

**LAKEHURST WATER AND SANITATION
DISTRICT**

Jefferson and Denver Counties, Colorado

**FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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Office of the State Auditor

July 30, 2018

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Independent Auditor's Report

Board of Directors
Lakehurst Water and Sanitation District
Jefferson and Denver Counties, Colorado

We have audited the accompanying financial statements of Lakehurst Water and Sanitation District (District) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 involves performing procedures to obtain audit evidence about 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakehurst Water and Sanitation District, as of December 31, 2017 and 2016, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
July 24, 2018

**LAKEHURST WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2017 and 2016**

This section of the District's annual financial report presents our analysis of the District's financial performance during the Fiscal Years ended December 31, 2017 and 2016. Please read it in conjunction with the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts:

- ◆ Management's Discussion and Analysis
- ◆ Financial Statements
- ◆ Supplementary Information

REQUIRED FINANCIAL STATEMENTS

The financial statements of the District report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

Statement of Net Position

The Statement of Net Position provides information about the nature and amounts of investments in resources (assets) and obligations to District creditors (liabilities). It also provides the basis for computing the rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

Statement of Revenues, Expenses and Changes in Fund Net Position

This statement measures the results of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees, taxes, and other charges, profitability, and credit worthiness.

Statement of Cash Flows

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing, capital and related financing, and investing activities. It also provides answers to such questions as where did the cash come from, how cash was used, and what was the change in cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position report information about the District's activities in a way that can help answer that question. These two

**LAKEHURST WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2017 and 2016**

statements report the net position of the District and the related change in net position. The District's net position, the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases in the District's net position are one indicator that the District's financial health is improving. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, or changed governmental legislation.

NET POSITION

As part of our analysis, we provide a summary of the District's Statement of Net Position below:

Condensed Statement of Net Position					
	2015	\$ Change	2016	\$ Change	2017
Current assets	\$ 23,387,709	\$ 1,856,622	\$ 25,244,331	\$ (248,249)	\$ 24,996,082
Capital assets	11,938,067	553,858	12,491,925	929,630	13,421,555
Total assets	35,325,776	2,410,480	37,736,256	681,381	38,417,637
Current liabilities	263,334	52,211	315,545	172,844	488,389
Total Liabilities	263,334	52,211	315,545	172,844	488,389
Net Investment in capital assets	11,938,067	553,858	12,491,925	929,630	13,421,555
Unrestricted	23,124,375	1,804,411	24,928,786	(421,093)	24,507,693
Total Net Position	\$ 35,062,442	\$ 2,358,269	\$ 37,420,711	\$ 508,537	\$ 37,929,248

2017

As can be seen from the chart above, current assets decreased by \$248,249, or 1.0%. The largest portion of this decrease is in cash and cash equivalents and investments, which decreased by \$208,512. Capital assets increased by \$929,630 or 7.4%. This increase was due to the District spending \$934,505 on current year capital assets as well as receiving \$543,224 of contributed water and sewer lines, (see the Capital Assets and Debt Administration discussion below), which were offset by 2017 depreciation expense, resulting in the net increase in capital assets. Current liabilities increased by \$172,844, or 54.8% from 2016 to 2017. This increase was due primarily to the timing of payments of yearend services as well as the District receiving \$111,330 of warranty escrow deposits. Overall net position increased \$508,537 in 2017.

2016

As can be seen from the chart above, current assets increased by \$1,856,622, or 7.9%. The largest portion of this increase is in cash and cash equivalents and investments, which increased due to positive operating results (excluding depreciation) for 2016 and the collection of \$1,507,849 of water and sewer tap fees during 2016. Capital assets increased by \$553,858, or 4.6%. This increase was due to the District spending \$694,066 on current year capital assets as well as receiving \$445,837 of contributed water and sewer lines, (see the Capital Assets and Debt Administration discussion below), which were offset by 2016 depreciation expense, resulting in the net increase in capital assets. Current liabilities increased by \$52,211, or 19.8% from 2015 to 2016. This increase was due primarily to the timing of payments of yearend services and yearend operating activity and retainage payable of \$34,995 at December 31,

**LAKEHURST WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2017 and 2016**

2016 on the District's 2016 capital asset improvements. Overall net position increased \$2,358,269 in 2016.

CHANGES IN NET POSITION

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses and Changes in Net Position provides answers as to the nature and source of these changes. As part of our analysis, we provide a summary of the District's Statement Revenues, Expenses and Changes in Fund Net Position below:

2017

As can be seen in the following chart for 2017, there was a \$64,370, or .9%, increase in operating revenue. The largest increase was in sewer service charges which increased by \$123,000, or 4.4%. For 2017, the District's sanitary service rate remained the same as 2016. This increase was due to an increase in the number of single family equivalents being served by the District. Additionally there was to higher pass through sewer charges to Willowbrook Water & Sanitation District. Nonoperating revenue decreased by \$40,725 due to the District receiving \$41,356 less meter fees than in 2016. For 2017 the District's operating expenses increase by \$289,606, or 4.1%. This increase was due primarily to \$363,223 higher sewer treatment charges from Metro Wastewater Reclamation District, which was offset by \$71,911 less charges from Denver Water. Capital contributions decreased by \$1,583,711, due to less water and sewer tap fees collected in 2017 than in 2016. In 2016 the District collected \$1,507,849 of water and sewer tap fees, but in 2017 only received \$41,120. Also in 2017 the District received of contributed water and sewer lines for a total of \$543,224, which was \$97,387 more than 2016.

2016

As can be seen in the following chart for 2016, there was a \$628,406, or 9.6%, increase in operating revenue. The largest increase was in water service charges which increased by \$521,505, or 14.1%. This increase was due to an increase in the water usage rate by 5.4% from \$4.30 to \$4.53 per 1000 gallons of usage, an increase in the base service rate of 2.4% from \$6.35 to \$6.50 per month, and an overall increase in the amount of water usage. For 2016, the District sanitary sewer service rate remained the same as 2015, however the sewer service charges increased by \$59,657, or 2.2%. This increase due primarily to higher pass through sewer charges to Willowbrook Water & Sanitation District. For 2016 the District experienced an increase of \$597,411, or 9.2%, in operating expenses. This increase was due primarily to \$478,576 higher water purchase costs from Denver Water as a result of Denver Water rate increases and higher water usage. Capital contributions increased by \$1,874,195 due to the collection of \$1,507,849 of water and sewer tap fees, the receipt of contributed water and sewer lines for a total of \$445,837 and the receipt of \$214,429 related to a shared capital asset rehabilitation project.

**LAKEHURST WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2017 and 2016**

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position					
	2015	\$ Change	2016	\$ Change	2017
Operating revenue	\$ 6,555,014	\$ 628,406	\$ 7,183,420	\$ 64,370	\$ 7,247,790
Nonoperating revenue	79,166	27,854	107,020	(40,725)	66,295
Total revenues	6,634,180	656,260	7,290,440	23,645	7,314,085
Operating expenses	6,502,875	597,411	7,100,286	289,606	7,389,892
Total expenses	6,502,875	597,411	7,100,286	289,606	7,389,892
Income before capital contributions	131,305	58,849	190,154	(265,961)	(75,807)
Capital contributions	293,920	1,874,195	2,168,115	(1,583,771)	584,344
Change in net assets	425,225	1,933,044	2,358,269	(1,849,732)	508,537
Net Position - Beginning of Year	34,637,217	425,225	35,062,442	2,358,269	37,420,711
Net Position - End of Year	\$ 35,062,442	\$ 2,358,269	\$ 37,420,711	\$ 508,537	\$ 37,929,248

BUDGETARY HIGHLIGHTS

As required by State Law, the District adopts a budget and appropriates funds by December 15 for the following fiscal year. If an amendment is necessary, the Board will approve a supplemental appropriation at a public hearing and file it with the State of Colorado. There were no amendments to the budget for 2017. A budget to actual statement is included as Supplemental Information in the audited financial statements.

For 2017, revenues were more than budgeted by \$117,490 due to \$268,388 higher water and sewer sales and service charges than anticipated. This was offset by \$179,255 less tap fees than anticipated. Overall expenditures were under budget by \$528,606. The categories of expenditures were under budget as follows: Administration by \$102,234, Sewer Operations and Maintenance by \$15,854, and Capital Projects by \$232,495. Offsetting the under budget categories was Water Operations and Maintenance which was over budget by \$217,449. Additionally the District budgeted a Contingency of \$395,472 which was not utilized. Additional information regarding the District's 2017 budget to actual performance is located on pages 15 through 17 of these financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2017 and 2016, the District had invested in a broad range of infrastructure including water lines, maintenance and administration facilities, vehicles and equipment charges as shown in the following chart:

**LAKEHURST WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2017 and 2016**

	Capital Assets				
	<u>2015</u>	<u>\$ Change</u>	<u>2016</u>	<u>\$ Change</u>	<u>2017</u>
Land	\$ 20,636	\$ -	\$ 20,636	\$ -	\$ 20,636
Construction in progress	5,080	(5,080)	-	-	-
Total capital assets, not being depreciated	<u>25,716</u>	<u>(5,080)</u>	<u>20,636</u>	<u>-</u>	<u>20,636</u>
Building	227,238	(8,244)	218,994	(8,245)	210,749
Pump stations	7,509	(349)	7,160	(348)	6,812
Water lines	7,831,746	(165,061)	7,666,685	592,365	8,259,050
Sewer lines	3,718,956	765,008	4,483,964	346,549	4,830,513
Water meter reading equipment	66,322	(44,530)	21,792	(7,074)	14,718
Office equipment	129	(129)	-	-	-
Vehicles	60,451	12,243	72,694	6,383	79,077
Total capital assets being depreciated, net	<u>11,912,351</u>	<u>558,938</u>	<u>12,471,289</u>	<u>929,630</u>	<u>13,400,919</u>
Total capital assets, net	<u>\$ 11,938,067</u>	<u>\$ 553,858</u>	<u>\$ 12,491,925</u>	<u>\$ 929,630</u>	<u>\$ 13,421,555</u>

2017

For 2017 the capital asset increases were: West Saratoga Water Line Replacement for \$620,142, Quincy E-Line Sewer Rehabilitation for \$284,015, contributed water lines of \$314,180, contributed sewer lines for \$229,044, and the purchase of a joint water and sewer use vehicle for \$30,348.

2016

For 2016 the capital asset increases were: Weaver Gulch outfall sewer line rehabilitation for \$648,438, contributed water lines of \$171,648, contributed sewer lines for \$274,189, \$21,000 for a new meter reading laptop and related software and hardware, and the purchase of a joint water and sewer use pickup for \$29,708.

For additional information on the District's capital assets please refer to Note 4.

LONG-TERM DEBT

At year-end, the District does not have any long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

The District's Board of Directors and management consider many factors when setting the 2018 budget, including user fees, rates, charges and any anticipated capital improvement projects. Considerations are taken for increased costs of goods and services for the day-to-day operations of the District and in anticipation of Denver Water and Metro Wastewater rates and charges. These rate charges plus operation and maintenance costs of the water and sewer systems are the main driving factors in setting the District rates for the following year. For 2018

**LAKEHURST WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended December 31, 2017 and 2016**

the District's Board of Directors approved a 1% increase in the District's water consumption rate, increasing it from \$4.67 per thousand gallons to \$4.72 per thousand gallons. The District's water base rate was increased by 2% from \$6.50 to \$6.63 per single family unit, and sanitary sewer service rate will remain unchanged at \$21.10 per single family equivalent unit. For 2018 the Metro Wastewater Reclamation District charges are \$1,575,037, which is a \$230,683, or 12.8%, decrease over 2017's charges.

REQUESTS FOR INFORMATION

If you have questions about this report, please contact the District Manager, at 7995 W. Quincy Ave. Littleton, CO 80232.

BASIC FINANCIAL STATEMENTS

LAKEHURST WATER AND SANITATION DISTRICT
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,761,173	\$ 13,987,760
Investments	9,583,917	10,565,842
Accounts receivable:		
Customers	480,683	499,463
Willowbrook W & S District	-	38,609
Accrued interest receivable	29,231	29,231
Prepaid expense	60,367	49,036
Parts inventory	80,711	74,390
Total current assets	24,996,082	25,244,331
 CAPITAL ASSETS		
Capital assets, not being depreciated	20,636	20,636
Capital assets, being depreciated	24,286,884	22,809,155
	24,307,520	22,829,791
Less accumulated depreciation and amortization	(10,885,965)	(10,337,866)
Total capital assets	13,421,555	12,491,925
 TOTAL ASSETS	 \$ 38,417,637	 \$ 37,736,256
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts and retainage payable	\$ 362,078	\$ 298,636
Warranty escrow deposit	111,330	-
Accrued compensated absences	14,981	16,909
Total current liabilities	488,389	315,545
 NET POSITION		
Net investment in capital assets	13,421,555	12,491,925
Unrestricted	24,507,693	24,928,786
Total net position	37,929,248	37,420,711
 TOTAL LIABILITIES AND NET POSITION	 \$ 38,417,637	 \$ 37,736,256

These financial statements should be read only in connection with
the accompanying notes to financial statements.

LAKEHURST WATER AND SANITATION DISTRICT
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
Years Ended December 31, 2017 and 2016

	2017	2016
OPERATING REVENUE		
Water sales and service charges	\$ 4,212,431	\$ 4,219,089
Sewer service charges	2,918,097	2,795,097
Legal and engineering back charges	68,594	73,697
Meter fees	2,167	43,523
Miscellaneous	33,221	35,814
Turn off, turn on, and late charges	13,280	16,200
Total operating revenue	7,247,790	7,183,420
OPERATING EXPENSES		
Water operations and maintenance	3,981,199	4,075,970
Sewer operations and maintenance	2,082,728	1,702,083
Administration expense	777,866	736,188
Depreciation and amortization	548,099	586,045
Total operating expenses	7,389,892	7,100,286
OPERATING INCOME (LOSS)	(142,102)	83,134
NONOPERATING REVENUE		
Net investment income	66,295	96,890
Gain on disposal of capital assets	-	10,130
Total nonoperating revenue	66,295	107,020
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(75,807)	190,154
CAPITAL CONTRIBUTIONS		
Tap fees:		
Water tap fees	24,000	688,000
Sewer tap fees	17,120	819,849
Contributed capital assets:		
Water lines	314,180	171,648
Sewer lines	229,044	274,189
Contribution for shared rehabilitation project	-	214,429
Total capital contributions	584,344	2,168,115
CHANGE IN NET POSITION	508,537	2,358,269
NET POSITION - BEGINNING OF YEAR	37,420,711	35,062,442
NET POSITION - END OF YEAR	\$ 37,929,248	\$ 37,420,711

These financial statements should be read only in connection with
the accompanying notes to financial statements.

LAKEHURST WATER AND SANITATION DISTRICT
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 7,271,958	\$ 7,128,717
Payments to vendors	(6,163,794)	(5,943,887)
Payments to employees	(599,142)	(558,363)
Other operating receipts	33,221	35,814
Net cash provided by operating activities	542,243	662,281
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital asset purchases	(969,500)	(659,071)
Proceeds from sale of capital asset	-	10,130
Capital contributions	41,120	1,722,278
Warranty escrow deposit received	111,330	-
Net cash provided (required) by capital financing activities	(817,050)	1,073,337
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(8,019)	(1,199,448)
Maturity of investments	961,407	1,065,800
Interest received	94,832	96,820
Net cash provided (required) by investing activities	1,048,220	(36,828)
NET INCREASE IN CASH AND CASH EQUIVALENTS	773,413	1,698,790
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	13,987,760	12,288,970
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 14,761,173	\$ 13,987,760
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income (loss) from operations	\$ (142,102)	\$ 83,134
Adjustments to reconcile income (loss) from operations to net cash provided by operating activities:		
Depreciation	548,099	586,045
Effects of changes in operating assets and liabilities:		
Accounts receivable	57,389	(18,889)
Prepaid expenses	(11,331)	(7,325)
Parts inventory	(6,321)	2,100
Accounts payable	98,437	15,446
Accrued compensated absences	(1,928)	1,770
Net cash provided by operating activities	\$ 542,243	\$ 662,281
NONCASH CAPITAL FINANCING AND INVESTING ACTIVITIES		
Contributed capital assets	\$ 543,224	\$ 445,837
Fair value decrease of investments	(28,537)	(3,315)
	\$ 514,687	\$ 442,522

These financial statements should be read only in connection with
the accompanying notes to financial statements.

LAKEHURST WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – DEFINITION OF REPORTING ENTITY

Lakehurst Water and Sanitation District (District), was created on September 7, 1962, as a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson and Denver Counties, Colorado. The District's purpose is to provide public water and sanitary sewer services to the citizens of the District. The District is governed by an elected Board of Directors and managed by a full-time District Manager.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

As of December 31, 2017 and 2016, the District had no authorized but unissued debt.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets, and redemption of bonds and loans are recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

Operating Revenues and Expenses

The District distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses

LAKEHURST WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

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

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Prepaid Expenses

Certain payments to vendors for goods or services reflect costs applicable to future accounting periods are recorded as prepaid items in the financial statements.

Investments

Investments are stated at fair value except for certain investments which are stated at net asset value per share as allowed generally accepted accounting principles.

Inventory

Inventory is valued at the lower of cost using the first-in, first-out method or market.

Capital Assets

Capital assets are recorded at cost except for those assets which have been contributed which are stated at estimated fair value at the date of contribution.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Capital asset purchases and improvements exceeding \$5,000 are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. The District has recorded purchased capacity,

LAKEHURST WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

which is capacity in water lines and facilities that are property of the Denver Water Board, for which the District was required to pay Denver Water Board.

Depreciation and amortization expense has been computed using the straight-line method over the estimated economic useful lives:

Water lines	35-40 years
Sewer lines	39-40 years
Pump stations	25-40 years
Building	15-40 years
Communication and test equipment	5-40 years
Office equipment	5-10 years
Vehicles	4-5 years

Vacation, Sick Leave, and Other Compensated Absences

Vacation leave is accrued as an expense when earned by employees. Employees may carryover vacation time into the following year; provided that an employee may never have more than 120 hours of unused vacation time that has been carried forward from any prior years. Sick leave benefits and other compensated absences are not accrued in the financial statements because they do not vest or accumulate.

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.

Tap Fees and Contributed Lines

Tap fees are recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at estimated fair market value when received.

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators.

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be

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maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

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

At December 31, 2017, the District had cash deposits with a bank balance of \$14,438,743 and a carrying balance of \$14,405,283, certificates of deposit with a bank and book balance of \$2,423,668, and cash on hand of \$340. At December 31, 2016, the District had cash deposits with a bank balance of \$13,973,032 and a carrying balance of \$13,968,301, certificates of deposit with a bank and book balance of \$3,377,056, and cash on hand of \$340.

Investments

The District has adopted an investment policy, which is more restrictive than Colorado State Statutes, that specifies investment instruments meeting defined rating and risk criteria in which the District may invest which include:

- . United States Government Securities – Treasury Bills and Treasury Notes
- . Interest Bearing Time Certificates
- . Money Market Mutual Funds (No-load Fixed Income)

Interest Rate Risk

The District's investment policy specifies that investment maturities shall not exceed the following limits and that no maturity shall exceed three and a quarter (3 1/4) years: 1) United States Government Securities are limited to maturities not to exceed three and a quarter (3 1/4) years, however at no point in time shall more than 50% of the District's investment portfolio be invested in direct obligations of the United States Government having a maturity of three (3) years or more; 2) Interest Bearing Time Certificates are limited to maturities not to exceed three (3) years; and 3) Money Market Funds are limited to average weighted maturities not to exceed 90 days or less.

Credit Risk

The District's investment policy specifies that the approved investments above shall have a credit rating at least equal to that specified in Section 24-75-601 of the Colorado Revised Statutes.

Concentration of Credit Risk

The District's policy specifies that the District's investment portfolio may be comprised of the following concentrations: 1) 100% of United States Treasury Bills and Notes; 2) a maximum of 70% in certificates of deposit and savings accounts (individual certificates of deposits and total investment in certificates of deposit at any single institution, including all branches of one institution shall be limited to \$250,000 or the current level of FDIC insurance); and 3) a maximum of 60% in fixed income money market funds.

LAKEHURST WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

At December 31, 2017, the District had the following investment portfolio:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity</u>		<u>Percent of Investment Portfolio</u>
		<u>Less than one year</u>	<u>One to two years</u>	
United States Treasury Notes	\$ 7,160,249	\$ 5,991,300	\$ 1,168,949	73.9%
Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio	103,549	103,549	-	1.1%
Certificates of Deposit	2,423,668	2,423,668	-	25.0%
COLOTRUST	252,001	252,001	-	2.6%
	<u>\$ 9,687,466</u>	<u>\$ 8,518,517</u>	<u>\$ 1,168,949</u>	

At December 31, 2016, the District had the following investment portfolio:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturity</u>		<u>Percent of Investment Portfolio</u>
		<u>Less than one year</u>	<u>One to two years</u>	
United States Treasury Notes	\$ 7,188,786	\$ -	\$ 7,188,786	67.9%
Morgan Stanley Institutional Liquidity Funds - Government Portfolio	19,119	19,119	-	0.2%
Certificates of Deposit	3,377,056	3,377,056	-	31.9%
	<u>\$ 10,584,961</u>	<u>\$ 3,396,175</u>	<u>\$ 7,188,786</u>	

Overall Portfolio Limitations

Notwithstanding any other provision contained in this Investment Policy, the District's investment portfolio shall at all times be subject to the following limitations: (i) the average weighted maturity of the District's investment portfolio shall never exceed 18 months, and (ii) the District shall at all times have available in a demand bank deposit account or authorized money market account at least \$500,000; and (iii) in addition, each calendar quarter the District shall have investments mature in an aggregate amount that approximates as best as possible in the anticipated District expenditures for the quarter.

Morgan Stanley Institutional Liquidity Funds Government Portfolio

As of December 31, 2017 and 2016, the District had invested in the Morgan Stanley Institutional Liquidity Funds Government Portfolio (MS Gov't. Fund). The MS Gov't. Fund is a U.S. dollar-denominated money market fund that seeks to preserve the value of each share at \$1.00. The Fund invests in repurchase agreements, US Government Agency debt, and US Treasury debt. The fund is rated AAAM by Standard & Poor's.

LAKEHURST WATER AND SANITATION DISTRICT
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December 31, 2017 and 2016

COLOTRUST

At December 31, 2017, the District has invested 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 State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's.

Investment Valuation

The District has certain investments which are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in United States Treasury Notes are valued using Level 1 inputs.

The District also has investments are not measured at fair value and are therefore not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include a money market investment (Morgan Stanley Institutional Liquidity Funds Government Portfolio) and COLOTRUST. The Morgan Stanley Institutional Liquidity Funds Government Portfolio is recorded at amortized cost. The COLOTRUST investment is measured at NAV, calculated as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the Trust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments are reflected for the December 31, 2017 and 2016 statement of net position and statement of cash flows as follows:

LAKEHURST WATER AND SANITATION DISTRICT
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	2017	2016
Cash and cash equivalents	\$ 14,761,173	\$ 13,987,760
Investments	9,583,917	10,565,842
	\$ 24,345,090	\$ 24,553,602

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

	Balance at December 31, 2016	Additions	Disposals/ Retirements	Balance at December 31, 2017
Capital assets, not being depreciated:				
Land	\$ 20,636	\$ -	\$ -	\$ 20,636
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	20,636	-	-	20,636
Capital assets, being depreciated:				
Building	464,412	-	-	464,412
Pump stations	458,371	-	-	458,371
Water lines	14,007,676	934,323	-	14,941,999
Sewer lines	7,077,646	513,058	-	7,590,704
Water meter reading equipment	655,146	-	-	655,146
Office equipment	5,185	-	-	5,185
Vehicles	140,719	30,348	-	171,067
Total capital assets being depreciated	22,809,155	1,477,729	-	24,286,884
Less accumulated depreciation for:				
Building	(245,418)	(8,245)	-	(253,663)
Pump stations	(451,211)	(348)	-	(451,559)
Water lines	(6,340,991)	(341,958)	-	(6,682,949)
Sewer lines	(2,593,682)	(166,509)	-	(2,760,191)
Water meter reading equipment	(633,354)	(7,074)	-	(640,428)
Office equipment	(5,185)	-	-	(5,185)
Vehicles	(68,025)	(23,965)	-	(91,990)
Total accumulated depreciation	(10,337,866)	(548,099)	-	(10,885,965)
Total capital assets being depreciated, net	12,471,289	929,630	-	13,400,919
Total capital assets, net	\$ 12,491,925	\$ 929,630	\$ -	\$ 13,421,555

LAKEHURST WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

An analysis of the changes in capital assets for the year ended December 31, 2016 follows:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Disposals/ Retirements</u>	<u>Balance at December 31, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 20,636	\$ -	\$ -	\$ 20,636
Construction in progress	5,080	643,358	(648,438)	-
Total capital assets, not being depreciated	<u>25,716</u>	<u>643,358</u>	<u>(648,438)</u>	<u>20,636</u>
Capital assets, being depreciated:				
Building	464,412	-	-	464,412
Pump stations	458,371	-	-	458,371
Water lines	13,836,028	171,648	-	14,007,676
Sewer lines	6,155,019	922,627	-	7,077,646
Water meter reading equipment	634,146	21,000	-	655,146
Office equipment	5,185	-	-	5,185
Vehicles	149,470	29,708	(38,459)	140,719
Total capital assets being depreciated	<u>21,702,631</u>	<u>1,144,983</u>	<u>(38,459)</u>	<u>22,809,155</u>
Less accumulated depreciation for:				
Building	(237,174)	(8,244)	-	(245,418)
Pump stations	(450,862)	(349)	-	(451,211)
Water lines	(6,004,282)	(336,709)	-	(6,340,991)
Sewer lines	(2,436,063)	(157,619)	-	(2,593,682)
Water meter reading equipment	(567,824)	(65,530)	-	(633,354)
Office equipment	(5,056)	(129)	-	(5,185)
Vehicles	(89,019)	(17,465)	38,459	(68,025)
Total accumulated depreciation	<u>(9,790,280)</u>	<u>(586,045)</u>	<u>38,459</u>	<u>(10,337,866)</u>
Total capital assets being depreciated, net	<u>11,912,351</u>	<u>558,938</u>	<u>-</u>	<u>12,471,289</u>
Total capital assets, net	<u>\$ 11,938,067</u>	<u>\$ 1,202,296</u>	<u>\$ (648,438)</u>	<u>\$ 12,491,925</u>

NOTE 5 - NET POSITION

The District has net position consisting of two components – net investment in capital assets and unrestricted.

The net investment in capital assets consists of capital assets, net of accumulated depreciation and if applicable reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017 and 2016, the District had a net investment in capital assets of \$13,421,555 and \$12,491,925, respectively, equal to its net capital assets as the District has no outstanding debt.

LAKEHURST WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 6 – PENSION PLANS

Deferred Compensation Plan

The District has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is administered by the ICMA Retirement Corporation. The plan is optional for all employees and allows for the employees to defer a portion of their compensation until future years.

Under this plan, the employees may elect to defer up to 25% of the plan members' compensation which is withheld and remitted to the plan administrator along with a matching payment of up to 7.5% from the District. The plan members made contributions for the years ended December 31, 2017 and 2016 of \$44,166 and \$40,258, respectively. The District made contributions/recognized expenses for years ended December 31, 2017 and 2016 of \$32,013 and \$30,676, respectively.

All amounts deferred for the plan members are held in trust for the exclusive benefit of the participating employees and not be accessible by the District or its creditors.

Defined Contribution Plan

The employees of the District may participate in Governmental Profit-Sharing Plan created in accordance with Internal Revenue Section 401(a), which is a defined contribution plan established by the District and is maintained and administered by ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees may become plan members after twelve months of employment. Under this plan, plan members may elect to contribute a percentage of the plan members' compensation, which is withheld and remitted to the Plan Administrator along with a matching payment equal to the plan members' contribution up to a maximum contribution of 5% of the plan members' compensation from the District. The District's contributions, plus earnings, become vested at a rate of 20% for each year of participation in the plan. District contributions for plan members who leave employment before they are fully vested are used to reduce the District's current period contribution requirement. There is no liability for benefits under the plan beyond the District's matching payments. Plan provisions and contribution requirements are established and may be amended by the District's Board of Directors. Contributions made by plan members for the years ended December 31, 2017 and 2016 were \$16,654 and \$15,734, respectively. Contributions made/expenses recognized by the District for the years ended December 31, 2017 and 2016 were \$16,654 and \$15,734, respectively.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers

**LAKEHURST WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016**

compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, liability, public officials' liability, boiler and machinery, and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Service Contract - Metro Wastewater Reclamation District (MWRD)

The District has an agreement with MWRD for final treatment and disposal of the District's sewage. The agreement provides for annual estimated charges that are assessed through the application of a predetermined formula. Adjustments to the estimated charge will be based on meter flows, content, and actual costs. The adjustments are billed or credited to the District during the two succeeding years. The District retains responsibility for the maintenance and future construction costs of all public sanitary sewer lines and retains title to all public sanitary sewer lines in the District.

The composition of the charges for 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Estimate for current year	\$ 1,639,274	\$ 1,592,138
Preliminary adjustment for preceding year estimate	103,820	(74,324)
Adjustment for second preceding year estimate	62,626	(75,317)
Total annual charges	<u>\$ 1,805,720</u>	<u>\$ 1,442,497</u>

The 2018 sewer treatment estimate is \$1,695,122. The total annual charge is expected to be \$1,575,037 which includes a favorable 2016 final adjustment of \$105,205 and a favorable 2017 preliminary adjustment of \$14,880.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations 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. The District is of the opinion that its water and sewer operations, and all activities related thereto are carried on as an Enterprise within the meaning of TABOR and the Enterprise Act, C.R.S. 37-45.;1-01, et seq. The District's

LAKEHURST WATER AND SANITATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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annual budget and financial statements are deemed by the District to be the annual budget and financial statements of the Enterprise.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and many of the provisions, including the calculation of fiscal year spending limits, growth factors, and qualification as an Enterprise, may require judicial interpretation.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

LAKEHURST WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Water sales and service charges	\$ 4,019,314	\$ 4,212,431	\$ 193,117
Sewer service charges	2,842,826	2,918,097	75,271
Net investment income	70,000	66,295	(3,705)
Legal and engineering back charges	30,000	68,594	38,594
Meter fees	12,000	2,167	(9,833)
Miscellaneous	22,000	33,221	11,221
Turn off, turn on, and late charges	15,000	13,280	(1,720)
Inclusion fees	1,200	-	(1,200)
Water tap fees	120,000	24,000	(96,000)
Sewer tap fees	100,375	17,120	(83,255)
Proceeds from disposal of capital assets	5,000	-	(5,000)
Total Revenues	7,237,715	7,355,205	117,490
EXPENDITURES			
Administration:			
Salaries and wages	432,880	432,800	80
Health insurance	84,320	102,496	(18,176)
Retirement contribution	58,507	48,732	9,775
Workmen's compensation insurance	8,000	6,919	1,081
FICA	6,200	5,313	887
Unemployment tax	1,500	954	546
Legal	50,000	46,860	3,140
Consultants	30,000	18,255	11,745
Insurance	32,000	30,203	1,797
Communication and utilities	26,400	16,781	9,619
Office operation and maintenance	13,500	14,593	(1,093)
Auditing and accounting	8,100	8,100	-
Billing system update	70,000	22,442	47,558
Office equipment and furniture	33,500	7,877	25,623
Meetings, training and books	12,443	5,186	7,257
Miscellaneous office expense	4,000	2,852	1,148
Newsletter	2,000	2,412	(412)
Publications, memberships and dues	4,000	2,934	1,066
Travel	750	494	256
Bank charges	2,000	1,663	337
Total Administration	880,100	777,866	102,234

(continued)

LAKEHURST WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017
(continued)

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
EXPENDITURES			
Sewer Operations and Maintenance:			
Metro Wastewater Reclamation District			
Treatment and Distribution	1,805,720	1,805,720	-
Sewer operation and maintenance	162,582	153,915	8,667
Sewer service - Twin Shores/DWW	79,080	82,043	(2,963)
Engineering	25,000	25,224	(224)
Vehicle operation and maintenance	12,000	6,518	5,482
Communications	2,000	1,612	388
Office and field supplies	500	85	415
Postage	1,000	123	877
Small equipment	2,000	1,261	739
Clothing and uniforms	700	575	125
Building and grounds improvements	8,000	5,652	2,348
Total Sewer Operations and Maintenance	<u>2,098,582</u>	<u>2,082,728</u>	<u>15,854</u>
Water Operations and Maintenance:			
Water purchased	3,440,650	3,656,543	(215,893)
Water systems operations and maintenance	161,000	157,018	3,982
Water meter repair and replacement	103,400	51,909	51,491
Back bill engineering	-	56,089	(56,089)
Engineering	25,000	25,240	(240)
Utility service	7,500	6,790	710
Water meters	-	16,895	(16,895)
Vehicle operation and maintenance	12,000	6,518	5,482
Communications	2,000	1,612	388
Office and field supplies	500	85	415
Small equipment	2,000	1,802	198
Postage	1,000	123	877
Clothing and uniforms	700	575	125
Building and grounds improvements	8,000	-	8,000
Total Water Operations and Maintenance	<u>3,763,750</u>	<u>3,981,199</u>	<u>(217,449)</u>

(continued)

LAKEHURST WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended December 31, 2017
(continued)

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
EXPENDITURES			
Capital Outlay:			
Sewer:			
Quincy E-Line sewer rehabilitation	400,000	284,015	115,985
Miscellaneous point repairs	60,000	-	60,000
Water:			
West Saratoga water main replacement	540,000	620,142	(80,142)
Other	135,000	-	135,000
Vehicle	32,000	30,348	1,652
Total Capital Outlay	1,167,000	934,505	232,495
Contingency	395,472	-	395,472
Total expenditures	8,304,904	7,776,298	528,606
REVENUES OVER (UNDER) EXPENDITURES	(1,067,189)	(421,093)	646,096
FUNDS AVAILABLE - BEGINNING OF YEAR	24,003,256	24,928,786	925,530
FUNDS AVAILABLE - END OF YEAR	\$ 22,936,067	\$ 24,507,693	\$ 1,571,626
Funds available is computed as follows:			
Current assets		\$ 24,996,082	
Current liabilities		(488,389)	
		\$ 24,507,693	

**LAKEHURST WATER AND SANITATION DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2017**

Revenue (budgetary basis)	\$ 7,355,205
Contributed capital assets	<u>543,224</u>
Revenues per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>7,898,429</u>
Expenditures (budgetary basis)	7,776,298
Depreciation	548,099
Capital outlay	<u>(934,505)</u>
Expenses per Statement of Revenues, Expenses and Changes in Fund Net Position	<u>7,389,892</u>
Change in net position per Statement of Revenues, Expenses and Changes in Fund Net Position	<u><u>\$ 508,537</u></u>