LEFT HAND WATER DISTRICT

FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

LEFT HAND WATER DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016, and 2015 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, 2016 and 2015, 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 IV-XI, the schedule of the District's proportionate share of the net pension liability and schedule of pension contributions on pages 30-31 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2017, 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 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 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 14, 2017

LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016

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 33) – 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.

2016 HIGHLIGHTS

- As of December 31, 2016, total net position was $102,528,596, representing an increase of $2,931,237 (2.9%), when compared to 2015.
- Operating revenues were $8,613,014 during 2016, a 14% increase as compared to 2015.
- In 2016, total operating expenses net of depreciation/amortization were $5,076,279, an increase of 12% over 2015.
- Total capital contributions were $5,648,307 in 2016, compared to $3,297,135 in 2015 – an increase of 71.3%.
- Long-term debt (net of current maturities) increased to $24,797,232 as of December 31, 2016, as compared with the December 31, 2015, balance of $15,213,942.

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, 2016 and 2015.

	2016	2015
Current Assets	$ 29,448,474	$ 28,818,923
Capital Assets (net of depreciation)	105,028,749	95,677,460
Other Assets	---	---
Total Assets	134,477,223	124,496,383
Deferred Outflows of Resources	853,839	390,060
Current Liabilities	4,738,611	7,300,938
Non-Current Liabilities	28,006,197	17,987,634
Total Liabilities	32,744,808	25,288,572
Deferred Inflows of Resources	57,658	512
Invested in Capital Assets, net of related debt	$ 77,447,009	$ 79,054,348
Restricted	818,781	816,124
Unrestricted	24,262,806	19,726,887
Total Net Position	$ 102,528,596	$ 99,597,359

Total Net Position increased in 2016 by just over $2.9 million (2.9%) from the results of operations and capital contributions.

Total Non-Current Liabilities increased by approximately $10 million in 2016, the majority of which is due to funds being drawn on a Drinking Water Revolving Fund loan originated in 2014. The total loan amount is $30 million, and the remaining amount of the principal has been drawn down during the first quarter of 2017. Additionally, the District implemented GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of December 31, 2015. With the new reporting change, the District is allocating its proportionate share of the Colorado Public Employers' Retirement Association (PERA)'s net pension liability and pension expense.

Capital Assets represent the largest portion of the District's assets (78.1%) and increased by a net amount of almost $9.4 million during 2016, the largest portion of which was expenditures on the Dodd Water Treatment Plant (WTP) upgrade project, which was completed during the year. Depreciation expense was just under $2.1 million.

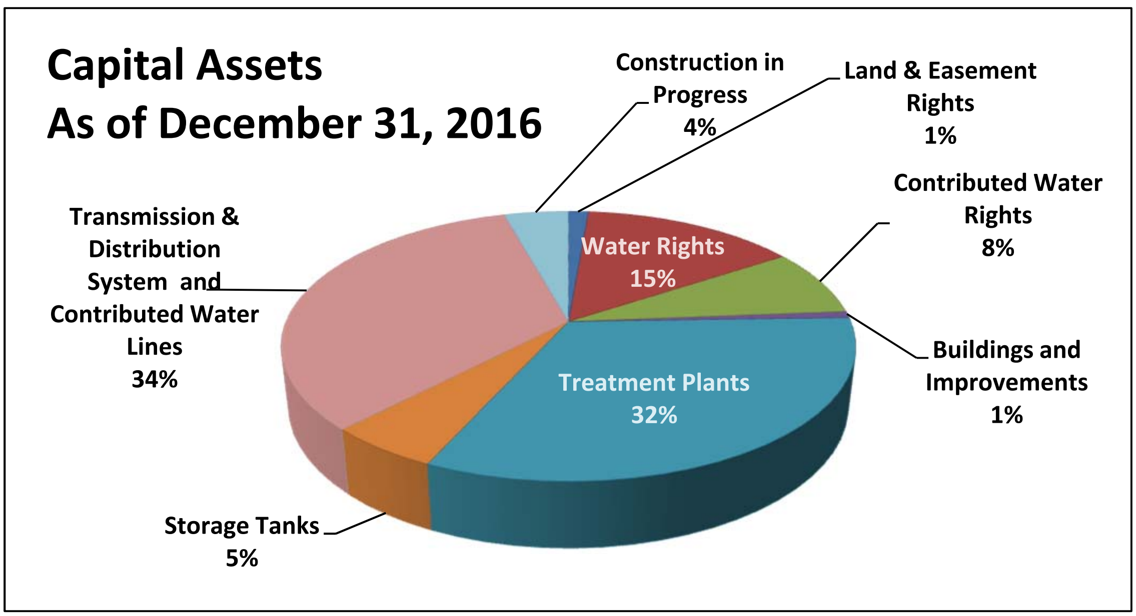
Unrestricted Net Position is the portion of net assets that can be used to finance day-to-day operations without external constraints of debt covenants, legislation or other legal requirements. As of December 31, 2016, Unrestricted Net Position was just over $4.5 million higher than at December 31, 2015.

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL ASSETS

The following table presents a condensed review of capital assets, net of accumulated depreciation, as of December 31, 2016 and 2015.

	2016	2015
Land & Easement Rights	$ 1,403,468	$ 1,400,468
Water Rights	15,088,196	14,955,546
Contributed Water Rights	8,342,149	8,342,149
Buildings & Improvements	808,806	529,538
Treatment Plants	33,774,987	8,820,710
Storage Tanks	5,646,093	5,573,730
Raw Water Reservoirs	163,292	198,918
Transmission & Distribution System	34,993,463	34,410,738
Office Equipment & Furnishings	17,363	41,135
Equipment & Vehicles	273,165	177,201
Construction in Progress	4,517,767	21,227,327
Total Capital Assets	$ 105,028,749	$ 95,677,460

Capital acquisitions in 2016 included a new excavator in the Distribution Department and a new truck for the Treatment Department. The Del Camino tank was also repainted and repaired, and cathodic protection work continued in various locations. The District also purchased 5 units of Colorado-Big Thompson (CBT) water at a total cost of $132,650. The District's continued participation in the Northern Integrated Supply Project (NISP) and in the Southern Water Supply Pipeline (II), both included in Construction in Progress, required 2016 contributions of $428,750 and $104,800, respectively.



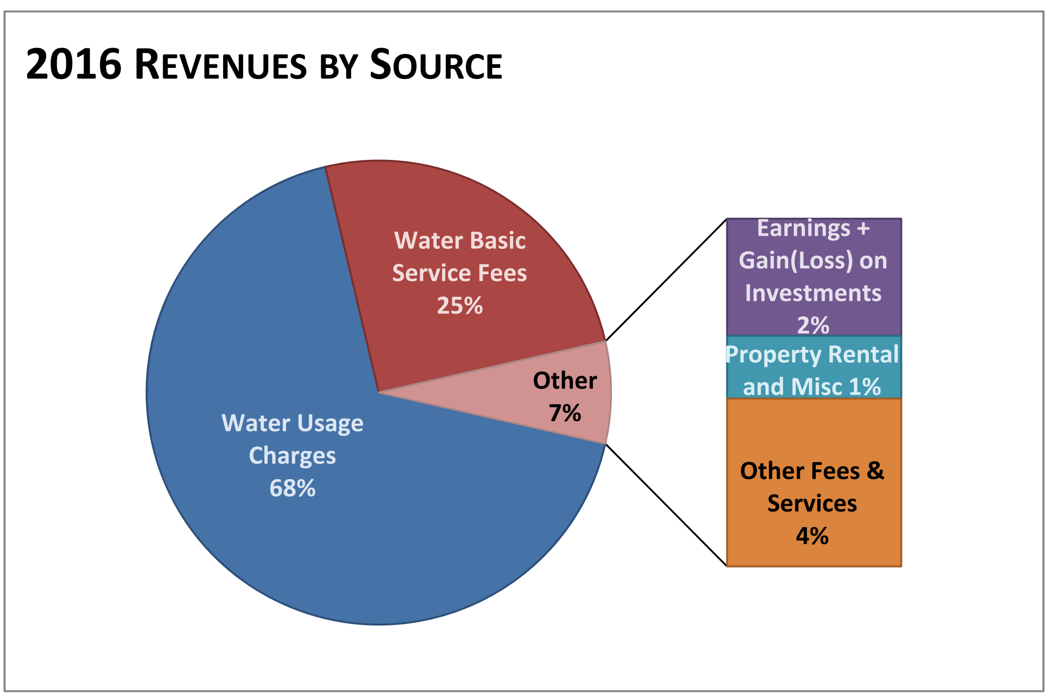
Of $22 million allocated for construction projects in the 2016 budget, just over $16 million was expended, the vast majority on the completion of the Dodd Water Treatment Plant upgrade project. Other projects included: replacing the 95th Street Pump Station; converting the chlorine system at the Spurgeon Water Treatment Plant from gaseous to liquid; initial work on an upgrade to the Joder Pump Station; continued design work on major pipelines along Weld County Roads 1 and 7; and relocation of two water lines at the request of the Colorado Department of Transportation, which funded those projects.

CONDENSED COMPARATIVE FINANCIAL INFORMATION – REVENUES

The following table presents a condensed review of revenues for the years ended December 31, 2016 and 2015.

	2016	2015
Operating Revenues		
Water Usage Charges	$ 6,086,464	$ 5,221,509
Water Basic Service Fees	2,259,913	2,215,487
Other Fees & Services	163,469	66,490
Inventory Sales	23,125	2,618
Water Lease Income	80,043	51,330
Total Operating Revenues	8,613,014	7,557,434
Non-Operating Revenues		
Earnings on Investments	263,371	206,971
Property Rental and Miscellaneous Income	114,594	95,625
Unrealized Gain/(Loss) on Investments	(49,157)	(35,704)
Realized Gain/(Loss) on Investments	(676)	(1,177)
Gain/(Loss) on Disposition of Capital Assets	(4,068,509)	2,900
Disaster Recovery Grants	18,670	363,613
Other Non-Operating Income	40,353	89,482
Total Non-Operating Revenues	(3,681,354)	721,710
TOTAL REVENUES	**$ 4,931,660**	**$ 8,279,144**

Operating revenues in 2016 were within 1% of the budgeted amount. Water Usage Charges were under budget by 2.6%, but other components of Operating Revenue were over budget slightly. As part of the Dodd Water Treatment Plant project, a number of assets that were not yet fully depreciated were replaced; at the completion of the project those assets were disposed, resulting in a Loss on Disposition of Assets of just over $4 million. Adjusting for that disposition loss, total revenues increased by almost $725,000 from 2015; without inclusion of the one-time Disaster Recovery Grant revenue, total revenues increased 13.5%.

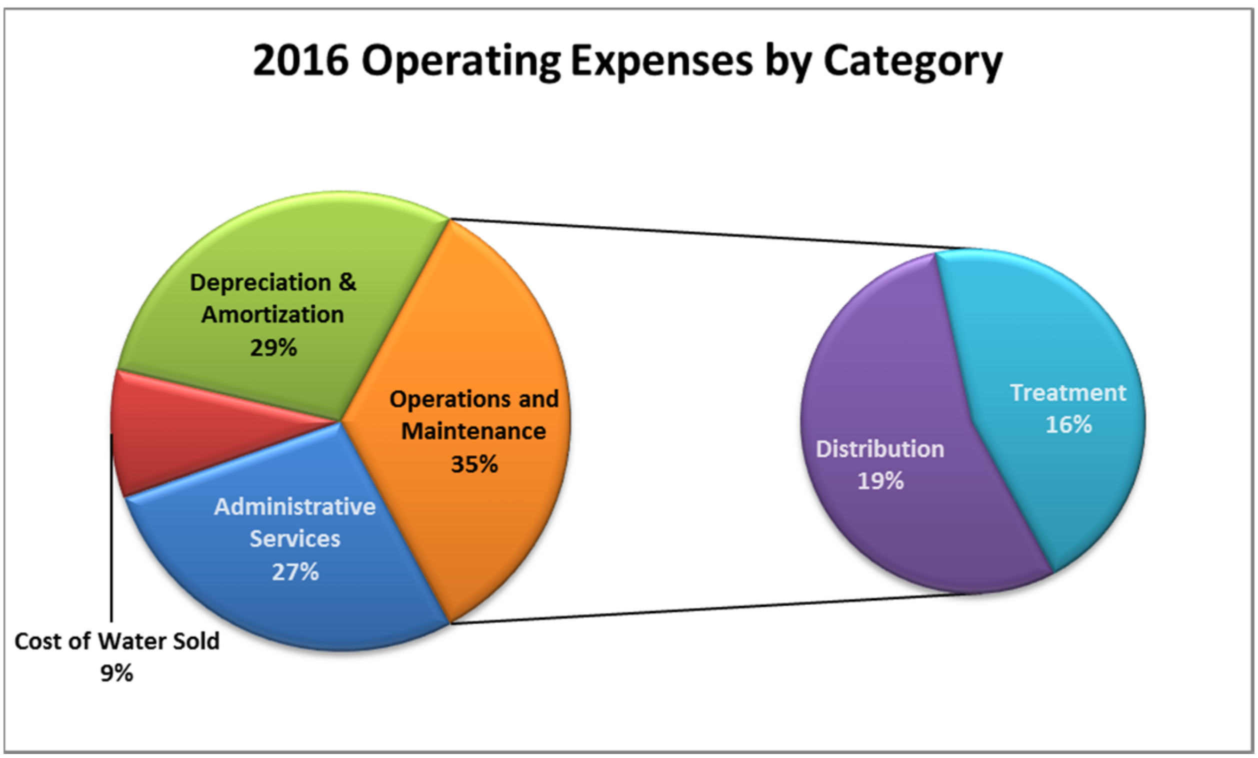


CONDENSED COMPARATIVE FINANCIAL INFORMATION – OPERATING EXPENSES

The following table presents a condensed review of operating expenses for the years ended December 31, 2016 and 2015.

	2016	2015
Operating Expenses		
Operation and Maintenance	$ 2,454,840	$ 2,125,777
Administrative Services	1,971,257	1,843,526
Cost of Water Sold	650,182	562,141
Depreciation & Amortization	2,096,258	2,136,094
TOTAL OPERATING EXPENSES	**$ 7,172,537**	**$ 6,667,538**

Net of depreciation and other items not included in the budget, total operating expenses for 2016 were under budget by 8.4%. Operation and maintenance costs increased by 15.5% over 2015. Factors contributing to that increase included increased chemical costs, partially due to higher water usage but also as a result of purchasing chemicals for the start up of the upgraded Dodd Water Treatment Plant (WTP); repairs to a water line that was damaged by a contractor working on a pipeline for Xcel Energy, for which the District is pursuing reimbursement; increased utility costs for the upgraded WTP; and assessment and testing for cathodic protection needs at various locations. Administrative Services expenditures were higher in 2016 by almost 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 15.6%, 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 2016.



CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL CONTRIBUTIONS

The following table presents a condensed review of capital contributions for the years ended December 31, 2016 and 2015.

	2016	2015
Customer Tap Fees	$ 4,099,801	$ 2,765,076
Contributed Water Rights	---	(13,000)
Contributed Line Fee/Fire System	250,219	174,432
Contributions in Aid of Construction	937,530	---
Contributed Assets	360,757	370,627
TOTAL CAPITAL CONTRIBUTIONS	**$ 5,648,307**	**$ 3,297,135**

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 2016, 66 taps were sold or completed, vs. 83 in 2015. 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 are collected upon execution. In 2016, the District executed two new subdivision agreements in the Wyndham Hill subdivision, for which initial payments were received. As of December 31, 2016, the District had five subdivision contracts active, representing 126 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 2016, the line fees collected on new taps totaled $251,748, the vast majority of which were in the Eastern Zone Transmission (EZT) area. Per the existing contract, $1,529 was remitted to the developer who contributed to the cost of the EZT line, for a net line fee of $250,219. The contract with that developer expired in September of 2016; for any payments beyond that the District has and will retain 100% of the line fee collected.

During 2016, the District completed three projects that were at the request of a third party who then contributed funds to cover the costs of those projects. One project was converting homes in the Meadow Vale Farms subdivision from being served via a community master meter to service at individual homes, for which the homeowners association paid the District for making those conversions as well as for the depreciation on the water system assumed by the District. The other two projects were requested by the Colorado Department of Transportation as part of road projects where they needed to have water lines relocated – one along State Highway 119 in the Del Camino area, and a second project along State Highway 36 at the bridge across Left Hand Creek.

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 2016, the District received the contribution of water lines in one of the contracted areas in the Wyndham Hill subdivision.

STRATEGIC PLANNING AND CAPITAL IMPROVEMENT PROGRAM

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

As part of the comprehensive planning process, the District completed a Raw Water Master Plan in 2003 to anticipate future infrastructure improvements needed for the delivery of raw water supplies to both the Spurgeon and the Dodd Water Treatment Plants (WTPs). In order to meet the anticipated need for additional raw water supplies and delivery systems over the next 10–15 years, the District is participating in two projects through the Northern Colorado Water Conservancy District (NCWCD): the Northern Integrated Supply Project (NISP) and the Southern Water Supply Project (II) (SWSPII). The District is participating in the NISP project for a total of 4,900 additional acre-feet of annual yield to meet anticipated needs at build-out. The SWSPII project will deliver raw water from Carter Lake to the Dodd Water Treatment Plant. It is anticipated that the District's allocation of cost in the projects, currently estimated at $87 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 future water rights acquisition. The reserve is funded via cash-in-lieu payments as part of tap fee revenue. In 2016, the reserve was utilized to purchase $132,650 in new CBT units; the reserve balance as of December 31, 2016, was $6,996,059.

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

In order to meet future capital and infrastructure replacement needs, the District maintains a Board-Designated Replacement Fund Reserve. These funds are not legally restricted, but represent the District's intent to segregate funds for future capital and infrastructure needs. The reserve is funded from operating revenue and carryover funds as well as non-operating revenue. In 2016, the reserve funding was $2,000,000, based on analysis using the District's Water Rate Model. The Disaster Recovery Grants received were also deposited into the fund to replenish funds used in the flood recovery repairs.

The reserve funding level for 2017 has likewise been set at $2,000,000. All capital improvement projects designated as Replacement Fund Projects are paid for from the reserve, which had a balance of $7,811,963 as of December 31, 2016. The following table summarizes the funding and use of Replacement Funds.

REPLACEMENT FUND RESERVE SUMMARY
1995-2016

Replacement Fund Balance – December 31, 2015	**$ 6,496,335**
Funding from Operations/Carryover	**2,000,000**
Disaster Recovery Grants Received	**18,670**
Projects Funded via Replacement Fund Reserve	**(703,042)**
Replacement Fund Balance – December 31, 2016	**$ 7,811,963**

DEBT AND OTHER FINANCIAL OBLIGATIONS

The District's long-term debt (net of current maturities and unamortized premiums) was $24,797,232 and $15,213,942 at December 31, 2016, and December 31, 2015, respectively. As noted above, the increase was the result of draws made on the Drinking Water Revolving Fund loan executed in May 2014. The loan has a 20-year term; total annual debt service is approximately $1.825 million per year.

The District also has a 1999 Drinking Water Revolving Fund loan for which principal payments of $400,638 were made in 2016. The 1999 loan will be paid in full in May 2019; total annual debt service on the loan is approximately $450,000 per year.

The District has no General Obligation debt.

CONTRACTS AND AGREEMENTS

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

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 2016, water usage was above the average of the previous 5 years by 68 million gallons (MG), approximately 5.5%; in 2015, however, water usage was below the previous 5 years' average by 52MG, or approximately 4.2%. The District's water rate management plan 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 revenue also was higher in 2016, due to the new subdivision contracts received, and was still materially above the low levels seen during the recession. Tap fee revenues are directly impacted by the overall housing market; if that market continues its recovery, it is expected tap fee revenues will again increase. Should the housing market falter or endure additional contractions, tap fee revenue will likely decline commensurately. The 2017 budget is based on projected growth in both tap sales and water revenue and includes increases of between 2-8% to volume charge rates.

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

FINANCIAL CONTACT

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

BASIC FINANCIAL STATEMENTS

LEFT HAND WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2016	2015
Current Assets		
Cash and Cash Equivalents	$ 11,973,892	$ 8,504,806
Restricted Cash and Cash Equivalents	2,842,164	6,557,836
Investments	11,251,487	11,179,003
Receivables	2,941,703	1,550,376
Inventory - Supplies	140,056	173,085
Prepaid Expenses and Other Assets	299,172	853,817
Total Current Assets	29,448,474	28,818,923
Non-Current Assets		
Capital Assets		
Land, Easements and Water Rights	24,833,813	24,698,163
Construction in Progress	4,517,767	21,227,327
Transmission and Distribution System	63,654,588	61,681,994
Facilities	37,773,279	15,480,904
Vehicles and Equipment	1,034,688	905,108
Furniture and Equipment	269,401	298,815
Water Service Agreement	1,500,000	1,500,000
Total Capital Assets	133,583,536	125,792,311
Less: Accumulated Depreciation	(28,554,787)	(30,114,851)
Capital Assets, Net	105,028,749	95,677,460
Total Non-Current Assets	105,028,749	95,677,460
Total Assets	134,477,223	124,496,383
Deferred Outflows of Resources		
Contributions after Measurement Date	215,380	213,565
Changes in Investment Earnings	604,697	138,433
Changes in Proportionate Share	10,189	38,062
Changes in Experience	23,573	-
Total Deferred Outflows of Resources	853,839	390,060

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

LEFT HAND WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts Payable	1,272,512	4,474,792
Retainage Payable	1,431,545	843,996
Accrued Expenses	218,912	221,258
Current Portion of Long-Term Debt	1,815,642	1,760,892
Total Current Liabilities	4,738,611	7,300,938
Non-Current Liabilities		
Accrued Compensated Absences	67,000	220,998
Net Pension Liability	3,141,965	2,552,694
Long-Term Debt		
(Net of Current Maturities and Unamortized Premium)	24,797,232	15,213,942
Total Non-Current Liabilities	28,006,197	17,987,634
Total Liabilities	32,744,808	25,288,572
Deferred Inflows of Resources		
Changes in Assumptions	57,550	-
Changes in Experience	108	512
Total Deferred Inflows of Resources	57,658	512
NET POSITION		
Net Investment in Capital Assets	77,447,009	79,054,348
Restricted		
Debt Service	818,781	816,124
Unrestricted	24,262,806	19,726,887
TOTAL NET POSITION	$ 102,528,596	$ 99,597,359

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, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Water - Treated	$ 8,346,377	$ 7,436,996
Service Revenue	163,469	66,490
Other Income	103,168	53,948
Total Operating Revenues	8,613,014	7,557,434
OPERATING EXPENSES		
Depreciation	2,096,258	2,136,094
Salaries and Wages	1,639,944	1,613,730
Repairs and Maintenance	1,124,978	851,584
Employee Benefit and Taxes	784,887	714,885
Cost of Water Sold	650,182	562,142
Utilities	345,662	257,489
Office	123,632	120,168
Contract Support Service	31,672	48,119
Insurance	121,442	108,280
Other	107,897	139,150
Professional Fees	123,030	96,418
Employee Development	22,953	19,479
Total Operating Expenses	7,172,537	6,667,538
Operating Income	1,440,477	889,896
NON-OPERATING REVENUES (EXPENSES)		
FEMA Grant Revenue	18,670	363,613
Earnings on Investments	263,371	206,971
Realized and Unrealized Net Gain (Loss) on Investments	(49,833)	(36,881)
Property Rental and Miscellaneous Income	114,594	95,625
Gain (Loss) on Disposition of Capital Assets	(4,068,509)	2,900
Miscellaneous Non-Operating Income	40,353	89,482
Interest Expense	(407,188)	(162,209)
Property Management Expense	(69,005)	(89,799)
Total Non-Operating Revenues (Expenses)	(4,157,547)	469,702
Income (Loss) Before Contributions	(2,717,070)	1,359,598
CAPITAL CONTRIBUTIONS	5,648,307	3,297,135
Change in Net Position	2,931,237	4,656,733
Net Position - Beginning of Year	99,597,359	97,009,803
Cumulative effect of adoption of new accounting principle	-	(2,069,177)
NET POSITION - END OF YEAR	$ 102,528,596	$ 99,597,359

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 8,155,937	$ 6,828,257
Cash Paid to Suppliers	(5,798,314)	(2,213,549)
Cash Paid to Employees	(2,254,490)	(2,263,569)
Net Cash Flows from Operating Activities	103,133	2,351,139
CASH FLOWS FROM NONCAPITAL ACTIVITIES		
FEMA Grant Revenue	18,670	363,613
Property Rental and Miscellaneous Income	154,947	185,107
Property Management Expense	(69,005)	(89,799)
Net Cash Flows from Noncapital Activitities	104,612	458,921
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Contributions	4,353,300	2,926,508
Acquisition and Construction of Capital Assets	(14,604,845)	(17,380,000)
Cash Received from Sale of Capital Assets	-	2,900
Proceeds from Debt Issuance	11,720,223	7,913,244
Repayment of Bonds and Loans	(1,671,747)	(1,733,611)
Interest Paid	(392,992)	(616,004)
Net Cash Flows used by Capital and Related Financing Activities	(596,061)	(8,886,963)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	4,505,539	7,638,980
Purchase of Investments	(4,627,180)	(5,586,253)
Earnings on Investments	263,371	241,499
Net Cash Flows from Investing Activities	141,730	2,294,226
NET CHANGE IN CASH AND CASH EQUIVALENTS	(246,586)	(3,782,677)
Cash and Cash Equivalents - Beginning of Year	15,062,642	18,845,319
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 14,816,056	$ 15,062,642

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, 2016 AND 2015

	2016	2015
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating Income	$ 1,440,477	$ 889,896
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:		
Depreciation	2,096,258	2,061,094
Amortization of Water Service Agreement	-	75,000
Changes in Operating Assets and Liabilities:		
Receivables	(457,077)	(738,177)
Pension Related Items	219,057	93,969
Inventory - Supplies	33,029	(16,426)
Accrued Liabilities	(26,788)	(9,718)
Prepaid Expenses and Other Assets	(1,265)	102,442
Accounts Payable and Accrued Expenses	(3,200,558)	(106,941)
Net Cash Flows provided by Operating Activities	$ 103,133	$ 2,351,139
Noncash Investing, Capital and Financing Activities		
Capital Assets Contributed to the District	$ 360,757	$ 370,627
Capital Assets Acquired with Accounts and Retainage Payable	583,481	4,774,484
Amortization of Debt Premium	19,427	19,427
Unrealized Loss (Gain) on Investments	49,833	36,881

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Budgets and Budgetary Accounting

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

The budget process timeline is as follows:

1. 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 $51,773,840.

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.

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, 2016 or 2015, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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

Inventories

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

Prepaid Expenses

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

Capital Assets

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

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, 2016 and 2015 is $-0- and $-0-, respectively.

Debt Issuance Costs

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $194,210 and $220,998 at December 31, 2016, and 2015, respectively.

Net Position

Net position is classified in the following categories:

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

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

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

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

Use of Estimates

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

GASB Statement Implementation

For the year ended December 31, 2016, the District adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application,* which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosers to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The District's fair value measurements have not changed as a result of the implementation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	2016
Change in Net Position	$ 2,931,237
Add:	
Debt Proceeds (Budgetary Basis)	12,443,361
Loss on Sale of Capital Assets	4,068,509
Depreciation	2,096,258
Pension Expense	389,850
Unrealized Loss (Gain) on Investment	49,833
Transfers to Governmental Funds	20,417
Less:	
Capital Outlay	(15,008,329)
Net Funding from (to) Water Reserve	(2,841,161)
Debt Principal Paid	(1,760,892)
Net Reduction in Tap Fee Receivables	(934,250)
Non-Cash Capital Contributions	(370,360)
Employer Contribution Expense	(296,880)
Prepaid and Capitalized Interest	(108,041)
Grant Revenues	(18,670)
Excess (Deficiency) of Revenues over Expenditures (Budgetary Basis)	$ 660,882

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

At December 31, 2016 and 2015, the District had deposits with a financial institution with a carrying amount of $4,735,731 and $2,786,048, respectively. The bank balances with the financial institution were $4,749,979 and $2,890,610 respectively, which of this amount $250,000 was covered by federal depository insurance, with the excess in 2016 covered by PDPA.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

District policy is to hold investments until maturity.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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.

Local Government Investment Pools

At December 31, 2016 and 2015, the District had invested $10,079,325 and $12,275,594, 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. Separate financial statements can be obtained by going to www.colotrust.com.

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

	2016	2015
Cash on Hand	$ 1,000	$ 1,000
Bank Deposits	4,735,731	2,786,048
Local Government Investment Pool	10,079,325	12,275,594
Total Cash and Cash Equivalents	$ 14,816,056	$ 15,062,642

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	13.59%
FNMA	AA+	Aaa	1,321,599	2.95	11.75%
FFCD	AA+	Aaa	974,275	0.85	8.66%
Treasury Notes	AA+	Aaa	3,318,960	0.64	29.50%
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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments held by the District at December 31, 2015, 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	$ 1,545,831	1.43	13.83%
FNMA	AA+	Aaa	298,815	2.4	2.67%
FHLMC	AA+	Aaa	449,397	1.38	4.02%
FFCD	AA+	Aaa	1,464,150	1.69	13.10%
Treasury Notes	AA+	Aaa	4,457,957	1.5	39.88%
Commercial Paper	A-1	P-1	498,754	-	4.46%
Corporate Bonds	AA- to AAA	A1 to P-1	2,464,099	1.37	22.04%*
Total			$ 11,179,003		

* 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, 2016.

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.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

Investments by Fair Value Level:	Total	Fair Value Measurements Using 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	-
COLOTRUST	10,079,325	-	10,079,325	-
Total Investments by Fair Value	$ 21,330,812	$ 3,318,960	$ 18,011,852	$ -

The District has the following fair value measurements as of December 31, 2015:

Investments by Fair Value Level:	Total	Fair Value Measurements Using Level 1	Level 2	Level 3
Commercial Paper	$ 498,754		$ 498,754	
Government Bonds	4,457,957	4,457,957	-	-
Government Agencies	3,758,193	-	3,758,193	-
Corporate Bonds	3,464,099	-	3,464,099	-
COLOTRUST	12,275,594	-	12,275,594	-
Total Investments by Fair Value	$ 24,454,597	$ 4,457,957	$ 19,996,640	$ -

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:

	2016	2015
Debt Service Account		
Paying Current Principal and Interest on Bonds and Loan	$ 2,068,781	$ 2,066,124
Funds Held in Escrow for Dodd Water Treatment Plant	773,383	4,491,712
Total Restricted Assets	$ 2,842,164	$ 6,557,836

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:

	2016	2015
Board Designated Accounts		
Deferred System Replacement Account	$ 7,811,963	$ 6,496,335
Water Acquisition Account	6,996,059	5,470,525
Dental Account	10,000	10,000
Total Designated Accounts	$ 14,818,022	$ 11,976,860

NOTE 4 RECEIVABLES

Receivables consist of the following at December 31:

	2016	2015
Water Service	$ 410,028	$ 340,711
Elms and Meadow Vale Farms Community Associations Receivable	52,800	88,821
Developer Agreement Receivable	2,035,250	1,101,000
Other Receivables	280,743	19,844
	2,778,821	1,550,376
Less Amounts Due Beyond One Year	162,882	-
Current Receivables	$ 2,941,703	$ 1,550,376

NOTE 5 CAPITAL ASSETS

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)	(12,981)	14,857	(255,716)
Water Service Agreement	(1,500,000)	-	-	(1,500,000)
Total Accumulated Depreciation	(30,114,851)	(2,096,259)	3,656,323	(28,554,787)
Total Capital Assets, Being Depreciated, Net	49,751,970	29,994,707	(4,069,508)	75,677,169
Total Capital Assets, Net	$ 95,677,460	$ 45,186,339	$ (35,835,050)	$ 105,028,749

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land, Easements and Water Rights	$ 21,626,089	$ 5,095,057	$ (2,022,983)	$ 24,698,163
Construction in Progress	4,112,345	19,491,587	(2,376,605)	21,227,327
Total Capital Assets, Not Being Depreciated	25,738,434	24,586,644	(4,399,588)	45,925,490
Capital Assets, Being Depreciated				
Transmission and Distribution System	59,305,390	2,376,604	-	61,681,994
Facilities	15,322,269	158,635	-	15,480,904
Vehicles and Equipment	904,229	24,915	(24,036)	905,108
Furniture and Equipment	303,040	20,276	(24,501)	298,815
Water Service Agreement	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	77,334,928	2,580,430	(48,537)	79,866,821
Less: Accumulated Depreciation				
Transmission and Distribution System	(19,887,353)	(1,611,430)	-	(21,498,783)
Facilities	(5,750,073)	(380,595)	-	(6,130,668)
Vehicles and Equipment	(701,504)	(50,340)	24,036	(727,808)
Furniture and Equipment	(263,364)	(18,729)	24,501	(257,592)
Water Service Agreement	(1,425,000)	(75,000)	-	(1,500,000)
Total Accumulated Depreciation	(28,027,294)	(2,136,094)	48,537	(30,114,851)
Total Capital Assets, Being Depreciated, Net	49,307,634	444,336	-	49,751,970
Total Capital Assets, Net	$ 75,046,068	$ 25,030,980	$ (4,399,588)	$ 95,677,460

NOTE 6 LONG-TERM DEBT

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

	2016	2015
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.	$ 1,099,738	$ 1,500,376
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.	25,136,877	15,205,981
Unamortized Bond Premium	249,049	268,477
Total Long-Term Debt	$ 26,485,664	$ 16,974,834

A summary of changes in long-term debt is 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 6 LONG-TERM DEBT (CONTINUED)

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

Year Ending December 31,	Principal	Interest	Total
2017	$ 1,688,432	$ 492,756	$ 2,181,188
2018	1,720,459	456,599	2,177,058
2019	1,517,808	431,093	1,948,901
2020	1,294,753	425,147	1,719,900
2021	1,307,563	414,047	1,721,610
2022 - 2026	6,684,072	1,907,184	8,591,256
2027 - 2031	7,192,622	1,356,781	8,549,403
2032 - 2034	4,830,906	239,415	5,070,321
Total	$ 26,236,615	$ 5,723,022	$ 31,959,637

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, however, the District has not drawn down the full amount of the 2014 loan as of December 31, 2016. The District did make the full required principal and interest payments in 2016, but as the loan had not been fully received a portion of the principal and interest paid in 2016 is included in prepaid expenses at December 31, 2016.

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.

The following calculation shows the District's compliance with this loan agreement for the year ended December 31, 2016:

Operating Revenues	$ 8,613,014
Capital Contributions	3,961,225
Subtotal	12,574,239
Operation and Maintenance Expense	(5,076,279)
Net Revenue as Defined in 1999 CWR&PDA Loan Resolution	$ 7,497,960
2017 Principal Due	$ 422,149
2017 Interest Due	33,260
Subtotal	455,409
	x110%
Required Revenue as Defined in 1999 CWR&PDA Loan Resolution	$ 500,950

NOTE 7 RATE MAINTENANCE (CONTINUED)

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, 2016:

Operating Revenues	$	8,613,014
Capital Contributions		3,961,225
Subtotal		12,574,239
Operation and Maintenance Expense		(5,076,279)
Net Revenue as Defined in 2014 CWR&PDA Loan Resolution	$	7,497,960
2017 Principal Due	$	1,368,327
2017 Interest Due		459,496
Subtotal		1,827,823
		x110%
Required Revenue as Defined in 2014 CWR&PDA Loan Resolution	$	2,010,605
Required Revenue for Both 1999 and 2014 CWR&PDA Loans	$	2,511,555

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 $114,594 and $95,625 rental income for the years ended December 31, 2016 and 2015, respectively.

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

Year ending December 31,		Amount
2017	$	124,290
2018		125,696
2019		127,144
2020		130,747
2021		134,462
Thereafter		1,292,499
Total	$	1,934,838

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.

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.

Benefits

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, or
- 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 percent 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.

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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 and all benefit recipients of the DPS benefit structure 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 (AIR) 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.

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, 2015	For the Year Ended December 31, 2016
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).

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

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 $206,988 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the District reported a liability of $3,141,965 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2015 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the District proportion was 0.2852232665 percent, which was an increase of 0.0004226177 percent from its proportion measured as of December 31, 2015.

	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 of Contributions	10,189	-
Contributions Subsequent to the Measurement Date	215,380	-
Total	$ 853,839	$ 57,658

The $215,380 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, 2017. 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, 2017	$ 142,100
December 31, 2018	$ 153,656
December 31, 2019	$ 159,827
December 31, 2020	$ 125,218

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

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-200 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.

The actuarial assumptions used in the December 31, 2014 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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

The LGDTF's long-term expected rate of return on pension plan investments was determined using 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 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.

As of the November 15, 2013 adoption of the 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	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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:

- 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 3.90%.

- 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, 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 actuarial cost method and assumptions, 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 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. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the collective net pension liability calculated using the discount rate of 7.50 percent as of measurement date, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Discount Rate:	6.5%	7.5%	8.5%
Proportionate Share of the Net Pension Liability	$ 4,816,953	$ 3,141,965	$ 1,752,728

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

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, 2016, 2015, and 2014, the District's employer contributions to the HCTF were $16,650, $16,522, and $15,918, 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.

NOTE 11 VOLUNTARY INVESTMENT PROGRAM (CONTINUED)

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 2016 and 2015, respectively). Catch-up contributions up to $6,000 and $6,000 for calendar years 2016 and 2015, 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, 2016 and 2015, the 401(k) Plan member contributions were $72,950 and $74,563, 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, 2016, 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.

NOTE 14 TABOR COMPLIANCE (CONTINUED)

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 COMMITMENTS

On July 17, 2014, the District had signed a contract with a design and construction company to complete the design of the Dodd Water Treatment Plant expansion for a total contract price, including change orders, of $5,020,801. On February 17, 2015, the contract was amended to be a gross maximum price of $29,383,347, which includes all the design and construction. As of December 31, 2016, the amount to completion was approximately $2,188,259.

NOTE 16 SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through April 14, 2017, the date the financial statements were available to be issued. On February 13, 2017, the District entered an agreement with Massey Farms, LLLP to purchase 90 Units of C-BT project water for $2,430,000. Payments were made into escrow as of March 6, 2017.

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*

	2015	2014	2013
District's proportion of the net pension liability	0.2852232665%	0.2848006479%	0.2765334667%
District's proportional share of the net pension liability	$ 3,141,965	$ 2,552,694	$ 2,275,652
District's covered-employee payroll	1,619,847	1,560,580	1,450,933
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.97%	163.57%	156.84%
Total pension liability	4,762,090,000	4,647,777,000	4,517,239,000
Plan Fiduciary net position	3,660,509,000	3,751,468,000	3,322,306,000
Net pension liability	$ 1,101,581,000	$ 896,309,000	$ 1,194,933,000
Plan fiduciary net position as a percentage of the total pension liability	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
2007 – 2016

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily Required Contribution	$ 206,988	$ 205,397	$ 197,882	$ 187,358	$ 202,677	$ 209,505	$ 193,393	$ 175,692	$ 151,558	$ 133,175
Contributions in Relation to the Statutorily Required Contribution	206,988	205,397	197,882	187,358	202,677	209,505	193,393	175,692	151,558	133,175
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered-employee Payroll	$ 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	$ 1,334,415
Contributions as a Percentage of Covered-employee Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%	10.90%	9.98%

SUPPLEMENTARY INFORMATION

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Revenue and Receipts			
Operating Revenue			
Water - Volume Charge	$ 6,247,000	$ 6,086,464	$ (160,536)
Water - Basic Service Charge	2,250,050	2,259,913	9,863
Other Service Revenue	122,500	186,594	64,094
Total Operating Revenue	8,619,550	8,532,971	(86,579)
Non-Operating Revenue			
Interest Income	150,000	263,371	113,371
Water Lease Income	50,000	80,043	30,043
Property Rental and Miscellaneous Income	95,000	114,594	19,594
Miscellaneous Non-Operating Revenue	-	40,353	40,353
Total Non-Operating Revenue	295,000	498,361	203,361
Other Receipts			
Customer Tap Fees	602,700	1,305,505	702,805
Water Requirement Fee	821,875	1,658,184	836,309
Less: Funding to Water Reserve	(821,875)	(1,658,184)	(836,309)
CIAC - Line Fee/Fire System, etc.	194,260	251,747	57,487
Less: Idaho Creek - Line Fee Reimbursement	(32,080)	(1,529)	30,551
CIAC - Cash Contributions	171,770	192,904	21,134
CIAC - CDOT	550,000	744,626	194,626
2014 DWRF Loan Proceeds	18,000,000	12,443,361	(5,556,639)
Total Other Receipts	19,486,650	14,936,614	(4,550,036)
Total Revenue and Receipts	28,401,200	23,967,946	(4,433,254)

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Disbursed Expenditures			
Operating Expenditures			
Water Assessments	401,000	395,483	5,517
Winter Water Supply	51,800	51,480	320
X-Tie Water Supply	180,000	203,219	(23,219)
Salaries	1,683,250	1,639,944	43,306
PERA Contribution	314,770	296,880	17,890
Taxes - Medicare Match	24,410	24,499	(89)
Worker's Compensation/Unemployment	39,090	31,526	7,564
Health/Life Insurance	250,800	229,388	21,412
Education and Dues	29,800	24,513	5,287
Chemicals	269,510	103,038	166,472
Fuel	46,280	25,740	20,540
Repairs and Maintenance	843,500	766,891	76,609
Utilities and Communication	335,210	345,662	(10,452)
Water Tests	34,000	29,192	4,808
Accounting and Audit	16,700	16,570	130
Commercial Insurance	115,000	121,442	(6,442)
Computer Expense	43,500	28,070	15,430
Contract Service Support	65,000	31,672	33,328
Legal Expense	30,000	34,000	(4,000)
Supplies	123,850	114,363	9,487
Other Expenditures	111,700	103,189	8,511
B.O.D Director Fees	8,700	7,500	1,200
LESS: Dir Fees w/3% Reserve - Gov't Fund	(8,960)	(7,725)	(1,235)
B.O.D Expenditures	15,000	12,322	2,678
LESS: BOD Exp w/3% Reserve - Gov't Fund	(15,460)	(12,692)	(2,768)
Contingency Expenses	30,000	-	30,000
Total Operating Expenditures	5,038,450	4,616,166	422,284
Non-Operating Expenditures			
Property Management Expense	208,000	40,241	167,759
Interest Expense	512,310	492,875	19,435
1999 DWRF Payable	400,640	400,638	2
2014 DWRF Payable	1,360,260	1,360,254	6
Total Non-Operating Expenditures	2,481,210	2,294,008	187,202
Capital Expenditures			
General and Administrative	-	-	-
Distribution and Transmission	180,000	174,642	5,358
Treatment	82,000	80,256	1,744
Building and Grounds	27,500	-	27,500
Total Capital Expenditures	289,500	254,898	34,602

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2016

	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	-	132,650	(132,650)
Funding from Water Reserve	-	(132,650)	132,650
Raw Water - Legal Costs	-	-	-
Total Land, Easement and Water Acquisition	-	-	-
Construction			
Miscellaneous and Unscheduled Construction	19,355,000	13,608,442	5,746,558
Replacement Fund Projects	1,714,500	684,373	1,030,127
Net Funding to (from) Replacement Fund	285,500	1,315,627	(1,030,127)
NISP	429,000	428,750	250
Southern Supply Line II	275,000	104,800	170,200
Total Construction	22,059,000	16,141,992	5,917,008
Total Disbursed Expenditures	29,868,160	23,307,064	6,561,096
Excess (Deficiency) of Revenues Over Expenditures	$ (1,466,960)	$ 660,882	$ 2,127,842

	Government Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Sources of Funds			
Revenues	$ -	$ -	$ -
Transfers from Enterprise Fund	24,420	20,417	(4,003)
Total Sources of Funds	24,420	20,417	(4,003)
Uses of Funds			
Board of Directors Expenditures	15,000	12,322	(2,678)
Director Fees	8,700	7,500	(1,200)
TABOR Reserve (3%)	720	595	(125)
Total Uses of Funds	24,420	20,417	(4,003)
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, 2016, 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 14, 2017.

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.

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 14, 2017

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, 2016. 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, 2016.

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 14, 2017

LEFT HAND WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

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	$ 18,670
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	9,194,360
Total Expenditures of Federal Awards			$ 9,213,030

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

LEFT HAND WATER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

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, 2016.

NOTE 4 LOAN AND LOAN GUARANTEES

The District received no loan or loan guarantees during the year ended December 31, 2016.

NOTE 5 NON-CASH ASSISTANCE

The District received no non-cash federal assistance during the year ended December 31, 2016.

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, 2016

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, 2016

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – Prior Year Findings

Finding: 2015-001

Significant Deficiency

Criteria: GASB 62 requires that assets that are constructed or otherwise produced for the government's own use (including assets constructed or produced for the government by others for which progress payments have been made), that interest costs incurred during that period as a result of outlays for the assets is part of the historical cost of acquiring the asset and should be capitalized.

Condition During the course of our audit, we noted that interest for current projects under construction at December 31, 2015, had not been capitalized.

Questioned Costs: None

Cause: Inadequate controls over the financial statement process to insure that all general ledger accounts are accurately reported in accordance with generally accepted accounting principles.

Effect: As a result, the construction in progress was understated and interest expense was overstated at December 31, 2015. Thus, the possibility exists that the District's financial statements would not provide a high level of assurance and could potentially be materially misstated.

Recommendation: We recommend that accounting personnel obtain additional training to stay current on all FASB and GASB updates.

Views of responsible officials and planned corrective actions: Management concurs with the finding and will ensure appropriate personnel enhance their knowledge of GASB and FASB updates with additional training.

Status: Implemented