LEFT HAND WATER DISTRICT

FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

LEFT HAND WATER DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2017

CliftonLarsonAllen

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Left Hand Water District
Niwot, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Left Hand Water District (the District), as of and for the years ended December 31, 2017 and 2016, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 District'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 District'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 respective financial position of the statements of net position of the District as of December 31, 2017 and 2016, and the respective changes in financial position and its cash flows thereof 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 discussion and analysis on pages, the schedule of the District's proportionate share of the net pension liability and schedule of pension contributions 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures – budget to actual (budget basis) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200,* Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis is not a required part of the basic financial statements.

The schedule of revenues and expenditures – budget to actual (budget basis) and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Left Hand Water District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2018, 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 result of that testing, and not to provide an opinion on the effectiveness of Left Hand Water 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 16, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") is designed to provide a narrative overview of the financial condition and operating results of the Left Hand Water District ("the District"). This MD&A should be read in conjunction with the District's basic financial statements, notes to the financial statements, and supplementary information (beginning on page 1).

The District provides treated water to customers primarily in unincorporated areas of Boulder and Weld Counties. The District is generally bounded by the cities of Boulder, Lafayette, and Erie to the south; the City of Longmont to the north; I-25 to the east; and the foothills to the west.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report are those of a quasi-municipal corporation and a political subdivision of the State of Colorado, governed by Colorado Revised Statutes Title 32 Special Districts, engaged only in a business-type activity. As an enterprise fund, the District's financial statements include:

Statements of Net Position – report the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the District is improving or deteriorating. (See page 1).

Statements of Revenues, Expenses and Changes in Net Position – report the District's operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions. (See page 3).

Statements of Cash Flows – report the District's cash flows from operating, investing, capital and non-capital activities. (See page 4).

Notes to the Financial Statements (See page 6) – provide additional required disclosures that are essential to a full understanding of the data provided in the financial statements.

Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (See page 36) – reports the budgeted revenue and expenditure activities as compared with actual activities. Though this schedule is not required by GAAP to be part of the audited financial statements, it is added for review as other supplementary information.

2017 HIGHLIGHTS

- As of December 31, 2017, total net position was $110,994,395, representing an increase of $8,465,799 (8.25%), when compared to 2016.
- Operating revenues were $8,699,110 during 2017, a 1% increase as compared to 2016.
- In 2017, total operating expenses net of depreciation/amortization were $5,694,922, an increase of 12.2% over 2016.
- Total capital contributions were $8,458,877 in 2017, compared to $5,648,307 in 2016 – an increase of 49.8%.
- Long-term debt (net of current maturities) increased to $24,914,615 as of December 31, 2017, as compared with the December 31, 2016, balance of $24,797,232.

CONDENSED COMPARATIVE FINANCIAL INFORMATION – STATEMENTS OF NET POSITION

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table presents condensed information from the Statements of Net Position as of December 31, 2017 and 2016.

	2017	2016
Current Assets	$ 28,658,044	$ 29,448,474
Capital Assets (net of depreciation)	112,757,357	105,028,749
Total Assets	141,415,401	134,477,223
Deferred Outflows of Resources	985,574	853,839
Current Liabilities	2,702,250	4,738,611
Non-Current Liabilities	28,617,426	28,006,197
Total Liabilities	31,319,676	32,744,808
Deferred Inflows of Resources	86,904	57,658
Invested in Capital Assets, net of related debt	$ 85,994,788	$ 77,447,009
Restricted	817,546	818,781
Unrestricted	24,182,061	24,262,806
Total Net Position	$ 110,994,395	$ 102,528,596

Total Net Position increased in 2017 by almost $8.5 million (8.25%) from the results of operations and capital contributions.

Total Non-Current Liabilities increased by just over $600,000 in 2017, the majority of which is due to the remainder of funds being drawn on a Drinking Water Revolving Fund loan originated in 2014.

Capital Assets represent the largest portion of the District's assets (79.7%) and increased by a net amount of almost $7.7 million during 2017. Approximately $5.75 million of that increase was purchases of additional units of Colorado-Big Thompson water. Construction in Progress balances were also higher at the end of 2017, as the District's work on a major upgrade to a transmission line along Weld County Road 1 continued into 2018. The District's proportionate share of the Colorado Public Employers' Retirement Association (PERA)'s net pension liability also increased by almost $1/2 million in 2017. Depreciation expense was just over $2.7 million.

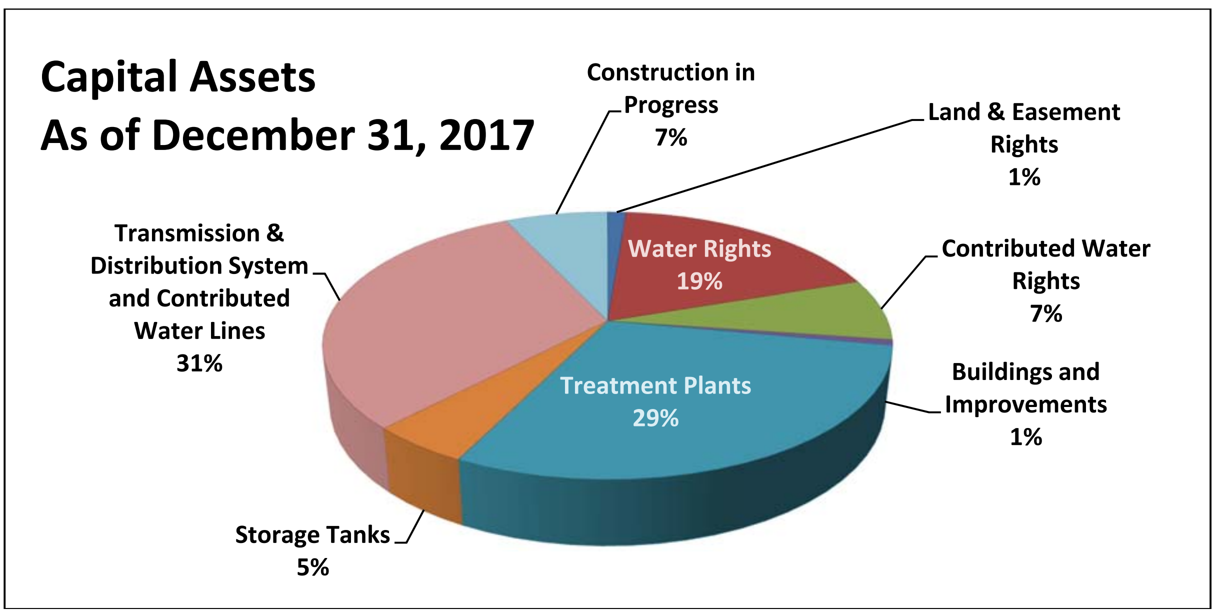
Unrestricted Net Position is the portion of net position that can be used to finance day-to-day operations without external constraints of debt covenants, legislation or other legal requirements. As of December 31, 2017, Unrestricted Net Position was $80,745 lower than at December 31, 2016.

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL ASSETS

The following table presents a condensed review of capital assets, net of accumulated depreciation, as of December 31, 2017 and 2016.

	2017	2016
Land & Easement Rights	$ 1,403,468	$ 1,403,468
Water Rights	20,840,546	15,088,196
Contributed Water Rights	8,342,149	8,342,149
Buildings & Improvements	778,786	808,806
Treatment Plants	33,019,580	33,774,987
Storage Tanks	5,431,790	5,646,093
Raw Water Reservoirs	141,372	163,292
Transmission & Distribution System	34,679,772	34,993,463
Office Equipment & Furnishings	37,048	17,363
Equipment & Vehicles	264,623	273,165
Construction in Progress	7,818,223	4,517,767
Total Capital Assets	$ 112,757,357	$ 105,028,749

Capital acquisitions in 2017 included a new truck in the Distribution Department and a new server. The chlorine system at the Spurgeon Water Treatment Plant and the Joder Pump Station were upgraded. The District also purchased 213 units of Colorado-Big Thompson (C-BT) water at a total cost of $5,752,350. The District's continued participation in the Northern Integrated Supply Project (NISP) and in the Southern Water Supply Pipeline II (SWSPII), both included in Construction in Progress, required 2017 contributions of $490,000 and $526,100, respectively.



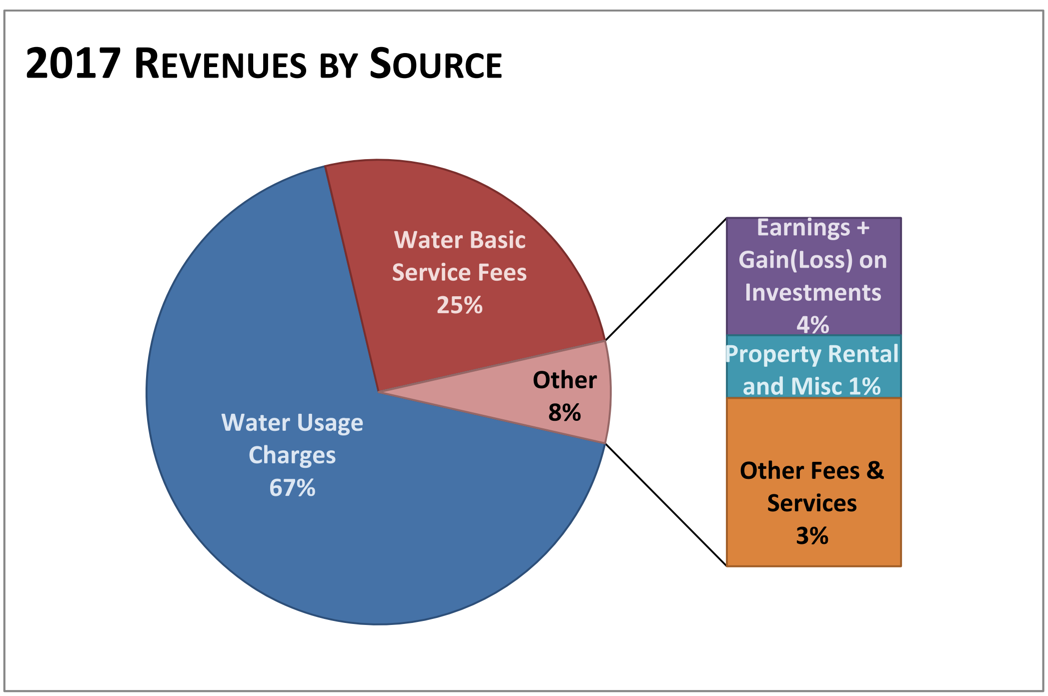
Of the just over $15 million allocated for construction projects in the 2017 budget, just over $3 million was expended, the vast majority on continued work on the transmission line upgrade along Weld County Road 1. A water line along Jasper Road was also replaced and design work continued on a new water line along Weld County Road 7. Design work was also initiated on the replacement of the 0.5-million gallon tank at the Spurgeon Water Treatment Plant. $12 million had been budgeted for the District's share of the construction costs in the SWSPII project that were not expended, as the funding for that project will begin in 2018.

CONDENSED COMPARATIVE FINANCIAL INFORMATION – REVENUES

The following table presents a condensed review of revenues for the years ended December 31, 2017 and 2016.

	2017	2016
Operating Revenues		
Water Usage Charges	$ 6,151,823	$ 6,086,464
Water Basic Service Fees	2,289,196	2,259,913
Other Fees & Services	107,856	163,469
Inventory Sales	71,445	23,125
Water Lease Income	78,790	80,043
Total Operating Revenues	8,699,110	8,613,014
Non-Operating Revenues (Expenses)		
Earnings on Investments	422,933	263,371
Interest Expense	(334,437)	(407,188)
Property Rental and Miscellaneous Income	113,404	114,594
Property Management Expense	(52,936)	(69,005)
Unrealized Gain/(Loss) on Investments	(55,801)	(49,157)
Realized Gain/(Loss) on Investments	(711)	(676)
Gain/(Loss) on Disposition of Capital Assets	(432,915)	(4,068,509)
Disaster Recovery Grants	59,393	18,670
Other Non-Operating Income	4,528	40,353
Total Non-Operating Revenues	(276,542)	(4,157,547)
TOTAL REVENUES	**$ 8,422,568**	**$ 4,455,467**

Operating revenues in 2017 were within 2.9% of the budgeted amount. Water Usage Charges were under budget by 5%, but other components of Operating Revenue were over budget slightly. Upon completion of the upgrade to the Spurgeon Water Treatment Plant chlorine system, the existing asset that was not yet fully depreciated was disposed, resulting in a Loss on Disposition of Assets of just over $430,000. Adjusting for that disposition loss, total revenues increased by just over $330,000 from 2016; omitting both the asset disposition and the Disaster Recovery Grant revenue received in each year, total revenues increased 3.4%.

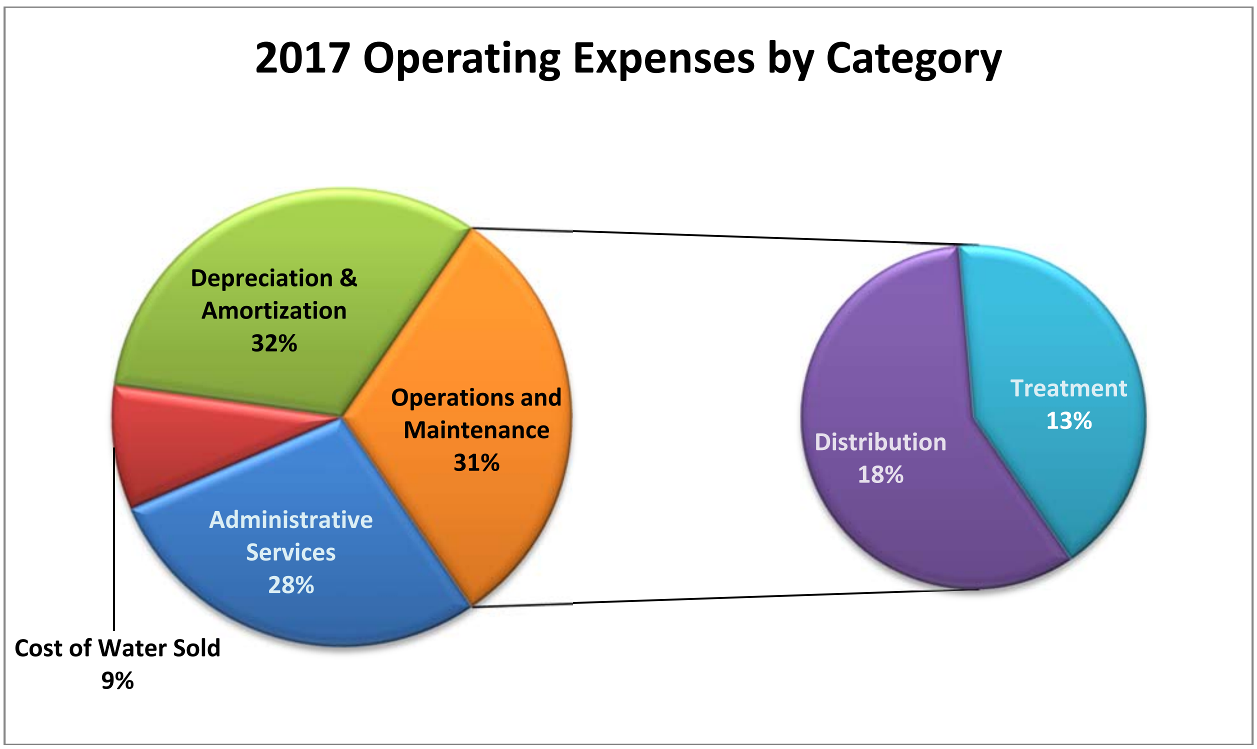


CONDENSED COMPARATIVE FINANCIAL INFORMATION – OPERATING EXPENSES

The following table presents a condensed review of operating expenses for the years ended December 31, 2017 and 2016.

	2017	2016
Operating Expenses		
Operation and Maintenance	$ 2,598,363	$ 2,454,840
Administrative Services	2,359,066	1,971,257
Cost of Water Sold	737,493	650,182
Depreciation & Amortization	2,720,724	2,096,258
TOTAL OPERATING EXPENSES	**$ 8,415,646**	**$ 7,172,537**

Net of depreciation and other items not included in the budget, total operating expenses for 2017 were under budget by 2.1%. Operation and maintenance costs increased by 5.8% over 2016. The primary factor in the increase was the addition of a Distribution Technician position within the Distribution Department. Additional factors were slightly higher chemical and fuel costs. Administrative Services expenditures were higher in 2017 by almost 19.7%, due to generally rising costs of many line items as well as increased pension expense as required by the implementation of GASB 68. Cost of Water Sold increased by 13.4%, as assessments on Colorado-Big Thompson water units continue to increase as previously notified by the Northern Colorado Water Conservancy District. Additionally, the cost of purchasing treated water from the Central Weld Water District increased in 2017.



CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL CONTRIBUTIONS

The following table presents a condensed review of capital contributions for the years ended December 31, 2017 and 2016.

	2017	2016
Customer Tap Fees	$ 7,041,490	$ 4,099,801
Contributed Water Rights	---	---
Contributed Line Fee/Fire System	480,775	250,219
Contributions in Aid of Construction	---	937,530
Contributed Assets	936,612	360,757
TOTAL CAPITAL CONTRIBUTIONS	**$ 8,458,877**	**$ 5,648,307**

Contributed capital can consist of several components: tap fees paid by customers who purchase new or upgrade existing water taps for their property; water rights contributed in lieu of purchasing them; and contributions of fire systems, water lines, or water systems. In 2017, 148 taps were sold, upgraded, or completed, vs. 66 in 2016.

Capital contributions can also result from execution of contracts for multiple taps/subdivisions, in which case payment for 50% of the Plant Investment and Water Requirement Fees, and 100% of any applicable line fees, are collected upon execution. In 2017, the District executed five new subdivision agreements in the Wyndham Hill subdivision, for which initial payments were received. As of December 31, 2017, the District had six subdivision contracts active, representing 158 additional single family equivalent taps.

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 2017, the line fees collected on new taps totaled $480,775, the vast majority of which were in the Eastern Zone Transmission (EZT) area.

Contributed assets are most typically water lines in a subdivision that are installed by a developer and then contributed to the District. In such cases contributions are recorded at the cost of completion as reported to the District by the developer or property owner. In 2017, the District received the contribution of water lines in several of the contracted areas in the Wyndham Hill subdivision as well as those in the Longs Peak Estates subdivision.

STRATEGIC PLANNING AND CAPITAL IMPROVEMENT PROGRAM

In 2007, the District completed a Comprehensive Water System Strategic Plan encompassing 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. The District completed the Dodd Water Treatment Plant Upgrade and Expansion in 2016; the Treated Water Master Plan and the Financial Master Plan were updated in 2014 and will continue to be updated periodically. The District held a Strategic Planning Retreat in March 2017 to review and discuss the various documents, plans and programs that make up the ongoing comprehensive strategic planning processes of the District.

The Treated Water Master Plan uses demand projections, computer modeling and phased programs of needed facility improvements within the District's service area to provide recommended improvements to the distribution system over 5, 10, 20 years and system build out scenarios, with probable costs. The District uses the Plan to develop and implement its Capital Improvement Program, which 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 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.

The District completed a Raw Water Master Plan in 2003 to anticipate future infrastructure improvements needed for the delivery of raw water supplies. To meet the anticipated future need for additional raw water supplies and delivery systems, 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 (SWSPII). The District is participating in the NISP project for a total of 4,900 additional acre-feet of annual yield to help meet anticipated future needs. It is anticipated that the District's allocation of remaining cost in the project, currently estimated at $139.5 million, will be funded through a combination of future debt and Water Acquisition Reserve funds. The Water Acquisition Reserve Fund is a Board-Designated fund maintained for water rights acquisition and is funded via cash-in-lieu payments as part of tap fee revenue. The reserve balance as of December 31, 2017, was $4,959,709.

The SWSPII project will deliver raw water from Carter Lake to the Dodd Water Treatment Plant. Construction of the pipeline is anticipated to begin in summer 2018; the District's proportionate share of the construction costs is estimated to be $10.1 million. In February 2018 the District entered into a contract with the Colorado Water Conservation Board (CWCB) for a loan through its Water Project Loan Program to fund up to $10 million of the District's costs. The remainder will be paid from operations or unrestricted reserves.

In order to meet future capital and infrastructure replacement needs, the District maintains a Board-Designated Replacement Fund Reserve. The reserve is funded from operating and non-operating revenue as well as carryover funds. In 2017 the reserve funding was $2,000,000, based on analysis using the District's Water Rate Model and Capital Improvement Plan. Disaster Recovery Grants received were also deposited into the fund to replenish funds used in the flood recovery repairs. The reserve funding level for 2018 has likewise been set at $2,000,000. Capital improvement projects designated as Replacement Fund Projects are paid for from the reserve, a summary of the funding and use of which is shown in the following table.

REPLACEMENT FUND RESERVE SUMMARY
1995-2017

Replacement Fund Balance – December 31, 2016	**$ 7,811,963**
Funding from Operations/Carryover	**2,000,000**
Disaster Recovery Grants Received	**59,393**
Projects Funded via Replacement Fund Reserve	**(3,040,808)**
Replacement Fund Balance – December 31, 2017	**$ 6,830,548**

DEBT AND OTHER FINANCIAL OBLIGATIONS

The District's long-term debt (net of current maturities and unamortized premiums) was $24,914,615 and $24,797,232 at December 31, 2017, and December 31, 2016, respectively. As noted above, the increase during 2017 was the result of the final draws made on the 2014 Drinking Water Revolving Fund (DWRF) loan. The loan has a 20-year term; total annual debt service is approximately $1.825 million.

The District also has a 1999 DWRF loan for which principal payments of $416,649 were made in 2017. The 1999 loan will be paid in full in May 2019; total debt service on the loan in 2018 will be approximately $455,000; the final payment will be approximately $225,000.

As noted on the previous page, the District entered into a loan with the Colorado Water Conservation Board (CWCB) in the amount of $10,000,000 to fund its participation in the Southern Water Supply Project II. The loan will be drawn down as construction progresses, requiring interest-only payments until the project is complete. The interest rate on the debt is 2.75%. Once principal payments begin, which is expected to be in late 2019 or early 2020, the total annual debt service is anticipated to be just over $650,000.

The DWRF and CWCB loans are secured by the District's Net Revenues as defined in those contracts. The

ECONOMIC AND OTHER FACTORS

Water usage revenue typically accounts for approximately 70% of the District's Operating Revenues and is thus a major factor in the District's economic condition. It is also, however, largely driven by weather and environmental factors beyond the District's control. In its water rate management plan and financial forecasting and planning, the District utilizes a comprehensive rate and financial forecasting model based on historical averages 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.

Tap fee revenues are another key component of the District's revenues that are directly impacted by external factors such as the overall housing market and general economic conditions. If the housing market and overall economy continues recent growth patterns, it is expected tap fee revenues will continue to increase. Should the housing market falter or endure additional contractions, tap fee revenue will likely decline commensurately.

The 2018 budget is based on projected growth in water revenue and includes a 3% across-the-board increase to water rates. The budget for tap fee revenue projects a slight decline from 2017, given the implausibility that the District will see as many new subdivision contracts while the existing contracts are being built.

Both water utility and tap fee revenues are significantly impacted by the annual rate and extent of future growth and development within the District. Those growth rates 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, Boulder and Lafayette. 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
DECEMBER 31, 2017 AND 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2017	2016
Current Assets		
Cash and Cash Equivalents	$ 9,797,435	$ 11,973,892
Restricted Cash and Cash Equivalents	2,152,353	2,842,164
Investments	12,931,429	11,251,487
Receivables	3,293,057	2,941,703
Inventory - Supplies	224,302	140,056
Prepaid Expenses and Other Assets	259,468	299,172
Total Current Assets	28,658,044	29,448,474
Non-Current Assets		
Capital Assets		
Land, Easements and Water Rights	30,586,163	24,833,813
Construction in Progress	7,818,223	4,517,767
Transmission and Distribution System	64,805,388	63,654,588
Facilities	37,724,544	37,773,279
Vehicles and Equipment	1,083,691	1,034,688
Furniture and Equipment	277,237	269,401
Water Service Agreement	1,500,000	1,500,000
Total Capital Assets	143,795,246	133,583,536
Less: Accumulated Depreciation	(31,037,889)	(28,554,787)
Capital Assets, Net	112,757,357	105,028,749
Total Non-Current Assets	112,757,357	105,028,749
Total Assets	141,415,401	134,477,223
Deferred Outflows of Resources		
Contributions after Measurement Date	225,765	215,380
Changes in Investment Earnings	436,751	604,697
Changes in Proportionate Share	384	10,189
Changes in Assumptions	257,957	-
Changes in Experience	64,717	23,573
Total Deferred Outflows of Resources	985,574	853,839

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

LEFT HAND WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts Payable	426,445	1,272,512
Retainage Payable	124,320	1,431,545
Accrued Expenses	215,454	218,912
Current Portion of Long-Term Debt	1,936,031	1,815,642
Total Current Liabilities	2,702,250	4,738,611
Non-Current Liabilities		
Accrued Compensated Absences	66,120	67,000
Net Pension Liability	3,636,691	3,141,965
Long-Term Debt		
(Net of Current Maturities and Unamortized Premium)	24,914,615	24,797,232
Total Non-Current Liabilities	28,617,426	28,006,197
Total Liabilities	31,319,676	32,744,808
Deferred Inflows of Resources		
Changes in Assumptions	10,517	57,550
Changes in Proportionate Share	76,387	-
Changes in Experience	-	108
Total Deferred Inflows of Resources	86,904	57,658
NET POSITION		
Net Investment in Capital Assets	85,994,788	77,447,009
Restricted		
Debt Service	817,546	818,781
Unrestricted	24,182,061	24,262,806
TOTAL NET POSITION	$ 110,994,395	$ 102,528,596

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

LEFT HAND WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Water - Treated	$ 8,441,019	$ 8,346,377
Service Revenue	107,856	163,469
Other Income	150,235	103,168
Total Operating Revenues	8,699,110	8,613,014
OPERATING EXPENSES		
Depreciation	2,720,724	2,096,258
Salaries and Wages	1,798,377	1,639,944
Repairs and Maintenance	1,058,292	1,124,978
Employee Benefit and Taxes	1,068,682	784,887
Cost of Water Sold	737,493	650,182
Utilities	315,129	345,662
Office	158,340	123,632
Contract Support Service	39,876	31,672
Insurance	122,827	121,442
Other	224,808	107,897
Professional Fees	145,633	123,030
Employee Development	25,465	22,953
Total Operating Expenses	8,415,646	7,172,537
Operating Income	283,464	1,440,477
NON-OPERATING REVENUES (EXPENSES)		
FEMA Grant Revenue	59,393	18,670
Earnings on Investments	422,933	263,371
Realized and Unrealized Net Gain (Loss) on Investments	(56,512)	(49,833)
Property Rental and Miscellaneous Income	113,404	114,594
Gain (Loss) on Disposition of Capital Assets	(432,915)	(4,068,509)
Miscellaneous Non-Operating Income	4,528	40,353
Interest Expense	(334,437)	(407,188)
Property Management Expense	(52,936)	(69,005)
Total Non-Operating Revenues (Expenses)	(276,542)	(4,157,547)
Income (Loss) Before Contributions	6,922	(2,717,070)
CAPITAL CONTRIBUTIONS	8,458,877	5,648,307
Change in Net Position	8,465,799	2,931,237
Net Position - Beginning of Year	102,528,596	99,597,359
NET POSITION - END OF YEAR	$ 110,994,395	$ 102,528,596

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

LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 9,078,806	$ 8,155,937
Cash Paid to Suppliers	(3,734,587)	(5,798,314)
Cash Paid to Employees	(2,501,121)	(2,254,490)
Net Cash Flows from Operating Activities	2,843,098	103,133
CASH FLOWS FROM NONCAPITAL ACTIVITIES		
FEMA Grant Revenue	59,393	18,670
Property Rental and Miscellaneous Income	117,932	154,947
Property Management Expense	(52,936)	(69,005)
Net Cash Flows from Noncapital Activitities	124,389	104,612
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	6,794,515	4,353,300
Acquisition and Construction of Capital Assets	(11,252,860)	(14,604,845)
Proceeds from Debt Issuance	2,172,047	11,720,223
Repayment of Bonds and Loans	(1,712,975)	(1,671,747)
Interest Paid	(520,961)	(392,992)
Net Cash Flows Used by Capital and Related Financing Activities	(4,520,234)	(596,061)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	4,644,903	4,505,539
Purchase of Investments	(6,381,357)	(4,627,180)
Earnings on Investments	422,933	263,371
Net Cash Flows from (Used) by Investing Activities	(1,313,521)	141,730
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,866,268)	(246,586)
Cash and Cash Equivalents - Beginning of Year	14,816,056	15,062,642
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 11,949,788	$ 14,816,056

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

LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating Income	$ 283,464	$ 1,440,477
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation	2,720,724	2,096,258
Changes in Operating Assets and Liabilities:		
Receivables	376,396	(457,077)
Pension Related Item - Net Pension Liability	494,726	866,421
Pension Related Item - Deferred Outflows of Resources	(131,735)	(647,364)
Pension Related Item - Deferred Inflows of Resources	29,246	-
Inventory - Supplies	(84,246)	33,029
Accrued Liabilities	(500)	(26,788)
Prepaid Expenses and Other Assets	(1,495)	(1,265)
Accounts Payable and Accrued Expenses	(843,482)	(3,200,558)
Net Cash Flows Provided by Operating Activities	$ 2,843,098	$ 103,133
Noncash Investing, Capital and Financing Activities		
Capital Assets Contributed to the District	$ 936,612	$ 360,757
Capital Assets Acquired with Accounts and Retainage Payable	(1,313,268)	583,481
Amortization of Debt Premium	19,427	19,427
Unrealized Loss on Investments	56,512	49,833

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

NOTE 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 Statues (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 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 outflows 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 measureable. Net position is segregated into amounts: Net investment in capital assets, restricted for debt service, 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. No later than 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 31, 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 $45,185,075.

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less 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. ColoTrust is measured at net asset value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 or 2016, 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.

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 acquisition cost or estimated acquisition cost if actual acquisition cost is not available. Donated capital assets are valued at their estimated acquisition cost 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 when incurred.

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:

Description:	Estimated Lives
Transmission and Distribution System	39-50 years
Facilities	10-40 years
Vehicles and Equipment	5-10 years
Furniture and Equipment	5-10 years

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 was amortized over the estimated economic life of the agreement. The balance of the unamortized cost at December 31, 2017 and 2016 is $-0- and $-0-, respectively.

Debt Issuance Costs

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

Deferred Outflow

In addition to assets, the statement of net position will sometimes report separate sections for deferred outflows of resources. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred outflow of resources related to GASB Statement No. 68 has been recorded as of December 31, 2017, which consists of five components: 1) contributions subsequent to the measurement date; 2) changes in investment earnings; 3) changes in proportionate share; 4) changes in assumptions; and 5) changes in experience. See Note 9 for additional information.

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 current and long-term liabilities.

The District has recorded a liability of $193,710 and $194,210 at December 31, 2017, and 2016, respectively.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report separate sections for deferred inflows of resources. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred inflow of resources related to GASB Statement No. 68 has been recorded as of December 31, 2017, which consists of two components: 1) changes in assumptions; and 2) changes in proportionate share. See Note 9 for additional information.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Reconciliation of Budget Based Accounting to GAAP Financial Statements

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

	2017
Change in Net Position	$ 8,465,799
Add:	
Debt Proceeds (Budgetary Basis)	1,431,320
Loss on Sale of Capital Assets	432,915
Depreciation	2,720,724
Pension Expense	618,002
Unrealized Loss (Gain) on Investment	56,512
Transfers to Governmental Funds	19,554
Less:	
Capital Outlay	(9,693,733)
Net Funding from (to) Water Reserve	3,077,157
Debt Principal Paid	(1,790,476)
Net Reduction in Tap Fee Receivables	(727,750)
Non-Cash Capital Contributions	(936,612)
Employer Contribution Expense	(324,631)
Prepaid and Capitalized Interest	(185,039)
Grant Revenues	(59,393)
Excess (Deficiency) of Revenues over Expenditures (Budgetary Basis)	$ 3,104,349

NOTE 2 CASH AND INVESTMENTS

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 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 fair value of the assets in the pool must be at least 102% of the uninsured deposits.

At December 31, 2017 and 2016, the District had deposits with a financial institution with a carrying amount of $1,981,857 and $4,735,731, respectively. The bank balances with the financial institution were $2,216,058 and $5,523,362 respectively, which of this amount $250,000 was covered by federal depository insurance, with the excess in 2017 covered by PDPA.

Investments

The Board of Directors had 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 and revenue 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 categories by two or more nationally recognized rating agencies in the case of general obligations and the highest rated category in the case of revenue obligations. The period from the settlement date to its maturity shall be no longer than five years.
- The District's own securities including certificates of participation and lease obligations.
- Local government investment pools.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

- 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 agency; if the security is a money market instrument such as commercial paper or bankers’ acceptance, then it must carry at least two credit ratings from any nationally recognized credit rating agency and must not be rated below “A1, P1, or F1”; and the book value of the local government’s investment in this type of debt shall at no time exceed 50% of the government’s investment portfolio, or if five percent of the book value of the debt is issued by a single corporation or bank unless the governing body authorizes a greater percent.

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 with state statutes. Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase.

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

	2017	2016
Cash on Hand	$ 1,000	$ 1,000
Bank Deposits	1,981,857	4,735,731
Local Government Investment Pool	9,966,931	10,079,325
Total Cash and Cash Equivalents	$ 11,949,788	$ 14,816,056

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments held by the District at December 31, 2017, were as follows:

	S & P Rating	Moody Rating	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
U.S. Instrumentality					
FHLB	AA+	Aaa	$ 1,370,185	1.68	10.60%
FANNIE MAE	AA+	Aaa	1,320,890	1.95	10.21%
FFCB	AA+	Aaa	524,076	0.31	4.05%
FREDDIE MAC	AA+	Aaa	1,962,412	2.26	15.18%
Treasury Notes	AA+	Aaa	2,724,844	1.05	21.07%
Municipal	AA+	Aaa	507,595	3.21	3.93%
Commercial Paper	A1	P-1	564,041	0.10	4.36%
Corporate Bonds	A+ to AAA	A1 to Aaa	3,957,386	1.27	30.60%*
Total			$ 12,931,429		

* No individual issuer compromised 5% or more of the total investments.

Investments held by the District at December 31, 2016, were as follows:

	S & P Rating	Moody Rating	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
U.S. Instrumentality					
FHLB	AA+	Aaa	$ 1,529,343	1.33	11.83%
FNMA	AA+	Aaa	1,321,599	2.95	10.22%
FFCB	AA+	Aaa	974,275	0.85	7.53%
Treasury Notes	AA+	Aaa	3,318,960	0.64	25.67%
Corporate Bonds	AA- to AAA	A1 to P-1	4,107,310	1.38	36.50%*
Total			$ 11,251,487		

* No individual issuer compromised 5% or more of the total investments.

Per the 2014 loan agreement with Colorado Water Resources and Power Development Authority, the District is required to maintain an operations and maintenance reserve in an amount equal to three months of operating expenses excluding depreciation, but not greater than $1,250,000. The District had $1,250,000 in reserves, which is included in restricted cash and cash equivalents at December 31, 2017.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value of Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) in active markets for an identical asset or liability that a government can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs for an asset or liability.

The District has the following fair value measurements as of December 31, 2017:

		Fair Value Measurements Using		
Investments by Fair Value Level:	Total	Level 1	Level 2	Level 3
Government Bonds	$ 3,232,439	$ 3,232,439	$ -	$ -
Commercial Paper	564,041	-	564,041	-
Government Agencies	5,177,563	-	5,177,563	-
Corporate Bonds	3,957,386	-	3,957,386	-
Total Investments by Fair Value	$ 12,931,429	$ 3,232,439	$ 9,698,990	$ -

The District has the following fair value measurements as of December 31, 2016:

		Fair Value Measurements Using		
Investments by Fair Value Level:	Total	Level 1	Level 2	Level 3
Government Bonds	$ 3,318,960	$ 3,318,960	$ -	$ -
Government Agencies	3,825,217	-	3,825,217	-
Corporate Bonds	4,107,310	-	4,107,310	-
Total Investments by Fair Value	$ 11,251,487	$ 3,318,960	$ 7,932,527	$ -

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Local Government Investment Pools

At December 31, 2017 and 2016, the District had invested $9,966,931 and $10,079,325, respectively, in COLOTRUST, a local government investment pool. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. COLOTRUST is exempt from registration with the Securities and Exchange Commission. COLOTRUST 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 COLOTRUST's portfolios and provides services as the depository in connection with direct investments owned by COLOTRUST. COLOTRUST is measured at Net Asset Value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period. Separate financial statements can be obtained by going to www.colotrust.com.

NOTE 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 assets at December 31:

	2017	2016
Debt Service Account		
Paying Current Principal and Interest on Bonds and Loan	$ 2,067,546	$ 2,068,781
Funds Held in Escrow for Dodd Water Treatment Plant	84,807	773,383
Total Restricted Assets	$ 2,152,353	$ 2,842,164

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 at December 31:

	2017	2016
Board Designated Accounts		
Deferred System Replacement Account	$ 6,830,548	$ 7,811,963
Water Acquisition Account	4,959,709	6,996,059
Dental Account	10,000	10,000
Total Designated Accounts	$ 11,800,257	$ 14,818,022

NOTE 4 RECEIVABLES

Receivables consist of the following at December 31:

	2017	2016
Water Service	$ 360,897	$ 410,028
Meadow Vale Farms Community Associations Receivable	162,882	215,682
Developer Agreement Receivable	2,763,000	2,035,250
Other Receivables	6,278	280,743
Current Receivables	$ 3,293,057	$ 2,941,703

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land, Easements and Water Rights	$ 24,833,813	$ 5,752,350	$ -	$ 30,586,163
Construction in Progress	4,517,767	4,117,593	(817,137)	7,818,223
Total Capital Assets, Not Being Depreciated	29,351,580	9,869,943	(817,137)	38,404,386
Capital Assets, Being Depreciated				
Transmission and Distribution System	63,654,588	1,150,800	-	64,805,388
Facilities	37,773,279	602,725	(651,460)	37,724,544
Vehicles and Equipment	1,034,688	49,003	-	1,083,691
Furniture and Equipment	269,401	26,913	(19,077)	277,237
Water Service Agreement	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	104,231,956	1,829,441	(670,537)	105,390,860
Less: Accumulated Depreciation				
Transmission and Distribution System	(22,796,360)	(1,700,795)	-	(24,497,155)
Facilities	(3,242,743)	(942,884)	218,545	(3,967,082)
Vehicles and Equipment	(759,968)	(57,594)	-	(817,562)
Furniture and Equipment	(255,716)	(19,451)	19,077	(256,090)
Water Service Agreement	(1,500,000)	-	-	(1,500,000)
Total Accumulated Depreciation	(28,554,787)	(2,720,724)	237,622	(31,037,889)
Total Capital Assets, Being Depreciated, Net	75,677,169	(891,283)	(432,915)	74,352,971
Total Capital Assets, Net	$ 105,028,749	$ 8,978,660	$ (1,250,052)	$ 112,757,357

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land, Easements and Water Rights	$ 24,698,163	$ 135,650	$ -	$ 24,833,813
Construction in Progress	21,227,327	15,055,982	(31,765,542)	4,517,767
Total Capital Assets, Not Being Depreciated	45,925,490	15,191,632	(31,765,542)	29,351,580
Capital Assets, Being Depreciated				
Transmission and Distribution System	61,681,994	3,062,416	(1,089,822)	63,654,588
Facilities	15,480,904	28,878,572	(6,586,197)	37,773,279
Vehicles and Equipment	905,108	149,978	(20,398)	1,034,688
Furniture and Equipment	298,815	-	(29,414)	269,401
Water Service Agreement	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	79,866,821	32,090,966	(7,725,831)	104,231,956
Less: Accumulated Depreciation				
Transmission and Distribution System	(21,498,783)	(1,648,700)	351,123	(22,796,360)
Facilities	(6,130,668)	(382,020)	3,269,945	(3,242,743)
Vehicles and Equipment	(727,808)	(52,558)	20,398	(759,968)
Furniture and Equipment	(257,592)	(12,980)	14,856	(255,716)
Water Service Agreement	(1,500,000)	-	-	(1,500,000)
Total Accumulated Depreciation	(30,114,851)	(2,096,258)	3,656,322	(28,554,787)
Total Capital Assets, Being Depreciated, Net	49,751,970	29,994,708	(4,069,509)	75,677,169
Total Capital Assets, Net	$ 95,677,460	$ 45,186,340	$ (35,835,051)	$ 105,028,749

NOTE 6 LONG-TERM DEBT

A summary of the District's long-term debt is as follows:

	2017	2016
1999 Loan - Colorado Water Resources and Power Development Authority $6,625,000 May 1, 1999, Colorado Water Resources and Power Development Authorty (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 effective target rate of 3.85% along with principal and an administrative fee of 0.8% are payable semi-annually on May 15 and November 15. The proceeds were used finance improvements to the Spurgeon Water Treatment Plant and to upgrade the water system.	$ 683,089	$ 1,099,738
2014 Loan - Colorado Water Resources and Power Development Authority $29,900,336 May 1, 2014, CWR&PDA Loan, from the State of Colorado Drinking Water Revolving Fund, with escalating principal payments throughout the life of the loan. Interest with a rate of 2.80% along with principal and an administrative fee of 0.8% are payable semi-annually on February 1 and August 1. The proceeds were used to finance upgrades to the existing Dodd Water Treatment Plant.	25,810,345	25,136,877
Unamortized Bond Premium	229,622	249,049
Total Long-Term Debt	$ 26,723,056	$ 26,485,664

Long term debt activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
1999 CWR&PDA Loan	$ 1,099,738	$ -	$ (416,649)	$ 683,089	$ 431,655
2014 CWR&PDA Loan	25,136,877	2,172,047	(1,498,579)	25,810,345	1,376,786
Accrued Compensated Absences	194,210	128,231	(128,731)	193,710	127,590
Totals	26,430,825	$ 2,300,278	$ (2,043,959)	26,687,144	$ 1,936,031
Current Portion of Long-Term Debt	(1,815,642)			(1,936,031)	
Unamortized Bond Premium	249,049			229,622	
Noncurrent Portion of Long-Term Debt	$ 24,864,232			$ 24,980,735	

NOTE 6 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding is as follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 1,808,441	$ 456,599	$ 2,265,040
2019	1,621,486	431,093	2,052,579
2020	1,399,090	425,147	1,824,237
2021	1,412,933	414,047	1,826,980
2022	1,421,778	402,947	1,824,725
2023 - 2027	7,273,848	1,854,834	9,128,682
2028 - 2032	8,002,600	1,126,679	9,129,279
2033 - 2035	3,553,258	118,920	3,672,178
Total	$ 26,493,434	$ 5,230,266	$ 31,723,700

The above principal payments for the 1999 and 2014 loans with Colorado Water Resources and Power Development Authority are for the total amount of debt service payments.

Long term debt for the year December 31, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
1999 CWR&PDA Loan	$ 1,500,376	$ -	$ (400,638)	$ 1,099,738	$ 422,149
2014 CWR&PDA Loan	15,205,981	11,720,223	(1,789,327)	25,136,877	1,266,283
Accrued Compensated Absences	220,998	118,652	(145,440)	194,210	127,210
Totals	16,927,355	$ 11,838,875	$ (2,335,405)	26,430,825	$ 1,815,642
Current Portion of Long-Term Debt	(1,760,892)			(1,815,642)	
Unamortized Bond Premium	268,477			249,049	
Noncurrent Portion of Long-Term Debt	$ 15,434,940			$ 24,864,232	

NOTE 7 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 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.

NOTE 7 RATE MAINTENANCE (CONTINUED)

The following calculation shows the District's compliance with this loan agreement for the year ended December 31, 2017:

Operating Revenues	$	8,699,110
Capital Contributions		6,794,515
Subtotal		15,493,625
Operation and Maintenance Expense		(5,694,922)
Net Revenue as Defined in 1999 CWR&PDA Loan Resolution	$	9,798,703
2018 Principal Due	$	431,655
2018 Interest Due		8,802
Subtotal		440,457
		x110%
Required Revenue as Defined in 1999 CWR&PDA Loan Resolution	$	484,503

The District's 2014 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 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, 2017:

Operating Revenues	$	8,699,110
Capital Contributions		6,794,515
Subtotal		15,493,625
Operation and Maintenance Expense		(5,694,922)
Net Revenue as Defined in 2014 CWR&PDA Loan Resolution	$	9,798,703
2018 Principal Due	$	1,376,786
2018 Interest Due		447,797
Subtotal		1,824,583
		x110%
Required Revenue as Defined in 2014 CWR&PDA Loan Resolution	$	2,007,041
Required Revenue for Both 1999 and 2014 CWR&PDA Loans	$	2,491,544

NOTE 8 RENTAL INCOME

On June 1, 1999, the District entered into a twelve-month lease for approximately ten acres with barns and other outbuildings 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 $113,404 and $114,594 rental income for the years ended December 31, 2017 and 2016, respectively.

Future minimum rental payments to be received on non-cancellable leases are contractually due as follows:

Year ending December 31,	Amount
2018	$ 101,506
2019	102,228
2020	105,084
2021	108,028
2022	111,751
Thereafter	1,160,327
Total	$ 1,688,924

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Pensions

The District participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description: Eligible employees of the District are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code.

Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Benefits provided: PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the LGDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Contributions: Eligible employees and the District are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate[1]	10.00%	10.00%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
Amount Apportioned to the LGDTF[1]	8.98%	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	2.20%	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S.§ 24-51-411 [1]	1.50%	1.50%
Total Employer Contribution Rate to the LGDTF[1]	12.68%	12.68%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member of the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were $225,765 for the year ended December 31, 2017.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At December 31, 2017, the District reported a liability of $3,636,691 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the District's proportion was 0.2693165236 percent, which was a decrease of 0.0159067429 percent from its proportion measured as of December 31, 2015.

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

For the year ended December 31, 2017, the District recognized pension expense of $618,002. At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 64,717	$ -
Changes of Assumptions or Other Inputs	257,957	10,517
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	436,751	-
Changes in Proportion and Difference Between Contributions Recognized and Proportionate Share	-	-
Shares of Contributions	384	76,387
Contributions Subsequent to the Measurement Date	225,765	-
Total	$ 985,574	$ 86,904

For the year ended December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 23,573	$ 108
Changes of Assumptions or Other Inputs	-	57,550
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	604,697	-
Changes in Proportion and Difference Between Contributions Recognized and Proportionate Share	-	-
Shares of Contributions	10,189	-
Contributions Subsequent to the Measurement Date	215,380	-
Total	$ 853,839	$ 57,658

As of December 31, 2017, $225,765 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Fiscal Year Ending	
December 31, 2018	$ 361,547
December 31, 2019	184,824
December 31, 2020	122,380
December 31, 2021	4,154
Total	$ 672,905

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Actuarial Assumptions: Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 10.45%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December, 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's board on November 13, 2012, and an economic assumption study, adopted by PERA's board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. As of the prior measurement date, the GASB Statement No. 67 projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent.

NOTE 9 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

Discount Rate:	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	$ 5,362,135	$ 3,636,691	$ 2,207,835

Pension Plan Fiduciary Net Position: Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report, which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 10 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 benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports. The District contributes to the 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 CRS, 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.

Funding Policy

The District is required to contribute at a rate of 1.02% 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, 2017, 2016, and 2015, the District's employer contributions to the HCTF were $18,304, $16,650, and $16,522, respectively, equal to their required contributions for each year.

NOTE 11 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 CRS, 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 ($18,000 for the calendar years 2017 and 2016, respectively). Catch-up contributions up to $6,000 and $6,000 for calendar years 2017 and 2016, respectively, 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, Section 1402 of the CRS, as amended. For the years ended December 31, 2017 and 2016, the 401(k) Plan member contributions were $122,739 and $112,707, respectively.

NOTE 12 RISK MANAGEMENT

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

NOTE 13 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, 2017, the District owns approximately 17% of Left Hand Ditch Company water shares.

NOTE 14 TABOR COMPLIANCE

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3 percent of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR 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 TABOR.

Because the District qualifies as an enterprise fund, the District's management believes it is excluded from the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

NOTE 15 SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through April 16, 2018, the date the financial statements were available to be issued. On February 22, 2018, the District entered into a loan contract with the Colorado Water Conservation Board for a $10,000,000 loan to fund the District's participation in the Southern Water Supply Project II (SWSPII).

On January 23, 2018, the District entered into an agreement with Tori Ann Randleman and Everett Todd Randleman to purchase 75 units of C-BT project water for $2,025,000. Payments were made into escrow as of February 12, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

LEFT HAND WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2016	2015	2014	2013
District's proportion of the net pension liability	0.2693165236%	0.2852232665%	0.2848006479%	0.2765334667%
District's proportional share of the net pension liability	$ 3,636,691	$ 3,141,965	$ 2,552,694	$ 2,275,652
District's covered payroll	1,632,395	1,619,847	1,560,580	1,475,332
District's proportionate share of the net pension liability as a percentage of its covered payroll	222.78%	193.97%	163.57%	154.25%
Plan fiduciary net position as a percentage of the total pension liability	73.65%	76.87%	80.72%	73.55%

* Information for the prior 10 years was not available to report. However, until a full 10-year trend is compiled, the District will present information for only those years for which information is available.

LEFT HAND WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
2008 – 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily Required Contribution	$ 225,765	$ 206,988	$ 205,397	$ 197,882	$ 187,358	$ 202,677	$ 209,505	$ 193,393	$ 175,692	$ 151,558
Contributions in Relation to the Statutorily Required Contribution	225,765	206,988	205,397	197,882	187,358	202,677	209,505	193,393	175,692	151,558
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,785,760	$ 1,632,395	$ 1,619,847	$ 1,560,580	$ 1,475,332	$ 1,598,396	$ 1,652,250	$ 1,525,178	$ 1,491,443	$ 1,390,741
Contributions as a Percentage of Covered Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%	10.90%

SUPPLEMENTARY INFORMATION

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Revenue and Receipts			
Operating Revenue			
Water - Volume Charge	$ 6,476,460	$ 6,151,823	$ (324,637)
Water - Basic Service Charge	2,317,080	2,289,196	(27,884)
Other Service Revenue	82,000	179,301	97,301
Total Operating Revenue	8,875,540	8,620,320	(255,220)
Non-Operating Revenue			
Interest Income	160,000	422,933	262,933
Water Lease Income	50,000	78,790	28,790
Property Rental and Miscellaneous Income	125,000	113,404	(11,596)
Miscellaneous Non-Operating Revenue	-	4,528	4,528
Total Non-Operating Revenue	335,000	619,655	284,655
Other Receipts			
Customer Tap Fees	1,798,110	2,456,570	658,460
Water Requirement Fee	2,524,500	3,716,000	1,191,500
Less: Funding to Water Reserve	(2,524,500)	(3,716,000)	(1,191,500)
CIAC - Line Fee/Fire System, etc.	557,930	480,775	(77,155)
2014 DWRF Loan Proceeds	12,000,000	1,431,320	(10,568,680)
Total Other Receipts	14,356,040	4,368,665	(9,987,375)
Total Revenue and Receipts	23,566,580	13,608,640	(9,957,940)

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Disbursed Expenditures			
Operating Expenditures			
Water Assessments	446,700	450,864	(4,164)
Winter Water Supply	52,600	52,816	(216)
X-Tie Water Supply	230,000	233,813	(3,813)
Salaries	1,782,400	1,798,377	(15,977)
PERA Contribution	333,310	324,631	8,679
Taxes - Medicare Match	25,840	26,456	(616)
Worker's Compensation/Unemployment	36,850	35,255	1,595
Health/Life Insurance	277,800	260,324	17,476
Education and Dues	46,900	29,812	17,088
Chemicals	269,000	275,108	(6,108)
Fuel	33,880	37,436	(3,556)
Repairs and Maintenance	666,000	663,997	2,003
Utilities and Communication	372,510	315,129	57,381
Water Tests	40,000	46,631	(6,631)
Accounting and Audit	17,500	17,067	433
Commercial Insurance	119,000	122,827	(3,827)
Computer Expense	77,560	85,852	(8,292)
Contract Service Support	55,000	39,876	15,124
Legal Expense	30,000	54,399	(24,399)
Supplies	122,850	99,668	23,182
Other Expenditures	127,150	119,393	7,757
B.O.D Director Fees	8,400	7,300	1,100
LESS: Dir Fees w/3% Reserve - Gov't Fund	(8,652)	(7,519)	(1,133)
B.O.D Expenditures	15,000	11,684	3,316
LESS: BOD Exp w/3% Reserve - Gov't Fund	(15,450)	(12,035)	(3,415)
Contingency Expenses	30,000	-	30,000
Total Operating Expenditures	5,192,148	5,089,161	102,987
Non-Operating Expenditures			
Property Management Expense	197,750	52,936	144,814
Interest Expense	510,980	465,558	45,422
Cost of Debt Issuance	150,000	-	150,000
1999 DWRF Payable	422,150	422,149	1
2014 DWRF Payable	1,368,330	1,368,327	3
Total Non-Operating Expenditures	2,649,210	2,308,970	340,240
Capital Expenditures			
General and Administrative	25,000	26,912	(1,912)
Distribution and Transmission	179,500	43,910	135,590
Treatment	-	5,092	(5,092)
Building and Grounds	20,000	-	20,000
Total Capital Expenditures	224,500	75,914	148,586

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Land, Easement and Water Acquisition			
Land Acquisition	-	-	-
Water Rights - Water Quality	5,400,000	5,752,350	(352,350)
Funding from Water Reserve	(5,400,000)	(5,752,350)	352,350
Raw Water - Legal Costs	-	-	-
Total Land, Easement and Water Acquisition	-	-	-
Construction			
Miscellaneous and Unscheduled Construction	580,000	14,146	565,854
Replacement Fund Projects	4,560,000	3,040,807	1,519,193
Net Funding to (from) Replacement Fund	(2,560,000)	(1,040,807)	(1,519,193)
NISP	500,000	490,000	10,000
Southern Supply Line II	12,000,000	526,100	11,473,900
Total Construction	15,080,000	3,030,246	12,049,754
Total Disbursed Expenditures	23,145,858	10,504,291	12,641,567
Excess (Deficiency) of Revenues Over Expenditures	$ 420,722	$ 3,104,349	$ 2,683,627

	Government Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Sources of Funds			
Revenues	$ -	$ -	$ -
Transfers from Enterprise Fund	24,102	19,554	(4,548)
Total Sources of Funds	24,102	19,554	(4,548)
Uses of Funds			
Board of Directors Expenditures	15,000	11,684	(3,316)
Director Fees	8,400	7,300	(1,100)
TABOR Reserve (3%)	702	570	(132)
Total Uses of Funds	24,102	19,554	(4,548)
Excess (Deficiency) of Revenues over Expenses	$ -	$ -	$ -

COMPLIANCE SECTION

SINGLE AUDIT

INDEPENDENT AUDITORS' 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*

Board of Directors
Left Hand Water District
Niwot, Colorado

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 Left Hand Water District (the District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 16, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Board of Directors
Left Hand Water District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 result 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 16, 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Left Hand Water District
Niwot, Colorado

Report on Compliance for Each Major Federal Program

We have audited Left Hand Water District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
April 16, 2018

LEFT HAND WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
Department of Public Safety			
Passed through the Colorado Department of Public Safety:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	D11F095	$ 59,393
Total Department of Public Safety			59,393
Environmental Protection Agency			
Passed through the Colorado Water Resources &			
Power Development Authority:			
Capitalization Grants for Drinking Water State			
Revolving Fund - Loan D14A071	66.468	N/A	1,703,967
Total Environmental Protection Agency			1,703,967
Total Expenditures of Federal Awards			$ 1,763,360

The accompanying notes to the Scheduled of Expenditures of Federal Awards are an integral part of this schedule.

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Left Hand Water District (the District). The District's reporting entity is defined in Note 1 to the District's basic financial statements. All federal financial assistance received by the reporting entity passed through other government agencies is included on the schedule.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 SUBRECIPIENTS

The District passed-through no federal awards to subrecipients during the year ended December 31, 2017.

NOTE 4 LOAN AND LOAN GUARANTEES

The District received no loan or loan guarantees during the year ended December 31, 2017.

NOTE 5 NON-CASH ASSISTANCE

The District received no non-cash federal assistance during the year ended December 31, 2017.

NOTE 6 DE MINIMIS COST RATE

The District has not elected to use the 10% de minimis cost rate.

LEFT HAND WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	☐ yes ☒ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	☐ yes ☒ no
Noncompliance material to financial statements noted?	☐ yes ☒ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	☐ yes ☒ no
• Significant deficiencies identified that are not considered to be material weakness(es)?	☐ yes ☒ no
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings, disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	☐ yes ☒ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.468	Power Development Authority: Capitalization Grants for Drinking Water State Revolving fund

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	☒ yes ☐ no

LEFT HAND WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

LEFT HAND WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2016

Section IV – Financial Statement Findings

None noted.

Section V – Federal Award Findings and Questioned Costs

None noted.