

LOOKOUT MOUNTAIN WATER DISTRICT
REPORT ON FINANCIAL STATEMENTS
December 31, 2017 and 2016

E

RECEIVED

Office of the State Auditor

September 27, 2018

Lookout Mountain Water District
REPORT ON FINANCIAL STATEMENTS
December 31, 2017 and 2016

Table of Contents

	<u>Page</u>
Independent Auditor's Report	i - ii
Management's Discussion and Analysis	iii - ix
<u>Financial Statements</u>	
Statements of Net Position	1 - 2
Statements of Revenues, Expenses, and Changes in Net Position	3 - 4
Statements of Cash Flows	5 - 6
Notes to the Financial Statements	7 - 20
<u>Required Supplementary Information</u>	21
Statement of Revenues, Expenditures and Changes in Net Position (Budgetary Basis)	22 - 25
<u>Other Supplementary Information</u>	26
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	27



VALENTINE SEEVERS & ASSOCIATES, PC
• CERTIFIED PUBLIC ACCOUNTANTS •

John M. Seevers, C.P.A.
Deborah J. Grossman, C.P.A.
Janette A. Palenius, C.P.A.
William R. Valentine, C.P.A. retired

3781 Evergreen Parkway
Evergreen, Colorado 80439
www.vsaacpa.com

Telephone (303) 674-5561
Facsimile (303) 459-5454
vsaa@vsaacpa.com

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 years ended December 31, 2017 and 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.

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, 2017 and 2016 and the respective changes in financial position and cash flows for the years 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.

SEEVERS & ASSOCIATES, PC

September 21, 2018

**LOOKOUT MOUNTAIN WATER DISTRICT
MANAGEMENTS DISCUSSION AND ANALYSIS
DECEMBER 31, 2017**

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, 2017. 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 \$4,111,551 (net position).
- Net position increased by \$322,992 when compared to 2016.
- The District's operating and non-operating income increased by \$104,808 when compared to 2016.
- The District's operating expenses increased by \$52,444 when compared to 2016.

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, 2017**

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 \$4,111,550 in 2017.

**Summary of Net Position
December 31, 2017 and 2016**

	2017	2016
Assets		
Current Assets	\$ 1,190,690	\$ 1,076,880
Other Assets	728,055	725,055
Capital Assets, net	6,153,649	5,617,633
Total Assets	8,072,394	7,419,568
Liabilities		
Current Liabilities	278,645	695,727
Long-term Liabilities	3,172,388	2,454,010
Total Liabilities	3,451,033	3,149,737
Deferred Inflows of Resources		
Unavailable Revenue - Property Tax	509,810	481,270
Total Deferred Inflows of Resources	509,810	481,270
Net Position		
Invested in Capital Assets, Net of Related Debt	2,767,938	2,955,510
Restricted Subdistrict A	20,985	20,660
Restricted for Emergencies	26,702	25,129
Unrestricted	1,295,924	787,260
Total Net Position	\$ 4,111,549	\$ 3,788,559

**LOOKOUT MOUNTAIN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Results of Operations

During 2017, the District's net position increased by \$322,992. Key elements of this increase are as follows:

**Statement of Revenues, Expenses and
Change in Net Position
December 31, 2017 and 2016**

	2017	2016
Revenue		
Operating Revenue	\$ 614,666	\$ 557,372
Non-operating Revenue	598,397	550,883
Total Revenue	1,213,063	1,108,255
 Expenses		
Operating Expenses		
Operations, Maintenance and Administrative	584,253	603,505
Depreciation	184,525	174,026
Non-operating Expenses	121,293	60,096
Total Expenses	890,071	837,627
 Change in Net Position	322,992	270,627
 Net Position - Beginning of Year	3,788,558	3,517,931
 Net Position - End of Year - As Restated	\$ 4,111,550	\$ 3,788,558

Overall revenue increased by \$104,808. Significant contributing factors for the revenue increase was an increase in Water Sales, Inactive Tap Fees, Specific Ownership Taxes and Inclusion Fees.

Overall expenses increased by \$52,444. Significant contributing factors for the expense increase were an increase in Interest Expense and Depreciation.

**LOOKOUT MOUNTAIN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets at December 31, 2017 amounts to \$6,153,649 (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:

**Capital Assets
December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Infrastructure	\$ 6,570,565	\$ 3,372,499	49%
Treatment Facility	2,306,537	2,399,430	-4%
Tank and Pump Stations	611,567	609,264	0%
Equipment	54,814	112,333	-105%
Construction in Progress	41,204	2,613,549	-6243%
Land	13,055	13,055	0%
Capitalized Costs	-	159,426	-100%
Total Capital Assets	<u>9,597,743</u>	<u>9,279,556</u>	3%
Less: Accumulated Depreciation	<u>(3,444,094)</u>	<u>(3,661,924)</u>	-6%
Net Capital Assets	<u>\$ 6,153,649</u>	<u>\$ 5,617,632</u>	9%

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

- Completion of the Dam Safety Inundation Mapping Project
- Completion of the Upper Beaver Brook Capacity and Spillway Improvements Project
- Upgrades on the outlet works at the Lookout Mountain Reservoir
- Treatment Facility compressor and air dryer replacement
- Pump Station PLC equipment replacement
- Construction in progress included:
 - Consulting engineering for dam safety at the Lower Beaver Brook Reservoir

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, 2017**

Debt. As of December 31, 2017, the District had total long-term debt of \$3,385,710. Current year activity is shown below:

Long-term Debt December 31, 2017 and 2016				
	2017	2016	Variance	Percentage Change
Bonds Payable	168,982	198,109	(29,127)	14.70%
Loans Payable	3,216,728	2,464,013.35	752,715	-30.55%
	\$ 3,385,710	\$ 2,662,122	\$ 723,588	

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 more than budgeted revenue by \$466. The total actual expenditures, including capital expenditures, was more than budgeted by \$62,480 which can primarily be attributed to timing of expenditures for a significant multi-year capital project described as the Upper Beaver Brook Capacity and Spillway Improvements and completed in 2017. The appropriated (budgeted) revenue exceeded the actual expenditures by \$35,196.

General Fund: The total actual revenue was more than budgeted revenue by \$2,633, primarily due to specific ownership taxes. The total actual expenditures were less than budgeted by \$19,739.

Additional information on the District's detailed Budget for the two funds can be found in pages 21-24 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Enterprise Fund:

Water revenue from usage charges are estimated at about \$50,000 per month, which includes a planned rate increase when compared to 2017. The water rates and other water related fees are structured to encourage conservation and to provide for ongoing expenses and the need for increase in reserves to fund capital improvement projects due to aging infrastructure.

**LOOKOUT MOUNTAIN WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Operations expense are for normal operations, relatively small capital projects, and debt service to include the first revenue bond payment for the Upper Beaver Brook Capacity and Spillway Improvements project.

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 2018. This surplus will be added to the existing or beginning fund balance for each fund. Combined ending fund reserves are estimated at \$770,470.

These factors were considered in preparing the District's budget for the 2018 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, 2017 and 2016**

	December 31,	
	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents		
Unrestricted	\$ 580,505	\$ 479,352
Restricted		
Subdistrict A	20,985	20,660
Accounts Receivable - Trade (net of Reserve for doubtful Accounts of \$0 as of December 31, 2016 and 2015)	59,948	79,155
Other Receivables	31,996	3,902
Property Taxes Receivable - Ensuing Year	481,270	481,270
Prepaid Insurance	15,986	12,541
	<hr/>	<hr/>
Total Current Assets	1,190,690	1,076,880
	<hr/>	<hr/>
Capital Assets		
Construction in Progress	41,204	2,613,549
Land	13,055	13,055
Infrastructure	6,570,565	3,372,499
Treatment Facility	2,306,537	2,399,430
Tank and Pump Station	611,567	609,264
Equipment	54,814	112,333
Capitalized Costs	-	159,426
	<hr/>	<hr/>
Less, Accumulated Depreciation	(3,444,094)	(3,661,924)
	<hr/>	<hr/>
Total Capital Assets	6,153,649	5,617,632
	<hr/>	<hr/>
OTHER ASSETS		
Water Rights and Acquisition Costs	724,545	724,545
Taps - Buybacks Held by LMWD	3,000	-
Deposits	510	510
	<hr/>	<hr/>
Total Other Assets	728,055	725,055
	<hr/>	<hr/>
Total Assets	\$ 8,072,394	\$ 7,419,567
	<hr/> <hr/>	<hr/> <hr/>

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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Current Liabilities		
Accounts Payable	\$ 51,535	\$ 246,664
Retainage Payable	-	214,948
Accrued Interest Payable	13,786	26,002
Current Portion of Long-term Debt	213,324	208,114
	<hr/>	<hr/>
Total Current Liabilities	278,645	695,728
	<hr/>	<hr/>
LONG-TERM DEBT		
Revenue Bonds	168,983	198,109
Loan Payable - Subdistrict A	183,404	204,857
Lease Payable - Membrane Filtration Improvements Project	248,679	365,131
Lease Payable - Service Meter Upgrade Project	38,584	79,668
CWCB Loan for UBB 2016-2017	2,746,062	1,814,359
Less, Current Portion	(213,324)	(208,114)
	<hr/>	<hr/>
Total Long-term Debt	3,172,388	2,454,009
	<hr/>	<hr/>
Deferred Inflows of Resources		
Property Taxes - Ensuing Year	509,810	481,270
	<hr/>	<hr/>
Total Deferred Inflows of Resources	509,810	481,270
	<hr/>	<hr/>
Total Liabilities and Deferred Inflows of Resources	3,960,844	3,631,008
	<hr/>	<hr/>
Net Position		
Invested in Capital Assets, Net of Related Debt	2,767,938	2,955,510
Unrestricted	1,295,926	787,260
Restricted		
Subdistrict A	20,985	20,660
Emergencies	26,702	25,129
	<hr/>	<hr/>
Total Net Position	4,111,551	3,788,559
	<hr/>	<hr/>
Total Liabilities, Deferred Inflows and Net Position	\$ 8,072,394	\$ 7,419,567
	<hr/> <hr/>	<hr/> <hr/>

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, 2017 and 2016**

	2017	2016
OPERATING REVENUES		
Water Sales	\$ 552,742	\$ 506,001
Grant Income	18,969	22,000
Inactive Tap Fees	34,093	15,336
Penalties	715	667
Miscellaneous	8,148	13,368
	614,666	557,372
 OPERATIONS AND MAINTENANCE		
Contract Operator	125,892	123,300
Water Lease Purchases	15,000	15,000
Repair and Maintenance		
Transmission Mains	24,447	25,353
Treatment, Pumping and Storage	16,846	23,212
Sludge Removal	-	-
Other	25,701	44,242
Testing and Analysis	8,054	5,865
Power	27,226	24,710
Chemicals	44,724	37,338
Tools and supplies	968	1,246
Telephone	5,430	4,738
Water Rights and Maintenance	20,215	19,232
Depreciation and amortization	184,525	175,041
	499,028	499,278
 ADMINISTRATIVE EXPENSES		
Accounting and Audit	22,457	21,450
Director's Fees	6,890	7,751
Payroll Taxes	-	-
Consulting - Water Rights	34,783	25,484
Legal	78,634	101,578
Contract Administrator	86,027	82,491
Insurance	12,541	11,276
Travel and Meals	557	572
Seminars and Meetings	1,725	1,170
Dues and Subscriptions	2,425	1,379
Telephone	1,522	1,486
Postage	3,702	3,379
Election Expense	-	586
Rent - Storage Space	2,400	2,400
Office supplies and Miscellaneous	16,089	17,250
	269,750	278,253
 OPERATING LOSS	 \$ (154,112)	 \$ (220,159)

(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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
NON-OPERATING REVEUES (EXPENSES)		
Real Property Taxes	\$ 479,037	\$ 479,604
Specific Ownership Taxes	47,050	38,533
Subdistrict A Receipts	31,584	31,860
Inclusion Fees	37,000	-
Miscellaneous Non-operating Income	1,081	134
Interest Earnings	2,644	751
Interest Expense	(114,098)	(52,898)
County Treasurer's Fee	<u>(7,195)</u>	<u>(7,198)</u>
NON-OPERATING INCOME	<u>477,104</u>	<u>490,787</u>
NET INCOME	322,992	270,627
NET POSITION, BEGINNING OF YEAR	3,788,558	3,517,931
NET POSITION, END OF YEAR	<u><u>\$ 4,111,550</u></u>	<u><u>\$ 3,788,558</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 634,319	\$ 547,467
Cash Received from Settlement and Refunds	-	667
Cash Payments to Suppliers	(573,909)	(382,452)
Cash Payments to Contract Personnel	(211,919)	(205,791)
	<u>(151,508)</u>	<u>(40,109)</u>
Net Cash Provided (Required) by Operating Activities		
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Acquisition and Construction of Capital Projects and Assets	(935,490)	(1,951,722)
Receipt of Subdistrict A Income	31,584	31,860
Receipt of UBB Loan Proceeds	931,703	1,814,359
Principal Payment for Revenue Bonds	(29,125)	(27,739)
Principal Payment for Loan Payable - Membrane Filtration Project	(116,451)	(111,490)
Principal Payment for Loan Payable - Subdistrict A	(21,453)	(20,431)
Principal Payment for Loan Payable - Main Replacement Project	-	-
Principal Payment for Loan Payable - Service Meter Upgrade Project	(41,084)	(40,059)
Interest Paid on Revenue Bonds and Loans	(126,314)	(46,333)
	<u>(306,631)</u>	<u>(351,555)</u>
Net Cash Flows from Capital Financing Activities		
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Property Taxes	479,037	479,604
Inclusion Fees Received	37,000	-
Specific Ownership Taxes	47,050	38,533
Miscellaneous Non-operating Income	1,081	134
Treasurer's Fees and Rebates Paid	(7,195)	(7,198)
	<u>(7,195)</u>	<u>(7,198)</u>
Net Cash Flows from Non-Capital Financing Activities	<u>\$ 556,974</u>	<u>\$ 511,073</u>

(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, 2017 and 2016

	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income Received	\$ 2,644	\$ 751
Net Cash Flows from Investing Activities	2,644	751
Net Cash Flows	101,478	120,160
Cash and Cash Equivalents - January 1	500,011	379,851
Cash and Cash Equivalents - December 31	\$ 601,489	\$ 500,011
Supplemental Disclosure of Non-cash Data:		
Interest Paid	\$ 126,314	\$ 46,333
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (REQUIRED) BY OPERATING ACTIVITIES:		
Net Loss from Operations	\$ (154,112)	\$ (220,159)
Adjustments to Reconcile Net Loss To Net Cash Used by Operating Activities:		
Depreciation and Amortization	184,525	175,041
Miscellaneous Income Received	-	-
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	19,206	(7,585)
(Increase) Decrease in Other Receivables	447	(573)
(Increase) Decrease in Prepaid Insurance	(3,445)	(1,080)
(Increase) Decrease in Other Assets	(3,000)	
(Decrease) Increase in Accounts Payable	(195,129)	14,247
Net Cash Used by Operating Activities	\$ (151,508)	\$ (40,109)

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, 2017

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, 2017

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, 2017

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, 2017. Property taxes levied on December 31, 2017 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, 2017 and 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, 2017

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. \$26,702 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, 2017

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, 2017

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 \$26,702 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, 2017

Note 3 - Cash, Cash Equivalents, and Investments

Cash deposits and investments held by the District as of December 31, 2017 were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and Cash Equivalents		
Insured Deposits	\$ 478,053	\$ 728,020
Collateralized Deposits	31,696	8,021
Total Cash and Cash Equivalents	<u>509,749</u>	<u>\$ 736,042</u>
	<u>Fair Value</u>	
Investments		
Local Government Investment Pool	<u>91,741</u>	
Total Investments	<u>91,741</u>	
Total Cash, Cash Equivalents and Investments	<u>\$ 601,490</u>	
Unrestricted	\$ 580,505	
Restricted	<u>20,985</u>	
	<u>\$ 601,490</u>	

Lookout Mountain Water District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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

Cash Deposits

At December 31, 2017 the District's deposits had a carrying value \$509,749 and a bank balance of \$736,042. 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, 2017, the District had investments of \$267,360 in the Colorado Local Government Liquid Asset Trust (the Trust); an 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, 2017, the District had investments of \$267,360 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 or by calling (303) 864-7474.

Lookout Mountain Water District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

By Classification	Balance at December 31, 2016	Additions	Retirements	Balance at December 31, 2017
Assets not being depreciated:				
Land	\$ 13,055	\$ -	\$ -	\$ 13,055
Construction in Progress	2,613,549	28,649	2,600,993	41,204
Total assets not being depreciated	<u>2,626,604</u>	<u>28,649</u>	<u>2,600,993</u>	<u>54,259</u>
Assets being depreciated:				
Infrastructure	3,372,499	3,198,066	-	6,570,565
Treatment Facility	2,399,430	11,621	\$ 104,513	2,306,537
Tank and Pump Stations	609,264	7,395	5,092	611,567
Equipment	112,333	75,805	133,324	54,814
Capitalized Costs	159,426	-	159,426	-
Total assets being depreciated	<u>6,652,952</u>	<u>3,292,887</u>	<u>402,355</u>	<u>9,543,483</u>
Less - Accumulated Depreciation	<u>(3,661,924)</u>	<u>(184,525)</u>	<u>402,355</u>	<u>(3,444,094)</u>
Net assets being depreciated	<u>2,991,028</u>	<u>3,108,362</u>	<u>-</u>	<u>6,099,390</u>
Total net assets	<u>\$ 5,617,632</u>	<u>\$ 3,137,010</u>	<u>\$ 2,600,993</u>	<u>\$ 6,153,649</u>

Lookout Mountain Water District
NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 5 - Long-Term Debt

The District's long-term debt as of December 31, 2017 and 2016 and its 2017 debt transactions are as follows:

	Balance at January 1, 2017	Additions	Retirements	Balance at December 31, 2017	Current Portion
<u>Bonds Payable</u>					
(a) 1992 Water Revenue Bonds	\$ 198,109	\$ -	\$ (29,127)	\$ 168,982	\$ 30,582
Current Portion				\$ (30,582)	
Long-term Portion	<u>\$ 168,982</u>			<u>\$ 138,400</u>	
<u>Loan Payable</u>					
(e) CWCB for UBB 2016-2017	\$ 1,814,359	\$ 931,703	\$ -	\$ 2,746,062	\$ -
(b) Subdistrict A	204,856	-	(21,453)	183,403	22,526
	<u>\$ 2,019,215</u>	<u>\$ 931,703</u>	<u>\$ (21,453)</u>	<u>\$ 2,929,465</u>	<u>\$ 22,526</u>
Current Portion				\$ (22,526)	
Long-term Portion	<u>\$ 2,929,465</u>			<u>\$ 2,906,939</u>	
<u>Lease Payable</u>					
(c) Membrane Filtration Project	\$ 365,131	\$ -	\$ (116,451)	\$ 248,680	\$ 121,633
(d) Service Meter Upgrade Project	79,667	-	(41,084)	38,583	38,583
	<u>\$ 444,798</u>	<u>\$ -</u>	<u>\$ (157,535)</u>	<u>\$ 287,263</u>	<u>\$ 160,216</u>
Current Portion				\$ (160,216)	
Long-term Portion	<u>\$ 287,263</u>			<u>\$ 127,047</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, 2017

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. 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. The first payment is due on January 1, 2019; therefore, there is no current portion due at the end of 2017.

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, 2018. 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 22nd 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, 2017

Note 5 - Long-Term Debt (continued)

The following tables summarize debt service requirements for debt outstanding as of December 31, 2017.

Bonds Payable - 1992 Water Revenue

Year	Principal	Interest	Total Annual Requirements
2018	30,582	8,449	39,031
2019	32,111	6,920	39,031
2020	33,716	5,315	39,031
2021	35,402	3,629	39,031
2022	37,171	1,859	39,030
Totals	<u>\$ 168,982</u>	<u>\$ 26,172</u>	<u>\$ 195,154</u>

Loan Payable - Sub District A

Year	Principal	Interest	Total Annual Requirements
2018	22,526	9,170	31,696
2019	23,652	8,044	31,696
2020	24,835	6,861	31,696
2021	26,076	5,620	31,696
2022	27,380	4,316	31,696
2023-2024	58,936	4,456	63,392
Totals	<u>\$ 183,405</u>	<u>\$ 38,467</u>	<u>\$ 221,872</u>

Loan Payable - CWCB for UBB 2016-2017

Year	Principal	Interest	Total Annual Requirements
2018	-	-	-
2019	55,420	89,247	144,667
2020	57,221	87,446	144,667
2021	59,081	85,586	144,667
2022	61,001	83,666	144,667
2023-2027	336,065	387,272	723,336
2028-2032	394,342	328,994	723,336
2033-2037	462,726	260,611	723,336
2038-2042	542,968	180,369	723,336
2043-2047	637,124	86,212	723,336
2048	140,114	4,554	144,667
Totals	<u>\$ 2,746,062</u>	<u>\$ 1,593,956</u>	<u>\$ 4,340,018</u>

Lookout Mountain Water District
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 5 - Long-Term Debt (continued)

Lease Payable - Membrane Filtration Improvements Project

Year	Principal	Interest	Total Annual Requirements
2018	121,633	11,067	132,700
2019	127,047	5,653	132,700
Totals	\$ 248,680	\$ 16,720	\$ 265,400

Lease Payable - Service Meter Upgrade Project

Year	Principal	Interest	Total Annual Requirements
2018	38,583	490	39,073
Totals	\$ 38,583	\$ 490	\$ 39,073

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, 2017

Note 8 - Evaluation of Subsequent Events

The District has evaluated subsequent events through July 23, 2018, 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, 2017

	BUDGETED AMOUNTS		Actual	Variance
	Original	Amended		Positive (Negative)
REVENUES				
Water Sales, Net of Allow ances	\$ 570,426	\$ 548,984	\$ 552,742	\$ 3,758
Late Payment Fees	600	700	715	15
Inspection Fees	500	800	800	-
Transfer Fees	1,000	1,000	1,050	50
Inactive Tap Fees	13,000	33,452	34,093	641
Miscellaneous Operating Income and Fees	5,000	14,224	7,379	(6,845)
Interest Income, Subdistrict A		103	111	8
Grants or Insurance Proceeds	-	18,969	18,969	-
Subdistrict A - Collections for Debt Service	31,696	31,696	31,584	(112)
CWCB Debt Issuance and Reimbursement	836,100	901,562	904,513	2,951
Total Revenues	1,458,322	1,551,490	1,551,956	466
OPERATIONS AND MAINTENANCE				
Contract Operator	128,232	128,232	125,892	2,340
Testing and Analysis, Supplies	3,000	4,270	3,963	307
Testing and Analysis, Lab Fees	9,000	5,681	4,091	1,590
Locator Service	3,500	2,116	1,623	493
Sludge Removal & Extra Backw ashes	3,000	3,000	0	3,000
Trash Removal	1,500	1,500	1,548	(48)
Snow Removal and Road Maint.	16,000	10,840	7,740	3,100
R/M, Treatment Plant & Sludge Bldg.	15,000	15,000	15,203	(203)
R/M, Storage Tank	3,500	3,500	136	3,364
R/M, Pump Station	3,500	3,500	1,507	1,993
R/M, Meters	8,100	8,100	6,394	1,706
R/M, Equipment	2,500	2,500	222	2,278
R/M, Upper BB Dam	6,000	6,000	6,208	(208)
R/M, Low er BB Dam	6,000	6,000	3,709	2,291
R/M, LM Dam	4,000	1,694	1,194	500
R/M, Main Distribution Line	35,000	25,189	12,189	13,000
R/M, Laterals & Hydrants	3,000	3,000	1,147	1,853
Electricity, Treatment Plant	21,000	21,472	20,530	942
Electricity, Tank	200	200	137	63
Electricity, Pump Station	6,000	4,989	4,846	143
Electricity, LM Dam	1,200	371	360	11
Gas, Treatment Plant	3,000	1,676	1,352	324
Fuel, Emergency Generator	800	800	0	800
Chemicals	36,000	47,802	44,724	3,078
Other Maintenance Supplies	1,500	1,500	688	812
Tools	500	500	0	500
Equipment Rental	2,000	130	280	(150)
Telephone/DSL	3,000	3,000	3,068	(68)
Telemetry-Wireless Service	2,000	2,182	2,363	(181)
Security Service	5,000	5,000	4,649	351
Other Operation and Maintenance	2,000	500	0	500
Water Purchases or Leases	30,000	15,000	15,000	-
Maintenance, Watershed	2,000	3,525	3,525	-
Water Rights Maintenance & Operations	17,000	20,657	20,216	441
Contingency	20,000	20,000	0	20,000
Total Operations and Maintenance Expenditures	404,032	379,426	314,504	64,922

(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, 2017

	BUDGETED AMOUNTS		Actual	Variance Positive (Negative)
	Original	Final		
DEBT SERVICE				
Debt Service	\$ 105,727	\$ 160,727	\$ 159,103	(1,624)
CAPITAL PROJECTS				
JDTF Improvements		11,621	11,621	-
Pump Station/Radio Telemetry Project		7,395	7,395	-
Meters and Valves		3,540	3,540	-
Reservoirs, Dams and Flumes	55,000	70,000	69,573	(427)
UBB Capacity Improvement Project 2012-2017	640,000	816,105	950,558	134,453
Contingency	20,000	5,000	-	(5,000)
Total Capital Projects	<u>715,000</u>	<u>913,661</u>	<u>1,042,687</u>	<u>129,026</u>
Total Expenditures	<u>1,224,759</u>	<u>1,453,814</u>	<u>1,516,294</u>	<u>62,480</u>
NET OF REVENUES OVER (UNDER) EXPENSES	233,563	97,676	35,662	(62,014)
NET POSITION BEGINNING OF YEAR	<u>281,277</u>	<u>435,385</u>	<u>435,385</u>	<u>-</u>
NET POSITION END OF YEAR	<u>\$ 514,840</u>	<u>\$ 533,061</u>	<u>\$ 471,047</u>	<u>\$ (62,014)</u>

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)
GENERAL FUND
For the Year Ended December 31, 2017

	BUDGETED AMOUNTS		Actual	Variance
	Original	Amended		Positive (Negative)
REVENUE				
Real Property Taxes, Net of Rebates/Refunds	\$ 481,270	\$ 481,270	\$ 479,037	\$ (2,233)
Specific Ownership Taxes	35,000	42,335	47,050	4,715
Rebate/Refund of Real Property Taxes	(770)	-		
Proceeds From Lease Funds	-			
Inclusion Fees	37,000	37,000	37,000	-
Other Non-operating Income, Gain (Loss on Assets)	0	7	-	(7)
Interest Income, Incl. Delinquent Taxes	500	2,375	2,533	158
Total Revenues	<u>\$ 553,000</u>	<u>\$ 562,987</u>	<u>\$ 565,620</u>	<u>\$ 2,633</u>
OPERATIONS AND MAINTENANCE				
Accounting	16,000	16,000	15,912	(88)
Audit	6,000	6,545	6,545	-
Director's Fees	7,000	7,000	6,400	(600)
Payroll Taxes	600	600	490	(110)
Consulting, Water Rights	36,000	35,561	34,783	(778)
Legal, Water Rights	5,000	6,677	6,448	(229)
Legal, General	96,000	73,100	72,186	(914)
Contract Services, Administration & Billing	88,800	88,800	86,027	(2,773)
Rent, Storage, Office, PO box	4,000	4,000	2,400	(1,600)
Insurance, General Liability	3,695	3,695	3,912	217
Insurance, Auto Liability	197	197	198	1
Insurance, Property	7,607	7,607	7,811	204
Insurance, Public Officials	620	620	620	-
Travel and Meals	1,000	1,000	557	(443)
Seminars and Meetings	1,500	1,725	1,725	-
Dues and Subscriptions	2,000	2,000	2,425	425
Election Expenses	-	-	0	-
Telephone/Communications	1,600	1,600	1,522	(78)
Postage	4,000	4,000	3,702	(298)
Printing, Billing Stock, Multifunction	4,500	4,500	4,191	(309)
Office Supplies	500	500	250	(250)
Information Tech, Website, Billing Software	7,500	7,500	5,789	(1,711)
Other Administrative (Fees, Permits, Maps, Contingency)	1,000	1,000	401	(599)
Bank Charges, E-commerce Processing	4,380	5,257	5,456	199
Uncollected Taxes, Other	400	10,000	0	(10,000)
County Treasurer's Fees	7,200	7,200	7,195	(5)
Total Operations and Maintenance Expenses	<u>307,099</u>	<u>296,684</u>	<u>276,945</u>	<u>(19,739)</u>
DEBT SERVICE				
Debt Service	<u>175,326</u>	<u>175,326</u>	<u>175,326</u>	<u>-</u>
NET OF REVENUES OVER (UNDER)				
EXPENSES	70,575	90,977	113,349	22,372
NET POSITION BEGINNING OF YEAR				
	<u>67,946</u>	<u>77,873</u>	<u>77,873</u>	<u>-</u>
NET POSITION END OF YEAR				
	<u>\$ 138,521</u>	<u>\$ 168,850</u>	<u>\$ 191,222</u>	<u>\$ 22,372</u>

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)
(Continued)
For the Year Ended December 31, 2017
RECONCILIATION TO NET INCOME (GAAP BASIS)
For the Year Ended December 31, 2017

	<u>Enterprise</u>	<u>General</u>	<u>Total</u>
ACTUAL EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES (BUDGETARY BASIS)	\$ 35,662	\$ 113,349	\$ 149,011
(Deduct) Items Which Are Not Expenditures:			
Amortization and Depreciation	(184,525)		(184,525)
Loan or Lease Proceeds	(904,513)		(904,513)
Add Items Which Are Not GAAP Expenses:			
Capital Projects	1,042,687		1,042,687
Principal Portion of Bond Payments	29,127		29,127
Principal Portion of Loans Payable	178,988		178,988
Change in Accrued Interest Payable	12,217		12,217
NET INCOME (GAAP BASIS)	<u>\$ 209,643</u>	<u>\$ 113,349</u>	<u>\$ 322,992</u>

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

OTHER SUPPLEMENTARY INFORMATION

**Lookout Mountain Water District
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2017**

<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%
2017	27,190,405	17.700	481,270	478,853	99.50%

Estimate for the year ended December 31, 2018:

2018	28,802,814	17.700	509,810
------	------------	--------	---------

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.

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