-
Loan Proceeds	18,226,192	-	-	18,226,192	-
System Development Fees Received	2,223,953	108,387	-	2,332,340	-
Grants Received	46,719	1,380,272	-	1,426,991	-
Payments from Other Funds	-	333,392	-	333,392	-
Payments to Other Funds	(333,392)	-	-	(333,392)	-
Payment to Escrow Agent	(6,749,955)	-	-	(6,749,955)	-
Debt Principal Payments	(951,852)	-	-	(951,852)	-
Debt Interest Payments	(1,808,667)	-	-	(1,808,667)	-
Debt Issuance Costs	(92,146)	-	-	(92,146)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,624,943)	223,753	-	(2,401,190)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received	8,454	180,094	12,572	201,120	7,721
NET CHANGE IN CASH AND CASH EQUIVALENTS	(758,980)	1,574,749	47,881	863,650	490,090
CASH AND CASH EQUIVALENTS, Beginning	9,613,961	7,960,013	1,601,366	19,175,340	710,075
CASH AND CASH EQUIVALENTS, Ending	$ 8,854,981	$ 9,534,762	$ 1,649,247	$ 20,038,990	$ 1,200,165
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating Income (Loss)	$ 1,496,174	$ (79,861)	$ (147,239)	$ 1,269,074	$ 366,484
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation and Amortization	968,885	1,100,472	-	2,069,357	-
Bad Debt Expense	(7,703)	(30,811)	-	(38,514)	-
Changes in Assets and Liabilities					
Accounts Receivable	(62,639)	169,384	(6,197)	100,548	(16,387)
Inventories	(120,887)	(222,652)	-	(343,539)	-
Prepaid Expenses	(3,777)	-	-	(3,777)	-
Accounts Payable	(1,165)	98,129	3,988	100,952	(11)
Accrued Liabilities	4,400	7,826	4,238	16,464	(3,282)
Customer Deposits	2,380	28,509	-	30,889	-
Insurance Claims Payable	-	-	-	-	135,565
Compensated Absences Payable	(19,479)	4,425	11,474	(3,580)	-
Early Retirement Payable	(15,200)	(24,800)	-	(40,000)	-
Net Cash Provided (Used) by Operating Activities	$ 2,240,989	$ 1,050,621	$ (133,736)	$ 3,157,874	$ 482,369

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
Year Ended December 31, 2014

	VOLUNTEER FIREFIGHTERS
ASSETS	
Cash	$ 69,365
Investments	
Local Government Investment Pools	490,302
U.S. Agency Securities	166,519
TOTAL ASSETS	$ 726,186
NET POSITION	
Restricted for Pension Benefits	$ 726,186

The accompanying notes are an integral part of the financial statements.

CITY OF FOUNTAIN, COLORADO

STATEMENT OF CHANGES IN NET POSITION
PENSION TRUST FUND
Year Ended December 31, 2014

	VOLUNTEER FIREFIGHTERS
ADDITIONS	
Investment Income	$ 2,191
TOTAL ADDITIONS	2,191
DEDUCTIONS	
Administration	150
Benefit Payments	4,800
TOTAL DEDUCTIONS	4,950
CHANGE IN NET POSITION	(2,759)
NET POSITION, Beginning	728,945
NET POSITION, Ending	$ 726,186

The accompanying notes are an integral part of the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Fountain (the "City") conform to generally accepted accounting principles as applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the City, organizations for which the City is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the City. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the City. Legally separate organizations for which the City is financially accountable are considered part of the reporting entity. Financial accountability exists if the City appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the City. Based on the application of these criteria, the City includes the following entities in its reporting entity.

The *Heritage Maintenance District* was established to maintain landscaping, fencing, drainage facilities, and other improvements within its boundaries. The *General Improvement District No. 1* were created to provide for the construction of a fire station, and after funding the fire station, for capital improvements including life safety improvements, park and recreational improvements, regional street improvements, and regional civic and cultural improvements. The *General Improvement District No. 2* was created to provide an alternate method of funding the construction, re-construction, and maintenance of certain public improvements within its boundaries. The City Council serves as the governing board for these districts and City management has operational responsibility for the districts. Therefore, their financial activity is blended into the City's financial statements. Separate financial statements are not issued.

The *Fountain Urban Renewal Authority* (the "Authority") was created to redevelop or rehabilitate certain blighted areas within the City. The Authority has a separate governing board with members appointed by the City Council. Although the Authority is legally separate from the City, the Authority's primary revenue source, tax increment financing, can only be established by the City. The Authority is discretely presented in the City's financial statements. Separate financial statements for the Authority are available at City Hall, 116 South Main Street, Second Floor, Fountain, Colorado 80817.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The *primary government* is reported separately from the legally separate *component unit* for which the City is financially accountable.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year. Taxes, intergovernmental revenues, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

When both restricted and unrestricted resources are available for a specific use, it is the City's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the City reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City also reports the following major proprietary funds:

Water Utility - This fund accounts for all activities necessary for the provision of water services to the City residents.

Electric Utility - This fund accounts for all activities necessary to provide electric power to the City residents.

Additionally, the City reports the following fund types:

Internal Service Fund - The Insurance Fund accounts for the activities related to employee health benefits, which are partially self-insured by the City.

Pension Trust Fund - The Pension Trust Fund is used to account for assets held by the City in a trustee capacity for the City's volunteer firefighters.

Assets, Liabilities and Net Position/Fund Balances

Cash and Investments - Cash equivalents include investments with original maturities of three months or less. Investments in pooled cash are considered cash equivalents. Investments are reported at fair value.

Receivables - Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories - Inventories of the proprietary funds are valued using the average cost method, and are reported as expenses when consumed. Materials and supplies purchased by the governmental funds are charged to operations when purchased.

Prepaid Expenses - Payments to vendors for services that will benefit subsequent years are reported as prepaid expenses.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as *interfund receivables* and *interfund payables* when they are short-term in nature. Noncurrent portions of interfund receivables and payables are reported as *advances from other funds* and *advances to other funds*. Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Capital Assets - Capital assets, which include land, buildings, equipment, and all infrastructure assets owned by the City, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset life are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	10 - 40 years
Infrastructure	25 - 40 years
Computers and Software	3 - 7 years
Machinery and Equipment	5 - 10 years
Vehicles	5 - 7 years

Deferred Inflows of Resources - Deferred inflows of resources include property taxes earned but levied for a subsequent year.

Compensated Absences - Employees of the City are allowed to accumulate unused vacation and sick time. Upon termination of employment from the City, an employee will be compensated for all accrued vacation time up to 320 hours at their current pay rate, and for unused sick time, depending on years of service, up to 720 hours at a percentage of their current rate of pay. Employees hired after March 1, 2006, will be paid for all accrued vacation time up to 240 hours and for unused sick time, depending on years of service, up to 360 hours at a percentage of their current rate of pay.

A liability for these compensated absences is reported when earned in the proprietary funds and when due in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (Continued)

Postemployment Benefits - An employee with at least 20 years of service with the City, and who has reached at least 55 years of age at retirement, is eligible to receive health and life insurance coverage after retirement. This benefit expires when the retiree reaches the age of 65, thereby making the maximum eligibility period 10 years. A long-term liability is reported in the government-wide financial statements as the postemployment benefits are earned.

Early Retirement - During the year ended December 31, 2013, the City offered early retirement benefits to qualified employees. In lieu of receiving postemployment health and life insurance coverage after retirement, the employees will receive annual payments of $12,000 for nine years or until the employee reaches age 65. At December 31, 2014, this offer is closed to further participation. A long-term liability is reported in the government-wide financial statements and the proprietary funds in the fund financial statements when the early retirement benefits are accepted by the employee and approved by the City.

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums, discounts, and refunding losses are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Net Position/Fund Balances - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. As reported in the governmental fund financial statements, the City Council establishes a fund balance commitment through passage of an ordinance or by approving a contract with a third party, and is authorized to informally assign amounts to a specific purpose.

The City Council has established the ideal target reserves at 40% of the current operating budget of the General Fund. The reserves should not be allowed to fall below 20% of the current operating budget, including the emergency reserve required by the Tabor Amendment (See Note 12).

The City has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the City uses restricted fund balances first, followed by committed, assigned, and unassigned balances.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes attach as an enforceable lien on property on January 1 and are levied the following December for collection in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the City on a monthly basis. Since property tax revenues are collected in arrears during the succeeding year, receivables and corresponding deferred inflows of resources are reported at year end.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At December 31, 2014, the Ambulance Fund had a deficit net position of $53,248, which management expects to be eliminated with future charges for services and General Fund subsidies.

NOTE 3: CASH AND INVESTMENTS

A summary of cash and investments as of December 31, 2014, follows:

Petty Cash	$ 2,718
Deposits	4,905,875
Investments	26,258,911
Total	**$ 31,167,504**

Cash and investments are reported in the financial statements as follows:

Cash and Investments	$ 22,268,976
Committed Cash and Investments	809,878
Restricted Cash and Investments	7,362,464
Pension Trust Fund	726,186
Total	**$ 31,167,504**

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2014, the City had bank deposits of $5,897,296 collateralized with securities held by the financial institutions' agents but not in the City's name.

Investments

The City is required to comply with State statutes which specify investments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk. The City's investment policy does not further limit these investment choices.

- Obligations of the United States and certain U.S. Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Certain corporate or bank securities
- Commercial paper
- Local government investment pools
- Repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts (GICs)

At December 31, 2014, the City had the following investments:

Investment Type	S&P Rating	Investment Maturities (in Years) Less Than 1	1 - 5	Fair Value
Local Government Investment Pools	AAAm	$ 14,635,097	$ -	$ 14,635,097
Money Market Funds	AAAm	694,837	-	694,837
Money Market Funds	Not Rated	633	-	633
U.S. Treasury Notes	NA	-	1,867,194	1,867,194
U.S. Agency Securities	AA+	-	7,060,829	7,060,829
Commercial Paper	A-1	999,320	-	999,320
Corporate Securities	AA+	-	499,563	499,563
Corporate Securities	AA	501,438	-	501,438
Total		**$ 16,831,325**	**$ 9,427,586**	**$ 26,258,911**

Interest Rate Risk - State statutes limit investments in U.S. Treasury and Agency securities to an original maturity of five years, and corporate securities to an original maturity of three years, unless the governing board authorizes the investment for a period in excess of these limits.

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk - State statutes limit investments in commercial paper and corporate securities to those with at least two ratings not below A-1 or AA-, respectively, by nationally recognized statistical rating organizations (NRSROs). State statutes also limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a NRSRO.

Concentration of Credit Risk - State statutes do not limit the amount the City may invest in a single issuer of U.S. Agency securities. Corporate securities are limited to fifty percent of the total investment portfolio and five percent for a single issuer. At December 31, 2014, the City's investments in the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation represented 13% and 8%, respectively, of the City's total investments.

Local Government Investment Pool - At December 31, 2014, the City had $11,390,209 and $3,244,888 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The pools are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Both pools are rated AAAm by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services to the pools in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Committed Cash and Investments

Beginning January 1, 2006, the City committed to use system development fees and water acquisition fees received by the Water Fund exclusively for growth-related capital improvements and purchases of water rights. In addition, system development fees collected by the Electric Fund are committed for the construction of a new substation. The remaining cash and investments at December 31, 2014, of $809,878 were reported as committed cash and investments in the Electric Fund.

Restricted Cash and Investments

Loan proceeds of $6,785,564 and $576,900 are restricted in the Water Fund for capital projects and debt reserves, respectively.

NOTE 4: INTERFUND BALANCES AND TRANSACTIONS

Interfund Balances

In August, 2010, the Electric Fund advanced $1,500,000 to the Water Fund to purchase water rights. The Water Fund is required to repay the advance through annual payments of $189,568, including interest accruing at 4.5% per annum, through 2020. The outstanding balance of the advance at December 31, 2014, was $977,768.

In October, 2009, the Electric Fund advanced $2,000,000 to the Water Fund to purchase water rights. The Water Fund is required to repay the advance through annual payments of $252,758, including interest accruing at 4.5% per annum, through 2019. The outstanding balance of the advance at December 31, 2014, was $1,109,600.

Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

Transfers In	Transfers Out	Amount
General	Water	$ 328,350
General	Electric	344,630
General	Ambulance	2,290
Electric	General	329,250
Electric	Water	55,130
Electric	Ambulance	26,760
Ambulance	General	198,095
Total		**$ 1,284,505**

During the year ended December 31, 2014, the Water, Electric, and Ambulance Funds reimbursed the General Fund for information technology services and purchases, and facility maintenance costs. The General, Water, and Ambulance Funds reimbursed the Electric Fund for fleet maintenance costs. The General Fund routinely subsidizes the operations of the Ambulance Fund.

NOTE 5: NOTES RECEIVABLE

In June, 2012, the City loaned $100,000 to a retailer as part of an economic development incentive agreement. The loan was non-interest bearing and all unpaid principal was due on June 29, 2017. Sales tax revenues generated by the retailer reduced the principal balance of the loan on a dollar for dollar basis. During the year ended December 31, 2014, the loan was paid in full.

In September, 2008, the City, through the Electric Fund, loaned $134,750 to the Fountain Urban Renewal Authority to assist with operations, administration, and other costs incurred by the Authority. Annual payments of $32,076 were required under the loan agreement, including interest accruing at 4.5% per annum, beginning in September, 2012, through September, 2016. During the year ended December 31, 2014, the loan was paid in full.

NOTE 6: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2014, is summarized below:

	Balances 12/31/13	Additions	Deletions	Balances 12/31/14
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land and Easements	$ 1,576,788	$ 62,378	$ -	$ 1,639,166
Construction in Progress	10,945	62,279	-	73,224
Total Capital Assets, Not Being Depreciated	1,587,733	124,657	-	1,712,390
Capital Assets, Being Depreciated				
Buildings and Improvements	8,571,065	412,309	-	8,983,374
Infrastructure	109,895,518	-	-	109,895,518
Computers and Software	437,377	181,041	-	618,418
Machinery and Equipment	3,940,129	183,078	-	4,123,207
Vehicles	5,465,723	518,415	-	5,984,138
Total Capital Assets, Being Depreciated	128,309,812	1,294,843	-	129,604,655
Less Accumulated Depreciation				
Buildings and Improvements	2,132,652	317,128	-	2,449,780
Infrastructure	42,784,891	2,748,726	-	45,533,617
Computers and Software	251,766	72,631	-	324,397
Machinery and Equipment	3,333,385	138,867	-	3,472,252
Vehicles	3,554,401	335,214	-	3,889,615
Total Accumulated Depreciation	52,057,095	3,612,566	-	55,669,661
Total Capital Assets, Being Depreciated, Net	76,252,717	(2,317,723)	-	73,934,994
Governmental Activities Capital Assets, Net	**$ 77,840,450**	**$ (2,193,066)**	**$ -**	**$ 75,647,384**
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land and Easements	$ 6,975,275	$ -	$ -	$ 6,975,275
Water and Storage Rights	22,304,538	-	-	22,304,538
Construction in Progress	28,044,600	11,484,075	6,535,147	32,993,528
Total Capital Assets, Not Being Depreciated	57,324,413	11,484,075	6,535,147	62,273,341
Capital Assets, Being Depreciated				
Buildings and Improvements	5,321,429	3,441,399	-	8,762,828
Infrastructure	58,314,406	6,474,649	-	64,789,055
Computers and Software	836,445	460,261	-	1,296,706
Machinery and Equipment	3,298,846	411,844	-	3,710,690
Vehicles	2,062,445	318,726	-	2,381,171
Total Capital Assets, Being Depreciated	69,833,571	11,106,879	-	80,940,450

NOTE 6: CAPITAL ASSETS (Continued)

	Balances 12/31/13	Additions	Deletions	Balances 12/31/14
Business-Type Activities (Continued)				
Less Accumulated Depreciation				
Buildings and Improvements	1,690,465	165,948	-	1,856,413
Infrastructure	19,845,665	1,550,629	-	21,396,294
Computers and Software	671,635	8,139	-	679,774
Machinery and Equipment	1,967,507	242,790	-	2,210,297
Vehicles	1,650,543	101,851	-	1,752,394
Total Accumulated Depreciation	25,825,815	2,069,357	-	27,895,172
Total Capital Assets, Being Depreciated, Net	44,007,756	9,037,522	-	53,045,278
Business-Type Activities Capital Assets, Net	**$ 101,332,169**	**$ 20,521,597**	**$ 6,535,147**	**$ 115,318,619**

Depreciation expense was charged to programs of the City as follows:

Governmental Activities	
General Government	$ 2,729
Public Safety	578,816
Public Works	2,918,723
Health and Welfare	328
Culture and Recreation	111,970
Total	**$ 3,612,566**

NOTE 7: LONG-TERM DEBT

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2014.

	Balances 12/31/13	Additions	Payments	Balances 12/31/14	Due Within One Year
Capital Leases	$ 3,740,879	$ 609,300	$ 403,639	$ 3,946,540	$ 423,454
Compensated Absences	1,075,521	302,084	428,913	948,692	480,761
Postemployment Benefits	350,490	83,628	-	434,118	-
Early Retirement	688,000	48,000	104,000	632,000	104,000
Total	**$ 5,854,890**	**$ 1,043,012**	**$ 936,552**	**$ 5,961,350**	**$ 1,008,215**

During 2007, the City entered into a lease agreement for $685,000 to purchase police vehicles, a street sweeper, dispatch consoles, and a pumper truck. Monthly payments of $12,183 were due through May, 2014. Interest accrued on the outstanding balance at 3.975% per annum. During the year ended December 31, 2014, the lease was paid in full.

NOTE 7: **LONG-TERM DEBT** (Continued)

Governmental Activities (Continued)

During 2007, the City paid cash of $500,000 and entered into a lease agreement for $315,000 to purchase a ladder truck. Annual payments of $53,104 were due under the lease agreement through July, 2014. Interest accrued on the outstanding balance at 4.32% per annum. During the year ended December 31, 2014, the lease was paid in full.

During 2011, the City entered into a lease agreement for $271,250 to purchase police vehicles. Monthly payments of $4,781 are due under the lease agreement through June, 2016. Interest accrues on the outstanding balance at 2.225% per annum. Capital assets of $271,250 less accumulated depreciation of $132,182 are reported under this lease.

During 2012, the City entered into a lease agreement for $188,485 to purchase police vehicles. Monthly payments of $3,333 are due under the lease agreement through June, 2017. Interest accrues on the outstanding balance at 2.35% per annum. Capital assets of $188,485 less accumulated depreciation of $55,189 are reported under this lease.

During 2012, the City entered into a lease agreement for $108,700 to purchase buses. Monthly payments of $1,922 are due under the lease agreement through March, 2017. Interest accrues on the outstanding balance at 2.35% per annum. Capital assets of $108,700 less accumulated depreciation of $42,703 are reported under this lease. Payments are reported in the Public Transportation Fund.

During 2012, the City entered into a lease purchase agreement for $3,000,000 to build a new fire station and remodel the police building. During 2013, an additional $218,000 was borrowed under the agreement to complete the projects. Interest payments are due semi-annually on March 1 and September 1, with interest accruing at 3.95% per annum. Principal payments are due annually on September 1, through September, 2032. At December 31, 2014, capital assets of $2,705,298, net of accumulated depreciation, were reported under this lease.

During 2013, the City entered into a lease agreement for $256,571 to purchase police vehicles. Monthly payments of $4,452 are due under the lease agreement through July, 2018. Interest accrues on the outstanding balance at 1.6% per annum. Capital assets of $256,571 less accumulated depreciation of $63,223 are reported under this lease.

During 2014, the City entered into a lease agreement for $609,300 to purchase vehicles and information technology equipment for the police department. Monthly payments of $10,562 are due under the lease agreement through September, 2019. Interest accrues on the outstanding balance at 1.61% per annum. Capital assets of $482,882 less accumulated depreciation of $20,359 are reported under this lease.

NOTE 7: LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Following is a schedule of the future minimum lease payments required under the capital lease obligations.

Year Ended December 31,	
2015	$ 555,145
2016	523,727
2017	454,966
2018	426,372
2019	338,365
2020 - 2024	1,171,145
2025 - 2029	1,089,802
2030 - 2032	611,401
Total Minimum Lease Payments	5,170,923
Less: Interest Portion	(1,224,383)
Present Value of Future Minimum Lease Payments	**$ 3,946,540**

Compensated absences, postemployment benefits, and early retirement are expected to be liquidated primarily with General Fund revenues.

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended December 31, 2014.

	Balances 12/31/13	Additions	Payments	Balances 12/31/14	Due Within One Year
2003 Water Rights Loan	$ 218,100	$ -	$ 72,700	$ 145,400	$ 72,700
2005 CWRPDA Loan	6,850,000	-	6,650,000	200,000	200,000
Loan Premium	65,903	-	65,903	-	-
2007 Water Rights Loan	117,150	-	39,050	78,100	39,050
2008 Water Rights Loan	1,225,743	-	60,102	1,165,641	1,165,641
2009 CWRPDA Loan	8,015,000	-	180,000	7,835,000	185,000
2011 CWRPDA Loan	9,175,000	-	180,000	8,995,000	185,000
2013 CWRPDA Loan	11,615,000	-	225,000	11,390,000	230,000
Loan Premium	547,361	-	18,767	528,594	-
2014 CWRPDA Loan	-	16,900,000	-	16,900,000	65,000
Loan Premium	-	1,326,192	3,684	1,322,508	-
Compensated Absences	818,419	479,743	483,323	814,839	403,188
Early Retirement	368,000	-	40,000	328,000	40,000
Total	**$ 39,015,676**	**$ 18,705,935**	**$ 8,018,529**	**$ 49,703,082**	**$ 2,585,579**

NOTE 7: **LONG-TERM DEBT** (Continued)

Business-Type Activities (Continued)

During 2003, the City obtained a loan from a private individual for the purchase of water rights. Annual principal payments of $72,700 are due through 2016. Interest accrues at 5% per annum and is paid semi-annually.

During 2005, the City entered into a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA). Authorized uses of the loan proceeds include land acquisition for future water storage, purchase of water rights and various other water projects. Payments of principal and interest were due semi-annually on May 1 and November 1, through November, 2035. Interest accrued at 4.56% per annum. During the year ended December 31, 2014, a portion of the loan was refunded. All remaining principal is due on November 1, 2015.

During 2007, the City obtained a loan from a private individual to purchase water rights. Annual principal payments of $39,050 are due through 2016. Interest accrues at 5% per annum and is paid semi-annually.

During 2008, the City entered into an agreement with a private individual to purchase water rights. The agreement requires monthly principal and interest payments of $12,000, with a final balloon payment due forty-five days following the final decree issued by the water court. Interest accrues at 7% per annum.

During 2009, the City entered into a loan agreement with the CWRPDA. Loan proceeds were used for future water storage sites, and the acquisition of a customer service building. Interest payments are due semi-annually on May 1 and November 1. Principal payments are due annually on November 1, through 2038. Interest accrues at rates ranging from 3% to 5.25% per annum.

During 2011, the City entered into a loan agreement with the CWRPDA. Loan proceeds were used for construction of the Southern Delivery System (See Note 12) and phase I of the remodel of the future utilities customer service center. Interest payments are due semi-annually on February 1 and August 1. Principal payments are due annually beginning on August 1, 2013, through 2041. Interest accrues at rates ranging from 2% to 5.4% per annum.

During 2013, the City entered into a loan agreement with the CWRPDA. Loan proceeds were used for construction of the Southern Delivery System (See Note 12) and for additional costs to remodel the utilities customer service center. Interest payments are due semi-annually on March 1 and September 1. Principal payments are due annually beginning on September 1, 2014, through 2043. Interest accrues at rates ranging from 2% to 5% per annum.

During 2014, the City entered into a loan agreement with the CWRPDA. Loan proceeds will be used for construction of the Southern Delivery System (See Note 12), purchase of water rights, replacement of old water mains, installation of a supervisory control and data acquisition system (SCADA), and to refund a portion of the 2005 CWRPDA loan. Interest payments are due semi-annually on March 1 and September 1. Principal payments are due annually beginning on September 1, 2015, through 2044. Interest accrues at rates ranging from 2% to 5% per annum.

NOTE 7: LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

The CWRPDA loans are payable solely from revenues of the City's utility system, which includes the Water and Electric Funds, after deduction of operating and maintenance costs, provided that revenues are limited to 50% of tap fee revenues. During the year ended December 31, 2014, net revenues of $4,486,337 were available to pay annual debt service of $2,506,046. Future debt service requirements for the outstanding loans at December 31, 2014, were as follows.

Year Ended December 31,	Principal	Interest	Total
2015	$ 2,142,391	$ 1,907,348	$ 4,049,739
2016	1,136,750	1,960,047	3,096,797
2017	1,060,000	1,924,603	2,984,603
2018	1,100,000	1,887,828	2,987,828
2019	1,130,000	1,850,728	2,980,728
2020 - 2024	6,385,000	8,541,512	14,926,512
2025 - 2029	7,915,000	7,009,356	14,924,356
2030 - 2034	9,765,000	5,156,684	14,921,684
2035 - 2039	9,635,000	2,864,300	12,499,300
2040 - 2044	6,440,000	779,337	7,219,337
Total	**$ 46,709,141**	**$ 33,881,743**	**$ 80,590,884**

Defeased Debt - In November, 2014, a portion of the proceeds of the 2014 CWRPDA loan, in the amount of $6,749,955 were deposited in an irrevocable trust with an escrow agent to advance refund $6,455,000 of the 2005 CWRPDA loan. The refunding resulted in the recognition of an accounting loss of $229,052. The City reduced its aggregate debt service payments by approximately $998,164 and obtained an economic gain (difference between the present values of the old and new debt service payments) of $662,082. As a result, the refunded debt is considered defeased and the liability has been removed from the financial statements. The refunded debt will be called and paid in full in December, 2015.

NOTE 8: JOINT VENTURE

The City is a participant in the Fountain Valley Authority which was formed to construct and operate a water treatment plant. Participants in the Authority are the Cities of Fountain and Colorado Springs, Security Water District, Stratmoor Hills Water District and Widefield Water and Sanitation District. The City is represented on the Authority's Board of Directors by one member. The Board of Directors has the responsibility for all operations of the Authority.

NOTE 8: JOINT VENTURE (Continued)

The City's share of available capacity for the year ended December 31, 2014, was 2,000 acre feet of project water, representing an ownership percentage of participation of 9.95%.

The City's share of the Authority is not included in the financial statements since the Authority is a component unit of the City of Colorado Springs. Financial information about the Fountain Valley Authority can be obtained in a separate report available at City Hall.

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and health and dental claims of its employees. The City accounts for and finances its risk activities in the General Fund and the Insurance Internal Service Fund.

Public Entity Risk Pool

For property, liability and workers compensation risks of loss, the City is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity formed by intergovernmental agreement by member municipalities pursuant to the provisions of 24-10-115.5, Colorado Revised Statutes (1982 Replacement Volume) and the Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members defined liability, property, and workers compensation coverages and to assist members to prevent and reduce losses and injuries to municipal property and to persons or property which might result in claims being made against members of CIRSA, their employees or officers.

It is the intent of the members of CIRSA to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of CIRSA against stated liability of loss, to the limit of the financial resources of CIRSA. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members.

CIRSA is a separate legal entity and the City does not approve budgets nor does it have the ability to significantly affect the operations of CIRSA.

Insurance Fund

Effective October 1, 2009, the City established a partially self-insured program for employee health, dental and short-term disability benefits. Transactions of the self-insurance program are reported in the Insurance Fund, an internal service fund. The City has purchased excess insurance policies to cover individual claims in excess of $50,000, and aggregate annual claims in excess of approximately $2,953,699, depending on enrollment counts. Premiums are paid by the General, Water, Electric, and Ambulance Funds.

NOTE 9: RISK MANAGEMENT (Continued)

Insurance Fund (Continued)

Claims liabilities, including estimated incurred but not reported claims (IBNR), are reported in the government-wide financial statements and the internal service fund if information available prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Other than current amounts, the City believes the estimated claims liability is not fully measurable, and the City could incur additional costs related to IBNR claims.

Changes in claims payable were as follows:

	12/31/14	12/31/13
Claims Payable, Beginning	$ 175,341	$ 182,485
Claims and Changes in Provisions	2,381,292	2,093,573
Claims Payments	(2,245,727)	(2,100,717)
Claims Payable, Ending	**$ 310,906**	**$ 175,341**

NOTE 10: RETIREMENT COMMITMENTS

During the year ended December 31, 2014, the City adopted Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*.

Volunteer Firefighters' Pension Plan

Summary of Significant Accounting Policies

Investments - Investments are reported at fair value.

Plan Description

Plan Administration - The City has established the Volunteer Firefighters' Pension Plan, a single-employer defined benefit pension plan for volunteer firefighters as authorized by State of Colorado statutes. The plan is administered by a Board of Trustees composed of City Council members and firefighters. The Board of Trustees also establishes and is allowed to amend contribution and benefit requirements. The plan does not publish a separate stand-alone report, but is reported in the financial statements as a Pension Trust Fund.

NOTE 10: RETIREMENT COMMITMENTS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Plan Membership - At December 31, 2014, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	12
Active plan members	18
Total	33

Benefits Provided - Any firefighter who has both attained the age of fifty and completed twenty years of active service shall be eligible for a monthly pension benefit of $200. A firefighter who is disabled in the line of duty and whose disability is of such character and magnitude as to deprive the firefighter of earning capacity and extends beyond one year shall be compensated in an amount determined by the Board of Trustees, currently $200 each month. Monthly survivor benefits are $200 unless the firefighter was disabled, in which case the survivor benefit is $100 each month.

Contributions - As established by State statutes, the plan may receive contributions from the City in an amount not to exceed one-half mill of property tax revenue. The State of Colorado contributes 90% of the City's contribution. Plan members are not required to contribute to the plan. The contributions are not actuarially determined. The actuarial valuation as of January 1, 2012, indicated that the current level of contributions is adequate to support on an actuarially sound basis the prospective benefits of the present plan. No contributions were made to the plan during the year ended December 31, 2014.

Investments

Investment Policy - The Board of Trustees has the authority to establish an investment policy for the plan, but has not done so. City management currently makes all investment decisions.

Rate of Return - For the year ended December 31, 2014, the annual money-weighted rate of return on plan investments, net of investment expense, was .28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Asset of the City

At December 31, 2014, the components of the net pension asset of the City were as follows.

Total Pension Liability	$ (317,220)
Plan Fiduciary Net Position	726,186
City's Net Pension Asset	**$ 408,966**
Plan fiduciary net position as a percentage of the total pension liability	229%

NOTE 10: RETIREMENT COMMITMENTS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Interest Rate - 4.5% per annum, compounded annually, net of operating expenses
Expenses - Investment return assumed net of expenses
Mortality (Active Members) - RP-2000 Healthy Employees Mortality Table projected 15 years from the valuation date using Scale AA (annual rate per 1,000 members)
Retirement - Age 50 and 20 years of service
Probability of achieving 20 years total service for inactive members who had served between five and ten years of service starting after June 3, 1977 - 25%

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return and by adding expected inflation. Best estimates of rates of return for each major asset class included in the plan's target asset allocation at January 1, 2015, are summarized in the following table (note that the rates shown below include the inflation component):

Asset Class	Long-Term Expected Rate of Return
Fixed Income	4.61%
Cash	3.50%

Discount Rate - The discount rate used to measure the total pension liability was 4.5%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the current funding policy. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 4.5% was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate - The following table presents the net pension asset of the City at December 31, 2014, calculated using the discount rate of 4.5%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (3.5%) or 1 percentage point higher (5.5%) than the current rate, as follows:

NOTE 10: RETIREMENT COMMITMENTS (Continued)

Volunteer Firefighters' Pension Plan (Continued)

	1% Decrease (3.5%)	Current Discount Rate (4.5%)	1% Increase (5.5%)
Net Pension Asset	**$ 324,960**	**$ 408,966**	**$ 469,938**

Police and Firefighter Money Purchase Pension Plan

The City contributes to a single-employer defined contribution money purchase pension plan on behalf of police officers and paid firefighters. The City is required to contribute 8.5% of each participating employee's compensation, and each employee must contribute a matching amount. The Plan provisions and contribution requirements are established and may be amended by the City Council. Employees are eligible to participate in the Plan as of the first day of work as an employee, and become fully vested after five years of service.

For the year ended December 31, 2014, the City contributed $299,507 to the Plan, equal to the required contributions. All of the Plan investments at December 31, 2014, are managed by Great West Life & Annuity Insurance Company, an outside administrator.

Firefighter Pension Plan

Effective September 1, 2011, paid firefighters had the option to remain in the existing pension plan or choose to participate in the Defined Benefit System administered by the Fire and Police Pension Association (FPPA) in accordance with Part 3 of Article 31 of Title 31, Colorado Revised Statutes (CRS). Firefighters hired after September 1, 2011, are required to participate in the Statewide Defined Benefit Plan on the first day of employment.

Plan Description - The Defined Benefit System consists of the Statewide Defined Benefit Plan, a multiple-employer defined benefit plan, and the Statewide Hybrid Plan, a cost-sharing multiple-employer combination defined benefit and money purchase plan. The plans provide retirement and disability, annual increases, and death benefits for members or their beneficiaries. Title 31, Article 31, Part 1101, of the CRS, as amended, assigns the authority to establish benefit provisions to the State Legislature. FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by contacting FPPA of Colorado, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado 80111.

NOTE 10: RETIREMENT COMMITMENTS (Continued)

Firefighter Pension Plan (Continued)

Funding Policy - Plan members and the City are required to contribute to the Statewide Defined Benefit Plan and the Statewide Hybrid Plan at rates established under Title 31, Article 31, of the CRS, as amended. For the years ended December 31, 2012, 2013 and 2014, the contribution rate was 8% of base salary for both members of the Statewide Defined Benefit Plan and the City. However, firefighters that transferred from the money purchase pension plan were required to contribute a total of 20% of base salary. The split of contributions was determined by the City Council at 10.5% of base salary for employees and 9.5% for the City. Each employee participating in the Statewide Hybrid Plan must contribute 9.5% of base salary and the City contributes a matching amount. Total contributions in excess of those required by the CRS (12.9% from January 1 through June 30, 2012, 13% from July 1, 2012 through June 30, 2013, 12.6% from July 1, 2013 through June 30, 2014, and 12.5% thereafter) are deposited into the money purchase component of the State Hybrid Plan. These excess contribution amounts are established and may be amended by the City Council. City contributions are fully vested after five years of service. The City's contributions to the plan for the years ended December 31, 2014, 2013 and 2012, were $123,023, $122,633 and $119,889, respectively, equal to the required contributions.

General Employee Money Purchase Pension Plan

The City contributes to a single-employer defined contribution money purchase pension plan on behalf of non-police and firefighter employees. The City is required to contribute 3.5% of each participating employee's compensation, and each employee must contribute a matching amount. The Plan provisions and contribution requirements are established and may be amended by the City Council. Employees are eligible to participate in the Plan after six months of employment. Participants become fully vested after five years of service.

For the year ended December 31, 2014, the City contributed $301,697 to the Plan, equal to the required contributions. All of the Plan investments at December 31, 2014, are managed by the Colorado County Officials and Employees Retirement Association (CCOERA), an outside administrator.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. No City contributions are required. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All Plan assets are held in trust for the exclusive benefit of the employees.

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The City has established a single-employer defined benefit postemployment healthcare plan. Employees with at least 20 years of service with the City, and who have reached at least 55 years of age, are eligible to receive health insurance benefits after retirement. These benefits expire when the retiree reaches the age of 65. The authority to establish and amend benefit provisions rests with the City Council. The City does not issue a stand-alone financial report for the plan.

Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. The City pays the entire monthly insurance premium. Plan members are not required to contribute to the plan. For the year ended December 31, 2014, there were no contributions to the plan.

Annual OPEB Cost and Net OPEB Obligation - The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan.

Annual required contribution	$ 90,474
Interest on net OPEB obligation	10,515
Adjustment to annual required contribution	(17,361)
Annual OPEB cost	83,628
Contributions made	-
Increase in net OPEB obligation	83,628
Net OPEB Obligation, Beginning	350,490
Net OPEB Obligation, Ending	**$ 434,118**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2014, and the two preceding years follows.

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/14	$ 83,628	0.0%	$ 434,118
12/31/13	61,724	0.0%	350,490
12/31/12	61,724	1.7%	288,766

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress - At January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability (AAL) was $488,743, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $10.1 million, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 4.81%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. These assumptions include among others, annual rates of payroll increases, healthcare cost trends, and mortality rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the City and plan members, and are based on the types of benefits provided at the time of each valuation and the historical pattern of sharing of the benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions included the following:

Actuarial Valuation Date - January 1, 2014
Actuarial Cost Method - Entry Age
Amortization Method - Level Dollar, Open
Remaining Amortization Period - 30 years
Asset Valuation Method - Fair Value
Investment Rate of Return - 3%, including inflation at 2%
Healthcare Cost Trend Rate and Premium Increase - 8% for 2014, decreasing .35% each year until 2018 when 1% is added for cadillac tax, then continues to decrease .35% each year until 5.5% in year 2024 and after.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The City believes it is in compliance with the requirements of the Amendment. However, the City has made certain interpretations of the Amendment's language in order to determine compliance.

NOTE 12: COMMITMENTS AND CONTINGENCIES

Tabor Amendment (Continued)

The City has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2014, the emergency reserve of $414,000 was reported as restricted fund balance in the General Fund.

Litigation

The City is involved in various pending or threatened litigation. The outcome of this litigation cannot be determined at this time.

Claims and Judgements

The City participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. At December 31, 2014, significant amounts of grant expenses have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the City.

Southern Delivery System

The City, along with the City of Colorado Springs, Security Water and Sanitation District, and Pueblo West Metropolitan District, are partners in the Southern Delivery System project. This project will convey raw water from Pueblo Reservoir through a 66" diameter, 53-mile pipeline to Upper Williams Creek Reservoir and Universal Water Treatment Plant located east of Colorado Springs. The City's participation in the conveyance capacity is 2,500 acre-feet per year and 5.625 million gallons per day (mgd) in the water treatment plant. The City estimates that the project will be online in 2016.

Under the terms of the project agreement, the City's participation is reported in the financial statements as an undivided interest, whereby the City reports its assets, liabilities, revenues and expenses associated with the joint project. At December 31, 2014, the City reported capital assets, with no depreciation, of $30,432,104 for this project.

Conveyance Service Contract

The City, as a participant in the Fountain Valley Authority, receives raw water through the Fountain Valley Conduit (the "Conduit') pursuant to a conveyance service contract with the Southeastern Colorado Water Conservancy District. Under the terms of the contract, the participants are assessed a service charge for the costs of constructing the Conduit. The City's future service charges are as follows:

NOTE 12: COMMITMENTS AND CONTINGENCIES

Conveyance Service Contract (Continued)

Year Ended December 31,	
2015	$ 371,198
2016	371,198
2017	371,198
2018	371,198
2019	371,198
2020 - 2023	1,392,243
Total	**$ 3,248,233**

Conduit Debt Obligations

During 2007, the City issued Development Revenue Bonds (Cheyenne Mountain Zoological Society Project) Series 2007 and Series 2007B, to provide financing for the construction, renovation and equipping of improvements to the Cheyenne Mountain Zoo. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. Outstanding bonds at December 31, 2014, totaled $1,074,036.

Concentration of Risk

A substantial amount of the City's sales tax revenues are received from two taxpayers. A reduction in these revenue, if it were to occur, may have a significant affect on the City's programs and activities.

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the area within which the City is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the City is located and prospective investors may want to review such information prior to making their investment decision. The following information is not to be relied upon as a representation or guarantee of the City or its officers, employees, or advisors.

Population

The following table sets forth population statistics for the City of Fountain (the "City"), El Paso County (the "County") and the State of Colorado (the "State").

Population

Year	City of Fountain	Percent Change	El Paso County	Percent Change	State of Colorado	Percent Change
1970	3,515	--	235,972	--	2,207,259	--
1980	8,324	136.8%	309,424	31.1%	2,889,964	30.9%
1990	9,984	19.9	397,014	28.3	3,294,394	14.0
2000	15,197	52.2	516,929	30.2	4,301,261	30.6
2010	25,846	70.0	622,263	20.4	5,029,196	16.9
2013 [1]	27,988	8.3	655,812	5.4	5,264,890	4.7

[1] Estimate

Sources: U.S. Department of Commerce, Bureau of the Census, and Colorado Division of Local Government, Demography Section

Housing Stock

The following table sets forth a comparison of households within the City and the County.

Housing Units

	2000	2010	2013
City of Fountain	5,219	9,371	9,851
El Paso County	202,428	252,852	258,776

Source: U.S. Department of Commerce, Bureau of the Census

Income

The following tables set forth historical median household effective buying income ("EBI"), the percentage of households by classification of EBI and the per capita personal income for the County, the State and the United States.

Median Household Effective Buying Income [1]

	2011	2012	2013	2014	2015
El Paso County	$43,321	$43,276	$42,643	$47,638	$49,011
Colorado	43,625	43,515	43,718	47,469	49,949
United States	41,368	41,253	41,358	43,715	45,448

[1] Calculated as of January 1.
Source: The Nielsen Company, *Site Reports, 2011-2015*

Percent of Households by Effective Buying Income Groups—2015 [1]

	Less Than $25,000	$25,000-$49,999	$50,000-$99,999	$100,000-$149,999	$150,000 or more
El Paso County	21.74%	29.44%	33.59%	10.66%	4.55%
Colorado	21.53	28.52	33.30	10.84	5.80
United States	25.65	29.47	31.05	8.89	4.95

[1] May not total 100% due to rounding. Calculated as of January 1, 2015.
Source: The Nielsen Company, *Site Reports, 2015*

Per Capita Personal Income

	2009	2010	2011	2012	2013
El Paso County	$38,254	$38,600	$40,246	$41,061	$41,128
Colorado	41,518	41,689	44,183	46,315	46,897
United States	39,379	40,144	42,332	44,200	44,765

Source: United States Department of Commerce, Bureau of Economic Analysis

School Enrollment

The following table presents a five-year history of school enrollment for Fountain Fort Carson School District No. 8, the primary school district serving the District.

Fountain Fort Carson School District No. 8

Year	Fall Enrollment	Percent Increase
2010/2011	7,536	--
2011/2012	7,702	2.2%
2012/2013	7,840	1.8
2013/2014	8,089	3.2
2014/2015	8,120	0.4

Source: Colorado Department of Education

Building Permit Activity

Set forth hereafter is a five-year history of building permit activity for the County.

History of Estimated Building Activity in El Paso County

	Single Family		Multi-Family		Commercial/Industrial	
Year	Permits	Valuation	Permits	Valuation	Permits	Valuation
2010	1,404	$ 465,349,499	229	$ 48,074,978	111	$ 61,638,455
2011	1,399	496,585,288	193	106,115,419	98	180,398,197
2012	2,216	801,352,986	197	108,456,822	157	125,710,535
2013	2,688	1,079,909,778	174	104,505,202	161	82,322,775
2014	2,433	1,032,039,203	204	153,369,996	150	111,786,836
2015 [1]	1,358	569,608,089	110	33,918,301	76	69,016,685

[1] Building permits issued through June 30, 2015.
Source: Pikes Peak Regional Building Department

Foreclosure Activity

Foreclosure actions are commenced when a default on a deed of trust has occurred, usually when buyers fail to make timely payments in accordance with a promissory note. Set forth below is a history of the number of foreclosure actions filed by the County Public Trustee's Office over the past five years.

History of Foreclosures in El Paso County

Year	Number of Foreclosures Filed	Percent Change
2010	4,657	--
2011	3,461	(25.7)%
2012	3,364	(2.8)
2013	1,861	(44.7)
2014	1,825	(1.9)
2015 [1]	715	--

[1] Foreclosures filed through June 30, 2015.
Source: El Paso County Public Trustee's Office

Retail Sales

The retail trade sector employs a large portion of the City and County's work force and is important to the area's economy. The following table sets forth retail sales figures for the City, the County and the State as reported by the State.

Retail Sales

Year	City of Fountain	Percent Change	El Paso County	Percent Change	State of Colorado
2010	$385,314,451	--	$13,327,512,156	--	$143,670,319,384
2011	406,523,604	5.50%	13,923,884,852	4.47%	154,697,942,972
2012	437,492,279	7.62	14,547,072,582	4.48	164,387,648,458
2013	457,425,743	4.66	15,610,574,591	7.31	172,784,033,081
2014	487,181,837	6.51	16,663,648,399	6.75	182,374,956,947

Source: State of Colorado, Department of Revenue, *Sales Tax Statistics, 2010-2014*

Employment

The following tables set forth employment statistics by industry for the County and the most recent historical labor force estimates for the County and the State.

Total Business Establishments and Employment—El Paso County

Industry [1]	First Quarter 2014		First Quarter 2015		Quarterly Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, forestry, fishing and hunting	37	204	41	226	4	22
Mining	24	98	28	94	4	(4)
Utilities	13	447	14	501	1	54
Construction	1,595	12,211	1,700	13,100	105	889
Manufacturing	500	11,758	503	11,775	3	17
Wholesale trade	777	4,966	792	5,307	15	341
Retail trade	1,802	29,229	1,861	29,904	59	675
Transportation and warehousing	281	3,593	302	3,878	21	285
Information	287	6,672	301	6,566	14	(106)
Finance and insurance	1,002	11,602	1,020	11,523	18	(79)
Real estate, rental and leasing	1,007	3,772	1,095	4,098	88	326
Professional and technical services	3,109	21,834	3,350	22,405	241	571
Management of companies and enterprises	133	1,126	145	1,097	12	(29)
Administrative and waste services	1,093	17,282	1,160	17,661	67	379
Educational services	329	4,436	331	4,168	2	(268)
Health care and social assistance	1,815	27,567	1,890	29,381	75	1,814
Arts, entertainment and recreation	254	3,830	265	4,066	11	236
Accommodation and food services	1,239	25,364	1,251	26,652	12	1,288
Other services, except public administration	1,307	9,265	1,389	9,892	82	627
Non-classifiable	42	78	28	25	(14)	(53)
Government	253	46,792	255	47,150	2	358
Total	16,899	242,126	17,721	249,470	822	7,344

[1] Information provided herein reflects only those employers who are subject to State unemployment insurance law.
Source: Colorado Department of Labor and Employment, Labor Market Information

Labor Force Estimates

Year	El Paso County		State of Colorado	
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed
2010	306,308	9.3%	2,724,417	8.7%
2011	307,313	9.0	2,734,416	8.3
2012	307,258	8.8	2,757,126	7.8
2013	308,368	7.9	2,779,631	6.8
2014	308,020	6.0	2,817,334	5.0
2015 [1]	305,217	5.3	2,821,291	4.4

[1] Labor force estimates through July 31, 2015.
Source: State of Colorado, Division of Employment and Training

Set forth in the following table are the major area employers in the Colorado Springs area. No independent investigation has been made of, and there can be no representation as to, the stability or financial condition of the companies listed below, or the likelihood that such companies will maintain their status as major employers in the area.

Selected Major Employers in the Colorado Springs Area

Firm	Product or Service	Estimated Number of Employees
Fort Carson Army Base	Military installation	31,800
Peterson Air Force Base	Military installation	11,917
Schriever Air Force Base	Military installation	7,647
United States Air Force Academy	Air Force Base/higher education	7,583
School District #11 Colorado Springs	Education	3,978
School District #20 Air Academy	Education	3,226
Memorial Hospital – UC Health	Healthcare	3,146
Penrose-St. Francis Health Services	Healthcare	2,833
Colorado Springs (City of)	Government	2,300
El Paso County	Government	2,100

Source: Source: El Paso County 2014 Comprehensive Annual Financial Report

Tourism

Tourism has played an important part in the area's economy. Major tourist attractions in the area include the United States Air Force Academy, Pikes Peak, Cave of the Winds, Seven Falls, Garden of the Gods, Royal Gorge, the Broadmoor Hotel and the United States Olympic Training Center.

APPENDIX D

CERTAIN DEFINITIONS AND TERMS OF THE BOND ORDINANCE

"*Act*" means the Title 11, Article 57, Part 2, C.R.S., and all other laws of the State establishing the power of the City to complete the financing contemplated by the Ordinance.

"*Additional Parity Obligations*" means any additional obligations with a lien on the Net Revenues and payable from the Net Revenues that are on parity with the lien of the Authority Bonds and Water Rights Notes, and after issuance of the Bonds, the Bonds.

"*Authority*" means the Colorado Water Resources and Power Development Authority, a body corporate and political subdivision of the State with corporate succession duly created and validly existing under and by virtue of Section 37-95-101, et seq., C.R.S.

"*Authority Bonds*" means the 2008 Authority Bond, the 2011 Authority Bond, the 2013 Authority Bond and the 2014 Authority Bond.

"*Authority Loan Agreements*" means the 2008 Authority Loan Agreement, the 2011 Authority Loan Agreement, the 2013 Authority Loan Agreement, and the 2014 Authority Loan Agreement between the City and the Authority pursuant to which the Authority agreed to loan the proceeds of its water resources revenue bonds to the City for various purposes.

"*Beneficial Owner*" means any person for which a Participant acquires an interest in the Bonds.

"*Bond Account*" means the "Water Revenue Bonds, Series 2015, Bond Account" created in the Section of the Ordinance entitled "Reaffirmation of Funds and Accounts; Creation of Accounts" and as more particularly described in the Section of the Ordinance entitled "Bond Account."

"*Bond Counsel*" means (a) as of the date of issuance of the Bonds, Kutak Rock LLP, of Denver, Colorado, and (b) as of any other date, Kutak Rock LLP or such other attorneys selected by the City with nationally recognized expertise in the issuance of municipal bonds.

"*Bond Insurance Policy*" means the municipal bond insurance policy, if any, issued by the Bond Insurer insuring the payment when due of the principal of, premium, if any, and interest on all or any portion of the Bonds, as provided therein.

"*Bond Insurer*" means the entity, if any, identified in the Sale Certificate as the issuer of the Bond Insurance Policy, or any successor thereto.

"*Bonds*" means the "City of Fountain, Water Revenue Bonds, Series 2015" authorized by the Ordinance.

"*Business Day*" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State are authorized or obligated by law or executive order to be closed for business.

"*Cede*" means Cede & Co., the nominee of DTC as record owner of the Bonds, or any successor nominee of DTC with respect to the Bonds.

"*Charter*" means the home rule Charter of the City.

"*City*" means the City of Fountain, Colorado, acting by and through its Electric, Water and Wastewater Utility Enterprise.

"*City Council*" means the City Council of the City.

"*Code*" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code in the Ordinance shall be deemed to include the United States Treasury Regulations proposed or in effect thereunder and applicable to the Bonds or the use of proceeds thereof, unless the context clearly requires otherwise.

"*Commitment*" means, collectively, those certain offers, if any, to issue the Bond Insurance Policy, designated as the Commitment, issued by the Bond Insurer.

"*Continuing Disclosure Undertaking*" means the undertaking to facilitate compliance with Rule 15c2-12 under the Securities Exchange Act of 1934 in substantially the form appended to the Preliminary Official Statement.

"*Cost of Issuance Account*" means the "Water Revenue Bonds, Series 2015, Cost of Issuance Account" created in the Section of the Ordinance entitled "Reaffirmation of Funds and Accounts; Creation of Accounts" and as more particularly described in the Section of the Ordinance entitled "Cost of Issuance Account."

"*C.R.S.*" means the Colorado Revised Statutes, as amended and supplemented as of the date of the Ordinance.

"*Dated Date*" means the date of delivery of the Bonds.

"*DTC*" means the Depository Trust Company, New York, New York, and its successors and assigns, which shall act as the initial securities depository of the Bonds.

"*DTC Blanket Letter of Representations*" means the agreement between the City and DTC whereby the City agrees to comply with DTC's operational requirements.

"*Electric, Water and Wastewater Utility Enterprise*" means the utility activity business owned by the City generally known as the "City of Fountain Electric, Water and Wastewater Utility Enterprise," which is a government-owned business that receives under ten (10) percent of its annual revenues in grants from all State and local governments combined.

"*Event of Default*" means any of the events specified in the Section of the Ordinance entitled "Events of Default."

"*Federal Securities*" means bills, certificates of indebtedness, notes, bonds or similar securities which are direct non-callable obligations of the United States of America or which are fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

"*Financial Advisor*" means Piper Jaffray & Co., Denver, Colorado.

"*Insured Bonds*" means those Bonds, if any, insured by a Bond Insurance Policy, as set forth in the Sale Certificate pursuant to the Section of the Ordinance entitled "Delegation and Parameters."

"*Interest Payment Date*" means the annual or semiannual dates set forth in the Sale Certificate for payment of interest on the Bonds.

"*Letter of Instructions*" means the Tax Letter of Instructions, dated the date on which the Bonds are originally issued and delivered to the City by Bond Counsel, as such instructions may be superseded or amended in accordance with their terms.

"*Moody's*" means Moody's Investor Service, New York, New York.

"*Net Revenues*" means the Revenues after deducting Operation and Maintenance Expenses; provided that, no more than 50% of connection fees can be included in Revenues.

"*Notice of Sale*" means that certain Notice of the Sale of the Bonds concerning the public sale of the Bond in substantially the form set forth in Appendix B to the Ordinance.

"*Official Statement*" means the final version of the Preliminary Official Statement.

"*Operation and Maintenance Expenses*" means all reasonable and necessary current expenses of the City, paid or accrued, for operating, maintaining, and repairing the System, including without limitation legal and overhead expenses directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries and administrative expenses, labor, and the cost of materials and supplies for current operation; provided however, that there shall be excluded from Operation and Maintenance Expenses any allowance for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with capital improvements, payments due in connection with any bonds or other obligations issued to provide capital improvements, and charges for the accumulation of reserves.

"*Ordinance*" means the ordinance authorizing the issuance of the Bonds, including any amendments properly made to the Ordinance.

"*Original Purchaser*" means the Person selected as original purchaser of the Bonds by the Sale Delegate pursuant to Section 34 of the Ordinance.

"*Outstanding*" means as of any date, all Bonds or Parity Lien Obligations, as the context requires, except the following:

(a) any Bond or Parity Lien Obligation cancelled by the City or the applicable paying agent, or otherwise on the City's behalf, at or before such date;

(b) any Bond or Parity Lien Obligation for the payment or the redemption of which moneys or Federal Securities sufficient to meet all of the payment requirements of the principal of, interest on, and any premium due in connection with the redemption of such Bond or Parity Lien Obligation to the date of maturity or any redemption date thereof, shall have theretofore been deposited in trust for such purpose; and

(c) any lost, apparently destroyed, or wrongfully taken Bond or Parity Lien Obligation in lieu of or in substitution for which another bond or other security shall have been executed and delivered.

"*Owner*" or "*Owners*" means the Person or Persons in whose name or names a Bond is registered on the registration books maintained by the Paying Agent pursuant to the Ordinance.

"*Parity Lien Obligations*" means the Authority Bonds, the Water Rights Notes and any other bonds or other obligations permitted to be issued pursuant to the Section of the Ordinance entitled "Additional Senior, Parity, and Subordinate Lien Obligations," with a lien on the Net Revenues and payable from the Net Revenues which is on a parity with the lien of the Bonds.

"*Participant*" means any broker-dealer, bank, or other financial institution from time to time for which DTC or another substitute securities depository holds the Bonds.

"*Paying Agent*" means UMB Bank, n.a., which shall act as paying agent, bond registrar, and authenticating agent for the Bonds.

"*Permitted Investments*" means any investment lawfully permitted by applicable State law, as such definition may be further restricted in accordance with the requirements of a Bond Insurer, if any, as set forth in the Sale Certificate.

"*Person*" means a corporation, firm, other body corporate, partnership, association or individual and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

"*Preliminary Official Statement*" means the Preliminary Official Statement concerning the Bonds and used in the offer and sale of the Bonds.

"*Principal Payment Date*" means the annual or semiannual dates set forth in the Sale Certificate for payment of the principal of the Bonds.

"*Pro Rata Portion*" means the dollar amount derived by dividing the amount of principal or interest to come due on the next principal or interest payment date by the number of monthly credits required to be made prior to such payment date.

"*Project*" means (a) construction of a portion of the Southern Delivery System Project, (b) purchase of certain water rights, (c) replacement or construction of certain water mains, (d) installation of a Supervisory Control and Data Acquisition project for the City's water system, and (e) purchase of or engineering and designing of a new water building facility.

"*Project Account*" means the "Water Revenue Bonds, Series 2015, Project Account" created in the Section of the Ordinance entitled "Reaffirmation of Funds and Accounts; Creation of Accounts" and as more particularly described in the Section of the Ordinance entitled "Project Account."

"*Project Costs*" means the City's costs properly attributable to the Project, or any parts thereof.

"*Rate Covenant*" means the requirements set forth in the paragraph entitled "Rate Covenant" in the Section entitled "Additional General Covenants and Representations."

"*Record Date*" means with respect to each Interest Payment Date, (a) if the Interest Payment Date is the first day of the month, the fifteenth day of the month immediately preceding the month (whether or not such day is a Business Day) in which such Interest Payment Date occurs; or (b) if the Interest Payment Date is the fifteenth day of the month, the first day of the month (whether or not such day is a Business Day) in which such Interest Payment Date occurs.

"*Reserve Account*" means the "Water Revenue Bonds, Series 2015, Reserve Account" created in the Section of the Ordinance entitled "Reaffirmation of Funds and Accounts; Creation of Accounts" and as more particularly described in the Section of the Ordinance entitled "Reserve Account."

"*Reserve Account Contract*" means a surety bond, insurance policy, letter of credit, investment agreement, investment contract or similar instrument.

"*Reserve Account Requirement*" means, as of any date on which it is calculated, the least of (a) 10% of the principal amount of the outstanding Bonds and Parity Lien Obligations, (b) the maximum annual debt service in any calendar year on the outstanding Bonds and Parity Lien Obligations or (c) 125% of the average annual debt service on the outstanding Bonds and Parity Lien Obligations; provided, however, that the Reserve Account Requirement may be reduced if, in the opinion of Bond Counsel, the funding or maintenance of it at the level otherwise determined pursuant to this definition will adversely affect the exclusion from gross income tax for federal income tax purposes of interest on any of the Bonds or Parity Lien Obligations.

"*Revenues*" means all income and revenues directly or indirectly derived by the City from the operation and use of the System, or any part thereof, including without limitation, any rates, fees, plant investment fees, standby charges, availability fees, tolls, and charges for the services furnished by, or the use of, the System, and all income attributable to any past or future dispositions of property or rights or related contracts, settlements, or judgments held or obtained in connection with the System or its operations, and including investment income accruing from moneys held to the credit of the Utility Fund.

"*Sale Certificate*" means the certificate executed by the Sale Delegate in connection with the issuance of the Bonds, under the authority delegated pursuant to the Ordinance, including but not limited to the Sections of the Ordinance titled "Bond Details," "Delegations and Parameters" and "Approval of Official Statement and Miscellaneous Documents" which set forth, among other things, the aggregate principal amount of the Bonds, the prices at which the Bonds will be sold, interest rates and annual maturing principal for the Bonds, the dates on which the Bonds may be redeemed and the redemption prices therefore, and the identity of the Bond Insurer, if any, provisions required by the Bond Insurer, including terms of the Commitment.

"*Sale Delegate*" means the Mayor of the City or the Mayor Pro Tem in the absence of the Mayor.

"*State*" means the State of Colorado.

"*Subordinate Lien Obligations*" means any bonds or other obligations permitted to be issued pursuant to the Section of the Ordinance entitled "Additional Senior, Parity, and Subordinate Lien Obligations," with a lien on the Net Revenues and payable from the Net Revenues which is subordinate to the lien of the Bonds.

"*Swap Agreement*" means any interest rate exchange agreement, which is subject to the terms and conditions contained in the paragraph entitled, "Swap Agreements" in the Section of the Ordinance entitled "Additional General Covenants and Representations."

"*System*" means the property and facilities comprising the electric and water (but not wastewater) system of the City at the time of delivery of the Ordinance, including real and personal property and any easements, and also any and all additions and betterments thereto and improvements and extensions thereafter constructed or acquired by the City and used in connection with the electric and water (but not wastewater) facilities of the City.

"*S&P*" means Standard & Poor's Rating Services, a business of Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial, New York, New York.

"*Utility Fund*" means the City's Utility Fund, which is used to account for all aspects of the operation of the City electric and water (but not wastewater) system including source of supply, operations and maintenance, customer service, administrative expenses, debt service, and capital outlay, and into which the Revenues are deposited.

"*Water Rights Notes*" means the 2003 Water Rights Note and the 2007 Water Rights Note.

"*2003 Water Rights Note*" means a Promissory Note issued by the City, dated April 21, 2003, to Glen C. Ermel and Michele T. Ermel in the original principal amount of $727,000 and currently outstanding in the amount of $72,700 in connection with a purchase of water rights.

"*2007 Water Rights Note*" means a Promissory Note issued by the City, dated August 1, 2007, to Glen C. Ermel and Michele T. Ermel in the original principal amount of $390,500 and currently outstanding in the amount of $39,050 in connection with a purchase of water rights.

"*2008 Authority Bond*" means that certain City Bond, dated January 21, 2009, originally issued to the Authority in the aggregate principal amount of $8,795,000, and currently outstanding in the aggregate principal amount of $7,765,000.

"*2008 Authority Loan Agreement*" means the Loan Agreement, dated as of December 1, 2008, by and between the City and the Authority, pursuant to which the 2008 Authority Bond was issued.

"*2011 Authority Bond*" means that certain City Bond, dated May 4, 2011, originally issued to the Authority in the aggregate principal amount of $9,350,000, and currently outstanding in the aggregate principal amount of $8,810,000.

"*2011 Authority Loan Agreement*" means the Loan Agreement, dated as of May 1, 2011, by and between the City and the Authority, pursuant to which the 2011 Authority Bond was issued.

"*2013 Authority Bond*" means that certain City Bond, dated March 14, 2013, originally issued to the Authority in the aggregate principal amount of $11,615,000, and currently outstanding in the aggregate principal amount of $11,160,000.

"*2013 Authority Loan Agreement*" means the Loan Agreement, dated as of March 1, 2013, by and between the City and the Authority, pursuant to which the 2013 Authority Bond was issued.

"*2014 Authority Bond*" means that certain City Bond, dated November 25, 2014, originally issued to the Authority in the aggregate principal amount of $16,900,000, and currently outstanding in the aggregate principal amount of $16,835,000.

"*2014 Authority Loan Agreement*" means the Loan Agreement, dated as of October 1, 2014, by and between the City and the Authority, pursuant to which the 2014 Authority Bond was issued.

APPENDIX E

FORM OF BOND COUNSEL OPINION

City of Fountain
El Paso County, Colorado

ASSURED GUARANTY MUNICIPAL CORP.
New York, New York

Piper Jaffray & Co.
Denver, Colorado

$_____
City of Fountain
in El Paso County, Colorado
Acting by and through the City of Fountain
Electric, Water and Wastewater Utility Enterprise
Water Revenue Bonds, Series 2015

Ladies and Gentlemen:

We have been engaged by the City of Fountain in El Paso County, Colorado, acting by and through the City of Fountain Electric, Water and Wastewater Utility Enterprise (the "City"), as bond counsel in connection with the issuance of its Water Revenue Bonds, Series 2015, dated _____, 2015, in the aggregate principal amount of $_____ (the "Bonds").

The Bonds mature on the dates, are subject to redemption, bear interest at the rates, and are transferable and payable in the manner and subject to the conditions and limitations provided in the ordinance authorizing the issuance of the Bonds adopted on October 27, 2015, by the City Council of the City, acting as the governing body of the Electric, Water and Wastewater Utility Enterprise (collectively with the Sale Certificate dated as of _____, 2015, executed pursuant to such ordinance for the purpose of setting forth certain terms of the Bonds, the "Bond Ordinance"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Bond Ordinance.

We have examined the Constitution and laws of the State of Colorado; the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph (c) below; and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, including the status and qualification of the City of Fountain Electric, Water and Wastewater Utility Enterprise, we have relied upon the representations of the City contained in the Bond Ordinance, the opinion of general counsel to the City and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law and as of the date hereof, that:

(a) The Bonds in the principal amount stated above are valid and binding special revenue obligations of the City, acting by and through the City of Fountain Electric, Water and Wastewater Utility Enterprise, legally enforceable in accordance with their terms, and the Bond Ordinance has been duly authorized, is in full force and effect, and is valid and enforceable in accordance with its terms.

(b) The principal of, premium if any, and interest on the Bonds are payable only out of the: (i) the Net Revenues and (ii) if necessary, the Reserve Account, all as more particularly set forth in the Bond Ordinance. The Bonds constitute an irrevocable and first lien upon the Net Revenues, but not an exclusive first lien.

(c) Under the laws, regulations, rulings and judicial decisions existing on the date hereof, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. Also, because the City has properly designated the Bonds as "qualified tax-exempt obligations" under section 265(b)(3) of the Code, in the case of "financial institutions," as defined in section 265(b)(5) of the Code, owning the Bonds, a deduction is allowed for 80% of the otherwise allowable deduction of that portion of such institutions' interest expense allocable to interest on the Bonds. The opinions set forth in the preceding sentences assume the accuracy of certain representations and compliance by the City with certain covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such covenants could cause the interest on the Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The City has covenanted in the Bond Ordinance and in the Tax Compliance Certificate executed and delivered in connection with the issuance of the Bonds to comply with such requirements. We express no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by a holder of the Bonds or a related person to purchase or carry the Bonds, and we express no other opinion regarding other federal tax consequences arising with respect to the Bonds. We note, however, that interest on the Bonds is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on corporations.

(d) To the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. We express no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the holders of the Bonds and the enforceability of the Bonds and the Bond Ordinance may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity, by the exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

We express no opinion herein as to any matter not specifically set forth above. In particular, but without limitation, we express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

The City is our sole client in this transaction and we have not been engaged by nor have we undertaken to advise any other party or to opine as to matters not specifically covered herein. This opinion letter is solely for the benefit of the addressees hereof and may not be circulated, quoted or relied upon by any party other than the addressees without our prior written consent, except that a copy may be included in the closing transcripts for the Bonds. The inclusion of Piper Jaffray & Co. and [BOND

INSURER] as addressees of this opinion letter does not create or imply an attorney-client relationship between Kutak Rock LLP and such parties in connection with the Bonds.

Respectfully submitted,

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company ("DTC") and DTC's book entry only system has been obtained from DTC, and the City and the Financial Advisor take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, as set forth on the cover page hereof, and deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any

change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant on accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, and disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No: -N
Effective Date:
Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

Policy No. -N

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

SPECIMEN

A subsidiary of Assured Guaranty Municipal Holdings Inc. 31 West
52nd Street, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)