

**LOOKOUT MOUNTAIN WATER DISTRICT**  
**REPORT ON FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**



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**Lookout Mountain Water District**  
**REPORT ON FINANCIAL STATEMENTS**  
**December 31, 2016 and 2015**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Lookout Mountain Water District  
Golden, Colorado

We have audited the accompanying financial statements of the business-type activities of Lookout Mountain Water District (the District), as of, and for the year ended December 31, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the District, which statements reflect total assets of \$5,125,071 as of December 31, 2015 and total revenues of \$1,089,444 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

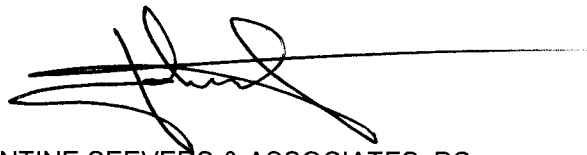
We believe that the audit evidence we have obtained, and the report of other auditors provide is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the basic financial statements as listed in the table of contents present fairly, in all material respects, the financial position of the business-type activities of Lookout Mountain Water District as of December 31, 2016 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii - ix and budgetary comparison information on pages 22 – 25 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



VALENTINE SEEVERS & ASSOCIATES, PC

July 10, 2017

**LOOKOUT MOUNTAIN WATER DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

In general, the purpose of financial reporting is to provide external parties who read financial statements with information that will help them to make decisions or draw conclusions about an entity. The Lookout Mountain Water District's discussion and analysis is designed to assist the various readers by providing an overview of the District's financial position and activities as of and for the year ended December 31, 2016. Since this discussion is designed to focus on the current years' activities, please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total assets exceeded its liabilities at the end of the year by \$3,788,559 (net position).
- Net position increased by \$270,628 when compared to 2015.
- The District's operating and non-operating income increased by \$18,811 when compared to 2015.
- The District's operating expenses increased by \$32,774 when compared to 2015.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The district's basic financial statements included in this report are those of a special purpose government engaged in a business-type activity, providing water service to tap owners within its jurisdictional boundaries. The statements are comprised of two components: basic financial statements and notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

**Basic Financial Statements.** The basic financial statements are designed to provide readers with a broad overview of the district's financial, in a manner similar to private-sector business.

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

The Statements of Revenues, Expenses and Changes in Net position present information which reflects how the District's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows in future fiscal periods.

Statement of Cash Flows report the District's cash flows from operating, non-capital financing, capital and investing activities.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 7-20 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages iii-ix and 23 of this report.

**LOOKOUT MOUNTAIN WATER DISTRICT  
MANAGEMENTS DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016**

*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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The district adopts an annual appropriated budget for its enterprise fund and general fund. This report presents certain required supplementary information concerning the district's budgetary comparisons presented for legal compliance.

Unlike basic financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating the District's near-term financing requirements. The fund statements of revenues, expenditures, and changes in net position are reconciled to changes in net position to facilitate a comparison between budget-basis fund statements and the basic financial statements.

**LOOKOUT MOUNTAIN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016**

**Financial Position**

As noted earlier, net position may serve over time as a useful indicator of the district's net financial position. In the case of the District, assets exceeded liabilities by \$3,788,559 in 2016.

**Summary of Net Position  
December 31, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Current Assets	\$ 1,076,880	\$ 946,623
Other Assets	725,055	725,055
Capital Assets, net	5,617,633	3,453,390
Total Assets	7,419,568	5,125,068
<b>Liabilities</b>		
Current Liabilities	695,727	278,965
Long-term Liabilities	2,454,010	847,763
Total Liabilities	3,149,737	1,126,728
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue - Property Tax	481,270	480,412
Total Deferred Inflows of Resources	481,270	480,412
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	2,955,510	2,405,908
Restricted Subdistrict A	20,660	20,463
Restricted for Emergencies	25,129	24,100
Unrestricted	787,260	1,067,460
Total Net Position	\$ 3,788,559	\$ 3,517,931

**LOOKOUT MOUNTAIN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016**

**Results of Operations**

During 2016, the District's net position increased by \$270,628. Key elements of this increase are as follows:

**Statement of Revenues, Expenses and  
Change in Net Position  
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Revenue</b>		
Operating Revenue	\$ 557,372	\$ 548,265
Non-operating Revenue	550,883	541,179
<b>Total Revenue</b>	<u>1,108,255</u>	<u>1,089,444</u>
<b>Expenses</b>		
Operating Expenses		
Operations, Maintenance and Administrative	602,490	569,716
Depreciation	175,041	174,026
Non-operating Expenses	60,096	58,911
<b>Total Expenses</b>	<u>837,628</u>	<u>802,653</u>
<b>Change in Net Position</b>	270,628	286,791
<b>Net Position - Beginning of Year</b>	3,517,931	3,231,140
<b>Net Position - End of Year - As Restated</b>	<u>\$ 3,788,559</u>	<u>\$ 3,517,931</u>

Overall revenue increased by \$18,811. A significant contributing factor for the revenue increase was an increase in Real Property Taxes.

Overall expenses increased by \$34,975. Significant contributing factors for the expense increase were an increase in legal fees and snow removal when compared to 2015.

**LOOKOUT MOUNTAIN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016**

**Capital Asset and Debt Administration**

**Capital Assets.** The District's investment in capital assets at December 31, 2016 amounts to \$5,617,632 (net of accumulated depreciation). This investment in capital assets includes infrastructure (dams, reservoirs, pipelines and metering equipment), treatment facility, storage tank, pump station, equipment, land and capitalized costs. An analysis of changes in capital assets is as follows:

<b>Capital Assets December 31, 2016 and 2015</b>			
	<b>2016</b>	<b>2015</b>	<b>Percentage Change</b>
Infrastructure	\$ 3,372,499	\$ 3,242,366	3.86%
Treatment Facility	2,399,430	2,392,242	0.30%
Tank and Pump Stations	609,264	609,264	0.00%
Equipment	112,333	108,149	3.72%
Construction in Progress	2,613,549	415,771	84.09%
Land	13,055	13,055	0.00%
Capitalized Costs	159,426	159,426	0.00%
Total Capital Assets	9,279,556	6,940,273	25.21%
Less: Accumulated Depreciation	(3,661,924)	(3,486,883)	4.78%
Net Capital Assets	\$ 5,617,632	\$ 3,453,390	38.53%

The District's significant capital additions completed or continued during the year are described as follows:

- Flumes and flow monitoring.
- Dam safety Engineering and Planning.
- Construction in progress included:
  - Engineering, permitting, financial planning and design for the Upper Beaver Brook spillway improvement project.
  - Construction on the Upper Beaver Brook spillway improvement project.

Additional information on the District's capital assets can be found in Note 4 of this report.

**LOOKOUT MOUNTAIN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016**

**Debt.** As of December 31, 2016, the District had total long-term debt of \$2,662,123. Current year activity is shown below:

<b>Long-term Debt December 31, 2016 and 2015</b>				
	<b>2016</b>	<b>2015</b>	<b>Variance</b>	<b>Percentage Change</b>
Bonds Payable	198,109	225,847	(27,738)	12.28%
Loans Payable	2,464,014	821,635	1,642,379	-199.89%
	<b>\$ 2,662,123</b>	<b>\$ 1,047,482</b>	<b>\$ 1,614,641</b>	

Additional detail on the District's long-term debt is in Note 5 of the Notes to Financial Statements.

**BUDGETARY HIGHLIGHTS**

The District's annual budgets are prepared according to Colorado law and they are based on accounting for certain transactions on a basis of cash receipts and disbursements.

Over the course of the year, the District needed to revise the annual operating budget.

**Enterprise Fund:** The total actual revenue was less than budgeted revenue by \$123,098; primarily due to CWCB debt issuance and reimbursements not being received during the year when anticipated due to project timeline changes. The total actual expenditures, including capital expenditures, was less than budgeted by \$52,045 which can primarily be attributed to lower repairs and maintenance costs and a budgeted contingency expense which was not used.

**General Fund:** The total actual revenue was more than budgeted revenue by \$1,499, primarily due to specific ownership taxes. The total actual expenditures were less than budgeted by \$8,428, primarily due to legal and computer expenses.

Additional information on the District's detailed Budget for the two funds can be found in pages 22 - 25 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**Enterprise Fund:**

Water revenue from usage charges estimated at \$43,000 per month, which includes a planned rate increase. The water rates are structured in increasing tiers by each 1,000 gallons to encourage greater conservation awareness on an ongoing basis. Conservation is needed because the District's water rights are not sufficient to meet demand in an estimated 6 out of 10 years.

**LOOKOUT MOUNTAIN WATER DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016**

Operations expenses are for normal operations including a planned lease of water to meet downstream water calls (compliance with water rights). Capital expenditures have been budgeted for a significant reservoir expansion project, started in 2013, and funded by the issuance of revenue bonds by the Colorado Water Conservation Board. The project is expected to be completed during 2017.

Subdistrict A revenue and debt service expense is budgeted at \$31,696, which is also located within this fund.

**General Fund:**

General Fund revenues include real property taxes and specific ownership taxes. The real property tax levy remains the same as last year at 17.700.

**Combined Funds – Reserve Funds:**

Both the Enterprise Fund and the General Fund are estimated to have an excess of revenue over expenses, or a budget surplus for 2017. This surplus will be added to the existing or beginning fund balance for each fund. Combined ending fund reserves are estimated at \$633,000.

These factors were considered in preparing the District's budget for the 2017 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Lookout Mountain Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Christina Shea, Administrator, 1202 Bergen Parkway, Suite 200, Evergreen, CO 80439.

**Lookout Mountain Water District  
STATEMENTS OF NET POSITION  
December 31, 2016 and 2015**

	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents		
Unrestricted	\$ 479,352	\$ 359,388
Restricted		
Subdistrict A	20,660	20,463
Accounts Receivable - Trade (net of Reserve for doubtful Accounts of \$0 as of December 31, 2016 and 2015)	79,155	48,322
Other Receivables	3,902	26,578
Property Taxes Receivable - Ensuing Year	481,270	480,412
Prepaid Insurance	12,541	11,463
	1,076,880	946,626
<b>Capital Assets</b>		
Construction in Progress	2,613,549	415,771
Land	13,055	13,055
Infrastructure	3,372,499	3,242,366
Treatment Facility	2,399,430	2,392,242
Tank and Pump Station	609,264	609,264
Equipment	112,333	108,149
Capitalized Costs	159,426	159,426
	9,279,556	6,940,273
Less, Accumulated Depreciation	(3,661,924)	(3,486,883)
	5,617,632	3,453,390
<b>OTHER ASSETS</b>		
Water Rights and Acquisition Costs	724,545	724,545
Deposits	510	510
	725,055	725,055
<b>Total Other Assets</b>	<b>725,055</b>	<b>725,055</b>
<b>Total Assets</b>	<b>\$ 7,419,567</b>	<b>\$ 5,125,071</b>

The Notes to Financial Statements and Independent Auditors' Report  
are an integral part of these statements.

**Lookout Mountain Water District**  
**STATEMENTS OF NET POSITION**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Current Liabilities</b>		
Accounts Payable	\$ 246,664	\$ 59,808
Retainage Payable	214,948	-
Accrued Interest Payable	26,002	19,438
Current Portion of Long-term Debt	208,114	199,719
	<hr/>	<hr/>
Total Current Liabilities	695,728	278,965
	<hr/>	<hr/>
<b>LONG-TERM DEBT</b>		
Revenue Bonds	198,109	225,847
Loan Payable - Subdistrict A	204,857	225,288
Lease Payable - Membrane Filtration Improvements Project	365,131	476,621
Lease Payable - Service Meter Upgrade Project	79,668	119,726
CWCB Loan for UBB 2016-2017	1,814,359	-
Less, Current Portion	(208,114)	(199,719)
	<hr/>	<hr/>
Total Long-term Debt	2,454,009	847,763
	<hr/>	<hr/>
<b>Deferred Inflows of Resources</b>		
Property Taxes - Ensuing Year	481,270	480,412
	<hr/>	<hr/>
Total Deferred Inflows of Resources	481,270	480,412
	<hr/>	<hr/>
Total Liabilities and Deferred Inflows of Resources	3,631,008	1,607,140
	<hr/>	<hr/>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	2,955,510	2,405,908
Unrestricted	787,260	1,067,460
Restricted		
Subdistrict A	20,660	20,463
Emergencies	25,129	24,100
	<hr/>	<hr/>
Total Net Position	3,788,559	3,517,931
	<hr/>	<hr/>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 7,419,567</u>	<u>\$ 5,125,071</u>

The Notes to Financial Statements and Independent Auditor's Report  
are an integral part of these statements.

**Lookout Mountain Water District**  
**STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**For the Years Ended December 31, 2016 and 2015**

	2016	2015
<b>OPERATING REVENUES</b>		
Water Sales	\$ 506,001	\$ 435,409
Grant Income	22,000	64,750
Inactive Tap Fees	15,336	14,587
Penalties	667	2,067
Miscellaneous	13,368	31,452
	557,372	548,265
<b>OPERATIONS AND MAINTENANCE</b>		
Contract Operator	123,300	122,448
Water Lease Purchases	15,000	15,000
Repair and Maintenance		
Transmission Mains	25,353	25,578
Treatment, Pumping and Storage	23,212	15,665
Sludge Removal	-	336
Other	44,242	33,244
Testing and Analysis	5,865	7,140
Power	24,710	24,863
Chemicals	37,338	34,669
Tools and supplies	1,246	427
Telephone	4,738	4,755
Water Rights and Maintenance	19,232	12,285
Depreciation and amortization	175,041	174,026
	499,278	470,436
<b>ADMINISTRATIVE EXPENSES</b>		
Accounting and Audit	21,450	16,850
Director's Fees	7,751	6,500
Payroll Taxes		497
Consulting - Water Rights	25,484	30,829
Legal	101,578	88,240
Contract Administrator	82,491	90,825
Insurance	11,276	10,808
Travel and Meals	572	1,356
Seminars and Meetings	1,170	1,543
Dues and Subscriptions	1,379	1,897
Telephone	1,486	1,391
Postage	3,379	3,699
Election Expense	586	-
Rent - Storage Space	2,400	3,900
Office supplies and Miscellaneous	17,250	14,971
	278,253	273,306
<b>OPERATING LOSS</b>	<b>\$ (220,159)</b>	<b>\$ (195,477)</b>

(continued)

The Notes to Financial Statements and Independent Auditor's Report are an integral part of these statements.

**Lookout Mountain Water District  
STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
For the Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>NON-OPERATING REVEUES (EXPENSES)</b>		
Real Property Taxes	\$ 479,604	\$ 433,929
Specific Ownership Taxes	38,533	36,147
Subdistrict A Receipts	31,860	31,695
Inclusion Fees	-	37,000
Miscellaneous Non-operating Income	134	2,087
Interest Earnings	751	321
Interest Expense	(52,898)	(52,399)
County Treasurer's Fee	<u>(7,198)</u>	<u>(6,512)</u>
<b>NON-OPERATING INCOME</b>	<u>490,787</u>	<u>482,268</u>
<b>NET INCOME</b>	270,628	286,791
<b>NET POSITION, BEGINNING OF YEAR</b>	3,517,931	3,231,140
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 3,788,559</u></u>	<u><u>\$ 3,517,931</u></u>

The Notes to Financial Statements and Independent Auditors' Report  
are an integral part of these statements.

**Lookout Mountain Water District**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 547,467	\$ 526,053
Cash Received from Settlement and Refunds	667	2,087
Cash Payments to Suppliers	(382,452)	(382,979)
Cash Payments to Contract Personnel	(205,791)	(213,273)
	<u>(40,109)</u>	<u>(68,112)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Acquisition and Construction of Capital Projects and Assets	(1,951,722)	(170,129)
Receipt of Subdistrict A Income	31,860	31,695
Receipt of UBB Loan Proceeds	1,814,359	
Principal Payment for Revenue Bonds	(27,739)	(26,418)
Principal Payment for Loan Payable - Membrane Filtration Project	(111,490)	(106,740)
Principal Payment for Loan Payable - Subdistrict A	(20,431)	(19,459)
Principal Payment for Loan Payable - Main Replacement Project		(45,283)
Principal Payment for Loan Payable - Service Meter Upgrade Project	(40,059)	(39,059)
Interest Paid on Revenue Bonds and Loans	(46,333)	(55,346)
	<u>(351,554)</u>	<u>(430,739)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Property Taxes	479,604	433,929
Inclusion Fees Received	-	37,000
Specific Ownership Taxes	38,533	36,147
Miscellaneous Non-operating Income	134	-
Treasurer's Fees and Rebates Paid	(7,198)	(6,512)
	<u>\$ 511,074</u>	<u>\$ 500,564</u>
Net Cash Flows from Non-Capital Financing Activities		

(continued)

The Notes to Financial Statements and Independent Auditor's Report  
are an integral part of these statements

**Lookout Mountain Water District**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income Received	\$ 751	\$ 321
Net Cash Flows from Investing Activities	751	321
<b>Net Cash Flows</b>	120,161	2,034
<b>Cash and Cash Equivalents - January 1</b>	379,851	377,817
<b>Cash and Cash Equivalents - December 31</b>	\$ 500,012	\$ 379,851
<b>Supplemental Disclosure of Non-cash Data:</b>		
Interest Paid	\$ 46,333	\$ 55,346
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES:</b>		
Net Loss from Operations	\$ (220,159)	\$ (195,477)
<b>Adjustments to Reconcile Net Loss To Net Cash Used by Operating Activities:</b>		
Depreciation and Amortization	175,041	174,026
Miscellaneous Income Received	-	2,087
Change in Operating Assets and Liabilities:		
( Increase) Decrease in Accounts Receivable	(7,585)	(5,284)
( Increase) Decrease in Other Receivables	(573)	(16,928)
( Increase) Decrease in Prepaid Insurance	(1,080)	(656)
(Decrease) Increase in Accounts Payable	14,247	(25,880)
Net Cash Used by Operating Activities	\$ (40,109)	\$ (68,112)

The Notes to Financial Statements and Independent Auditors' Report  
are an integral part of these statements.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statements of Lookout Mountain Water District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in accordance with those promulgated by the Governmental Accounting Standards Board (GASB). GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. In addition, the reporting entity must include component units if it would be misleading to financial statement users to omit them. The more significant of the District's accounting policies are described below.

Lookout Mountain Water District (District) is a quasi-municipal corporation and political subdivision of the State of Colorado. It was organized on March 23, 1988, to provide treated domestic water services to inhabitants of the District. The District derives its revenue principally from water sales and property taxes, and the service area is located in Jefferson County, Colorado. The District is governed pursuant to provisions of the Colorado Special District Act, and by an elected Board of Directors.

The District has no employees and all operations and administrative functions are contracted.

The accompanying financial statements present the activities of the District.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation.**

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units accounted for as a proprietary enterprise fund. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the USA. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense; expenditures for property, plant and equipment are shown as increased in assets.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 1 - Summary of Significant Accounting Policies (continued)**

The District distinguishes between *operating* revenues and expenses and *non-operating items*. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with the District's principal ongoing business of providing water services. The primary operating revenues are for charges to customers and sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Accounting

The accounts of the District are recognized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District has only one proprietary fund.

Proprietary Funds

Enterprise Fund – Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expense, including depreciation) of providing goods or service to the general public on a continuing basis be financed or recovered primarily through user charges.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents, both restricted and unrestricted, are highly liquid investments with an original maturity three months or less.

2. Restricted Cash and Cash Equivalents

Restricted assets are cash and cash equivalents whose use is limited by legal requirements. Restricted cash and cash equivalents represent amounts to be used to fund Subdistrict A loan debt service payment annually.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 1 - Summary of Significant Accounting Policies (continued)**

3. Receivables

Receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at December 31, 2016. Property taxes levied on December 31, 2016 are identified as property taxes receivable and deferred inflows of resources.

4. Fixed Assets and Deferred Costs

Depreciation of all exhaustible fixed assets constructed and used by the Enterprise Fund is charged as an expense against operations. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets. Depreciation lives range from 5 to 40 years.

During 1988, the district acquired the existing raw water distribution system from the City of Golden in exchange for assuming the responsibility of providing water service to those users of the system. A token payment of \$100 was made to record the transfer. The district has determined that a reasonable estimate of the value of the system cannot be determined on a cost effective basis and has elected to carry the system on its books at the amount of \$100.

The carrying value of the Enterprise Fund's fixed facilities includes charges for capitalized interest. The charges are based on the borrowing rate of the district's long-term debt and the capitalizable expenditures for the period an asset is under construction, net of related interest income earned. Interest cost capitalized is charged to operations over the useful life of the project upon the project's completion. No interest was capitalized during the years ended December 31, 2016.

5. Deferred Outflows/Inflows of Resource

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an out flow of resources (expense/expenditure) until then. The district does not have any items that qualify.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The district has only one type of item that qualifies for reporting in this category, *unavailable revenue – property taxes*. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 1 - Summary of Significant Accounting Policies (continued)**

6. Net Position – Emergency Reserves

Reserved net position has been provided for, as required, by Article X, Section 20 of the Constitution of the State of Colorado. \$24,100 of the fund balance has been reserved in compliance with this requirement.

D. Revenue Recognition - Property Taxes

Property taxes attach to the property as of January 1. The county certifies the assessed valuation of the District in October of the preceding year and the District is obligated to certify the mill levies to the county by December 15 of the preceding year. Taxes are levied in December and are payable in the following year. Property taxes unpaid by October 1 are subject to lien.

Property taxes are payable in full by April 30, or in two equal installments due February 28, and June 15. The County Treasurer bills and collects property taxes for all taxing entities within the County.

E. Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

F. Encumbrances

Encumbrance accounting, under which commitments related to unperformed contracts for goods and services are recorded to reserve a portion of the current appropriation, is not used by the District. In the event a contract extends over two or more years, expenditures are budgeted for and reappropriated each year.

G. New Accounting Pronouncements

During 2013, the District implemented GASB Statement No. 62, "Codification of Accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in Financial Accounting Standards Board ("FASB") Statements and interpretations, Accounting Procedure, which do not conflict with or contradict GASB Pronouncements. This statement had no impact to the District's financial statements.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 1 - Summary of Significant Accounting Policies (continued)**

During 2013, the District implemented GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This statement incorporates deferred outflows of resources and deferred inflows of resources, as definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement had no impact to the District's financial statements.

During 2013, the District implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets or liabilities. Due to the implementation of this statement, the loan origination fees should be recognized as an expense in the period incurred and not over the life of the loan. Accounting changes adopted to conform to the provisions of the Statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at the beginning of the year by \$11,366, which is the amount of unamortized bond costs at December 31, 2012.

**Note 2 - Stewardship, Compliance and Accountability**

**A. Budget and Budgetary Accounting**

Annually the Board of Directors prepares proposed operating budgets for the fiscal year commencing the following January 1.

The operating budgets include proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to December 31, the budget is legally adopted by the Board of Directors. The District appropriates by total expenditures. All appropriations lapse at year-end per State statutes.

An annual budget resolution, appropriation resolution and mill levy resolution are adopted by the Board of Directors in accordance with the Colorado State Statutes. All funds are budgeted on a modified accrual basis of accounting. The appropriation is at the total fund expenditure level and lapses at year-end for operating and debt service expenditures. Appropriations for capital projects are continuing appropriations on a project-by-project basis until the District's Board rescinds any unexpended appropriation. Expenditures may not legally exceed appropriations as described above. using a non-GAAP basis by recognizing equipment and building acquisition and debt service payments as expenditures and non-cash expenses such as depreciation are not budgeted.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 2 - Stewardship, Compliance and Accountability (continued)**

**B. Tax, Spending and Debt Limitations**

In 1992, Colorado voters approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations that apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. Management and District Counsel is of the opinion that the District qualifies for exclusion as an Enterprise.

TABOR established 1992 as the initial base for spending and revenue limits. Thereafter spending and revenue limits can only be adjusted for inflation and local growth without voter approval. TABOR requires the establishment of Emergency Reserves that must be at least 3% of spending (excluding bonded debt service) for 1995 and thereafter. The District has reserved \$24,100 for this purpose.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing taxes or spending above the limits prescribed above, increasing a mill levy, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Multiple-fiscal year debt requires voter approval except for bond refinancing at lower interest rates or adding employees to existing pension plans.

In November 2004, the voters of the District approved a referendum that authorized the District to collect, retain or expend all revenues and other funds received from any source regardless of the limitations imposed by TABOR. The referendum applies only to excess revenues and leaves all other provisions of TABOR unchanged. At that election the voters also approved exempting the District from the provisions of the statute that limits property tax revenue to the amount collected in the prior year plus 5.5%. Both provisions were effective tax year 2004 and thereafter.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions will require judicial interpretation.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 3 - Cash, Cash Equivalents, and Investments**

Cash deposits and investments held by the District as of December 31, 2016 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and Cash Equivalents		
Insured Deposits	\$ 377,272	\$ 403,116
Collateralized Deposits	31,696	7,534
Total Cash and Cash Equivalents	<u>408,967</u>	<u>\$ 410,650</u>
	<u>Fair Value</u>	
Investments		
Local Government Investment Pool	91,045	
Total Investments	<u>91,045</u>	
Total Cash, Cash Equivalents and Investments	<u>\$ 500,012</u>	
Unrestricted	\$ 479,352	
Restricted	20,660	
	<u>\$ 500,012</u>	

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 3 - Cash, Cash Equivalents, and Investments (continued)**

Cash Deposits

At December 31, 2016 the District's deposits had a carrying value \$408,967 and a bank balance of \$410,650. Of the bank balance 100% was covered by federal depository insurance. The District follows state statutes regarding investments. This is a formally adopted policy.

The Public Deposit Protection Acts (PDPA) of the State of Colorado controls the collateralization of public funds on deposit in state and national banks and savings and loans. Under the PDPA the District is required to make deposits only in "eligible public depositories" as defined in the statute. Under this statute, an eligible public depository is required to pledge collateral with a market value in excess of the non-federally insured portion of its aggregate public deposits, but is not required to register such collateral in the name of its individual public depositors. The institution is required to maintain subsidiary records that identify public deposits secured by a pool.

The District limits its concentration of investments to those covered by the PDPA which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements.

Investments

Colorado State Statutes define eligible investments for local governments. These include U.S. Treasury obligations, repurchase agreements, State of Colorado and local government obligations, and others. The statutes allow participation with other local governments in pooled investment funds managed by mutual agreement with the same restrictions on deposits and investments. The State Regulatory Commission for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District had investments of \$77,872 in the Colorado Local Government Liquid Asset Trust (the Trust); and investment vehicle established for local government entities in Colorado to pool surplus funds. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury Securities and repurchase agreements collateralized by U.S. Treasury Securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. Agency Securities and highest rated commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust.

At December 31, 2016, the District had investments of \$77,872 in the COLOTRUST PRIME portfolio. COLOTRUST PRIME carries an AAAM rating by Standard and Poor's. COLOTRUST PLUS+ carries an AAAM rating from Standard and Poor's and Fitch and Moody's. Separate financial statements can be obtained through their web-site at [www.colotrust.com](http://www.colotrust.com) or by calling (303) 864-7474.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**Note 4 - Capital Assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

By Classification	<b>Balance at December 31, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance at December 31, 2016</b>
Assets not being depreciated:				
Land	\$ 13,055	\$ -	\$ -	\$ 13,055
Construction in Progress	415,771	2,316,739	118,961	2,613,549
Total assets not being depreciated	<u>428,826</u>	<u>2,316,739</u>	<u>118,961</u>	<u>2,626,604</u>
Assets being depreciated:				
Infrastructure	3,242,366	130,133	-	3,372,499
Treatment Facility	2,392,242	7,188	-	2,399,430
Tank and Pump Stations	609,264	-	-	609,264
Equipment	108,149	4,184	-	112,333
Capitalized Costs	159,426	-	-	159,426
Total assets being depreciated	<u>6,511,447</u>	<u>141,505</u>	<u>-</u>	<u>6,652,952</u>
Less - Accumulated Depreciation	<u>(3,486,883)</u>	<u>(175,041)</u>	<u>-</u>	<u>(3,661,924)</u>
Net assets being depreciated	<u>3,024,564</u>	<u>(33,536)</u>	<u>-</u>	<u>2,991,028</u>
Total net assets	<u>\$ 3,453,390</u>	<u>\$ 2,283,203</u>	<u>\$ 118,961</u>	<u>\$ 5,617,632</u>

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 5 - Long-Term Debt**

The District's long-term debt as of December 31, 2016 and 2015 and its 2016 debt transactions are as follows:

	Balance at January 1, 2016	Additions	Retirements	Balance at December 31, 2016	Current Portion
<u>Bonds Payable</u>					
(a) 1992 Water Revenue Bonds	\$ 225,847	\$ -	\$ (27,738)	\$ 198,109	\$ 29,125
(e) CWCB for UBB 2016-2017	-	1,814,359	-	1,814,359	-
	<u>\$ 225,847</u>	<u>\$ 1,814,359</u>	<u>\$ (27,738)</u>	<u>\$ 2,012,468</u>	<u>\$ 29,125</u>
Current Portion	(27,738)			(29,125)	
Long-term Portion	<u>\$ 198,109</u>			<u>\$ 168,984</u>	
<u>Loan Payable</u>					
(b) Subdistrict A	\$ 225,288	\$ -	\$ (20,432)	\$ 204,856	\$ 21,453
Current Portion	(20,432)			(21,453)	
Long-term Portion	<u>\$ 204,856</u>			<u>\$ 183,403</u>	
<u>Lease Payable</u>					
(c) Membrane Filtration Project	\$ 476,621	\$ -	\$ (111,490)	\$ 365,131	\$ 116,451
(d) Service Meter Upgrade Project	119,726	-	(40,059)	79,667	41,084
	<u>\$ 596,347</u>	<u>\$ -</u>	<u>\$ (151,549)</u>	<u>\$ 444,798</u>	<u>\$ 157,535</u>
Current Portion	\$ (151,549)			\$ (157,535)	
Long-term Portion	<u>\$ 444,798</u>			<u>\$ 287,263</u>	

Bonds Payable

In 1991, the District approved issuance of Water Revenue Bonds in the amount of \$600,000. The Water Revenue Bonds constitute a special obligation of the District secured solely by a lien and pledge of the net revenues of the water system. The bonds are payable in thirty equal annual installments of principal and interest, at 5% per annum, on February 28 of each year until 2027.

The revenue bonds are collateralized by the revenue of the water system and the special fund established by the bond ordinances. The bond ordinances provide that the revenue of the system is to be applied first, to pay operating and maintenance expenses of the system and second, to pay the debt service requirements on the bond. Any remaining revenues may then be used for any other lawful purpose.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 5 - Long-Term Debt (continued)**

Loans Payable

Subdistrict A

In 2004, the District entered into a loan with the State of Colorado for the use and benefit of the Department of Local Affairs in the amount of \$400,000. The funds are to be used toward the cost of the construction of replacement water main extensions.

The loan is payable in twenty equal annual installments of principal and interest, at 5% per annum, on September 1 of each year until 2024.

CWCB Construction Loan for Upper Beaver Brook Dam Improvements

In 2016 the District entered into an agreement with the Colorado Water Conservation Board and the Department of Natural Resources for short-term and long-term financing of the Upper Beaver Brook spillway improvements project.

As of 12/31/16, the balance attributable to this loan for Construction in Progress is \$1,814,359. It is expected that the loan converts to a long-term financing agreement in 2017, no greater than \$3,099,690.

The loan will be payable in thirty equal annual installments of principal and interest, with an interest rate of 3.25% per annum until 2048.

Leases Payable

Treatment Facility Upgrade

In 2007, the District entered into a lease with Wells Fargo Brokerage Services, LLC in order to finance the improvements and building expansion to the Treatment Facility which included the installation of the membrane filtration system. The lease amount of \$1,213,500 is to be repaid on September 5, 2008. The interest rate per the lease agreement is 4.45% per annum

Service Meter Upgrade Project

In 2013, the district entered into a lease with Chase Bank in order to finance the purchase and installation of new, upgraded meters throughout the district. The lease amount of \$200,000 is to be repaid on November 22, 2018. Principal and interest payments are due monthly on the 22<sup>nd</sup> of each month, commencing December 22, 2013. The interest rate per the lease agreement is 2.53% per annum.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**Note 5 - Long-Term Debt (continued)**

The following tables summarize debt service requirements for debt outstanding as of December 31, 2016.

Bonds Payable - 1992 Water Revenue

Year	Principal	Interest	Total Annual Requirements
2017	\$ 29,125	\$ 9,906	\$ 39,031
2018	30,582	8,449	39,031
2019	32,111	6,920	39,031
2020	33,716	5,315	39,031
2021-2022	72,574	5,488	78,062
Totals	<u>\$ 198,108</u>	<u>\$ 36,078</u>	<u>\$ 234,186</u>

Loan Payable - Sub District A

Year	Principal	Interest	Total Annual Requirements
2017	\$ 21,453	\$ 10,243	\$ 31,696
2018	22,526	9,170	31,696
2019	23,652	8,044	31,696
2020	24,835	6,861	31,696
2021-2024	112,390	14,391	126,781
Totals	<u>\$ 204,856</u>	<u>\$ 48,709</u>	<u>\$ 253,565</u>

Lease Payable - Membrane Filtration Improvements Project

Year	Principal	Interest	Total Annual Requirements
2017	\$ 116,451	\$ 16,249	\$ 132,700
2018	121,633	11,067	132,700
2019	127,047	5,653	132,700
Totals	<u>\$ 365,131</u>	<u>\$ 32,969</u>	<u>\$ 398,100</u>

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 5 - Long-Term Debt (continued)**

Lease Payable - Service Meter Upgrade Project

Year	Principal	Interest	Total Annual Requirements
2017	\$ 41,084	\$ 1,541	\$ 42,625
2018	38,583	490	39,073
Totals	\$ 79,667	\$ 2,031	\$ 81,698

**Note 6 - Risk Management**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; error or omissions; injuries to employees, or acts of God (including water shortages due to drought). The District maintains commercial insurance for all risks of loss which are insurable.

The District pays annual premiums to the Colorado Special Districts Property and Liability Pool (the Pool) for Workers' Compensation coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on a basis proportionate to other members.

**Note 7 - Commitments and Contingencies**

At a special election held on May 7, 2002, the voters of the District authorized the District to eliminate the limitations on terms of office imposed by Article XVIII, Section II of the Colorado Constitution.

At an election held on November 2, 2004, the voters of the District authorized the District to collect, retain and spend cash each year from any source; as an exception to and without regard to expenditure, revenue raising, debt service change requirements, or other limitation contained within Article X, Section 20 of the Colorado Constitution.

**Lookout Mountain Water District**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2016**

**Note 8 - Evaluation of Subsequent Events**

The District has evaluated subsequent events through July 10, 2017, the date which the financial statements were available to be issued. There were no subsequent events that required recognition or additional disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Lookout Mountain Water District**  
**SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ENTERPRISE FUND**  
**For the Year Ended December 31, 2016**

	BUDGETED AMOUNTS		Actual	Variance
	Original	Amended		Positive (Negative)
<b>REVENUES</b>				
Water Sales, Net of Allowances	\$ 520,839	\$ 516,370	\$ 506,002	\$ (10,368)
Late Payment Fees	1,200	597	667	70
Inspection Fees	500	1,500	2,500	1,000
Transfer Fees	600	1,300	1,500	200
Inactive Tap Fees	14,000	15,281	15,336	55
Miscellaneous Operating Income and Fees	3,500	4,374	9,368	4,994
Interest Income, Subdistrict A		15	18	3
Grants or Insurance Proceeds	22,000	22,000	22,000	-
Subdistrict A - Collections for Debt Service	31,696	31,696	31,860	164
CWCB Debt Issuance and Reimbursement	3,450,145	1,933,576	1,814,360	(119,216)
<b>Total Revenues</b>	<b>4,044,480</b>	<b>2,526,709</b>	<b>2,403,611</b>	<b>(123,098)</b>
<b>OPERATIONS AND MAINTENANCE</b>				
Contract Operator	128,800	123,300	123,300	-
Testing and Analysis, Supplies	3,000	3,000	2,643	357
Testing and Analysis, Lab Fees	9,000	4,863	3,222	1,641
Locator Service	3,100	3,667	3,561	106
Sludge Removal & Extra Backwashes	3,000	3,000	-	3,000
Trash Removal	1,200	1,200	1,340	(140)
Snow Removal and Road Maint.	14,000	22,110	23,860	(1,750)
R/M, Treatment Plant & Sludge Bldg.	15,000	16,310	15,876	434
R/M, Storage Tank	3,500	6,493	6,512	(19)
R/M, Pump Station	3,500	3,500	824	2,676
R/M, Meters	5,000	8,273	8,434	(161)
R/M, Equipment	3,000	3,000	1,073	1,927
R/M, Upper BB Dam	3,500	8,706	8,206	500
R/M, Lower BB Dam	5,000	1,467	1,267	200
R/M, LM Dam	3,000	14,260	4,654	9,606
R/M, Main Distribution Line	32,000	17,775	10,697	7,078
R/M, Laterals & Hydrants	3,000	1,529	529	1,000
Electricity, Treatment Plant	21,000	18,890	18,115	775
Electricity, Tank	200	200	213	(13)
Electricity, Pump Station	6,000	4,906	4,835	71
Electricity, LM Dam	200	402	218	184
Gas, Treatment Plant	4,100	1,797	1,057	740
Fuel, Emergency Generator	800	573	273	300
Chemicals	36,000	36,000	37,338	(1,338)
Other Maintenance Supplies	1,000	1,326	1,246	80
Tools	500	500	-	500
Equipment Rental	2,000	2,000	-	2,000
Telephone/DSL	3,000	3,000	2,778	222
Telemetry-Wireless Service	2,000	2,000	1,960	40
Security Service	3,600	5,836	5,727	109
Other Operation and Maintenance	2,000	1,152	152	1,000
Water Purchases or Leases	30,000	15,000	15,000	-
Maintenance, Watershed	2,000	248	248	-
Water Rights Maintenance & Operations	20,000	20,000	19,080	920
Contingency	25,000	20,000	-	20,000
<b>Total Operations and Maintenance Expenditures</b>	<b>398,000</b>	<b>376,283</b>	<b>324,238</b>	<b>52,045</b>

(continued)

The Notes to Financial Statements and Independent Auditors' Report are an integral part of the statements.

**Lookout Mountain Water District**  
**SCHEDULE OF REVENUE,, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ENTERPRISE FUND**  
**For the Year Ended December 31, 2016**

	BUDGETED AMOUNTS		Actual	Variance Positive (Negative)
	Original	Final		
<b>DEBT SERVICE</b>				
Debt Service	\$ 70,727	\$ 70,727	\$ 70,727	-
<b>CAPITAL PROJECTS</b>				
JDTF Improvements	2,000	7,188	7,188	-
Meters and Valves	10,000	3,132	4,185	1,053
Reservoirs, Dams and Flumes	5,000	18,146	16,727	(1,419)
UBB Capacity Improment Project 2012-2017	3,285,400	2,148,418	1,923,623	(224,795)
Contingency	10,000	-	-	-
Total Capital Projects	3,312,400	2,176,884	1,951,723	(225,161)
Total Expenditures	3,781,127	2,623,894	2,346,688	(277,206)
<b>NET OF REVENUES OVER (UNDER)</b>				
<b>EXPENSES</b>	263,353	(97,185)	56,923	154,108
<b>NET POSITION BEGINNING OF YEAR</b>	378,462	378,462	378,462	-
<b>NET POSITION END OF YEAR</b>	\$ 641,815	\$ 281,277	\$ 435,385	\$ 154,108

The Notes to Financial Statements and Independent Auditors' Report are an integral part of these statements.

**Lookout Mountain Water District**  
**SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ENTERPRISE FUND**  
**For the Year Ended December 31, 2016**

	BUDGETED AMOUNTS		Actual	Variance
	Original	Amended		Positive (Negative)
<b>REVENUE</b>				
Real Property Taxes, Net of Rebates/Refunds	\$ 478,915	\$ 479,912	\$ 479,604	\$ (308)
Specific Ownership Taxes	30,000	36,848	38,533	1,685
Inclusion Fees	18,500	-	-	-
Other Non-operating Income, Gain (Loss on Assets)	0	60	134	74
Interest Income, Incl. Delinquent Taxes	500	685	733	48
<b>Total Revenues</b>	<b>\$ 527,915</b>	<b>\$ 517,505</b>	<b>\$ 519,004</b>	<b>\$ 1,499</b>
<b>OPERATIONS AND MAINTENANCE</b>				
Accounting	15,600	15,600	15,600	-
Audit	5,000	5,850	5,850	-
Director's Fees	6,000	7,700	7,200	(500)
Payroll Taxes	500	561	551	(10)
Consulting, Water Rights	36,000	26,330	25,484	(846)
Legal, Water Rights	9,000	2,000	379	(1,621)
Legal, General	72,000	103,902	101,199	(2,703)
Contract Services, Administration & Billing	84,600	83,010	82,491	(519)
Rent, Storage, Office, PO box	3,600	2,500	2,400	(100)
Insurance, General Liability	3,200	3,835	3,834	(1)
Insurance, Auto Liability	200	200	197	(3)
Insurance, Property	6,000	6,578	6,625	47
Insurance, Public Officials	900	900	620	(280)
Travel and Meals	500	572	572	-
Seminars and Meetings	1,200	1,200	1,170	(30)
Dues and Subscriptions	2,000	2,000	1,379	(621)
Election Expenses	16,000	586	586	-
Telephone/Communications	1,800	1,800	1,486	(314)
Postage	4,300	3,404	3,379	(25)
Printing, Billing Stock, Multifunction	4,000	4,289	5,107	818
Office Supplies	400	400	396	(4)
Information Tech, Website, Billing Software	7,700	7,700	5,974	(1,726)
Other Administrative (Fees, Permits, Maps, Contingency)	1,000	1,445	1,346	(99)
Bank Charges, E-commerce Processing	2,500	3,813	4,138	325
Uncollected Taxes, Other	500	500	286	(214)
County Treasurer's Fees	7,200	7,200	7,198	(2)
<b>Total Operations and Maintenance Expenses</b>	<b>291,700</b>	<b>293,875</b>	<b>285,447</b>	<b>(8,428)</b>
<b>DEBT SERVICE</b>				
Debt Service	175,326	175,326	175,326	-
<b>NET OF REVENUES OVER (UNDER) EXPENSES</b>				
	60,889	48,304	58,231	9,927
<b>NET POSITION BEGINNING OF YEAR</b>				
	19,642	19,642	19,642	-
<b>NET POSITION END OF YEAR</b>				
	<b>\$ 80,531</b>	<b>\$ 67,946</b>	<b>\$ 77,873</b>	<b>\$ 9,927</b>

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**Lookout Mountain Water District**  
**SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**(Continued)**  
**For the Year Ended December 31, 2015**  
**RECONCILIATION TO NET INCOME (GAAP BASIS)**  
**For the Year Ended December 31, 2016**

	<b>Enterprise</b>	<b>General</b>	<b>Total</b>
ACTUAL EXCESS (DEFICIENCY OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS))	\$ 56,923	\$ 58,231	\$ 115,154
(Deduct) Items Which Are Not Expenditures:			
Amortization and Depreciation	(175,041)		(175,041)
Add Items Which Are Not GAAP Expenses:			
Capital Projects	1,951,723		1,951,723
Principal Portion of Bond Payments	27,738		27,738
Principal Portion of Loans Payable	2,464,014		2,464,014
Change in Accrued Interest Payable	6,564		6,564
<b>NET INCOME (GAAP BASIS)</b>	<b>\$ 4,331,922</b>	<b>\$ 58,231</b>	<b>\$ 4,390,153</b>

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## **OTHER SUPPLEMENTARY INFORMATION**

**Lookout Mountain Water District  
SUMMARY OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2008	24,434,510	16.200	395,839	393,893	99.51%
2009	24,893,070	16.200	403,267	403,240	99.99%
2010	26,485,150	17.700	468,787	467,433	99.71%
2011	27,171,360	17.700	480,933	479,036	99.61%
2012	25,949,599	17.700	459,308	455,530	99.18%
2013	25,782,818	17.700	456,356	454,460	99.58%
2014	24,861,355	17.700	440,046	440,312	100.06%
2015	24,578,302	17.700	435,036	433,929	99.75%
2016	27,141,918	17.700	480,412	479,604	99.83%

Estimate for the year ended December 31, 2017:

2017	27,190,405	17.700	481,270		
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**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years. Information received from the County Treasurers does not permit identification of specific year of assessment.

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