

Lookout Mountain Water District

Annual Financial Statements

and

Independent Auditor's Report

December 31, 2022 and 2021





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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

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, 2022 and 2021, 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, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America for the years 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 opinions.

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.

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 opinions. 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 and *Government 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 and *Government 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.

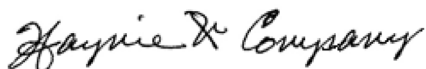
Supplementary Information

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 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 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 27, 2023 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 27, 2023

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, 2022. 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 \$9,634,919 (net position).
- Net position increased by \$1,846,701 when compared to 2021.
- The District's operating and non-operating income decreased by \$905,159 when compared to 2021.
- The District's operating expenses increased by \$74,330 when compared to 2021.

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 20-30 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 \$9,634,919 in 2022.

Summary Statements of Net Position December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 3,502,150	\$ 3,171,284
Other Assets	743,136	743,136
Capital Assets, net	<u>11,676,936</u>	<u>10,487,586</u>
Total Assets	15,922,222	14,402,007
Liabilities		
Current Liabilities	163,377	391,676
Long-term Liabilities	<u>5,501,254</u>	<u>5,592,997</u>
Total Liabilities	5,664,631	5,984,673
Deferred Inflows of Resources		
Deferred Property Taxes	<u>622,672</u>	<u>621,426</u>
Total Deferred Inflows of Resources	622,672	621,426
Net Position		
Net Investment in Capital Assets	6,146,933	4,830,038
Restricted Subdistrict A	10,668	10,565
Restricted for CWCB Debt Service	23,272	17,172
Restricted for Emergencies	39,866	39,866
Unrestricted	<u>3,414,180</u>	<u>2,897,316</u>
Total Net Position	<u>\$ 9,634,919</u>	<u>\$ 7,788,218</u>

Results of Operations

During 2022, the District's net position increased by \$1,846,701. Key elements of this increase are as follows:

	For the Year Ended December 31,	
	2022	2021
Revenue		
Operating Revenue	\$ 674,648	\$ 712,225
Non-operating Revenue	<u>2,414,137</u>	<u>3,284,502</u>
Total Revenue	3,088,785	3,996,727
Expenses		
Operating Expenses		
Operations, Maintenance and Administrative	(689,804)	(690,961)
Depreciation	(366,850)	(291,363)
Non-operating Expenses	<u>(185,430)</u>	<u>(101,553)</u>
Total expenses	(1,242,084)	(1,083,877)
Change in Net Position	1,846,701	2,912,850
Net Position - Beginning of Year	<u>7,788,218</u>	<u>4,875,368</u>
Net Position - End of Year	<u>\$ 9,634,919</u>	<u>\$ 7,788,218</u>

Overall revenue decreased by \$907,942. Significant contributing factors for the revenue decrease were a decrease in loan proceeds and receipt of grants.

Overall expenses increased by \$158,207. Significant contributing factors for the expense increase were increases in depreciation expense and interest paid on outstanding loans.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets at December 31, 2022 amounts to \$11,676,936 (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:

	Balance December 31, 2022	Balance December 31, 2021	Percentage Change
Dams and Reservoirs	\$11,034,113	\$ 4,794,978	130.12%
Pipeline and metering equip	2,041,253	1,911,653	6.78%
Treatment Facility	2,525,537	2,507,787	Less than 1%
Tank and Pump Stations	635,807	635,807	0.00%
Equipment	93,413	93,413	0.00%
Construction in Progress	221,221	5,051,506	95.61%
Land	<u>56,980</u>	<u>56,980</u>	0.00%
Total Capital Assets	<u>16,608,324</u>	<u>15,052,124</u>	10.40%
Less Accumulated Depreciation:	<u>(4,931,388)</u>	<u>(4,564,538)</u>	8.03%
Net Capital Assets	<u>\$11,676,936</u>	<u>\$10,487,586</u>	11.42%

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

- Replacement of main pipeline section at Buffalo tunnel under I-70
- Replacement of Lower Beaver Brook Dam, completed in May, 2022
- Beginning of Upper Beaver Brook Dam outlet project costs, projected completion fall of 2023

The District is burdened by a large amount of infrastructure for the number of active and total taps. At this point in time capital spending has been focused on making the dams, reservoirs and treatment plant as safe and efficient at managing water as possible. Beyond 2023 and for the foreseeable future, the capital focus will shift to the distribution system where a combination of District owned and privately owned pipelines need to be upgraded to insure quality water to each tap and sufficient fire flow for fire protection around the District.

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

Debt. As of December 31, 2022, the District had total long-term debt of \$5,530,003. Current year activity is shown below:

	<u>2022</u>	<u>2021</u>	<u>Variance</u>	<u>Percentage Change</u>
Bonds Payable	\$ --	\$ 37,171	\$ (37,171)	(100.00)%
Loans Payable	<u>5,530,003</u>	<u>5,620,377</u>	<u>(90,374)</u>	1.61%
	<u>\$ 5,530,003</u>	<u>\$ 5,657,548</u>	<u>\$ (127,545)</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 \$553,870. The total actual expenditures, including capital and debt expenditures, was less than budgeted by \$1,076,619 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 2023 are estimated at about \$58,333 per month, which includes a planned rate increase when compared to 2022. 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 46.99% of total enterprise expenses. Debt service is budgeted at about 9.94% 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 is 18.099, including a .399 tax revenue adjustment.

Results of Operations are estimated to have an excess of revenue over expenses for 2023 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 \$1,418,520 for the end of fiscal year 2023.

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 197,750	\$ 1,448,557
Investments		
Unrestricted	2,553,640	1,018,397
Restricted		
Subdistrict A	10,668	10,565
Property Taxes Receivable	622,672	621,426
Accounts Receivable - trade	90,402	68,160
Other Receivables	2,745	2,695
Prepaid Insurance	24,273	1,485
	<u>3,502,150</u>	<u>3,171,285</u>
Total Current Assets		
CAPITAL ASSETS		
Land	56,980	56,980
Construction in Progress	221,221	5,043,816
Dams and Reservoirs	11,034,113	4,794,978
Pipeline and metering equipment	2,041,253	1,911,653
Treatment Facility	2,525,537	2,507,787
Tank and Pump Station	635,807	635,807
Equipment	93,413	93,413
	<u>16,608,324</u>	<u>15,044,434</u>
Less, Accumulated Depreciation	<u>(4,931,388)</u>	<u>(4,564,538)</u>
Total Capital Assets	<u>11,676,936</u>	<u>10,479,896</u>
OTHER ASSETS		
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
	<u>743,136</u>	<u>743,136</u>
Total Other Assets		
	<u>743,136</u>	<u>743,136</u>
Total Assets	<u>\$ 15,922,222</u>	<u>\$ 14,394,317</u>

The accompanying notes are an integral part of these statements.

Lookout Mountain Water District
STATEMENTS OF NET POSITION (CONTINUED)
December 31, 2022 and 2021

	2022	2021
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 103,356	\$ 323,599
Accrued Payroll Liabilities	687	693
Unearned revenue - Customer Prepayments	13,574	-
Accrued Interest Payable	17,011	2,833
Current Portion of Long-Term Debt	28,749	64,551
Total current liabilities	163,377	391,676
LONG-TERM DEBT		
Revenue Bonds	-	37,171
Loan Payable - Subdistrict A	58,936	86,315
CWCB Loan for UBB 2016-2017	2,450,354	2,513,349
CWCB Loan for Upper and Lower BB 2021	3,020,713	3,020,713
Less, Current Portion	(28,749)	(64,551)
Total Long-Term Liabilities	5,501,254	5,592,997
Total Liabilities	5,664,631	5,984,673
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Taxes	622,672	621,426
Total Deferred Inflows of Resources	622,672	621,426
NET POSITION		
Net Investment in Capital Assets	6,146,933	4,822,348
Unrestricted	3,414,180	2,898,267
Restricted		
Subdistrict A	10,668	10,565
CWCB Debt Service	23,272	17,172
Emergencies	39,866	39,866
Total Net Position	9,634,919	7,788,218
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 15,922,222	\$ 14,394,317

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, 2022 and 2021

	2022	2021
OPERATING REVENUES		
Water Sales, net of allowance of \$0 and \$0	\$ 619,717	\$ 662,597
Inactive tap fees	45,432	46,662
Penalties	1,413	1,395
Miscellaneous	8,086	1,571
	<u>674,648</u>	<u>712,225</u>
OPERATIONS AND MAINTENANCE EXPENSES		
Contract Operator	120,000	120,000
Water Lease Purchases	43,112	15,000
Repair and Maintenance		
Transmission Mains	40,663	22,582
Treatment, Pumping and Storage	47,356	21,073
Sludge Removal	7,525	8,910
Other	57,406	39,082
Testing and Analysis	3,463	2,130
Power	25,871	28,108
Chemicals	24,206	41,336
Tools and Supplies	15,778	17,240
Telephone	3,125	2,957
Water Rights and Maintenance	15,530	29,202
Depreciation	366,850	291,363
	<u>770,885</u>	<u>638,983</u>
Total Operations and Maintenance Expenses		
	<u>770,885</u>	<u>638,983</u>
Gross Income (Loss) From Operations	<u>(96,237)</u>	<u>73,242</u>
ADMINISTRATIVE EXPENSES		
Accounting and Audit	28,200	23,400
Director's Fees	4,800	8,023
Consulting - Water Rights	38,615	62,314
Legal	43,758	66,845
Engineering	61,612	52,090
Contract Administrator/Billing/Office Manager	64,685	75,526
Insurance	19,811	20,405
Travel and Meals	547	129
Seminars and Meetings	375	300
Dues and Subscriptions	1,399	3,261
Telephone	3,308	4,558
Postage	2,351	2,718
Election Expense	-	5,000
Rent - Storage Space	-	4,416
Office Supplies and Miscellaneous	16,308	14,356
	<u>285,769</u>	<u>343,341</u>
Total administrative expenses		
	<u>285,769</u>	<u>343,341</u>
OPERATING LOSS	<u>\$ (382,006)</u>	<u>\$ (270,099)</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, 2022 and 2021

	2022	2021
NON-OPERATING REVENUES (EXPENSES)		
Real Property Taxes	\$ 619,758	\$ 573,455
Specific Ownership Taxes	42,613	43,197
Subdistrict A Receipts	31,695	31,698
Grant	1,659,655	2,605,584
Miscellaneous Non-Operating Income	9,802	9,326
Inclusion Fees	18,500	18,500
Interest Earnings	34,897	2,742
Unrealized Gain (Loss) on Investments	(2,783)	-
Interest Expense	(176,114)	(92,915)
County Treasurer's Fee	(9,316)	(8,638)
	2,228,707	3,182,949
NON-OPERATING REVENUES/(EXPENSES)		
CHANGE IN NET POSITION	1,846,701	2,912,850
NET POSITION, BEGINNING OF YEAR	7,788,218	4,875,368
NET POSITION, END OF YEAR	\$ 9,634,919	\$ 7,788,218

The accompanying notes are an integral part of these statements.

Lookout Mountain Water District
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 665,930	\$ 727,539
Cash payments to suppliers for goods and services	(851,950)	(534,373)
Cash payments to contract personnel	(80,891)	(150,572)
Net cash used in operating activities	(266,911)	42,594
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Property taxes received	619,758	573,455
Specific ownership taxes received	42,613	43,197
Miscellaneous non-operating income received	9,802	9,326
Treasurer's fees paid	(9,316)	(8,638)
Net cash provided by non-capital financing activities	662,857	617,340
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of property, plant and equipment	(1,563,890)	(4,529,566)
Subdistrict A income received	31,695	31,698
Grants received	1,659,655	2,605,584
Loan proceeds received	-	3,020,713
Debt principal paid	(127,545)	(122,470)
Interest paid	(161,936)	(94,337)
Net cash (required) provided by capital financing activities	(162,021)	911,622
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments purchased	(1,535,346)	(480,118)
Net investment earnings	50,614	21,242
Net cash provided by investing activities	(1,484,732)	(458,876)
Net Change in Cash and Cash Equivalents	(1,250,807)	1,112,680
Cash and cash equivalents, beginning of year	1,448,557	335,877
Cash and cash equivalents, end of year	\$ 197,750	\$ 1,448,557
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Income/ (loss)	\$ (382,006)	\$ (270,099)
Adjustments to reconcile operating income/ loss to net cash provided by operating activities:		
Depreciation	366,850	291,363
Effects of changes in operating assets and liabilities:		
Receivables	(8,718)	15,314
Prepaid expenses	(22,788)	19,439
Accounts payable	(220,243)	(12,113)
Accrued payroll	(6)	(1,310)
Net cash from operating activities	\$ (266,911)	\$ 42,594

The accompanying notes are an integral part of these statements

Lookout Mountain Water District

Notes to Financial Statements

December 31, 2022 and 2021

1. Definition of Reporting Entity

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.

2. Significant Accounting Policies

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, 2022 and 2021

2. Significant Accounting Policies (continued)

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, 2022 and 2021. Property taxes levied on December 31, 2022 and 2021 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, 2022 and 2021. Prior to the issuance of GASB 89, interest on construction projects was capitalized, but is now expensed when incurred.

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, 2022 and 2021

2. Significant Accounting Policies (continued)

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, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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.

3. Stewardship, Compliance and Accountability

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, 2022 and 2021

3. Stewardship, Compliance and Accountability (continued)

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 \$39,866 as of December 31, 2022 and 2021, 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.

4. Cash Deposits and Investments

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

	2022	2021
Deposits – insured	\$ 197,750	\$ 1,198,557
Deposits – PDPA collateralized	-	85,877
Investments - investment pool	<u>2,564,308</u>	<u>1,028,962</u>
Total	<u>\$ 2,762,058</u>	<u>\$ 2,477,519</u>

Lookout Mountain Water District
Notes to Financial Statements (continued)
December 31, 2022 and 2021

4. Cash Deposits and Investments

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

	2022	2021
Cash	\$ 197,750	\$ 1,448,557
Investments - Unrestricted	2,553,640	1,018,397
Investments – Restricted – Subdistrict A	<u>10,668</u>	<u>10,565</u>
Total	<u>\$ 2,762,058</u>	<u>\$ 2,477,519</u>

At December 31, 2022 and 2021, the District’s cash deposits had bank balances of \$197,750 and \$1,449,942 and carrying balances of \$197,750 and \$1,448,557, 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, 2022 and 2021 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, 2022 and 2021

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, 2022, the District had the following investments:

<u>Investment</u>	<u>Rating</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Total</u>
Money Market and Investment Pools	AAAm	\$ 2,564,308	\$ -	\$ 2,564,308
		<u>\$ 2,564,308</u>	<u>\$ -</u>	<u>\$ 2,564,308</u>

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

<u>Investment</u>	<u>Rating</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 to 5</u>	<u>Total</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>

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, 2022 and 2021, the District had \$2,564,308 and \$1,028,962, 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 three portfolios, Colotrust Prime, Colotrust Plus+ and Colotrust EDGE. 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, 2022 and 2021

4. Cash Deposits and Investments (continued)

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.

5. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance			Balance
	December 31,			December 31,
	2021	Additions	Retirements	2022
Capital assets, not being depreciated:				
Land	\$ 56,980	\$ -	\$ -	\$ 56,980
Construction in progress	<u>5,043,816</u>	<u>1,546,140</u>	<u>(6,368,735)</u>	<u>221,221</u>
Total capital assets, not being depreciated	<u>5,109,796</u>	<u>1,546,140</u>	<u>(6,368,735)</u>	<u>278,201</u>
Capital assets, being depreciated:				
Dams and Reserviors	4,794,978	6,239,135	-	11,034,113
Pipeline and Metering Equipment	1,911,653	129,600	-	2,041,253
Treatment Facility	2,507,787	17,750	-	2,525,537
Tank and Pump Stations	635,807	-	-	635,807
Equipment	<u>93,413</u>	<u>-</u>	<u>-</u>	<u>93,413</u>
Total capital assets, being depreciated	<u>9,943,638</u>	<u>6,386,485</u>	<u>-</u>	<u>16,330,123</u>
Less accumulated depreciation	<u>(4,564,538)</u>	<u>(366,850)</u>	<u>-</u>	<u>(4,564,538)</u>
Total capital assets, being depreciated, net	<u>5,379,100</u>	<u>6,019,635</u>	<u>-</u>	<u>11,398,735</u>
Capital assets, net	<u>\$10,479,896</u>	<u>\$7,565,775</u>	<u>\$(6,368,735)</u>	<u>\$11,676,936</u>

Lookout Mountain Water District
Notes to Financial Statements (continued)
December 31, 2022 and 2021

5. Capital Assets (continued)

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>4,642,237</u>	<u>(50,799)</u>	<u>5,043,816</u>
Total capital assets, not being depreciated	<u>509,358</u>	<u>4,642,237</u>	<u>(50,799)</u>	<u>5,100,796</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>(4,273,177)</u>
Total capital assets, being depreciated, net	<u>5,531,962</u>	<u>(152,862)</u>	<u>-</u>	<u>5,531,962</u>
Capital assets, net	<u>\$ 6,041,320</u>	<u>\$ 4,489,375</u>	<u>\$ (50,799)</u>	<u>\$ 10,479,896</u>

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Lookout Mountain Water District
Notes to Financial Statements (continued)
December 31, 2022 and 2021

6. Long-Term Liabilities

The District's long-term debt as of December 31, 2022 and its debt transactions are as follows:

	<u>Balance at December 31, 2021</u>	<u>Additions</u>	<u>Payment</u>	<u>Balance at December 31, 2022</u>	<u>Due Within One Year</u>
<u>Bonds Payable</u>					
1992 Water Revenue Bonds	\$ 37,171	\$ -	\$ (37,171)	\$ -	\$ -
Current Portion	<u>\$ (37,171)</u>			<u>\$ -</u>	
<u>Loans Payable</u>					
CWCB for UBB 2016-2017	\$ 2,513,349	\$ -	\$ (62,995)	\$ 2,450,354	\$ -
CWCB for Lower BB 2021	3,020,713	-	-	3,020,713	-
Subdistrict A	<u>86,315</u>	<u>-</u>	<u>(27,379)</u>	<u>58,936</u>	<u>28,749</u>
	<u>\$ 5,620,377</u>	<u>-</u>	<u>(90,374)</u>	<u>5,530,003</u>	<u>28,749</u>
Current Portion	<u>\$ (27,380)</u>			<u>\$ (28,749)</u>	
Long-term portion	<u>\$ 5,592,997</u>			<u>\$ 5,501,254</u>	

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Lookout Mountain Water District
Notes to Financial Statements (continued)
December 31, 2022 and 2021

6. Long-Term Liabilities (continued)

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

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Payment</u>	<u>Balance at December 31, 2021</u>	<u>Due Within One Year</u>
<u>Bonds Payable</u>					
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>	
<u>Loans Payable</u>					
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	112,391	-	(26,076)	86,315	27,380
	<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>	

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, 2022 and 2021

6. Long-Term Liabilities (continued)

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, 2022 and 2021, the balance attributable to long-term financing loan is \$2,450,354 and \$2,513,349 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 2023 was paid and received in December 2022. The next payment is due January 2024.

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, 2022 and 2021

6. Long-Term Liabilities (continued)

As of December 31, 2022, 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%. Principal payments will begin one year after the final draw has occurred and the loan has become an authorized contract with an established maturity schedule. Interest was paid during 2022 in the amount of \$72,238. Accrued interest is reflected in these statements has been recorded in the amount of \$16,029 for the year end December 31, 2022.

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 summarizes debt service requirements for debt outstanding as of December 31, 2022:

Loan Payable – Sub District A

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended December 31,			
2023	\$ 28,749	\$ 2,947	\$ 31,696
2024	<u>30,187</u>	<u>1,509</u>	<u>31,696</u>
	<u>\$ 58,936</u>	<u>\$ 4,456</u>	<u>\$ 63,392</u>

Lookout Mountain Water District
Notes to Financial Statements (continued)
December 31, 2022 and 2021

6. Long-Term Liabilities (continued)

Loan Payable – CWCB for UBB 2016-2017

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ended December 31,			
2024	65,031	79,637	144,668
2025	67,144	77,523	144,667
2026	69,326	75,341	144,667
2027-2031	381,930	341,405	723,335
2032-2036	448,160	275,175	723,335
2037-2041	525,877	197,458	723,335
2042-2046	617,070	106,265	723,335
2047-2048	275,816	13,518	289,334
	<u>\$ 2,450,354</u>	<u>\$ 1,166,322</u>	<u>\$ 3,616,676</u>

7. Risk Management

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

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

8. Commitments and Contingencies

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

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

Supplementary Information

Lookout Mountain Water District
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTERPRISE FUND
For the Year Ended December 31, 2022

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Amended		Final Budget
				Positive
				(Negative)
OPERATING REVENUES				
Water sales	\$ 645,000	\$ 645,000	\$ 619,717	\$ (25,283)
Late payment fees	1,000	1,000	1,413	413
Inspection fees	500	500	-	(500)
Transfer fees	225	225	1,050	825
Inactive tap fees	40,000	40,000	45,432	5,432
Miscellaneous operating income and fees	5,000	5,000	7,036	2,036
Subdistrict A - collections for debt service	31,696	31,696	31,695	(1)
Special fees/finding & transfer from Gen Fund	50,000	50,000	-	(50,000)
	<u>773,421</u>	<u>773,421</u>	<u>706,343</u>	<u>(67,078)</u>
Total Operating Revenues				
OPERATIONS AND MAINTENANCE EXPENSES				
Contract operator	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Testing and analysis supplies	2,500	2,500	-	2,500
Testing and analysis lab fees	5,000	5,000	3,463	1,537
Locator service	11,000	11,000	35,640	(24,640)
Sludge removal & extra backwashes	8,000	8,000	7,525	475
Trash removal	2,000	2,000	1,360	640
Snow removal and road maintenance	12,000	12,000	5,650	6,350
Repair and maintenance				
Treatment plant & sludge bldg.	24,000	24,000	47,015	(23,015)
Storage tank	2,500	2,500	341	2,159
Pump station	2,500	2,500	-	2,500
Meters & valves	8,500	8,500	13,925	(5,425)
Equipment	2,000	2,000	-	2,000
Upper BB Dam	5,000	5,000	3,324	1,676
Lower BB Dam	2,500	2,500	1,200	1,300
LM Dam	2,500	2,500	-	2,500
Main distribution line	35,000	35,000	24,392	10,608
Laterals & hydrants	5,000	5,000	11,747	(6,747)
Electricity				
Treatment plant	24,750	24,750	16,542	8,208
Tank	210	210	-	210
Pump station	1,551	1,551	5,443	(3,892)
LM Dam	37	37	185	(148)
Gas, treatment plant	2,265	2,265	3,701	(1,436)
Fuel, emergency generator	400	400	-	400
Chemicals	50,000	50,000	24,206	25,794
Other maintenance supplies	2,000	2,000	15,778	(13,778)
Tools	1,000	1,000	-	1,000
Rental equipment	1,000	1,000	-	1,000
Telephone/Broadband	3,600	3,600	3,125	475
Telemetry, wireless service	2,000	2,000	-	2,000
Security Service	5,000	5,000	831	4,169
Other operation and maintenance	2,500	2,500	2,274	226
Water purchases or leases	20,000	20,000	43,112	(23,112)
Maintenance, watershed	2,000	2,000	-	2,000
Water rights maintenance and operations	21,000	21,000	13,256	7,744
Contingency	20,000	20,000	-	20,000
	<u>409,313</u>	<u>409,313</u>	<u>404,035</u>	<u>5,278</u>
Total operations and maintenance expenses				
Gross Income from Operations	<u>364,108</u>	<u>364,108</u>	<u>302,308</u>	<u>(61,800)</u>

Lookout Mountain Water District
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN FUNDS AVAILABLE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - CONTINUED
ENTERPRISE FUND
For the Year Ended December 31, 2022

	BUDGETED AMOUNTS		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
ADMINISTRATIVE EXPENSES				
Accounting	16,200	16,200	16,200	-
Audit	7,900	7,900	12,000	(4,100)
Director's fees	7,000	7,000	4,800	2,200
Payroll taxes	10,350	10,350	3,189	7,161
Consulting, water rights	42,000	42,000	38,615	3,385
Legal, water rights	5,250	5,250	-	5,250
Legal, general	80,000	80,000	43,758	36,242
Engineering	30,000	30,000	61,612	(31,612)
Contract services, administration & billing	-	75,000	61,496	13,504
GIS licenses, software updates	3,600	3,600	-	3,600
Rent, storage, office, P.O. box	400	400	-	400
Insurance, general liability	3,000	3,000	2,940	60
Insurance, auto liability	213	213	197	16
Insurance, property	18,000	18,000	15,702	2,298
Insurance, public officials	625	625	487	138
Insurance, workers' compensation	1,000	1,000	485	515
Travel and meetings	1,000	1,000	547	453
Seminars and meetings	2,000	2,000	375	1,625
Dues and subscriptions	2,000	2,000	1,399	601
Election expenses	5,000	5,000	-	5,000
Telephone/communications	4,700	4,700	3,308	1,392
Postage	4,000	4,000	2,351	1,649
Printing, billing stock, multifunction	5,000	5,000	7,207	(2,207)
Office supplies	1,000	1,000	207	793
Information tech, website, billing software	5,000	5,000	3,052	1,948
Other administrative (fees, permits, maps, contingency)	1,000	1,000	-	1,000
Bank charges, e-commerce processing	5,000	5,000	5,842	(842)
Special projects and transfer to Enterprise Fund	50,000	50,000	-	50,000
Transfer to savings	175,000	150,000	-	150,000
	<u>486,238</u>	<u>536,238</u>	<u>285,769</u>	<u>250,469</u>
Total general and administrative expenses	\$ 486,238	\$ 536,238	\$ 285,769	\$ 250,469
Net Income (Loss) from Operations	<u>(122,130)</u>	<u>(172,130)</u>	<u>16,539</u>	<u>188,669</u>
Non-operating Revenues/(Expenses)				
Real property taxes, net of refunds/rebates	621,426	621,426	619,758	(1,668)
Specific ownership taxes	37,000	37,000	42,613	5,613
Inclusion fees	18,500	18,500	18,500	-
Miscellaneous non-operating income	-	-	11,653	11,653
Grant income	1,846,442	1,846,442	1,659,655	(186,787)
Loan proceeds	350,000	350,000	-	(350,000)
Interest income, including delinquent taxes	500	500	34,897	34,397
Unrealized Gain (Loss) on Investments	-	-	(2,783)	(2,783)
County Treasurer's fees	(9,321)	(9,321)	(9,316)	5
	<u>2,864,547</u>	<u>2,864,547</u>	<u>2,374,977</u>	<u>(489,570)</u>
Total Non-Operating Revenues/(Expenses)	2,864,547	2,864,547	2,374,977	(489,570)

Lookout Mountain Water District
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN AVAILABLE FUNDS
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - CONTINUED
ENTERPRISE FUND
For the Year Ended December 31, 2022

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Debt Service				
Interest	146,092	146,092	160,085	(13,993)
Principal	184,802	184,802	125,552	59,250
Total Debt Service	<u>330,894</u>	<u>330,894</u>	<u>285,637</u>	<u>45,257</u>
Capital projects				
JDTF Improvements	72,000	72,000	17,750	54,250
Meters, valves and mapping	25,000	25,000	-	25,000
Main improvements	50,000	50,000	129,599	(79,599)
LBB, construction of dam	735,000	735,000	1,237,660	(502,660)
LBB, contingency	100,000	100,000	-	100,000
LBB, inlet/outlet/confluence flumes	115,000	115,000	-	115,000
SCADA System	100,000	100,000	-	100,000
Outlet works	950,000	950,000	27,231	922,769
WTP intake pumps and plumbing	162,500	162,500	151,650	10,850
Closing costs	30,000	30,000	-	30,000
 Total debt service & capital projects expenditures	 <u>2,339,500</u>	 <u>2,339,500</u>	 <u>1,563,890</u>	 <u>775,610</u>
 Total capital projects	 <u>2,670,394</u>	 <u>2,670,394</u>	 <u>1,849,527</u>	 <u>820,867</u>
 NET OF REVENUES OVER (UNDER) EXPENSES	 72,023	 22,023	 541,989	 519,966
 FUNDS AVAILABLE BEGINNING OF YEAR	 <u>968,568</u>	 <u>968,568</u>	 <u>6,254,156</u>	 <u>5,285,588</u>
 FUNDS AVAILABLE END OF YEAR	 <u>\$ 1,040,591</u>	 <u>\$ 990,591</u>	 <u>\$ 6,796,145</u>	 <u>\$ 5,805,554</u>

Lookout Mountain Water District
RECONCILIATION TO BUDGETARY BASIS (ACTUAL)
TO SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2022

		<u>Total</u>
Excess of Revenues over Expenditures (Budgetary Basis)	\$	541,989
(Deduct) items which are not expenditures:		
Depreciation		(366,850)
Add items which are not GAAP expenditures:		
Capital projects		1,563,890
Change in accrued interest payable		(17,880)
Principal portion of bond payments		<u>125,552</u>
NET INCOME (GAAP BASIS)	\$	<u><u>1,846,701</u></u>

Lookout Mountain Water District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

Federal Agency/Pass-through Entity/Cluster/Program	Assistance Listing Number	Grant or Identifying Number	Amount
<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>1,659,655</u>
<i>Total Department of Homeland Security</i>			<u>1,659,655</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 1,659,655</u>

Lookout Mountain Water District
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Notes to the Schedule

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lookout Mountain Water District under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Lookout Mountain Water District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lookout Mountain Water District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3.


Lookout Mountain Water District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.


Note 4.


Of the federal expenditures presented in this schedule, the Agency provided no federal awards to sub-recipients.



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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, 2022, 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 27, 2023.

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) as a basis for designing 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.

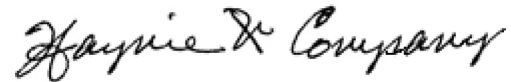
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 27, 2023



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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 requirements 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, 2022. 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, 2022.

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.

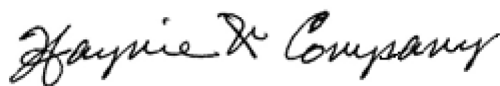
Report on Internal Control over Compliance

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 27, 2023

Lookout Mountain Water District Supplemental Information

Schedule of Findings and Questioned Costs for the Year Ended December 31, 2022

1. Summary of Auditor's Results

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

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