



Left Hand Water District

Financial Statements and Supplementary Information

For the Years Ended December 31, 2013 and 2012



Left Hand Water District

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Independent Auditor's Report

Board of Directors
Left Hand Water District
Niwot, Colorado

We have audited the accompanying basic financial statements of the Left Hand Water District (the "District") as of December 31, 2013 and 2012, and for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Left Hand Water District as of December 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 12 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 evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedules of Revenues and Expenses - Budget and Actual (Budgetary Basis) on pages 33 to 34 is presented for purposes of additional analysis and is 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anton Collins Mitchell LLP

Greeley, Colorado
June 19, 2014

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

This discussion and analysis is designed to provide a narrative overview of the financial condition and operating results of the Left Hand Water District ("the District"), and also to inform the reader about District financial issues and activities. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the District's basic financial statements beginning on page 13.

2013 HIGHLIGHTS – BUSINESS-TYPE ACTIVITIES

- As of December 31, 2013, total net position was \$95,987,297, representing an increase of \$5,087,882 (5.6%), when compared to 2012.
- Operating revenues were \$7,082,868 during 2013, 13.6% less than 2012, which was a particularly dry year with higher than average revenues.
- In 2013, total operating expenses net of depreciation/amortization and impairment loss were \$4,263,800, an increase of 6% over 2012.
- Total capital contributions were \$4,544,794 in 2013, compared to \$1,575,053 in 2012 – an increase of \$2,969,741.
- Long-term debt decreased to \$3,561,328 as of December 31, 2013, down from \$5,152,227 as of December 31, 2012.

USING THIS ANNUAL REPORT

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado engaged only in a business-type activity. As an enterprise zone, the District's basic financial statements include:

Statements of Net Position – reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. See pages 13-14.

Statements of Revenues, Expenses and Changes in Net Position – reports the District's operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions. See page 15.

Statements of Cash Flows – reports the District's cash flows from operating, investing, capital and non-capital activities. See pages 16-17.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

FLOODING DISASTER IMPACT

The District was significantly impacted by the federally-declared flooding emergency in September of 2013. Left Hand Creek, the St. Vrain River and Boulder Creek were each among the most heavily flooded channels, and all three flow through the District. The financial impact of the disaster is reflected in several sections of the District's 2013 financial statements, as discussed in subsequent portions of this Discussion and Analysis. A resolution officially declaring an Emergency Flooding Disaster was approved by the District Board of Directors via emergency telephone vote and was ratified at the Board's regular meeting on September 19, 2013. A resolution lifting the emergency status was approved at the regular meeting of the Board on April 17, 2014.

Damage was sustained at 15 sites throughout the District, from the Foothills Highway to Del Camino, including over 3,000 feet of treated water pipeline. Raw water delivery channels were also damaged, interrupting the District's ability to receive treatable raw water. In addition, Left Hand Creek diverted through a portion of the District's administrative office property, depositing significant amounts of debris and washing out a section of our driveway as well as our gate, fencing, mailboxes, etc. Service was interrupted to most District customers, some for just a short while but others for several days.

Emergency repairs were made as expediently as they could safely be completed, and most District customers had water service restored within a few days. These emergency repairs included temporary pipelines and emergency inter-connections with neighboring cities and systems, among other solutions. The District also contracted with a consulting firm to provide assistance with the process of working with the Federal Emergency Management Agency ("FEMA"). These emergency repairs and services were recognized as operating expenses on the 2013 financial statements and totaled just under \$335,000.

Permanent repairs to damaged sites were initiated as quickly as possible after the flooding ended. Many of the projects were substantially complete by the end of 2013; by the end of April, 2014, all major repairs to District water lines, as well as our raw water supply, had been completed. The permanent repairs to the District's administrative office property and driveway are expected to be completed during 2014. The expenditures for permanent repairs are anticipated to total approximately \$1,650,000. The District is working with FEMA, as well as the state of Colorado, to apply for reimbursement funding of up to 87.5% of the recovery costs.

In addition to the direct costs related to repairing damages and restoring the system, the District's revenue was also affected by the natural disaster. Due to the damage to the raw water delivery channels, the District imposed mandatory usage restrictions on all District customers. The restrictions began shortly after the flooding ended and lasted until an emergency turn-out structure was completed in mid-November to utilize water from the Left Hand Valley Reservoir. The restrictions reduced consumption to normal winter levels in the course of just a few days, resulting in a dramatic reduction in water usage several weeks earlier in the fall than normal. This allowed the District to continue to serve customers from water stored in an on-site reservoir, but impacted the revenues for that timeframe. Operating revenue for October, 2013, was almost 50% lower than the same month in 2012.

Fortunately for the District's rate-payers, the flooding emergency did not necessitate an increase in water rates in order to fund the repairs. The District has sufficient funds in the Board-designated replacement fund to make the necessary expenditures in addition to regularly-planned capital projects. Any reimbursements received from FEMA and the state will replenish the replacement fund.

More information, as well as photos and a map of the damaged areas, can be viewed on our website at www.lefthandwater.org/about-lhwd/2013-flood.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

The following table presents condensed information from the Statements of Net Position as of December 31, 2013 and 2012:

	2013	2012
Current Assets	\$ 24,411,254	\$ 21,167,303
Restricted Assets	2,306,247	1,877,311
Capital Assets (net of depreciation)	74,713,024	74,516,507
Other Assets	<u>176,400</u>	<u>269,400</u>
Total Assets	<u>101,606,925</u>	<u>97,830,521</u>
Current Liabilities	2,058,300	1,778,879
Non-Current Liabilities	<u>3,561,328</u>	<u>5,152,227</u>
Total Liabilities	<u>5,619,628</u>	<u>6,931,106</u>
Net Investment in Capital Assets	69,870,145	67,108,680
Restricted	2,306,247	1,877,311
Unrestricted	<u>23,810,905</u>	<u>21,913,424</u>
Total Net Position	<u>\$ 95,987,297</u>	<u>\$ 90,899,415</u>

Total net position increased in 2013 by just over \$5 million from the results of operations and capital contributions.

Long term liabilities were decreased by principal payments totaling \$1.440 million made on the District's Drinking Water Revolving Fund loan and 2004 Series Bond.

Capital assets represent the largest portion of the District's assets (73.5%) and increased by a net of \$196,517 during 2013. New investments of almost \$2.5 million were acquired or completed in 2013; depreciation and amortization expense was just over \$2.1 million. A total of \$168,104 was recognized as loss due to impairment of assets subsequent to damage sustained in the flood.

Unrestricted net position is the portion of net position that can be used to finance day-to-day operations without external constraints of debt covenants, legislation or other legal requirements. Restricted net position is the portion of equity that is legally restricted by the requirements of the District's debt obligations. As of December 31, 2013, unrestricted net position was approximately \$1.9 million higher than at December 31, 2012.

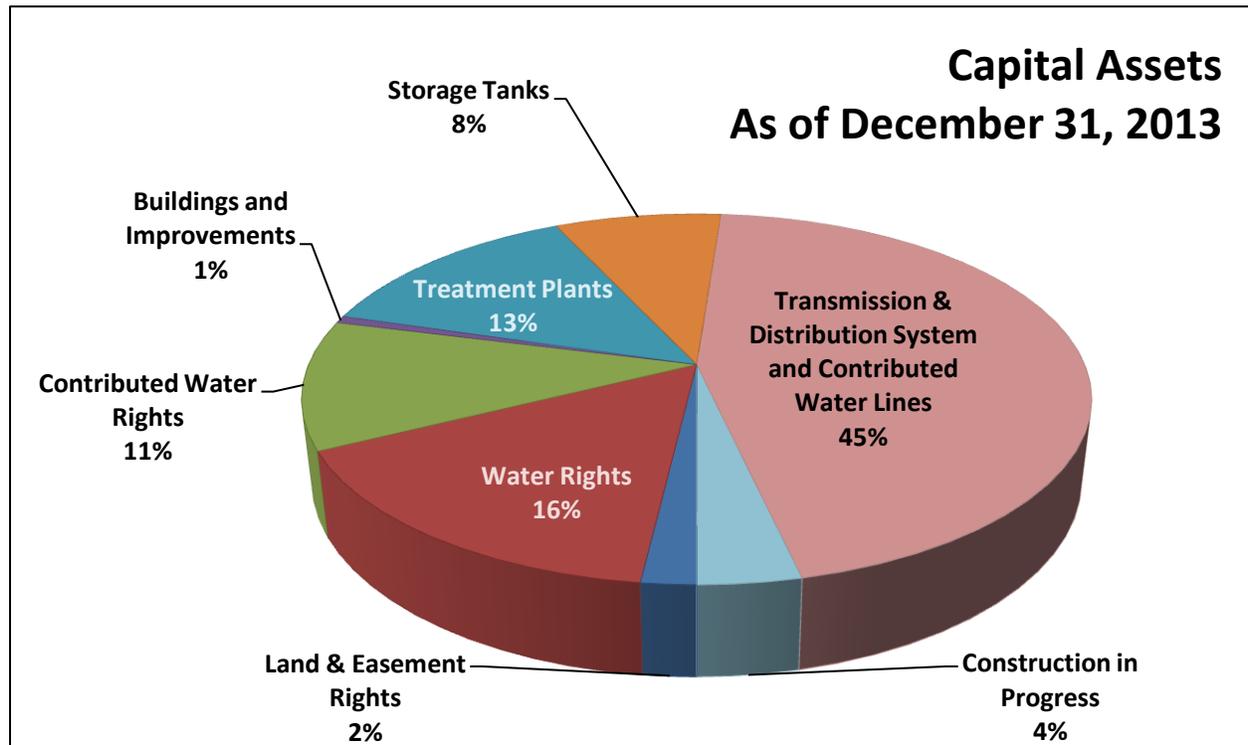
**LEFT HAND WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

The following table presents a condensed review of capital assets, net of accumulated depreciation, as of December 31, 2013 and 2012:

	2013	2012
Land & Easement Rights	\$ 1,394,468	\$ 1,394,468
Water Rights	11,667,042	11,504,615
Contributed Water Rights	8,355,149	8,355,149
Buildings and Improvements	456,488	456,875
Treatment Plants	9,974,389	10,379,105
Storage Tanks	6,022,663	6,234,579
Raw Water Reservoirs	371,158	397,973
T&D and Contributed Water Lines	33,479,272	33,230,472
Office Equipment and Furnishings	31,653	28,140
Equipment and Vehicles	176,170	210,996
Water Service Agreement	150,000	225,000
Construction in Progress	<u>2,634,572</u>	<u>2,099,135</u>
Total Capital Assets	<u>\$ 74,713,024</u>	<u>\$ 74,516,507</u>

Capital acquisitions in 2013 included a new demonstration garden in the front of the administrative building. The District’s continued participation in the Northern Integrated Supply Project (“NISP”), included in Water Rights, required a 2013 contribution of \$122,500.

Of the \$2.1 million allocated for construction projects in the 2013 budget, just over \$1 million was actually expended. In addition, construction expenditures related to repairing damage from the flood totaled just under \$825,000 in 2013. Major budgeted-for projects included upgrading the water line along Prospect Road between Hwy 287 and 119th Street and continuing the replacement of the water line on 95th Street between Oxford and Ogallala Roads.

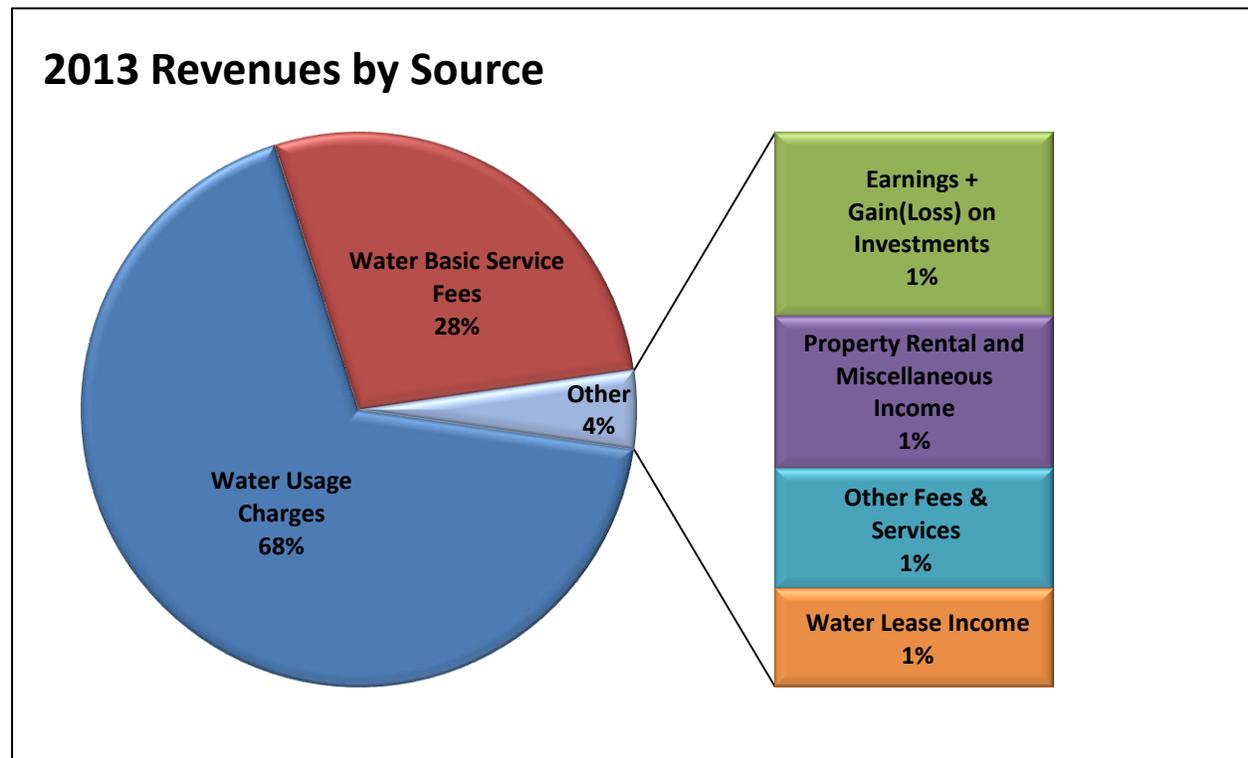


**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

The following table presents a condensed review of revenues for the years ended December 31, 2013 and 2012:

	2013	2012
Operating Revenues		
Water Usage Charges	\$ 4,934,497	\$ 6,052,270
Water Basic Service Fees	2,010,715	1,995,188
Other Fees & Services	71,147	43,110
Inventory Sales	8,821	12,060
Water Lease Income	<u>57,688</u>	<u>99,418</u>
Total Operating Revenues	7,082,868	8,202,046
Non-Operating Revenues		
Earnings on Investments	241,695	147,396
Property Rental and Miscellaneous Income	89,747	91,289
Unrealized Gain/(Loss) on Investments	(132,832)	(7,338)
Other Non-Operating Income	<u>---</u>	<u>14,306</u>
Total Non-Operating Revenues	<u>198,610</u>	<u>245,653</u>
TOTAL REVENUES	<u>\$ 7,281,478</u>	<u>\$ 8,447,699</u>

Operating revenues in 2013 were under budget by 8.2%. The majority of the shortfall was in Water Usage Charges due to significantly lower consumption in 2013. The reduced consumption is partly the result of a wet spring and early summer and partly due to the mandatory restrictions implemented after the flood. There was no change in the water fee structure in 2013. Interest income was up by 64% from 2012, the first year it has increased since 2007. Total revenues decreased by just over \$1.2 million (13.8%) from 2012.

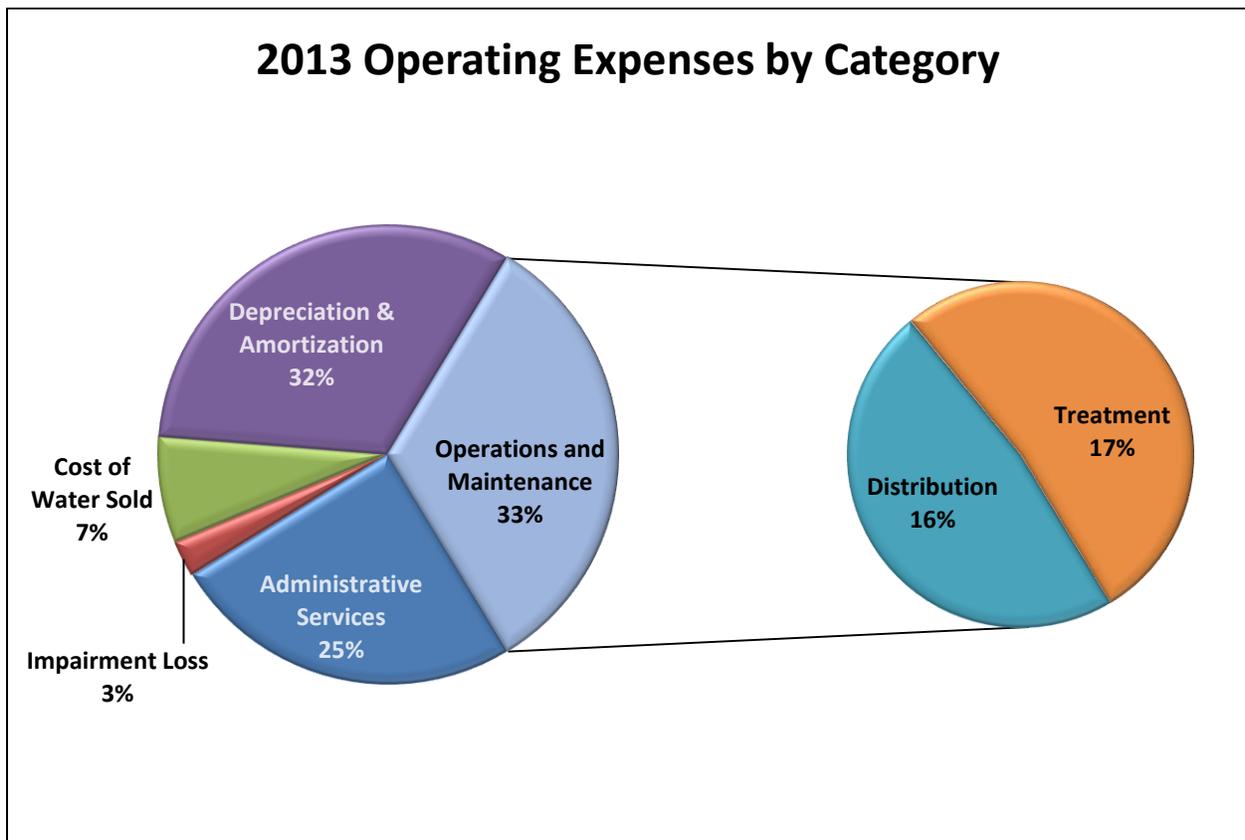


**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

The following table presents a condensed review of operating expenses for the years ended December 31, 2013 and 2012:

	2013	2012
Operating Expenses		
Operation and Maintenance	\$ 2,140,979	\$ 1,871,195
Administrative Services	1,632,707	1,638,658
Cost of Water Sold	490,114	510,725
Impairment Loss	168,104	---
Depreciation & Amortization	<u>2,126,581</u>	<u>2,109,312</u>
TOTAL OPERATING EXPENSES	<u>\$ 6,558,485</u>	<u>\$ 6,129,890</u>

Net of depreciation and the impairment loss, total operating expenses for 2013 were over budget by \$158,625 (3.9%). Net of the emergency flood-related expenditures included in operating expenses of just under \$335,000, however, operating expenses were under budget by \$176,375 (4.3%). Operation and maintenance costs increased by 14.4% over 2012, primarily due to the emergency expenditures and related post-flood adjustments made in the system.



**LEFT HAND WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

The following table presents a condensed review of capital contributions for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Customer Tap Fees	\$ 4,059,449	\$ 1,331,114
Contributed Water Rights	(3,344)	(20,429)
Contributed Line Fee/Fire System	358,327	98,182
Contributed Assets	<u>130,362</u>	<u>166,186</u>
TOTAL CAPITAL CONTRIBUTIONS	<u>\$ 4,544,794</u>	<u>\$ 1,575,053</u>

Contributed capital can consist of several components: tap fees paid by customers who purchase new water taps for their property; water rights contributed in lieu of purchasing them; and contributions of fire systems, water lines, or water systems. In 2013 77 taps were sold or completed, vs. 76 in 2012. Additionally, two new contracts were entered into for development of a total of 144 single-family homes at Wyndham Hill, creating a total of 221 taps sold or contracted for in 2013.

The District received no contributed water shares in 2013, but granted a partial refund of previously contributed rights at a property that is no longer developable.

Contributed Line Fees are collected as part of tap fees in certain areas of the District. In certain cases, developers or private parties pay for or contribute to the extension or upgrade of water lines in order to complete projects; in other cases the District absorbs the costs. In either case, the District may collect a reimbursement amount (“line fee”) when new taps are paid by customers who benefit from the new or upgraded line, plus an interest component. As applicable, the District then reimburses the appropriate developer or private party a portion of the line fee. In 2013, the line fees collected on new taps totaled \$400,850, the vast majority of which were in the Eastern Zone Transmission (“EZT”) area. \$42,523 was remitted to the developer of the EZT line, for a net line fee of \$358,357.

There was only one Contributed Asset in 2013: the addition of a contributed water line along the I-25 Frontage Road at Highway 52.

**LEFT HAND WATER DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

STRATEGIC PLANNING

In 2007, the District completed a Comprehensive Water System Strategic Plan to address the challenges it would meet in fulfilling its mission in the coming years. The completed Plan encompasses four major areas: Treated Water Transmission & Distribution Capital Improvement Program; Dodd Water Treatment Plant Upgrade and Expansion; Water Resources Planning and Development; and Financial Master Plan.

As part of the comprehensive planning process, the District completed a Raw Water Master Plan in 2003 to anticipate future infrastructure improvements needed for the delivery of raw water supplies to both the Spurgeon and the Dodd Water Treatment Plants (“WTPs”). In order to meet the anticipated need for additional raw water supplies and delivery systems over the next 10–15 years, the District is participating in two projects through the Northern Colorado Water Conservancy District (“NCWCD”): the Northern Integrated Supply Project (“NISP”) and the Southern Water Supply Project (II) (“SWSP II”). The District is participating in the NISP project for a total of 4,900 additional acre-feet of annual yield to meet anticipated needs at build-out. The SWSP II project will deliver raw water from Carter Lake to the Dodd Water Treatment Plant. It is anticipated that the District’s allocation of cost in the projects, currently estimated at \$71.1 million, will be funded through a combination of Raw Water Reserve funds and future debt.

Additionally, a Treated Water Master Plan was completed in 2007, using demand projections, computer modeling and phased programs of needed facility improvements, within the District’s service area. This plan includes recommended improvements to the distribution system over 5, 10, 20 years and system build out scenarios, with probable costs. The Plan is reviewed every 5 years and an updated plan will be completed in 2014.

The Capital Improvement Program, developed and implemented pursuant to the Treated Water Master Plan, is reviewed and updated annually as part of the budget process. Capital and infrastructure needs are planned for over the succeeding 10 years, with ongoing plans to implement and finance the projects. Projects are segregated between funded and unfunded statuses. Unfunded projects relating to Transmission & Distribution lines that benefit future development may require significant developer participation.

Among planned future capital projects is the Dodd Water Treatment Plant Upgrade and Expansion project, on which work started in the spring of 2014 and which will be completed in the spring of 2016. The project will be funded primarily through the Drinking Water Program through the Colorado Water Resource and Power Development Authority. Water resource planning will require the District to evaluate its options related to costs, which will include: paying for the project with cash; issuing traditional fixed-rate revenue bonds; issuing variable rate revenue bonds; or some combination thereof.

In order to meet future capital and infrastructure replacement needs, the District maintains a Board-Designated Replacement Fund Reserve. These funds are not legally restricted, but represent the District’s intent to segregate funds for future capital and infrastructure needs. The reserve is funded by carryover funds from water sales and non-operating income. In 2013, the reserve funding was \$2,000,000, based on analysis using the District’s Water Rate Model software. The reserve funding level for 2014 has likewise been set at \$2,000,000. All capital improvement projects designated as Replacement Fund Projects are paid for from the reserve, which had a balance of \$5,653,137 as of December 31, 2013. The following table summarizes the funding and use of Replacement Funds.

REPLACEMENT FUND SUMMARY 1995-2013	
Replacement Fund Reserve Funding	\$ 21,998,387
Projects Funded via Replacement Fund Reserve	16,345,250
Replacement Fund Balance at December 31, 2013	\$ 5,653,137

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CAPITAL IMPROVEMENT PROGRAM

Projects other than those designated as Replacement Fund Projects are funded from legally unrestricted carryover funds, which at December 31, 2013, were \$23,810,905. The following table sets forth a summary of the District's major capital and replacement fund projects proposed for 2014 through 2023.

PROPOSED CAPITAL IMPROVEMENT PROGRAM 2014-2023

Project	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
UNSCHEDULED CONSTRUCTION	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
95TH ST W/L OXFORD RD TO OGALLALA	2,000	-	-	-	-	-	-	-	-	-
95TH ST W/L OGALLALA TO PLATEAU	551,750	-	-	-	-	-	-	-	-	-
95TH ST P/S UPGRADE	50,000	-	-	-	-	-	-	-	-	-
SOUTHERN SUPPLY LINE	110,000	220,000	150,000	1,494,316	8,467,792	-	-	-	-	-
109TH ST W/L LOOKOUT-DOBBINS RUN	1,350,000	-	-	-	-	-	-	-	-	-
HWY 52 @ WCR 5 PRV/VAULT	41,450	-	-	-	-	-	-	-	-	-
WCR 7 @ WCR 16 PRV/VAULT	30,550	-	-	-	-	-	-	-	-	-
PROSPECT RD W/L - 287-119TH	2,000	-	-	-	-	-	-	-	-	-
OVERBROOK W/L REPLACEMENT	75,000	-	-	-	-	-	-	-	-	-
NISP PROJECT	123,000	86,000	1,600,000	3,755,000	12,984,000	12,994,000	6,898,000	3,063,000	9,564,000	9,564,000
FURNITURE & EQUIP - G&A	8,000	-	-	-	-	-	-	-	-	-
FURNITURE & EQUIP - DISTR	18,500	-	-	-	-	-	-	-	-	-
FURNITURE & EQUIP - TRMT	75,000	-	-	-	-	-	-	-	-	-
VEHICLES - TRMT	-	-	-	30,000	-	-	33,000	-	-	-
VEHICLE - DISTR	43,825	-	32,000	-	-	-	-	-	-	-
VEHICLE - G&A	-	27,000	-	-	-	-	-	-	33,000	-
OFFICE BLDGS & GROUNDS	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
LAND ACQUISITION	-	-	-	-	-	-	-	-	-	-
INTANGIBLE ASSETS	50,000	-	-	-	-	-	-	-	-	-
REPLACEMENT FUND - DISTR MAINS MEDIUM PRIORITY	-	552,494	2,402,363	2,195,600	126,213	893,374	2,000,000	2,000,000	2,000,000	2,000,000
GROWTH RELATED FUND - T&D	-	1,594,403	815,539	267,683	1,040,851	1,500,000	-	-	-	-
GROWTH RELATED FUND - TRTD PUMPING	-	28,000	125,000	-	-	-	-	-	-	-
GROWTH RELATED FUND - TRTD STORAGE	-	2,480,000	-	-	-	-	-	-	-	-
GROWTH RELATED FUND - DODD EXPANSION	1,500,000	24,321,000	4,179,000	-	-	-	-	-	-	-
Total	4,548,575	29,826,397	9,821,402	8,260,099	23,136,356	15,904,874	9,448,500	5,580,500	12,114,500	12,081,500
Total with Inflation Allowance		31,019,453	10,214,258	8,590,503	24,061,810	16,541,069	9,826,440	5,803,720	12,599,080	12,564,760

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

DEBT AND OTHER FINANCIAL OBLIGATIONS

The District's long-term debt was \$3,561,328 and \$5,152,227 at December 31, 2013, and December 31, 2012, respectively. The decrease was primarily the result of principal payments of \$360,305 on the Drinking Water Revolving Fund Loan and \$1,080,000 on the 2004 Series Bond.

In May of 2014, the District established a special escrow account in order to provide for the defeasance of the 2004 Series Bond. The District entered into an agreement with UMB Bank, N.A. as the escrow agent and transferred sufficient funds to the escrow account to provide for the payment of the final principal and interest amounts due in November, 2014, and May, 2015. As such, as of May 27, 2014, the 2004 Series Bond was legally defeased.

CONTRACTS AND AGREEMENTS

The District is a party to several contracts and cooperative agreements concerning the financing, acquisition, construction, operation, maintenance, and use of certain water facilities. According to the general counsel for the District, to the best of his knowledge, with the exception of the contracts and agreements referenced hereafter or set forth below, there are no contracts or agreements in effect which would potentially have a material, pecuniary adverse effect on the District.

ECONOMIC AND OTHER FACTORS

As noted previously, revenue from water usage charges was lower than in 2012, as a result of lower water usage over the previous year. Customer tap fees, however, were over 200% higher than 2012, which is a sign that the District is continuing to see some level of economic upswing.

The District's water rate management plan utilizes a comprehensive rate and financial forecasting model based on historical average of water usage. This water rate model is consistent with industry standards as prescribed by the American Water Works Association (AWWA) and implements a rate structure strategy to provide adequate funds to pay current operating expenses, capital costs and debt service requirements, as well as to accumulate funds for future operating and repair or replacement costs, and new capital projects.

The annual rate and extent of future growth and development within the District will be materially affected by management, zoning, and land use procedures and policies established by surrounding governmental entities such as Boulder and Weld Counties, the Towns of Frederick, Firestone and Erie, and the Cities of Longmont and Boulder. Each of these entities controls development in the areas under its jurisdiction, and their decisions and actions are outside the control of the District. District staff works as appropriate with each of these entities to ensure productive, cooperative, and effective long-range planning.

FINANCIAL CONTACT

The District's financial statements are designed to present users (customers, citizens, creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional financial information, please contact Victoria Santos, CPA, Finance Manager, Left Hand Water District, PO Box 210, Niwot, CO 80544, 303-530-4200.

Basic Financial Statements

Left Hand Water District

Statements of Net Position

<i>December 31,</i>	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 10,167,017	\$ 8,255,682
Investments	12,876,838	11,895,921
Receivables	1,129,860	777,366
Inventory - supplies	115,070	104,292
Prepaid expenses and other assets	122,469	134,042
Total current assets	24,411,254	21,167,303
Non-current assets		
Restricted assets		
Cash and cash equivalents	2,306,247	1,877,311
Capital assets		
Land, easements and water rights	21,416,659	21,254,232
Construction in progress	2,634,572	2,099,135
Transmission and distribution system	61,881,616	60,672,660
Facilities	17,096,765	17,120,974
Vehicles	1,028,761	1,007,515
Furniture and equipment	429,273	414,949
Water service agreement	1,500,000	1,500,000
Total capital assets	105,987,646	104,069,465
Less: accumulated depreciation	(31,274,622)	(29,552,958)
Capital assets, net	74,713,024	74,516,507
Other assets		
Receivables - long term	176,400	269,400
Total other assets	176,400	269,400
Total non-current assets	77,195,671	76,663,218
Total assets	101,606,925	97,830,521

(Continued)

Left Hand Water District

Statements of Net Position

<i>December 31,</i>	2013	2012
Liabilities		
Current liabilities		
Accounts payable	483,227	269,056
Retainage payable	38,502	25,654
Accrued expenses	35,510	43,864
Current portion of long-term debt	1,501,061	1,440,305
Total current liabilities	2,058,300	1,778,879
Non-current liabilities		
Accrued compensated absences	219,510	184,705
Long-term debt (net of current maturities and unamortized premium)	3,341,818	4,967,522
Total non-current liabilities	3,561,328	5,152,227
Total liabilities	5,619,628	6,931,106
Net position		
Net investment in capital assets	69,870,145	68,108,680
Restricted:		
Debt service	777,020	348,084
Bond and loan reserves	1,529,227	1,529,227
Unrestricted	23,810,905	20,913,424
Total net position	\$ 95,987,297	\$ 90,899,415

The accompanying notes are an integral part of these financial statements.

Left Hand Water District

Statements of Revenues, Expenses and Changes in Net Position

<i>For the years ended December 31,</i>	2013	2012
Operating revenues		
Water - treated	\$ 6,945,212	\$ 8,047,458
Service revenue	71,147	43,110
Other income	66,509	111,478
Total operating revenues	7,082,868	8,202,046
Operating expenses		
Depreciation and amortization	2,126,581	2,109,312
Salaries and wages	1,518,731	1,580,445
Repairs and maintenance	893,398	630,680
Employee benefits and taxes	534,904	554,764
Cost of water sold	490,114	510,725
Utilities	273,678	270,877
Impairment loss	168,104	-
Office	151,462	123,628
Contract support service	120,651	10,257
Insurance	94,589	94,060
Other	87,392	113,760
Professional fees	83,421	110,771
Employee development	15,460	20,611
Total operating expenses	6,558,485	6,129,890
Operating income	524,383	2,072,156
Non-operating revenues (expenses)		
Earnings on investments	241,695	147,396
Realized and unrealized net losses on investments	(132,832)	(7,338)
Property rental and miscellaneous income	89,747	105,595
Interest expense	(103,238)	(302,484)
Property management expense	(76,667)	(58,241)
Total non-operating revenues (expenses)	18,705	(115,072)
Income before contributions	543,088	1,957,084
Capital contributions	4,544,794	1,575,053
Change in net position	5,087,882	3,532,137
Net position at beginning of year	90,899,415	87,367,278
Net position at end of year	\$ 95,987,297	\$ 90,899,415

The accompanying notes are an integral part of these financial statements.

Left Hand Water District

Statements of Cash Flows

<i>For the years ended December 31,</i>	2013	2012
Cash flows from operating activities		
Cash received from customers	\$ 7,228,702	\$ 8,236,590
Cash paid to suppliers	(2,756,979)	(2,608,370)
Cash paid to employees	(1,483,926)	(1,677,139)
Net cash flows from operating activities	2,987,797	3,951,081
Cash flows from noncapital activities		
Nonoperating revenues	89,747	105,595
Nonoperating expenses	(76,667)	(58,241)
Net cash flows from noncapital activities	13,080	47,354
Cash flows from capital and related financing activities		
Capital contributions	4,009,052	856,462
Acquisition and construction of capital assets	(2,120,812)	(2,444,333)
Repayment of bonds and loans	(1,440,305)	(1,374,550)
Interest paid	(236,539)	(344,145)
Net cash flows from capital and related financing activities	211,396	(3,306,566)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	7,418,993	6,988,444
Purchase of investments	(8,532,742)	(8,303,459)
Change in restricted cash and cash equivalents	(428,936)	(134,229)
Earnings on investments	241,747	147,448
Net cash flows from investing activities	(1,300,938)	(1,301,796)
Net change in cash and cash equivalents	1,911,335	(609,927)
Cash and cash equivalents at beginning of year	8,255,682	8,865,609
Cash and cash equivalents at end of year	\$ 10,167,017	\$ 8,255,682

(Continued)

Left Hand Water District

Statements of Cash Flows

<i>For the years ended December 31,</i>	2013	2012
Reconciliation of operating income to net cash flows from operating activities:		
Operating income	\$ 524,383	\$ 2,072,156
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	2,051,581	2,034,312
Amortization of water service agreement	75,000	75,000
Impairment loss	168,104	-
Changes in operating assets and liabilities:		
Receivables	145,834	34,544
Inventory - supplies	(10,778)	18,765
Prepaid expenses and other assets	11,573	3,393
Accounts payable and accrued expenses	22,100	(287,089)
Net cash flows from operating activities	\$ 2,987,797	\$ 3,951,081
Noncash investing, capital and financing activities:		
Capital assets contributed to the District	\$ 130,362	\$ 405,091
Capital assets acquired with accounts and retainage payable	\$ 240,028	\$ 51,470
Amortization of debt premium	\$ 124,643	\$ 33,343

The accompanying notes are an integral part of these financial statements.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies

Form of Organization

Left Hand Water District (the "District") is organized under the provisions of Section 32-1-305 (6) of the Colorado Revised Statutes ("CRS"). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof which includes the power to levy taxes against property within the District.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial principles. The District's significant accounting policies are described below.

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

Based on the above criteria, there are no other organizations that would be considered component units of the District. The District meets the criteria of an "other stand alone government."

Basic Financial Statements

The District is a special-purpose government engaged only in business-type activities. As such, enterprise fund financial statements are presented.

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Net position is segregated into amounts

Left Hand Water District
Notes to Financial Statements
December 31, 2013

invested in capital assets, restricted for debt service and loan reserves, and unrestricted. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Budgets and Budgetary Accounting

An annual budget and appropriation resolution is adopted by the Board of Directors (the "Board") in accordance with state statutes. The budget is prepared on a basis consistent with GAAP except that capital asset additions and principal payments are budgeted as expenditures and debt proceeds are budgeted as revenues.

The budget process timeline is as follows:

- 1) On or about October 15, the District staff submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at regular Board meetings to obtain customers comments.
- 3) Prior to December 15, the budget is legally adopted by the Board.
- 4) Unused appropriations lapse at the end of each year.

The total appropriated expenditures for the District were \$30,603,054.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less which are available for operating expenditures to be cash equivalents.

Investments

The District's investments in marketable debt and equity securities are carried at fair value plus accrued interest with net appreciation or depreciation on investments. Amounts invested in certificates of deposit, with original maturities of greater than three months, are carried at fair value, including accrued interest.

Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2013 or 2012, based on historical collection experience.

Revenue Recognition

Revenues are recognized when water is delivered to the customer, as measured at the meter. Metered water accounts are read and billed monthly on 30 day cycles.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for services provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Inventories

Inventories, consisting primarily of operating supplies for water meter repair and installation, have been valued at cost, using the average cost method of accounting.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Capital Assets

Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed.

Depreciation of capital assets is charged as an expense against operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Transmission and distribution system	39-50 years
Facilities	10-40 years
Vehicles and equipment	5-10 years
Furniture and equipment	5-10 years

The District entered into a water service agreement with Central Weld County Water District ("CWCWD") on November 17, 1994. CWCWD will provide treated water to the District via a cross-tie connection. Upon execution of this agreement, the District paid \$1,500,000 to CWCWD. This agreement is in effect for 20 years and may be renewed for successive 10-year terms. The cost of the agreement is being amortized over the estimated economic life of the agreement. Accordingly, \$75,000 of amortization expense has been reported as a cost of water in the financial statements. The balance of the unamortized cost at December 31, 2013 and 2012 is \$150,000 and \$225,000, respectively.

Debt Issuance Costs

Debt issuance costs are recognized as an expense during the period of issuance.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

Debt Related Deferrals

Premiums and discounts and losses on refunding are deferred and amortized to interest expense over the life of the debt using the effective interest method. The net premiums and discounts are presented as an adjustment to the face amount of the debt, while deferred losses on refunding, if any, would be reflected as a deferred outflow of resources.

Accrued Compensated Absences Payable

Obligations associated with the District's vacation policy are recorded as a liability and expense when earned to the extent that such benefits vest to the employee. The amount of the accrued and unpaid balance due under this policy is shown as a long-term liability.

The District has recorded a liability of \$219,510 and \$184,705 at December 31, 2013 and 2012, respectively.

Net Position

Net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation of these assets and related debt balances reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restriction imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the District, which is not restricted for any project or other purpose. A deficit will require future funding.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Reclassifications

In 2013, the District reclassified the water service agreement with CWCWD to an intangible capital asset category as defined by Government Accounting Standards Board ("GASB") in GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*. Amounts presented for the year ended December 31, 2012, have been reclassified to conform to the current presentation. This reclassification had no effect on the previously reported change in net position.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

Reconciliation of Budget Based Accounting to GAAP Financial Statements

The District prepares its annual budget on a non-GAAP basis of accounting. Below is reconciliation from the GAAP basis to the budget basis of accounting:

	2013	2012
Change in net position	\$ 5,087,882	\$ 3,532,137
Add:		
Depreciation	2,051,581	2,034,312
Amortization of water agreement	75,000	75,000
Impairment loss	168,104	-
Unrealized loss on investments	132,832	7,338
Less:		
Capital outlay	(2,360,840)	(2,444,333)
Debt principal paid	(1,440,305)	(1,374,550)
Non-cash capital contributions	(130,362)	(405,091)
Capital contributions not received in cash during the current year	(405,380)	(51,470)
Excess of revenues over expenditures (budgetary basis)	\$ 3,178,512	\$ 1,373,343

2. Cash and Investments

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At December 31, 2013 and 2012, all of the District's cash and cash equivalents were either insured by FDIC or collateralized under PDPA.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

Investments

The Board of Directors has adopted an investment policy which specifies investment instruments meeting defined rating and risk criteria in which the District may invest, which include:

- Direct obligations of the United States with a maximum maturity of five years.
- Obligations of U.S. Government Agencies with a maximum maturity of five years.
- Securities of entities or organizations not listed above, but created by, or authorized to be created by legislation of, the U.S. congress where the issuing agency is subject to control by the federal government.
- General obligations of any state of the United States, the District of Columbia, the territorial possessions of the U.S., or political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental agencies. These securities must be rated in the highest two rating category by two or more nationally recognized rating agencies. The period from the settlement date to its maturity shall be no longer than three years.
- The District's own securities including certificates of participation and lease obligations.
- Local government investment pools.
- Repurchase agreements for any of the U.S. Government and agency securities listed above.
- Reverse repurchase agreements for any of the U.S. Government and agency securities listed above.
- Securities lending agreement, subject to certain statutory conditions, including that necessary transfer documents must be transferred to the investing public entity.
- Certain money market funds subject to statutory conditions including: registration of the fund under the federal "Investment Company Act of 1940"; that the fund seeks to maintain a constant share price.
- Certain guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities ratings agencies that regularly issue such ratings.
- U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three years; the debt must carry at least two ratings not below "AA- or Aa3" from any nationally recognized rating agencies.

District policy is to hold investments until maturity.

Interest Rate Risk

The District has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates which is consistent state statutes. Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase.

Local Government Investment Pools

At December 31, 2013 and 2012, the District had invested \$7,571,525 and \$8,488,188, respectively, in COLOTRUST (the "Trust"), a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAM by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

Cash deposits and investments held by the District at December 31, 2013 and 2012, were as follows:

	2013	2012
Cash on hand	\$ 1,000	\$ 1,002
Bank deposits	4,900,739	1,643,803
Local government investment pool	7,571,525	8,488,188
Total cash and cash equivalents	\$ 12,473,264	\$ 10,132,993

Investments held by the District at December 31, 2013, were as follows:

	S&P Rating	Moody Rating	Cost	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
US Instrumentality						
FHLB	AA+	Aaa	\$ 1,408,023	\$ 1,387,356	2.08	10.77%
FNMA	AA+	Aaa	1,628,731	1,610,327	3.42	12.51%
FHLMC	AA+	Aaa	1,452,810	1,448,310	2.99	11.25%
FFCB	AA+	Aaa	3,364,229	3,340,340	3.27	25.94%
Treasury notes	AA+	Aaa	1,970,797	1,946,118	2.63	15.11%
Commercial paper	A-1	P-1	997,925	998,456	-	7.75%
Corporate debts	AA- to AAA	A1 to P-1	2,149,198	2,145,931	1.7	16.67%
Total			\$ 12,971,713	\$ 12,876,838		

Investments held by the District at December 31, 2012, were as follows:

	S&P Rating	Moody Rating	Cost	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
US Instrumentality						
FHLB	AA+	Aaa	\$ 1,005,360	\$ 1,013,208	0.68	8.52%
FNMA	AA+	Aaa	3,328,878	3,345,759	0.86	28.13%
FHLMC	AA+	Aaa	951,723	954,599	2.37	8.02%
FFCB	AA+	Aaa	1,815,928	1,819,819	1.20	15.30%
Treasury notes	AA+	Aaa	963,831	969,379	2.64	8.15%
Commercial paper	A-1	P-1	499,440	499,768	-	4.20%
Corporate debts	AA- to AAA	A1 to P-1	3,282,823	3,293,389	0.92	27.68%
Total			\$ 11,847,983	\$ 11,895,921		

Left Hand Water District
Notes to Financial Statements
December 31, 2013

3. Restricted Assets

Amounts shown as restricted assets have been restricted by bond indentures to be used for specified purposes. The following is a summary of restricted non-current assets:

	2013	2012
Debt service account:		
Paying current principal and interest on bonds and loan	\$ 777,020	\$ 348,084
Debt service reserve and operations and maintenance reserve account:		
Paying principal and interest in the event there are insufficient funds available in the debt service account and operations and maintenance reserve	1,529,227	1,529,227
Total restricted assets	\$ 2,306,247	\$ 1,877,311

The following amounts have been designated by Board resolutions to be used for specific purposes. These amounts have been included in unrestricted cash and cash equivalents and unrestricted investments:

	2013	2012
Board designated accounts:		
Deferred system replacement account	\$ 5,653,137	\$ 5,780,389
Water acquisition account	7,911,966	6,080,216
Dental account	10,000	7,802
Total designated accounts	\$ 13,575,103	\$ 11,868,407

4. Receivables

Receivables at December 31, 2013 and 2012, consist of the following:

	2013	2012
Water service	\$ 313,613	\$ 366,471
Elms Community Association receivable	268,221	360,100
Developer agreement receivable	718,880	313,500
Other receivables	5,546	6,695
	1,306,260	1,046,766
Less: amounts due beyond one year	(176,400)	(269,400)
Current receivables	\$ 1,129,860	\$ 777,366

Left Hand Water District
Notes to Financial Statements
December 31, 2013

5. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements and water rights	\$21,254,232	\$ 162,427	\$ -	\$21,416,659
Construction in progress	2,099,135	1,993,371	1,457,934	2,634,572
Total capital assets, not being depreciated	23,353,367	2,155,798	1,457,934	24,051,231
Capital assets, being depreciated:				
Transmission and distribution system	60,672,660	1,735,055	526,099	61,881,616
Facilities	17,120,974	22,712	46,921	17,096,765
Vehicles and equipment	1,007,515	21,246	-	1,028,761
Furniture and equipment	414,949	14,324	-	429,273
Water service agreement	1,500,000	-	-	1,500,000
Total capital assets, being depreciated	80,716,098	1,793,337	573,020	81,936,415
Less accumulated depreciation for:				
Transmission and distribution system	(20,054,384)	(1,580,031)	355,813	(21,278,602)
Facilities	(6,971,491)	(404,667)	49,104	(7,327,054)
Vehicles and equipment	(863,185)	(50,206)	-	(913,391)
Furniture and equipment	(388,898)	(16,677)	-	(405,575)
Water service agreement	(1,275,000)	(75,000)	-	(1,350,000)
Total accumulated depreciation/amortization	(29,552,958)	(2,126,581)	404,917	(31,274,622)
Total capital assets, being depreciated, net	51,163,140	(333,244)	977,937	50,661,793
Total capital assets, net	\$74,516,507	\$ 1,822,554	\$2,435,871	\$74,713,024

Left Hand Water District
Notes to Financial Statements
December 31, 2013

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements and water rights	\$ 20,688,961	\$ 565,271	\$ -	\$ 21,254,232
Construction in progress	2,321,826	1,876,774	(2,099,465)	2,099,135
Total capital assets, not being depreciated	23,010,787	2,442,045	(2,099,465)	23,353,367
Capital assets, being depreciated:				
Transmission and distribution system	58,170,079	2,502,581	-	60,672,660
Facilities	17,114,274	6,700	-	17,120,974
Vehicles and equipment	965,783	41,732	-	1,007,515
Furniture and equipment	407,648	7,301	-	414,949
Water service agreement	1,500,000	-	-	1,500,000
Total capital assets, being depreciated	78,157,784	2,558,314	-	80,716,098
Less: accumulated depreciation for:				
Transmission and distribution system	(18,499,619)	(1,554,765)	-	(20,054,384)
Facilities	(6,561,037)	(410,454)	-	(6,971,491)
Vehicles and equipment	(808,147)	(55,038)	-	(863,185)
Furniture and equipment	(374,843)	(14,055)	-	(388,898)
Water service agreement	(1,200,000)	(75,000)	-	(1,275,000)
Total accumulated depreciation/amortization	(27,443,646)	(2,109,312)	-	(29,552,958)
Total capital assets, being depreciated, net	50,714,138	449,002	-	51,163,140
Total capital assets, net	\$ 73,724,925	\$ 2,891,047	\$ (2,099,465)	\$ 74,516,507

6. Asset Impairment

In September 2013, the District was impacted by a regional flooding event and certain capital assets were destroyed. The District suffered losses to roadways, service lines and extensions. The District evaluated its capital assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and realized a loss from impairment of \$168,104. The District did not receive any insurance proceeds for the flooding. The District has applied to the Federal Emergency Management Agency ("FEMA") to cover up to 75% of the costs to recover and 12.5% from the State of Colorado. As of December 31, 2013, the District had not been granted any monies for the recovery costs. The total estimated and actual recovery costs for capital assets are approximately \$1,650,000. Approximately \$750,000 is expected to be related to repair and clean up costs. All flood recovery projects will be completed in 2014.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

7. Long-Term Debt

A summary of the District's long-term debt as of December 31, 2013 and 2012 follows:

	2013	2012
2004 Water Revenue Bonds		
The April 1, 2004 water revenue refunding bonds were issued to refund the 1996 water revenue bonds. Principal and interest, with rates ranging from 1.60% to 3.77%, is payable through May 15, 2015. The bonds are secured by net revenues of the system.	\$2,320,000	\$ 3,400,000
1999 Loan - Colorado Water Resources and Power Development Authority		
\$6,625,000 May 1, 1999, Colorado Water Resources and Power Development Authority ("CWR&PDA") Loan, from the State of Colorado Drinking Water Revolving Fund, with principal due in installments of \$349,550 in 2012, increasing to \$446,348 in 2018. A final principal payment of \$231,241 is due May 15, 2019. Interest with an effective target rate of 3.85% along with principal and an administrative fee of .8% are payable semi-annually on May 15 and November 15. The proceeds were used to finance improvements to the Spurgeon water treatment plant and to upgrade the water system.	2,253,253	2,613,558
Subtotal	4,573,253	6,013,558
Add: unamortized premium	269,626	394,269
Total long-term debt	\$4,842,879	\$ 6,407,827

A summary of changes in long-term debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2004 revenue bonds	\$3,400,000	\$ -	\$(1,080,000)	\$2,320,000	\$1,130,000
1999 CWR&PDA loan	2,613,558	-	(360,305)	2,253,253	371,061
Accrued compensated absences	184,705	113,073	(78,268)	219,510	-
Totals	6,198,263	\$ 113,073	\$(1,518,573)	4,792,763	\$1,501,061
Current portion of long-term debt	(1,440,305)			(1,501,061)	
Unamortized bond premium	394,269			269,626	
Noncurrent portion of long-term debt	\$5,152,227			\$3,561,328	

Left Hand Water District
Notes to Financial Statements
December 31, 2013

The annual requirements to amortize all debt outstanding as of December 31, 2013, are as follows:

Year Ending December 31,	Principal	Interest	Total
2014	\$ 1,501,061	\$ 204,236	\$ 1,705,297
2015	1,571,816	137,446	1,709,262
2016	400,638	92,779	493,417
2017	422,149	70,807	492,956
2018	446,348	47,792	494,140
2019	231,241	17,201	248,442
Total	\$ 4,573,253	\$ 570,261	\$ 5,143,514

8. Rate Maintenance

The District's 1999 loan agreement with the CWR&PDA requires the District to establish, levy, and collect rents, rates, and other charges for the products and services provided by the system in an amount sufficient to (1) meet the operation and maintenance expenses of the system, (2) to comply with all covenants in the loan resolution, and (3) pay at least 110% of the debt service on the CWR&PDA loan and any debt service on any indebtedness payable on a parity with the lien or charge of this loan agreement.

The following calculation shows the District's compliance with this loan agreement for the year ended December 31, 2013:

Operating revenues	\$ 7,082,868
Capital contributions	4,544,794
Subtotal	11,627,662
Operation and maintenance expense	(4,263,800)
Net revenue as defined in 1999 CWR&PDA loan resolution	\$ 7,363,862
2013 principal due	\$ 360,305
2013 interest due	134,709
Subtotal	495,014
	x110%
Required revenue as defined in 1999 CWR&PDA loan resolution	\$ 544,515

9. Rental Income

On June 1, 1999 the District entered into a twelve month lease for approximately ten acres with barns and other out buildings with a retired employee. The lease is renewable annually at the leasee's discretion until the lessee either abandons or vacates the premises or upon the twentieth anniversary of the lease, whichever occurs first. The lease agreement requires rent of \$2,200 per year. The District leases cell tower locations to various organizations with initial terms ranging from three to twenty-five years.

The District received \$89,747 and \$91,289 rental income for the years ended December 31, 2013 and 2012, respectively.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

Future minimum rental payments to be received on non-cancellable leases are contractually due as follows, as of December 31, 2013:

Year Ended December 31,	Amount
2014	\$ 86,351
2015	92,570
2016	90,285
2017	52,351
2018	53,056
Thereafter	548,577
Total	\$ 923,190

10. Public Employees Retirement Association of Colorado

Plan Description - The District contributes to the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the LGDTF. Title 24, Article 51 of the CRS, as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the three districts are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the District it is 13.7% of covered salary. A portion of the District's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (See Note 11). Senate Bill 04-257 requires the establishment of an "Amortization Equalization Disbursement" ("AED") beginning January 1, 2006, increasing by 0.5% of salary in 2007 and by 0.4% of salary each subsequent year, reaching a maximum of 3% of salary in 2013. Senate Bill 06-235 requires an additional 0.5% to be contributed by the District beginning January 1, 2009 for a "Supplemental Amortization Equalization Disbursement" ("SAED"). This disbursement will continue until an additional 3% is implemented. The AED and SAED were established to help amortize Colorado PERA's unfunded liability and will be discontinued if Colorado PERA reached 100% funded status. For the years ending December 31, 2013, 2012, and 2011, the District's employer contributions to the LGDTF were \$187,321, \$202,977, and \$210,088, respectively, equal to their required contributions for each year.

11. Postemployment Healthcare Benefits

Plan Description - The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF.

Left Hand Water District
Notes to Financial Statements
December 31, 2013

Funding Policy - The District is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2013, 2012, and 2011, the District's employer contributions to the HCTF were \$14,800, \$16,003 and \$16,545, respectively, equal to their required contributions for each year.

12. Voluntary Investment Program

Description - Employees of the District who are members of the LGDTF (see Note 10) may voluntarily contribute to the Voluntary Investment Program ("401(k) Plan"), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available comprehensive annual financial report for the 401(k) Plan.

Funding Policy - The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$17,500 and \$17,000 for the calendar years 2013 and 2012). Catch-up contributions up to \$5,500 for the calendar years 2013 and 2012 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the District are established under Title 24, Article 51, and Section 1402 of the CRS, as amended. For the years ended December 31, 2013, and 2012, the 401(k) Plan member contributions were \$109,763 and \$133,584, respectively. For the years ending December 31, 2013 and 2012 the District's employer contributions to the 401(k) Plan were \$61,806 and \$77,738 respectively.

13. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for all risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

14. Related Party Transactions

The District has an agreement with the Left Hand Ditch Company to transfer and exchange Northern Colorado Water Conservancy District (Big "T") water and Left Hand Ditch Company water pursuant to certain restrictive terms and conditions. This agreement is automatically renewable unless terminated by written mutual agreement between the parties. As of December 31, 2013, the District owns approximately 17 percent of Left Hand Ditch Company water shares.

15. TABOR Compliance

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20), which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires

Left Hand Water District
Notes to Financial Statements
December 31, 2013

voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service).

The Amendment excludes from its provisions enterprise funds. Enterprise funds, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from certain provisions of the Amendment.

On April 13, 1993, the District passed Resolution No. 1993-1, "Continuing and Clarifying the Establishment of a Water Activity Enterprise." This resolution was passed after much research by legal counsel regarding the status of the District following the passage of the Amendment. Because the District qualifies as an enterprise as defined by paragraph 2(d), Section 20, Article X of the Colorado Constitution, it was determined that the District is therefore exempt from the requirements and limitations of Section 20, Article X of the Colorado Constitution.

The Amendment is complex and subject to judicial interpretation. The entity believes it is excluded from the requirements of the Amendment. However, the District has made certain interpretations in the Amendment's language in order to determine its compliance and exclusion.

16. Subsequent Events

Management of the District has evaluated subsequent events through June 19, 2014, the date that the financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure, except as described below.

On May 1, 2014 the District entered into a loan agreement with the Colorado Water Resource & Power Development Authority to borrow \$29,900,336. The interest rate on this loan is 1.98%. These monies will be drawn by the District to fund capital improvement projects during 2014 and subsequent years.

On May 27, 2014, the District placed \$1,244,991 into an escrow account with a bank to repay the remaining principal and interest on the District's 2004 water revenue bond to defease this debt.

Other Supplementary Information

Left Hand Water District
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2013

	Enterprise Fund			
	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenue				
Water - volume charge	\$ 5,618,548	\$ 5,618,548	\$ 4,934,497	\$ (684,051)
Water - basic service charge	2,012,811	2,012,811	2,010,715	(2,096)
Transfers/BA/requests	10,000	10,000	17,335	7,335
Service and rental income	20,000	20,000	53,812	33,812
Other income	54,400	54,400	66,509	12,109
Total operating revenue	7,715,759	7,715,759	7,082,868	(632,891)
Nonoperating revenue				
Earnings on investments	200,000	200,000	241,695	41,695
Property rental and miscellaneous income	87,898	87,898	89,747	1,849
Transfers between funds	(17,510)	(17,510)	(13,928)	3,582
Capital contributions	347,344	347,344	4,009,052	3,661,708
Total nonoperating revenue	617,732	617,732	4,326,566	3,708,834
Total available revenue	8,333,491	8,333,491	11,409,434	3,075,943
Expenditures				
Cost of water sold	493,507	493,507	490,114	3,393
Utilities	282,411	282,411	273,678	8,733
Repairs and maintenance	787,455	787,455	893,398	(105,943)
Salaries and wages	1,562,615	1,562,615	1,518,731	43,884
Office	140,950	140,950	151,462	(10,512)
Professional fees	39,500	39,500	83,421	(43,921)
Contract support services	29,000	29,000	120,651	(91,651)
Employee benefits and taxes	573,261	573,261	534,904	38,357
Employee development	28,750	28,750	15,460	13,290
Insurance	98,716	98,716	94,589	4,127
Other	29,490	29,490	73,464	(43,974)
Appropriated reserves	22,052,400	22,052,400	-	22,052,400
Total operating expenditures	26,118,055	26,118,055	4,249,872	21,868,183
Nonoperating expenditures				
Interest expense	271,759	271,759	103,238	168,521
Property management - general and administrative	54,300	54,300	76,667	(22,367)
Capital outlay	2,701,125	2,701,125	2,360,840	340,285
Total nonoperating expenditures	3,027,184	3,027,184	2,540,745	486,439
Principal payments on debt	1,440,305	1,440,305	1,440,305	-
Total expenditures	30,585,544	30,585,544	8,230,922	22,354,622
Excess (deficiency) of revenues over expenditures				
	\$ (22,252,053)	\$ (22,252,053)	\$ 3,178,512	\$ (25,430,565)

Government Fund				Totals (Memorandum Only)			
Budgeted Amounts		Actual Amounts	Variance with Final Budget	Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final	Budget Basis	Positive (Negative)	Original	Final	Budget Basis	Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ 5,618,548	\$ 5,618,548	\$ 4,934,497	\$ (684,051)
-	-	-	-	2,012,811	2,012,811	2,010,715	(2,096)
-	-	-	-	10,000	10,000	17,335	7,335
-	-	-	-	20,000	20,000	53,812	33,812
-	-	-	-	54,400	54,400	66,509	12,109
-	-	-	-	7,715,759	7,715,759	7,082,868	(632,891)
-	-	-	-	200,000	200,000	241,695	41,695
-	-	-	-	87,898	87,898	89,747	1,849
17,510	17,510	13,928	(3,582)	-	-	-	-
-	-	-	-	347,344	347,344	4,009,052	3,661,708
17,510	17,510	13,928	(3,582)	635,242	635,242	4,340,494	3,705,252
17,510	17,510	13,928	(3,582)	8,351,001	8,351,001	11,423,362	3,072,361
-	-	-	-	493,507	493,507	490,114	3,393
-	-	-	-	282,411	282,411	273,678	8,733
-	-	-	-	787,455	787,455	893,398	(105,943)
-	-	-	-	1,562,615	1,562,615	1,518,731	43,884
-	-	-	-	140,950	140,950	151,462	(10,512)
-	-	-	-	39,500	39,500	83,421	(43,921)
-	-	-	-	29,000	29,000	120,651	(91,651)
-	-	-	-	573,261	573,261	534,904	38,357
-	-	-	-	28,750	28,750	15,460	13,290
-	-	-	-	98,716	98,716	94,589	4,127
17,510	17,510	13,928	3,582	47,000	47,000	87,392	(40,392)
-	-	-	-	22,052,400	22,052,400	-	22,052,400
17,510	17,510	13,928	3,582	26,135,565	26,135,565	4,263,800	21,871,765
-	-	-	-	271,759	271,759	103,238	168,521
-	-	-	-	54,300	54,300	76,667	(22,367)
-	-	-	-	2,701,125	2,701,125	2,360,840	340,285
-	-	-	-	3,027,184	3,027,184	2,540,745	486,439
-	-	-	-	1,440,305	1,440,305	1,440,305	-
17,510	17,510	13,928	3,582	30,603,054	30,603,054	8,244,850	22,358,204
\$ -	\$ -	\$ -	\$ -	\$ (22,252,053)	\$ (22,252,053)	\$ 3,178,512	\$ (25,430,565)

See accompanying Independent Auditor's Report.