

# **Lookout Mountain Water District**

**Annual Financial Report**

**December 31, 2021 and 2020**





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1221 W. Mineral Avenue, Suite 202  
Littleton, CO 80120

 303-734-4800

 303-795-3356

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## Independent Auditor's Report

Members of the Board of Directors  
Lookout Mountain Water District  
Jefferson County, Colorado

### Opinions

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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

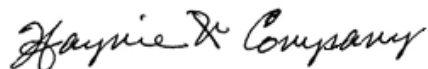
### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Sincerely,



Littleton, Colorado  
September 21, 2022

## **Lookout Mountain Water District Management's Discussion and Analysis**

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, 2021. Since this discussion is designed to focus on the current year's 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 \$7,795,908 (net position).
- Net position increased by \$2,920,540 when compared to 2020.
- The District's operating and non-operating income increased by \$2,493,984 when compared to 2020.
- The District's operating expenses decreased by \$69,205 when compared to 2020.

### **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 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 position, in a manner similar to private-sector business.

The Statements of Net Position 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.

Statements of Cash Flows report the District's cash flows from operating, non-capital financing, capital and related financing, 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 6-19 of this report.

**Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which can be found on pages III-IX and 20-23 of this report.

## 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 exceed liabilities by \$7,795,908 in 2021.

### Summary Statements of Net Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current Assets	\$ 3,171,285	\$ 1,556,460
Other Assets	743,136	743,136
Capital Assets, net	<u>10,487,586</u>	<u>6,041,320</u>
Total Assets	14,402,007	8,340,916
<b>Liabilities</b>		
Current Liabilities	391,676	203,075
Long-term Liabilities	<u>5,592,997</u>	<u>2,697,827</u>
Total Liabilities	5,984,673	2,900,902
<b>Deferred Inflows of Resources</b>		
Deferred Property Taxes	<u>621,426</u>	<u>564,646</u>
Total Deferred Inflows of Resources	621,426	564,646
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	4,830,038	3,282,015
Restricted Subdistrict A	10,565	21,898
Restricted for Emergencies	57,989	39,500
Unrestricted	<u>2,897,316</u>	<u>1,531,955</u>
Total Net Position	<u>\$ 7,795,908</u>	<u>\$ 4,875,368</u>

## Results of Operations

During 2021, the District's net position increased by \$2,920,540. Key elements of this increase are as follows:

	For the Year Ended December 31,	
	2021	2020
<b>Revenue</b>		
Operating Revenue	\$ 712,225	\$ 725,387
Non-operating Revenue	3,284,502	777,356
Total Revenue	3,996,727	1,502,743
<b>Expenses</b>		
Operating Expenses		
Operations, Maintenance and Administrative	(683,271)	(798,797)
Depreciation	(291,363)	(281,876)
Non-operating Expenses	(101,553)	(104,601)
Total expenses	(1,076,187)	(1,185,274)
<b>Change in Net Position</b>	2,920,540	317,469
<b>Net Position - Beginning of Year</b>	4,875,368	4,557,899
<b>Net Position - End of Year</b>	<u>\$ 7,795,908</u>	<u>\$ 4,875,368</u>

Overall revenue increased by \$2,493,984. Significant contributing factors for the revenue increase were an increase in Real Property Taxes and the receipt of Grants.

Overall expenses decreased by \$109,087. Significant contributing factors for the expense decrease were decreases in repairs and maintenance to the main distribution system, water rights consulting fees and legal fees.

## Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets at December 31, 2021 amounts to \$10,487,586 (net of accumulated depreciation). This investment in capital assets includes infrastructure (dams, reservoirs, pipelines and metering equipment), treatment facility, storage tank, pump station, equipment, construction in progress and land. An analysis of changes in capital assets is as follows:

	<b>Balance</b> <b>December 31,</b> <b>2021</b>	<b>Balance</b> <b>December 31,</b> <b>2020</b>	<b>Percentage</b> <b>Change</b>
Infrastructure	\$ 6,706,631	\$ 6,706,631	0.00%
Treatment Facility	2,507,787	2,466,987	1.65%
Tank and Pump Stations	635,807	567,642	12.01%
Equipment	93,413	63,879	46.23%
Construction in Progress	5,051,506	452,378	1016.66%
Land	<u>56,980</u>	<u>56,980</u>	0.00%
Total Capital Assets	<u>15,052,124</u>	<u>10,314,497</u>	45.93%
Less Accumulated Depreciation:	<u>(4,564,538)</u>	<u>(4,273,177)</u>	6.82%
Net Capital Assets	<u>\$ 10,487,586</u>	<u>\$ 6,041,320</u>	73.60%

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

- Improvements to Infrastructure
- Lower Beaver Brook Dam replacement

Additional information on the District's capital assets can be found in Note 5 of this report.

**Debt.** As of December 31, 2021, the District had total long-term debt of \$5,657,548. Current year activity is shown below:

	<b>2021</b>	<b>2020</b>	<b>Variance</b>	<b>Percentage</b> <b>Change</b>
Bonds Payable	\$ 37,171	\$ 72,574	\$ (35,403)	(48.78)%
Loans Payable	<u>5,620,377</u>	<u>2,686,731</u>	<u>2,933,646</u>	109.19%
	<u>\$ 5,657,548</u>	<u>\$ 2,759,305</u>	<u>\$ 2,898,243</u>	

Additional detail on the District's long-term debt is in Note 6 to the 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.

The total actual revenue was less than budgeted revenue by \$2,313,742. The total actual expenditures, including capital and debt expenditures, was less than budgeted by \$3,516,498 which can primarily be attributed to lower costs than anticipated on the Lower Beaver Brook Dam Project.

Additional information on the District's detailed budget can be found on pages 20-22 of this report.

## **Economic Factors and Next Year 's Budget**

Water revenue from usage charges for 2022 are estimated at about \$57,645 per month, which includes a planned rate increase when compared to 2021. The water rates and other water-related fees are structured to encourage conservation and to provide for ongoing expenses and the need for increases in reserves to fund capital improvement projects due to aging infrastructure.

Operation expenses are for normal operations including a planned lease of water to meet downstream water calls (compliance with water rights). Capital expenditures have been budgeted at about 19% of total enterprise expenses. Debt service is budgeted at about 28% of total enterprise expenses for past infrastructure projects, including Subdistrict A.

Subdistrict A revenue and debt service expense is budgeted at \$31,696.

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

Results of Operations are estimated to have an excess of revenue over expenses for 2022 and the Non-Operating activity is estimated to have an excess of revenue over expenses. The changes in net position will be applied to the existing or beginning net position. Combined ending fund reserves are estimated at \$1,091,499 for the end of fiscal year 2022.

## **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 Nickie Holder, Administrator, PO Box 17780, Golden, CO 80402.

## **Basic Financial Statements**

**Lookout Mountain Water District**  
**Statements of Net Position**  
**December 31, 2021 and 2020**

<b>Assets</b>	<b>2021</b>	<b>2020</b>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,448,557	\$ 335,877
Investments		
Unrestricted	1,018,397	526,946
Restricted		
Subdistrict A	10,565	21,898
Property Taxes Receivable	621,426	564,646
Accounts Receivable - Trade	68,160	82,139
Other Receivables	2,695	4,030
Prepaid Insurance	1,485	20,924
Total Current Assets	<u>3,171,285</u>	<u>1,556,460</u>
<b>Capital Assets</b>		
Land	13,055	13,055
Construction in Progress	5,043,816	452,378
Infrastructure	6,706,631	6,706,631
Treatment Facility	2,507,787	2,466,987
Tank and Pump Station	679,732	611,567
Equipment	93,413	63,879
	<u>15,044,434</u>	<u>10,314,497</u>
Less Accumulated Depreciation	<u>(4,564,538)</u>	<u>(4,273,177)</u>
Total Capital Assets	<u>10,479,896</u>	<u>6,041,320</u>
<b>Other Assets</b>		
Water Rights and Acquisition Costs	724,545	724,545
Taps - Buybacks Held by LMWD	6,000	6,000
Taps - Revocations	11,025	11,025
Deposits	1,566	1,566
Total Other Assets	<u>743,136</u>	<u>743,136</u>
 Total Assets	 <u>\$ 14,394,317</u>	 <u>\$ 8,340,916</u>

The accompanying notes are an integral part of these statements.

**Lookout Mountain Water District**  
**Statements of Net Position (continued)**  
**December 31, 2021 and 2020**

<b>Liabilities</b>	<b>2021</b>	<b>2020</b>
<b>Current Liabilities:</b>		
Accounts payable	\$ 323,599	\$ 135,339
Accrued payroll liabilities	693	2,003
Accrued interest payable	2,833	4,255
Current portion of long-term debt	64,551	61,478
Total Current Liabilities	<u>391,676</u>	<u>203,075</u>
<b>Long-Term Liabilities</b>		
Revenue bonds	37,171	72,574
Loan payable - Subdistrict A	86,315	112,391
CWCB Loan for UBB 2016-2017	2,513,349	2,574,340
CWCB Loan for Upper and Lower BB 2021	3,020,713	-
Less, current portion	<u>(64,551)</u>	<u>(61,478)</u>
Total Long-Term Liabilities	<u>5,592,997</u>	<u>2,697,827</u>
Total Liabilities	<u>5,984,673</u>	<u>2,900,902</u>
<b>Deferred Inflows of Resources</b>		
Deferred Property Taxes	<u>621,426</u>	<u>564,646</u>
Total Deferred Inflows of Resources	<u>621,426</u>	<u>564,646</u>
<b>Net Position</b>		
Net investment in capital assets	4,822,348	3,282,017
Unrestricted	2,898,267	1,520,689
Restricted		
Subdistrict A	10,565	21,898
CWCB Debt Service	17,172	11,264
Emergencies	<u>39,866</u>	<u>39,500</u>
Total Net Position	<u>7,788,218</u>	<u>4,875,368</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 14,394,317</u>	<u>\$ 8,340,916</u>

The accompanying notes 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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Water Sales, net of allowances of \$0 and \$0	\$ 662,597	\$ 669,837
Inactive Tap Fees	46,662	47,038
Penalties	1,395	-
Miscellaneous	1,571	8,512
Total Operating Revenues	<u>712,225</u>	<u>725,387</u>
<b>Operations and Maintenance Expenses</b>		
Contract Operator	120,000	120,000
Water Lease Purchases	15,000	15,000
Repair and Maintenance		
Transmission Mains	22,582	67,112
Treatment, Pumping and Storage	21,073	59,568
Sludge Removal	8,910	8,017
Other	39,082	29,484
Testing and Analysis	2,130	3,282
Power	28,108	29,798
Chemicals	41,336	50,960
Tools and supplies	17,240	14,248
Telephone	2,957	5,696
Water Rights and Maintenance	29,202	23,147
Depreciation	291,363	281,876
Total Operations and Maintenance expenses	<u>638,983</u>	<u>708,188</u>
<b>Gross Income From Operations</b>	<u>73,242</u>	<u>17,199</u>
 <b>General and Administrative Expenses</b>		
Accounting and audit	23,400	23,476
Director's fees	8,023	9,300
Consulting - water rights	62,314	70,990
Legal	66,845	118,984
Engineering	52,090	-
Contract administrator	75,526	85,959
Insurance	20,405	17,184
Travel and meals	129	247
Seminars and meetings	300	100
Dues and subscriptions	3,261	2,663
Telephone	4,558	4,765
Postage	2,718	3,770
Election expense	5,000	4,192
Rent - storage space	4,416	12,680
Office supplies and miscellaneous	14,356	18,175
Total Administrative Expenses	<u>343,341</u>	<u>372,485</u>
 <b>Net Income (Loss) from Operations</b>	<u>(270,099)</u>	<u>(355,286)</u>

The accompanying notes 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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Nonoperating Revenues/(Expenses)</b>		
Real property taxes	573,455	549,378
Specific ownership taxes	43,197	41,900
Subdistrict A receipts	31,698	31,790
Grants	2,605,584	136,674
Miscellaneous non-operating income	9,326	9,004
Inclusion fees	18,500	5,800
Interest earnings	2,742	2,810
Interest expense	(92,915)	(96,357)
County treasurer's fee	(8,638)	(8,244)
Total Nonoperating Revenues/(Expenses)	3,182,949	672,755
<b>Change in Net Position</b>	2,912,850	317,469
<b>Net Position—Beginning of Year</b>	4,875,368	4,557,899
<b>Net Position—End of Year</b>	\$ 7,788,218	\$ 4,875,368

The accompanying notes are an integral part of these statements.

**Lookout Mountain Water District**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 727,539	\$ 709,471
Cash payments to suppliers for goods and services	(534,373)	(769,165)
Cash payments to contract personnel	(150,572)	(145,263)
Net Cash from Operating Activities	<u>42,594</u>	<u>(204,957)</u>
<b>Cash Flows from Non-capital Financing Activities</b>		
Property taxes received	573,455	549,378
Specific ownership taxes received	43,197	41,900
Miscellaneous non-operating income received	9,326	9,005
Treasurer's fees paid	(8,638)	(8,244)
Net Cash from Non-capital Financing Activities	<u>617,340</u>	<u>592,039</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition of property, plant and equipment	(4,529,566)	(265,180)
Subdistrict A income received	31,698	31,790
Grants received	2,605,584	136,674
Loan proceeds received	3,020,713	-
Debt principal paid	(122,470)	(174,853)
Interest paid	(94,337)	(185,208)
Net Cash from Capital and Related Financing Activities	<u>911,622</u>	<u>(456,777)</u>
<b>Cash Flows from Investing Activities:</b>		
Investments purchased	(480,118)	(2,398)
Net investment earnings	21,242	8,610
Net Cash from Investing Activities	<u>(458,876)</u>	<u>6,212</u>
<b>Net Change in Cash and Cash Equivalents</b>	1,112,680	(63,483)
<b>Cash and cash equivalents—beginning of year</b>	<u>335,877</u>	<u>399,360</u>
<b>Cash and cash equivalents—end of year</b>	<u>\$ 1,448,557</u>	<u>\$ 335,877</u>
<b>Reconciliation of operating (loss) to net cash from operating activities</b>		
Income (Loss) from operations	\$ (270,099)	\$ (355,286)
Adjustments to reconcile (loss) from operations to net cash provided (required) by operating activities		
Depreciation	291,363	281,876
Effects of changes in operating assets and liabilities:		
Receivables	(41,466)	(19,943)
Prepaid expenses	19,439	(19,924)
Accounts payable	(12,113)	(97,713)
Deferred revenue	56,780	4,030
Accrued payroll	(1,310)	2,003
Net cash from operating activities	<u>\$ 42,594</u>	<u>\$ (204,957)</u>

The accompanying notes are an integral part of these statements.

# Lookout Mountain Water District

## Notes to Financial Statements

### December 31, 2021 and 2020

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#### 1. Definition of Reporting Entity

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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.

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#### 2. Significant Accounting Policies

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

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 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.

##### **Basis of Accounting**

Enterprise fund accounting is utilized in accordance with generally accepted accounting principles. The financial statements are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues received in advance are recorded as a liability for deferred revenue and the liability is removed when earned.

##### **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.

##### **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 the Subdistrict A loan debt service payment annually.

# Lookout Mountain Water District

## Notes to Financial Statements (continued)

### December 31, 2021 and 2020

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## 2. Significant Accounting Policies (continued)

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### 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, 2021 and 2020. Property taxes levied on December 31, 2021 and 2020 are identified as property taxes receivable and deferred inflows of resources.

### 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 imputed 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 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, 2021 and 2020.

### 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 outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

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 of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, *deferred 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 (continued)

### December 31, 2021 and 2020

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## 2. Significant Accounting Policies (continued)

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### Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvement of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.
- Restricted – This component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed through constitutional provisions or enabling legislation.
- Unrestricted – The component of net position that does not meet the definition above.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

### Operating Revenues and Expenses

The District distinguishes between *operating* revenues and expenses and *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering 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.

### 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.

# Lookout Mountain Water District

## Notes to Financial Statements (continued)

### December 31, 2021 and 2020

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## 2. Summary of Significant Accounting Policies (continued)

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### **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.

### **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 appropriated each year.

### **Reclassification**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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## 3. Stewardship, Compliance and Accountability

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### **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. Non-cash expenses such as depreciation are not budgeted.

# Lookout Mountain Water District

## Notes to Financial Statements (continued)

### December 31, 2021 and 2020

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### 3. Stewardship, Compliance and Accountability (continued)

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#### 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.

TABOR was established in 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 \$39,866 and \$39,500 as of December 31, 2021 and 2020, respectively, 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.

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### 4. Cash Deposits and Investments

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At December 31, the District had the following cash and investments:

	<b>2021</b>	<b>2020</b>
Deposits - insured	\$ 1,198,557	\$ 250,000
Deposits – PDPA collateralized	85,877	85,877
Investments - investment pool	<u>1,028,962</u>	<u>548,844</u>
Total	<u>\$ 2,477,519</u>	<u>\$ 884,721</u>

# Lookout Mountain Water District

## Notes to Financial Statements (continued)

### December 31, 2021 and 2020

#### 4. Cash Deposits and Investments

Cash deposits and investments are reflected on the December 31 Statement of Net Position as follows:

	<b>2021</b>	<b>2020</b>
Cash	\$ 1,448,557	\$ 335,877
Investments - Unrestricted	1,018,397	526,946
Investments – Restricted – Subdistrict A	<u>10,565</u>	<u>21,898</u>
Total	<u>\$ 2,477,519</u>	<u>\$ 884,721</u>

At December 31, 2021 and 2020, the District’s cash deposits had bank balances of \$1,550,466 and \$393,585 and carrying balances of \$1,448,557 and \$335,877, respectively.

#### **Cash Deposits**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and collateralized with securities held by the pledging financial institution where the fair value of the collateral pool equals or exceeds all uninsured public deposits. The Colorado Public Deposit Protection Act (PDPA) requires deposits of all units of local government to be made in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the uninsured deposits. Accordingly, none of the District’s cash deposits as of December 31, 2021 and 2020 are deemed to be exposed to custodial credit risk.

#### **Investments**

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

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

# Lookout Mountain Water District

## Notes to Financial Statements (continued)

### December 31, 2021 and 2020

#### 4. Cash Deposits and Investments (continued)

The investment policy adopted by the Board of Directors of the District establishes additional restrictions to the requirements specified by state statutes.

At December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Investment Maturities</u> <u>(in Years)</u>		<u>Total</u>
		<u>Less than 1</u>	<u>1 to 5</u>	
Money Market and Investment Pools	AAAm	\$ 1,028,962	-	\$ 1,028,962
		<u>\$ 1,028,962</u>	<u>\$ -</u>	<u>\$ 1,028,962</u>

At December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Investment Maturities</u> <u>(in Years)</u>		<u>Total</u>
		<u>Less than 1</u>	<u>1 to 5</u>	
Money Market and Investment Pools	AAAm	\$ 548,844	-	\$ 548,844
		<u>\$ 548,844</u>	<u>\$ -</u>	<u>\$ 548,844</u>

*Interest Rate Risk* — In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting investments in U.S. Treasuries and Certificates of Deposit to an original maturity of five years or less.

*Credit Risk* — The District's investment policy limits investments to U.S. Treasury obligations, Certificates of Deposit, corporate bonds, other investment instruments and local government investment pools approved by the Board of Directors.

*Concentration of Credit Risk* — It is the policy of the District to diversify its investment portfolio to eliminate risk of loss resulting from over concentration of assets in a specific maturity, a specific class, and specific issuer of securities.

*Local Government Investment Pools* — As of December 31, 2021 and 2020, the District had \$1,028,962 and \$548,844, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. Colotrust is rated AAAM by Standard and Poor's. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, Colotrust Prime and Colotrust Plus+. The District funds are only invested in Colotrust Prime. The portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

**Lookout Mountain Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**4. Cash Deposits and Investments (continued)**

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Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial banks. The custodian acts as safekeeping agent for Colotrust investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. Colotrust records its investments at fair value and the District records its investments in Colotrust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice paid.

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**5. Capital Assets**

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Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021
Capital assets, not being depreciated:				
Land	\$ 56,980	\$ -	\$ -	\$ 56,980
Construction in progress	<u>452,378</u>	<u>4,649,927</u>	<u>(50,799)</u>	<u>5,051,506</u>
Total capital assets, not being depreciated	<u>509,358</u>	<u>4,649,927</u>	<u>(50,799)</u>	<u>5,108,486</u>
Capital assets, being depreciated:				
Infrastructure	6,706,631	-	-	6,706,631
Treatment Facility	2,466,987	40,800	-	2,507,787
Tank and Pump Stations	567,642	68,165	-	635,807
Equipment	<u>63,879</u>	<u>29,534</u>	<u>-</u>	<u>93,413</u>
Total capital assets, being depreciated	<u>9,805,139</u>	<u>138,499</u>	<u>-</u>	<u>9,943,638</u>
Less accumulated depreciation	<u>(4,273,177)</u>	<u>(291,361)</u>	<u>-</u>	<u>(4,564,538)</u>
Total capital assets, being depreciated, net	<u>5,531,962</u>	<u>(152,862)</u>	<u>-</u>	<u>5,379,100</u>
Capital assets, net	<u>\$ 6,041,320</u>	<u>\$4,497,065</u>	<u>\$ (50,799)</u>	<u>\$10,487,586</u>

**Lookout Mountain Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**5. Capital Assets (continued)**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 56,980	\$ -	\$ -	\$ 56,980
Construction in progress	<u>128,936</u>	<u>347,286</u>	<u>(23,844)</u>	<u>452,378</u>
Total capital assets, not being depreciated	<u>185,916</u>	<u>347,286</u>	<u>(23,844)</u>	<u>509,358</u>
Capital assets, being depreciated:				
Infrastructure	6,706,631	-	-	6,706,631
Treatment Facility	2,443,143	23,844	-	2,466,987
Tank and Pump Stations	567,642	-	-	567,642
Equipment	<u>58,289</u>	<u>5,590</u>	<u>-</u>	<u>63,879</u>
Total capital assets, being depreciated	<u>9,775,705</u>	<u>29,434</u>	<u>-</u>	<u>9,805,139</u>
Less accumulated depreciation	<u>(3,991,301)</u>	<u>(281,876)</u>	<u>-</u>	<u>(4,273,177)</u>
Total capital assets, being depreciated, net	<u>5,784,404</u>	<u>(252,442)</u>	<u>-</u>	<u>5,531,962</u>
Capital assets, net	<u>\$ 5,970,320</u>	<u>\$ 94,844</u>	<u>\$ (23,844)</u>	<u>\$ 6,041,320</u>

**Lookout Mountain Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**6. Long-Term Liabilities**

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The District's long-term debt as of December 31, 2021 and its debt transactions are as follows:

	<b>Balance at December 31, 2020</b>	<b>Additions</b>	<b>Payment</b>	<b>Balance at December 31, 2021</b>	<b>Due Within One Year</b>
<b><u>Bonds Payable</u></b>					
1992 Water Revenue Bonds	\$ 72,574	\$ -	\$ (35,403)	\$ 37,171	\$ 37,171
Current Portion	\$ (35,402)			\$ (37,171)	
Long-term portion	<u>\$ 37,172</u>			<u>\$ -</u>	
<b><u>Loans Payable</u></b>					
CWCB for UBB 2016-2017	\$2,574,340	\$ -	\$ (60,991)	\$2,513,349	\$ -
CWCB for Lower BB 2021	-	3,020,713	-	3,020,713	-
Subdistrict A	<u>112,391</u>	<u>-</u>	<u>(26,076)</u>	<u>86,315</u>	<u>27,380</u>
	<u>2,686,731</u>	<u>3,020,713</u>	<u>(87,067)</u>	<u>5,620,377</u>	<u>27,380</u>
Current Portion	\$ (26,076)			\$ (27,380)	
Long-term portion	<u>\$2,660,655</u>			<u>\$5,592,997</u>	

**Lookout Mountain Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

**6. Long-Term Liabilities (continued)**

The District's long-term debt as of December 31, 2020 and its debt transactions are as follows:

	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Payment</u>	<u>Balance at December 31, 2020</u>	<u>Due Within One Year</u>
<b><u>Bonds Payable</u></b>					
1992 Water Revenue Bonds	\$ 106,290	\$ -	\$ (33,716)	\$ 72,574	\$ 35,402
Current Portion	\$ (33,716)			\$ (35,402)	
Long-term portion	<u>\$ 72,574</u>			<u>\$ 37,172</u>	
<b><u>Loans Payable</u></b>					
CWCB for UBB 2016-2017	\$ 2,690,642	\$ -	\$ (116,302)	\$ 2,574,340	\$ -
Subdistrict A	137,226	-	(24,835)	112,391	26,076
	<u>2,827,868</u>	<u>-</u>	<u>(141,137)</u>	<u>2,686,731</u>	<u>26,076</u>
Current Portion	\$ (82,506)			\$ (26,076)	
Long-term portion	<u>\$ 2,745,362</u>			<u>\$ 2,660,655</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.

**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.

# Lookout Mountain Water District

## Notes to Financial Statements (continued)

### December 31, 2021 and 2020

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#### 6. Long-Term Liabilities (continued)

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Significant events of default under the loan include (i) failure to pay before September 1 of each year. Immediately upon the occurrence of an event of default or the failure of the lender to receive any payment of principal or interest on the due date thereof, the District shall have the right to take any action permitted or required pursuant to the loan agreement.

##### 2016 CWCB Construction Loan or 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.

The loan is collateralized by pledged water activity enterprise revenues and any other funds legally available in an amount sufficient to pay the annual payment due under the loan agreement.

As of December 31, 2021 and 2020, the balance attributable to long-term financing loan is \$2,513,349 and \$2,574,340, respectively. 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 payment due January 2022 was paid and received in December 2021. The next payment is due January 2023.

Significant events of default under the loan include (i) failure to meet financial or custodial agreement covenants (ii) any representation made that is false or misleading in any material respect and (iii) a petition is filed for bankruptcy or insolvency. Immediately upon the occurrence of an event of default or the failure of the lender to receive any payment of principal or interest on the due date thereof, the District shall have the right to take any action permitted or required pursuant to the loan agreement.

##### CWCB-2021 Rehabilitation Loan or Upper & Lower Beaver Brook Reservoir

In 2021 the District entered into an agreement with the Colorado Water Conservation Board for short-term and long-term financing of the Upper & Lower Beaver Brook Reservoir rehabilitation project. This project will replace the Upper Beaver Brook dam outlet works and provide reconstruction on the Lower Beaver Brook dam. The loan is secured and payable from pledged revenue consisting of ad valorem taxes collected by the District as defined by the loan agreement. The project will span multiple years and until the project is deemed substantially complete the loan will not become an authorized contract with an establish maturity repayment schedule. The anticipated completion of the project is October 1, 2023.

**Lookout Mountain Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**6. Long-Term Liabilities (continued)**

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As of December 31, 2021, total draws on the loan were \$3,020,713 however the agreement allows for a base loan amount of up to \$3,500,000. The District anticipates paying back a portion of the current outstanding balance and does not anticipate drawing on the full loan amount. The short-term financing enabled the District to pay vendors while awaiting grant money awarded for the project. The District will try to reduce the loan balance from grant money and reserves prior to amortization being set after construction is complete. If fully drawn, the loan will be payable in annual installments of principal and interest equal to \$158,925, with an interest rate of 2.05%. These payments will begin one year after the final draw has occurred and the loan has become an authorized contract with an established maturity schedule.

Significant events of default under the initial loan contract include: (a) failure of a Party to perform any of its obligations; (b) a petition is filed for bankruptcy, insolvency, reorganization or similar law. Immediately upon the occurrence of an event of default, the contract may be suspended or the entire unpaid principal amount and accrued interest, if any, shall be due immediately.

The following tables summarize debt service requirements for debt outstanding as of December 31, 2021:

**Bonds Payable – 1992 Water Revenue**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended December 31,			
2022	37,171	1,859	39,030
	<u>\$ 37,171</u>	<u>\$ 1,859</u>	<u>\$ 39,030</u>

**Loan Payable – Sub District A**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended December 31,			
2022	27,380	4,316	31,696
2023	28,749	2,947	31,696
2024	30,186	1,509	31,695
	<u>\$ 86,315</u>	<u>\$ 8,772</u>	<u>\$ 95,087</u>

**Lookout Mountain Water District**  
**Notes to Financial Statements (continued)**  
**December 31, 2021 and 2020**

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**6. Long-Term Liabilities (continued)**

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**Loan Payable – CWCB for UBB 2016-2017**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ended December 31,			
2022	-	-	-
2023	62,984	81,683	144,667
2024	65,031	79,637	144,668
2025	67,144	77,523	144,667
2026-2030	369,908	353,429	723,337
2031-2035	434,054	289,283	723,337
2036-2040	509,323	214,013	723,336
2041-2045	597,646	125,690	723,336
2046-2049	407,259	26,756	434,015
	<u>\$ 2,513,349</u>	<u>\$ 1,248,014</u>	<u>\$ 3,761,363</u>

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**7. Risk Management**

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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.

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**8. Commitments and Contingencies**

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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.

## **Supplementary Information**

**Lookout Mountain Water District**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2021**

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Operating Revenues</b>			
Water sales	\$ 645,332	\$ 662,597	\$ 17,265
Late payment fees	300	1,395	1,095
Inspection fees	500	-	(500)
Transfer fees	1,000	675	(325)
Inactive tap fees	40,000	46,662	6,662
Miscellaneous operating income and fees	5,000	896	(4,104)
Subdistrict A - collections for debt service	31,696	31,698	2
Special fees/funding & transfer from Gen Fund	50,000	-	(50,000)
Total Operating Revenues	<u>773,828</u>	<u>743,923</u>	<u>(29,905)</u>
<b>Operations and Maintenance Expenses</b>			
Contract operator	120,000	120,000	-
Testing and analysis, supplies	2,500	520	1,980
Testing and analysis lab fees	5,500	1,610	3,890
Locator service	12,000	16,016	(4,016)
Sludge removal & extra backwashes	12,000	8,910	3,090
Trash removal	2,200	1,056	1,144
Snow removal and road maintenance	11,000	9,550	1,450
Repairs & Maintenance			
Treatment plant & sludge bldg.	24,000	17,716	6,284
Storage tank	2,500	3,357	(857)
Pump station	2,500	-	2,500
Meters & valves	10,500	11,504	(1,004)
Equipment	2,000	-	2,000
Upper BB Dam	5,000	3,891	1,109
Lower BB Dam	2,500	225	2,275
LM Dam	2,500	1,150	1,350
Main distribution line	35,000	16,828	18,172
Laterals & hydrants	5,000	488	4,512
Electricity			
Treatment plant	24,000	19,441	4,559
Tank	200	-	200
Pump Station	5,500	5,771	(271)
LM Dam	150	173	(23)
Gas, Treatment plant	2,200	2,723	(523)
Chemicals	50,000	41,336	8,664
Other maintenance supplies	2,500	17,240	(14,740)
Tools	1,000	-	1,000
Equipment rental	1,000	-	1,000
Telephone/Broadband	2,000	2,957	(957)
Telemetry - wireless service	2,000	-	2,000
Security service	4,800	956	3,844
Other operation and maintenance	2,000	12,213	(10,213)
Water purchases or leases	20,000	15,000	5,000
Maintenance, watershed	2,000	-	2,000
Water rights maintenance & operations	23,000	16,989	6,011
Contingency	20,000	-	20,000
Total Operations and Maintenance expenses	<u>419,050</u>	<u>347,620</u>	<u>71,430</u>
<b>Gross Income from Operations</b>	<u>354,778</u>	<u>396,303</u>	<u>41,525</u>

**Lookout Mountain Water District**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2021**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General and Administrative Expenses</b>			
Accounting	17,000	16,200	800
Audit	5,150	7,200	(2,050)
Director's fees	7,000	8,023	(1,023)
Office manager salary	-	45,597	(45,597)
Employee retirement distribution	-	1,423	(1,423)
Payroll taxes	10,000	4,201	5,799
Consulting, water rights	38,400	62,314	(23,914)
Legal, water rights	4,800	4,952	(152)
Legal, general	78,000	61,893	16,107
Engineering	-	44,400	(44,400)
Contract services, administration & billing	95,000	24,305	70,695
Rent, storage, office, P.O. box	15,600	4,416	11,184
Insurance, general liability	2,700	2,700	-
Insurance, auto liability	197	197	-
Insurance, property	16,540	16,540	-
Insurance, public officials	487	487	-
Insurance, workers compensation	481	481	-
Travel and meals	1,000	129	871
Seminars and meetings	2,000	300	1,700
Dues and subscriptions	2,000	3,261	(1,261)
Election expenses	-	5,000	(5,000)
Telephone/communications	2,400	4,558	(2,158)
Postage	4,000	2,718	1,282
Printing, billing stock, multifunction	4,800	6,870	(2,070)
Office supplies	1,000	111	889
Information tech, website, billing software	9,600	3,663	5,937
Other Administrative (fees, permits, maps, contingency)	1,000	(1,261)	2,261
Bank charges, e-commerce processing	6,000	4,973	1,027
Special projects and transfer to Enterprise Fund	50,000	-	50,000
Total General and Administrative expenses	<u>375,155</u>	<u>335,651</u>	<u>39,504</u>
<b>Net Income (Loss) from Operations</b>	<u>(20,377)</u>	<u>60,652</u>	<u>81,029</u>
<b>Non-operating Revenues/(Expenses)</b>			
Real property taxes, net of refunds/rebates	564,346	573,455	9,109
Specific ownership taxes	40,000	43,197	3,197
Inclusion fees	18,500	18,500	-
Miscellaneous non-operating income	-	9,326	9,326
Grant income	4,433,508	2,605,584	(1,827,924)
Loan proceeds	3,500,000	3,020,713	(479,287)
Interest Income, including delinquent taxes	1,000	2,742	1,742
County treasurer's fees	(8,741)	(8,638)	103
Total Non-Operating Revenues/(Expenses)	<u>8,548,613</u>	<u>6,264,879</u>	<u>(2,283,734)</u>

**Lookout Mountain Water District**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2021**

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Debt Service</b>			
Interest	92,915	94,337	(1,422)
Principal	<u>122,479</u>	<u>122,470</u>	<u>9</u>
Total Debt Service	<u>215,394</u>	<u>216,807</u>	<u>(1,413)</u>
<b>Capital Projects</b>			
JDTF improvements	60,000	83,140	(23,140)
Storage tank/DBP project	-	68,165	(68,165)
Furniture and equipment	-	29,533	(29,533)
Reservoirs, dams and flumes	8,004,500	4,549,098	3,455,402
Main improvements	40,000	-	40,000
Contingency	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total capital projects	<u>8,144,500</u>	<u>4,729,936</u>	<u>3,414,564</u>
Total Debt Service & Capital Projects expenditures	<u>8,359,894</u>	<u>4,946,743</u>	<u>3,413,151</u>
<b>Net of Revenues over (under) Expenditures</b>	168,342	1,378,788	1,210,446
<b>Net Position—Beginning of Year</b>	<u>800,226</u>	<u>4,875,368</u>	<u>4,075,142</u>
<b>Net Position—End of Year</b>	<u>\$ 968,568</u>	<u>\$ 6,254,156</u>	<u>\$ 5,285,588</u>

**Lookout Mountain Water District**  
**Reconciliation of Budgetary Basis (Actual)**  
**to Schedule of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2021**

	<u><b>2021</b></u>
Excess (Deficiency) of Revenues over Expenditures (Budgetary Basis)	\$ 1,378,788
(Deduct) items which are not budgetary expenditures:	
Depreciation	(291,363)
(Deduct) items which are not GAAP revenue:	
Loan proceeds	(3,020,713)
Add items which are not GAAP expenditures:	
Capital projects	4,729,936
Change in accrued interest payable	1,422
Principal portion of bond payments	122,470
Net income (GAAP Basis)	<u>2,920,540</u>
Net income per statement of revenues, expenses and changes in net position	<u><u>\$ 2,920,540</u></u>

**Lookout Mountain Water District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

<b>Federal Agency/Pass-through Entity/Cluster/Program</b>	<b>CFDA Number</b>	<b>Grant or Identifying Number</b>	<b>Amount</b>
<i>Department of Homeland Security</i>			
Pass Through: Colorado Department of Public Safety, Division of Homeland Security and Emergency Management			
BRIC: Building Resilient Infrastructure and Communities	# 97.047	EMD-2018-PC-0007 17PDM20WD	<u>\$ 2,605,584</u>
<i>Total Department of Homeland Security</i>			<u>2,605,584</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,605,584</u></u>


**Lookout Mountain Water District**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**


***Notes to the Schedule***

1. This schedule includes the federal awards activity of Lookout Mountain Water District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of *the Uniform Guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Lookout Mountain Water District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.
3. Of the federal expenditures presented in this schedule, the Agency provided no federal awards to sub-recipients.



1221 W. Mineral Avenue, Suite 202  
Littleton, CO 80120

 303-734-4800

 303-795-3356

 [www.HaynieCPAs.com](http://www.HaynieCPAs.com)

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Lookout Mountain Water District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lookout Mountain Water District, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Lookout Mountain Water District's basic financial statements, and have issued our report thereon dated September 21, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lookout Mountain Water District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lookout Mountain Water District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lookout Mountain Water District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

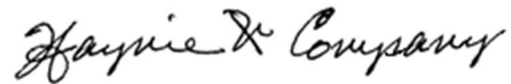
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lookout Mountain Water District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**


The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


A handwritten signature in cursive script that reads "Haynie & Company".


Littleton, Colorado  
September 21, 2022



1221 W. Mineral Avenue, Suite 202  
Littleton, CO 80120

 303-734-4800

 303-795-3356

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

To the Board of Directors  
Lookout Mountain Water District

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Lookout Mountain Water District's compliance with the types of compliance requirement identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lookout Mountain Water District's major federal programs for the year ended December 31, 2021. Lookout Mountain Water District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lookout Mountain Water District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lookout Mountain Water District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lookout Mountain Water District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lookout Mountain Water District's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lookout Mountain Water District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is

higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lookout Mountain Water District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lookout Mountain Water District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lookout Mountain Water District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lookout Mountain Water District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

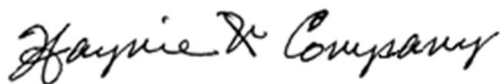
#### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Littleton, CO  
September 21, 2022

# Lookout Mountain Water District Supplemental Information

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## Schedule of Findings and Questioned Costs for the Year Ended December 31, 2021

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### 1. Summary of Auditor's Results

Type of report issued on the financial statements:	<b>Unmodified</b>
Material weaknesses in financial reporting internal control noted:	<b>None</b>
Significant deficiency(s) identified that are not considered to be material weaknesses in financial reporting:	<b>None</b>
Material noncompliance noted:	<b>None</b>
Material weaknesses in internal control over major programs:	<b>None</b>
Significant deficiency(s) identified that are not considered to be material weaknesses over major programs:	<b>None</b>
Type of report issued on compliance for major programs:	<b>Unmodified</b>
Audit findings required to be reported:	<b>None</b>
The following programs are considered to be major:	
<b>Department of Homeland Security</b> <b>BRIC: Building Resilient Infrastructure and Communities —</b> <b>CFDA 97.047</b>	
Dollar threshold used to distinguish Type A and Type B programs:	<b>\$750,000</b>
Risk type qualification:	<b>Low-risk</b>

### 2. Findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

None

### 3. Findings and questioned costs for Federal Awards

None

### 4. Summary Schedule of Prior Audit Findings

None