

LEFT HAND WATER DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

**LEFT HAND WATER DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Left Hand Water District
Niwot, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Left Hand Water District (the District), as of and for the year ended December 31, 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. The financial statements of the District as of December 31, 2014, were audited by other auditors whose report dated June 18, 2015, expressed an unmodified opinion on those statements.

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 opinions on these financial statements based on our audit. We conducted our audit 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, 2015 and 2014, 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.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 10 to the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*. As a result of the implementation of GASB No. 68, the District reported a restatement for the change in accounting principle. Our opinions were not modified with respect to the restatement.

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 employer contributions on pages 27-28 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues and expenditures – budget to actual (budget basis) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis is not a required part of the basic financial statements.

The schedule of revenues and expenditures – budget to actual (budget basis) and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Left Hand Water District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2016, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenwood Village
April 14, 2016

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 30) – 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.

2015 HIGHLIGHTS

- As of December 31, 2015, total net position was \$99,597,359, representing an increase of \$2,587,556 (2.6%), when compared to 2014.
- Operating revenues were \$7,557,434 during 2015, a 2.7% increase as compared to 2014.
- In 2015, total operating expenses net of depreciation/amortization were \$4,531,444, a decrease of 5.4% over 2014.
- Total capital contributions were \$3,297,135 in 2015, compared to \$2,670,843 in 2014 – an increase of 23.4%.
- Long-term debt (net of current maturities) increased to \$15,213,942 as of December 31, 2015, as compared with the December 31, 2014, balance of \$8,449,692.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Current Assets	\$ 28,818,923	\$ 33,160,857
Capital Assets (net of depreciation)	95,677,460	75,046,068
Other Assets	<u>---</u>	<u>89,400</u>
Total Assets	124,496,383	108,296,325
 Deferred Outflows of Resources	 390,060	 ---
Current Liabilities	7,300,938	2,606,114
Non-Current Liabilities	<u>17,987,634</u>	<u>8,680,408</u>
Total Liabilities	25,288,572	11,286,522
 Deferred Inflows of Resources	 512	 ---
Invested in Capital Assets, net of related debt	\$ 79,054,348	\$ 71,713,643
Restricted	816,124	768,419
Unrestricted	<u>19,726,887</u>	<u>24,527,741</u>
Total Net Position	<u>\$ 99,597,359</u>	<u>\$ 97,009,803</u>

Total Net Position increased in 2015 by almost \$2.6 million (2.6%) from the results of operations and capital contributions.

Total Long Term Liabilities increased by approximately \$9.3 million in 2015, 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 approximately \$30 million, and the District expects to have drawn the remaining amount of the principal during 2016. 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 allocated 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 (76.9%) and increased by a net of over \$20.6 million during 2015, which included over \$15 million in expenditures on the Dodd Water Treatment Plant (WTP) upgrade project, which was in progress at the end of the year. Depreciation expense was just over \$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, 2015, Unrestricted Net Position was just over \$4.8 million lower than at December 31, 2014 – due primarily to the expenditures in the WTP upgrade project, which is classified as Invested in Capital Assets.

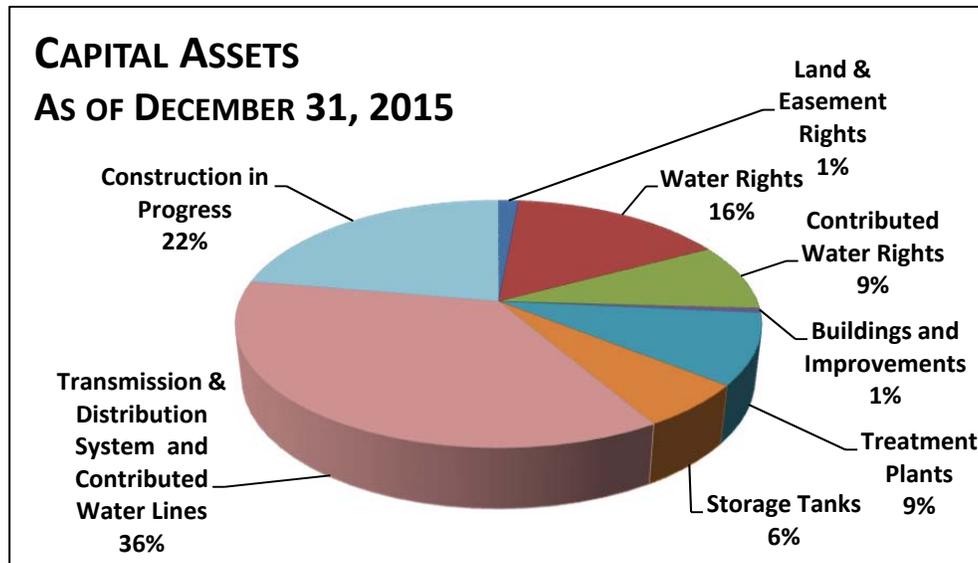
**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL ASSETS

The following table presents a condensed review of capital assets, net of accumulated depreciation, as of December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Land & Easement Rights	\$ 1,400,468	\$ 1,400,468
Water Rights	14,955,546	11,870,472
Contributed Water Rights	8,342,149	8,355,149
Buildings & Improvements	529,538	394,021
Treatment Plants	8,820,710	9,178,174
Storage Tanks	5,573,730	5,779,151
Raw Water Reservoirs	198,918	221,443
Transmission & Distribution System	34,410,738	33,417,444
Office Equipment & Furnishings	41,135	39,676
Equipment & Vehicles	177,201	202,725
Water Service Agreement	---	75,000
Construction in Progress	<u>21,227,327</u>	<u>4,112,345</u>
Total Capital Assets	<u>\$ 95,677,460</u>	<u>\$ 75,046,068</u>

Capital acquisitions in 2015 included a new meter reading vehicle. The District also purchased 180 units of Colorado-Big Thompson (CBT) water at a total cost of \$4.77 million. 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 2015 contributions of \$318,500 and \$220,000, respectively.



Of the almost \$28 million allocated for construction projects in the 2015 budget, just over \$17.6 million was expended, the vast majority on the Dodd Water Treatment Plant upgrade project. This project has a total budget of \$30 million and is scheduled to be completed in June, 2016. The project scope includes the construction of a new building housing new pretreatment facilities and chemical storage and updating the existing plant with new micro-filtration units and related components. This upgrade will increase the plant's treatment capacity from 6 million gallons per day (MGD) to 10 MGD, with the ability to add filtration units for a build-out capacity of 16 MGD. Other projects included upgrading the water line in the Overbrook subdivision, beginning design work on major pipelines along Weld County Roads 1 and 7, and upgrading the 95th Street Pump Station.

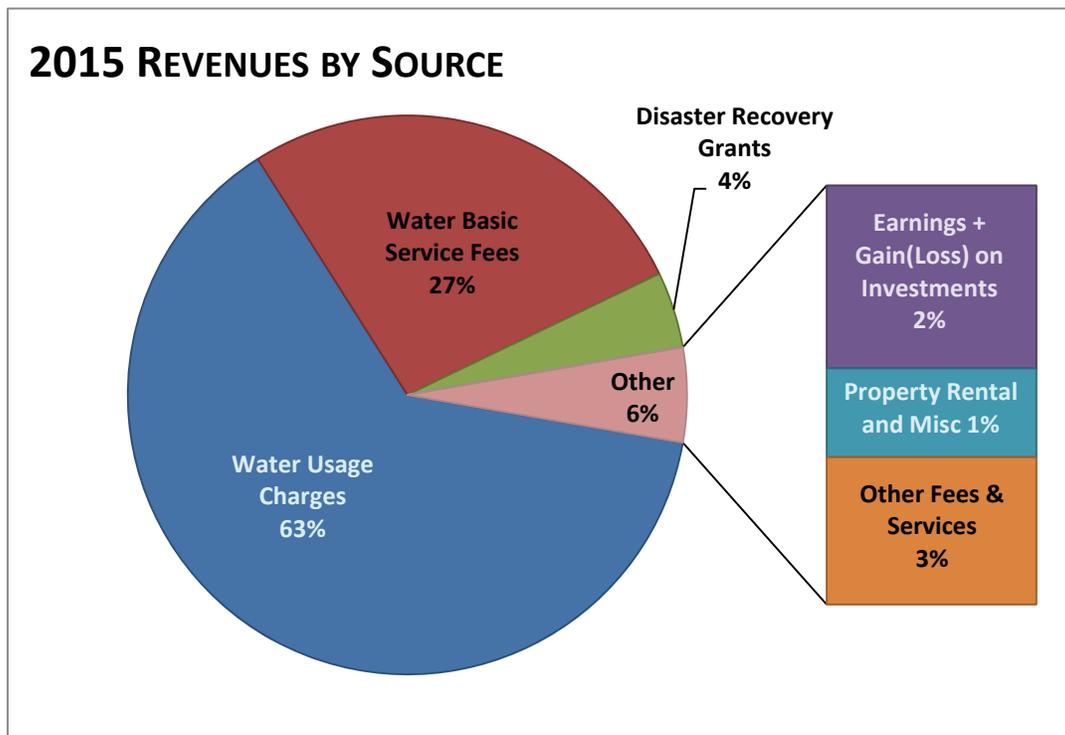
**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – REVENUES

The following table presents a condensed review of revenues for the years ended December 31, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Water Usage Charges	\$ 5,221,509	\$ 5,083,618
Water Basic Service Fees	2,215,487	2,141,878
Other Fees & Services	66,490	59,096
Inventory Sales	2,618	36,924
Water Lease Income	<u>51,330</u>	<u>37,720</u>
Total Operating Revenues	7,557,434	7,359,236
Non-Operating Revenues		
Earnings on Investments	206,971	157,744
Property Rental and Miscellaneous Income	95,625	93,207
Unrealized Gain/(Loss) on Investments	(35,704)	7,305
Realized Gain/(Loss) on Investments	(1,177)	(918)
Gain on Sale of Capital Assets	2,900	3,300
Disaster Recovery Grants	363,613	1,306,188
Other Non-Operating Income	<u>89,482</u>	<u>832</u>
Total Non-Operating Revenues	<u>711,707</u>	<u>1,567,658</u>
TOTAL REVENUES	<u>\$ 8,289,144</u>	<u>\$ 8,926,894</u>

Operating revenues in 2015 were under the budgeted amount by almost 9.5%. The majority of the shortfall was in Water Usage Charges due consumption being lower than projected. Operating revenues were 2.7% above 2014, partly due to a 2% increase in Basic Service Fee rates. Total revenues decreased by just over \$650,000 from 2014; without inclusion of the one-time Disaster Recovery Grant revenue, total revenues increased 3.7%.



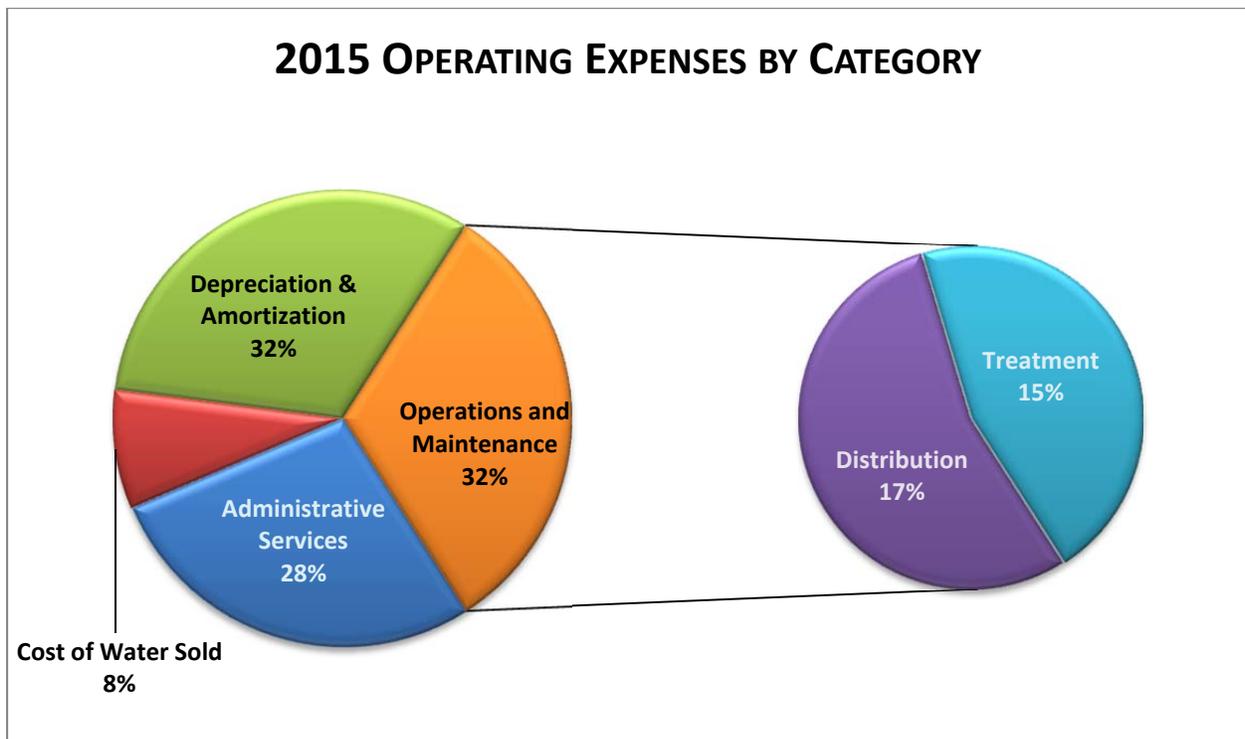
**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – OPERATING EXPENSES

The following table presents a condensed review of operating expenses for the years ended December 31, 2015 and 2014.

	2015	2014
Operating Expenses		
Operation and Maintenance	\$ 2,125,777	\$ 2,261,749
Administrative Services	1,843,526	2,003,812
Cost of Water Sold	562,141	526,890
Depreciation & Amortization	<u>2,136,094</u>	<u>2,002,869</u>
TOTAL OPERATING EXPENSES	<u>\$ 6,667,538</u>	<u>\$ 6,795,320</u>

Net of depreciation, total operating expenses for 2015 were under budget by 6.1%. Operation and maintenance costs decreased by 6% over 2014, largely due to expenditures related to the 2013 flooding disaster being recognized in 2014 that were not present in 2015. Additionally, costs of water treatment chemicals, fuel and utilities were lower in 2015.



**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CONDENSED COMPARATIVE FINANCIAL INFORMATION – CAPITAL CONTRIBUTIONS

The following table presents a condensed review of capital contributions for the years ended December 31, 2015 and 2014.

	2015	2014
Customer Tap Fees	\$ 2,765,076	\$ 1,723,403
Contributed Water Rights	(13,000)	---
Contributed Line Fee/Fire System	174,432	66,231
Contributed Assets	370,627	881,209
TOTAL CAPITAL CONTRIBUTIONS	\$ 3,297,135	\$ 2,670,843

Contributed capital can consist of several components: tap fees paid by customers who purchase new water taps for their property; water rights contributed in lieu of purchasing them; and contributions of fire systems, water lines, or water systems. In 2015, 83 taps were sold or completed, vs. 117 in 2014. Revenue was higher in 2015, however, due to a new subdivision contract for which a large payment was made. The District received no contributed water units in 2015, but did issue a partial refund based on the original contribution of water rights for a property that was annexed by the Town of Erie.

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 2015, the line fees collected on new taps totaled \$196,250, the vast majority of which were in the Eastern Zone Transmission (EZT) area. Per the existing contract, \$21,818 was remitted to the developer who contributed to the cost of the EZT line, for a net line fee of \$174,432.

The District received several contributed assets in 2015. In two cases, property owners elected to build water lines to serve their homes and contributed those lines 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 addition, Boulder County reimbursed the District for relocating a water line along 83rd Street in Niwot, at Dry Creek, which was recorded at the District's cost.

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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) (SWSP II). The District is participating in the NISP project for a total of 4,900 additional acre-feet of annual yield to meet anticipated needs at build-out. The SWSP II project will deliver raw water from Carter Lake to the Dodd Water Treatment Plant. It is anticipated that the District's allocation of cost in the projects, currently estimated at \$71.1 million, will be funded through a combination of 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 2015, the reserve was utilized to purchase \$4.77 million in new CBT units; the reserve balance as of December 31, 2015, was \$5,470,525.

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 2015, 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 2016 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 \$6,496,335 as of December 31, 2015. The following table summarizes the funding and use of Replacement Funds.

REPLACEMENT FUND RESERVE SUMMARY 1995-2015	
Replacement Fund Balance – December 31, 2014	\$ 5,556,686
Funding from Operations/Carryover	2,000,000
Disaster Recovery Grants Received	363,613
Projects Funded via Replacement Fund Reserve	(1,423,964)
Replacement Fund Balance – December 31, 2015	\$ 6,496,335

**LEFT HAND WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

DEBT AND OTHER FINANCIAL OBLIGATIONS

The District's long-term debt (net of current maturities and unamortized premiums) was \$15,213,942 and \$8,449,692 at December 31, 2015, and December 31, 2014, 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 \$381,816 were made in 2015. The 1999 loan will be paid in full in May of 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

As noted previously, water usage was lower than average in 2015, resulting in lower-than-anticipated water usage revenues. Water usage revenue typically accounts for approximately 70% of 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. 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 2015, due to the new subdivision contract 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 2016 budget is based on projected growth in both tap sales and water revenue and includes increases of between 3-8% 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, 2015 AND 2014**

	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and Cash Equivalents	\$ 8,504,806	\$ 11,075,784
Restricted Cash and Cash Equivalents	6,557,836	7,769,535
Investments	11,179,003	13,303,139
Receivables	1,550,376	722,799
Inventory - Supplies	173,085	156,659
Prepaid Expenses and Other Assets	853,817	132,941
Total Current Assets	28,818,923	33,160,857
Non-Current Assets		
Capital Assets		
Land, Easements and Water Rights	24,698,163	21,626,089
Construction in Progress	21,227,327	4,112,345
Transmission and Distribution System Facilities	61,681,994	59,322,114
Vehicles and Equipment	15,480,904	15,305,545
Furniture and Equipment	905,108	919,317
Water Service Agreement	298,815	287,952
Water Service Agreement	1,500,000	1,500,000
Total Capital Assets	125,792,311	103,073,362
Less Accumulated Depreciation	(30,114,851)	(28,027,294)
Capital Assets, Net	95,677,460	75,046,068
Other Assets		
Receivables - Long Term	-	89,400
Total Non-Current Assets	95,677,460	75,135,468
Total Assets	124,496,383	108,296,325
Deferred Outflows of Resources		
Contributions after Measurement Date	213,565	-
Changes in Investment Earnings	138,433	-
Changes in Proportionate Share	38,062	-
Total Deferred Outflows of Resources	390,060	-

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

**LEFT HAND WATER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities		
Accounts Payable	4,474,792	647,949
Retainage Payable	843,996	150,241
Accrued Expenses	221,258	74,313
Current Portion of Long-Term Debt	1,760,892	1,733,611
Total Current Liabilities	7,300,938	2,606,114
Non-Current Liabilities		
Accrued Compensated Absences	220,998	230,716
Net Pension Liability	2,552,694	-
Long-Term Debt		
(Net of Current Maturities and Unamortized Premium)	15,213,942	8,449,692
Total Non-Current Liabilities	17,987,634	8,680,408
Total Liabilities	25,288,572	11,286,522
Deferred Inflows of Resources		
Changes in Experience	512	-
NET POSITION		
Net Investment in Capital Assets	79,054,348	71,713,643
Restricted		
Debt Service	816,124	768,419
Unrestricted	19,726,887	24,527,741
TOTAL NET POSITION	\$ 99,597,359	\$ 97,009,803

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

LEFT HAND WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
Operating Revenues		
Water - Treated	\$ 7,436,996	\$ 7,225,496
Service Revenue	66,490	59,096
Other Income	53,948	74,644
Total Operating Revenues	7,557,434	7,359,236
Operating Expenses		
Depreciation	2,136,094	2,002,869
Salaries and Wages	1,613,730	1,584,399
Repairs and Maintenance	851,584	1,025,968
Employee Benefit and Taxes	714,885	589,189
Cost of Water Sold	562,142	526,890
Utilities	257,489	290,985
Office	120,168	130,036
Contract Support Service	48,119	81,351
Insurance	108,280	100,298
Other	139,150	355,629
Professional Fees	96,418	90,153
Employee Development	19,479	17,553
Total Operating Expenses	6,667,538	6,795,320
Operating Income	889,896	563,916
Non-Operating Revenues (Expenses)		
FEMA Grant Revenue	363,613	1,306,188
Earnings on Investments	206,971	157,744
Realized and Unrealized Net Gain (Loss) on Investments	(36,881)	6,387
Property Rental and Miscellaneous Income	95,625	93,207
Gain on Sale of Capital Assets	2,900	3,300
Miscellaneous Non-Operating Income	89,482	832
Interest Expense	(162,209)	(203,823)
Property Management Expense	(89,799)	(48,951)
Total Non-Operating Revenues (Expenses)	469,702	1,314,884
Income Before Contributions	1,359,598	1,878,800
Capital Contributions	3,297,135	2,670,843
Change in Net Position	4,656,733	4,549,643
Net Position at Beginning of Year	97,009,803	92,460,160
Cumulative effect of adoption of new accounting principle (Note 17)	(2,069,177)	-
Net Position at End of Year	\$ 99,597,359	\$ 97,009,803

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

**LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2015 AND 2014**

	2015	2014
Cash Flows from Operating Activities		
Cash Received from Customers	\$ 6,828,257	\$ 7,853,297
Cash Paid to Suppliers	(2,213,549)	(3,273,124)
Cash Paid to Employees	(2,263,569)	(1,573,193)
Net Cash Flows from Operating Activities	2,351,139	3,006,980
Cash Flows from Noncapital Activities		
FEMA Grant Revenue	363,613	1,306,188
Property Rental and Miscellaneous Income	185,107	94,039
Property Management Expense	(89,799)	(48,951)
Net Cash Flows from Noncapital Activities	458,921	1,351,276
Cash Flows from Capital and Related Financing Activities		
Capital Contributions	2,926,508	1,789,634
Acquisition and Construction of Capital Assets	(17,380,000)	(4,549,455)
Cash Received from Sale of Capital Assets	2,900	3,300
Proceeds from Debt Issuance	7,913,244	7,927,369
Repayment of Bonds and Loans	(1,733,611)	(2,700,676)
Interest Paid	(616,004)	(194,203)
Net Cash Flows from Capital and Related Financing Activities	(8,886,963)	2,275,969
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	7,638,980	4,330,918
Purchase of Investments	(5,586,253)	(4,749,914)
Earnings on Investments	241,499	156,826
Net Cash Flows from Investing Activities	2,294,226	(262,170)
Net Change in Cash and Cash Equivalents	(3,782,677)	6,372,055
Cash and Cash Equivalents at Beginning of Year	18,845,319	12,473,264
Cash and Cash Equivalents at End of Year	\$ 15,062,642	\$ 18,845,319

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

**LEFT HAND WATER DISTRICT
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2015 AND 2014**

	2015	2014
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating Income	\$ 889,896	\$ 563,916
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:		
Depreciation	2,061,094	1,927,869
Amortization of Water Service Agreement	75,000	75,000
Changes in Operating Assets and Liabilities:		
Receivables	(738,177)	494,061
Pension Related Items	93,969	-
Inventory - Supplies	(16,426)	(41,589)
Accrued Liabilities	(9,718)	-
Prepaid Expenses and Other Assets	102,442	(10,472)
Accounts Payable and Accrued Expenses	(106,941)	(1,805)
Net Cash Flows from Operating Activities	\$ 2,351,139	\$ 3,006,980
 Noncash Investing, Capital and Financing Activities		
Capital Assets Contributed to the District	\$ 370,627	\$ 881,209
Capital Assets Acquired with Accounts and Retainage Payable	4,774,484	432,386
Amortization of Debt Premium	19,427	243,329
Unrealized Loss (Gain) on Investments	36,881	(6,387)

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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 Statutes (CRS). It is a quasi-municipal corporation and a political subdivision of the State of Colorado with all powers thereof, which includes the power to levy taxes against property within the District.

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

Reporting Entity

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

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

1. Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
2. Fiscal dependency on the primary government and there is 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.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Proprietary funds, which include enterprise funds, are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Therefore, all assets, deferred outflow of resources, liabilities, and deferred inflows of resources associated with the operation of this fund are included on the statement of net position.

Revenues and expenses are recorded in the accounting period in which they are earned or incurred and they become measurable. Net position is segregated into amounts 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 financials 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 \$60,430,047.

Cash and Cash Equivalents

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

Investments

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

Allowance for Doubtful Accounts

The District's receivables are due from commercial and residential customers within the District service area. The District's policy for collections is limited to the right to discontinue service and to place liens on property. The District has determined that no allowance is necessary at December 31, 2015 or 2014, based on historical collection experience.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

Operating Revenues and Expenses

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

Inventories

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

Prepaid Expenses

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

Capital Assets

Capital Assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at 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	<u>Estimated Lives</u>
Transmission and Distribution System	39-50 years
Facilities	10-40 years
Vehicles and Equipment	5-10 years
Furniture and Equipment	5-10 years

The District entered into a water service agreement with Central Weld County Water District (CWCWD) on November 17, 1994. CWCWD will provide treated water to the District via a cross-tie connection. Upon execution of this agreement, the District paid \$1,500,000 to CWCWD. This agreement is in effect for 20 years and may be renewed for successive 10 year terms.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of the agreement is being amortized over the estimated economic life of the agreement. According, \$75,000 of amortization expense has been reported as a cost of water in the financial statements. The balance of the unamortized cost at December 31, 2015 and 2014 is \$-0- and \$75,000, respectively.

Debt Issuance Costs

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

Debt Related Deferrals

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

Accrued Compensated Absences Payable

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

The District has recorded a liability of \$220,998 and \$230,716 at December 31, 2015 and 2014, 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.

Reclassifications

Certain balances for the year ended December 31, 2014 have been reclassified to make them consistent with the current year presentation. The reclassifications had no effect on the change in net position for 2014.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Reconciliation of Budget Based Accounting to GAAP Financial Statements

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

	2015
Change in Net Position	\$ 4,656,733
Add:	
Debt Proceeds	7,913,244
Depreciation	2,061,094
Amortization of Water Agreement	75,000
Unrealized Loss (Gain) on Investment	36,881
Transfers to Governmental Funds	21,252
Pension Expense	298,941
Net Funding from (to) Water Reserve	2,765,387
Less	
Capital Outlay	(21,696,850)
Debt Principal Paid	(1,733,611)
Prepaid and Capitalized Interest	(339,333)
Gain on Sale of Capital Assets	(2,900)
Non-Cash Capital Contributions	(370,627)
Employer Contribution Expense	(204,972)
Grant Revenues	(363,613)
Net Reduction in Tap Fee Receivables	(825,911)
Excess (Deficiency) of Revenues over Expenditures (Budgetary Basis)	\$ (7,709,285)

NOTE 2 CASH AND INVESTMENTS

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limited, 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.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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, 2015 and 2014, the District had deposits with a financial institution with a carrying amount of \$2,786,048 and \$4,316,451, respectively. The bank balances with the financial institution were \$2,890,610 and \$4,172,461 respectively, which of this amount \$250,000 was covered by federal depository insurance, with the excess in 2015 covered by PDPA.

Investments

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

- Direct obligations of the United States with a maximum maturity of five years.
- Obligations of U.S. Government Agencies with a maximum maturity of five years.
- Securities of entities or organizations not listed above, but created by, or authorized to be created by legislation of the U.S. Congress where the issuing agency is subject to control by the federal government.
- General 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.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

- Certain guaranteed investment contracts rated in one of the two highest rating categories by two or more nationally recognized securities ratings agencies that regularly issue such ratings.
- U.S. dollar denominated corporate or bank security, issued by a corporation or bank organized and operating within the United States; the debt matures within three years; the debt must carry at least two ratings not below “AA- or Aa3” from any nationally recognized rating agencies.

District policy is to hold investments until maturity.

Interest Rate Risk

The District has adopted an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, which is consistent 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, 2015 and 2014, the District had invested \$12,275,594 and \$14,527,768, 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.colotruster.com.

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

	2015	2014
Cash on Hand	\$ 1,000	\$ 1,000
Bank Deposits	2,786,048	4,316,551
Local Government Investment Pool	12,275,594	14,527,768
Total Cash and Cash Equivalents	<u>\$ 15,062,642</u>	<u>\$ 18,845,319</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments held by the District at December 31, 2015, were as follows:

	S & P Rating	Moody Rating	Cost	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
US Instrumentality						
FHLB	AA+	Aaa	\$ 1,565,495	\$ 1,545,831	1.43	13.83%
FNMA	AA+	Aaa	299,925	298,815	2.4	2.67%
FHLMC	AA+	Aaa	449,190	449,397	1.38	4.02%
FFCD	AA+	Aaa	1,468,465	1,464,150	1.69	13.10%
Treasury Notes	AA+	Aaa	4,480,119	4,457,957	1.5	39.88%
Commerical Paper	A-1	P-1	498,664	498,754	-	4.46%
Corporate Debts	AA- to AAA	A1 to P-1	2,498,971	2,464,099	1.37	22.04%
Total			<u>\$ 11,260,829</u>	<u>\$ 11,179,003</u>		

Investments held by the District at December 31, 2014, were as follows:

	S & P Rating	Moody Rating	Cost	Fair Value	Weighted Average Years to Maturity	Concentration of Credit Risk
US Instrumentality						
FHLB	AA+	Aaa	\$ 2,943,370	\$ 2,930,319	2.76	22.03%
FNMA	AA+	Aaa	2,128,606	2,123,617	2.72	15.96%
FHLMC	AA+	Aaa	499,190	449,052	1.84	3.38%
FFCD	AA+	Aaa	2,814,075	2,854,860	2.39	21.46%
Treasury Notes	AA+	Aaa	2,994,469	2,962,809	1.91	22.27%
Commerical Paper	A-1	P-1	249,346	249,711	-	1.88%
Corporate Debts	AA- to AAA	A1 to P-1	1,749,666	1,732,771	0.93	13.03%
Total			<u>\$ 13,378,722</u>	<u>\$ 13,303,139</u>		

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, 2015.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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:

	2015	2014
Debt Service Account		
Paying Current Principal and Interest on Bonds and Loan	\$ 2,066,124	\$ 768,419
Funds held in Escrow for Dodd Water Treatment Plant	4,491,712	7,001,116
Total Restricted Assets	\$ 6,557,836	\$ 7,769,535

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:

	2015	2014
Board Designated Accounts		
Deferred System Replacement Account	\$ 6,496,335	\$ 5,556,686
Water Acquisition Account	5,470,525	9,175,561
Dental Account	10,000	10,000
Total Designated Accounts	\$ 11,976,860	\$ 14,742,247

NOTE 4 RECEIVABLES

Receivables consist of the following at December 31:

	2015	2014
Water Service	\$ 340,711	\$ 348,143
Elms Community Association Receivable	88,821	178,821
Developer Agreement Receivable	1,101,000	278,688
Other Receivables	19,844	6,547
	1,550,376	812,199
Less Amounts Due Beyond One Year	-	(89,400)
Current Receivables	\$ 1,550,376	\$ 722,799

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 CAPITAL ASSETS

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	(775,880)
Furniture and Equipment	(263,364)	(18,729)	24,501	(306,594)
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	<u>\$ 75,046,068</u>	<u>\$ 25,030,980</u>	<u>\$ (4,399,588)</u>	<u>\$ 95,677,460</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land, Easements and Water Rights	\$ 21,416,659	\$ 209,430	\$ -	\$ 21,626,089
Construction in Progress	2,634,572	3,430,297	(1,952,524)	4,112,345
Total Capital Assets, Not Being Depreciated	24,051,231	3,639,727	(1,952,524)	25,738,434
Capital Assets, Being Depreciated				
Transmission and Distribution System	55,286,666	4,018,724	-	59,305,390
Facilities	15,268,917	53,352	-	15,322,269
Vehicles and Equipment	831,117	95,856	(22,744)	904,229
Furniture and Equipment	295,125	7,915	-	303,040
Water Service Agreement	1,500,000	-	-	1,500,000
Total Capital Assets, Being Depreciated	73,181,825	4,175,847	(22,744)	77,334,928
Less Accumulated Depreciation				
Transmission and Distribution System	(18,398,883)	(1,488,470)	-	(19,887,353)
Facilities	(5,374,444)	(375,629)	-	(5,750,073)
Vehicles and Equipment	(675,458)	(48,790)	22,744	(701,504)
Furniture and Equipment	(248,384)	(14,980)	-	(263,364)
Water Service Agreement	(1,350,000)	(75,000)	-	(1,425,000)
Total Accumulated Depreciation	(26,047,169)	(2,002,869)	22,744	(28,027,294)
Total Capital Assets, Being Depreciated, Net	47,134,656	2,172,978	-	49,307,634
Total Capital Assets, Net	<u>\$ 71,185,887</u>	<u>\$ 5,812,705</u>	<u>\$ (1,952,524)</u>	<u>\$ 75,046,068</u>

NOTE 6 ASSET IMPAIRMENT

In September 2013, the District was impacted by a regional flooding event and certain capital assets were destroyed. The District suffered losses to roadways, services lines and extensions. The District evaluated its capital assets in accordance with GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, and realized a loss from impairment of \$168,104 for the year ended December 31, 2013. The District did not receive any insurance proceeds for the flooding. The District has applied to the Federal Emergency Management Agency (FEMA) to cover up to 75% of the costs to recover and 12.5% from the State of Colorado. As of December 31, 2015, the District had received \$1,669,801 for recovery costs.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 7 LONG-TERM DEBT

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

	2015	2014
1999 Loan - Colorado Water Resources and Power Development Authority \$6,625,000 May 1, 1999, Colorado Water Resources and Power Development Authority (CWR&PDA) Loan, from the State of Colorado Drinking Water Revolving Fund, with principal due in installments of \$349,550 in 2012, increasing to \$446,348 in 2018. A final principal payment of \$231,241 is due May 15, 2019. Interest with effective target rate of 3.85% along with principal and an administrative fee of .8% are payable semi-annually on May 15 and November 15. The proceeds were used to finance improvements to the Spurgeon Water Treatment Plant and to upgrade the water system.	\$ 1,500,376	\$ 1,882,192
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 .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.	15,205,981	8,013,207
Unamortized Bond Premium	268,477	287,904
Total Long-Term Debt	\$ 16,974,834	\$ 10,183,303

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	\$ 1,882,192	\$ -	\$ (381,816)	\$ 1,500,376	\$ 400,638
2014 CWR&PDA Loan	8,013,207	7,913,244	(720,470)	15,205,981	1,360,254
Accrued Compensated Absences	230,716	122,852	(132,570)	220,998	-
Totals	10,126,115	\$ 8,036,096	\$ (1,234,856)	16,927,355	\$ 1,760,892
Current Portion of Long-Term Debt	(1,733,611)			(1,760,892)	
Unamortized Bond Premium	287,904			268,477	
Noncurrent Portion of Long-Term Debt	\$ 8,680,408			\$ 15,434,940	

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 7 LONG-TERM DEBT (CONTINUED)

During 2014, the District extinguished the remaining balance due on the 2004 Water Revenue Bonds, using resources on hand to place the proceeds into escrow. The resulting gain or loss would not have been material, due to the short term nature of the remaining balance due. Accordingly, no gain or loss is reflected in these financial statements.

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,760,892	\$ 516,370	\$ 2,277,262
2017	1,790,476	492,756	2,283,232
2018	1,823,134	456,599	2,279,733
2019	1,621,486	431,093	2,052,579
2020	1,399,090	425,147	1,824,237
2021 - 2025	7,170,799	1,960,884	9,131,683
2026 - 2030	7,603,027	1,525,882	9,128,909
2031 - 2034	6,870,397	430,660	7,301,057
Total	<u>\$ 30,039,301</u>	<u>\$ 6,239,391</u>	<u>\$ 36,278,692</u>

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, 2015. The District did make the full required principal and interest payments in 2015, but as the loan had not been fully received a portion of the principal and interest paid in 2015 is included in prepaid expenses at December 31, 2015.

NOTE 8 RATE MAINTENANCE

The District's 1999 loan agreement with the CWR&PDA requires the District to establish, levy and collect rents, rates, and other charges for the products and services provided by the system in an amount sufficient to (1) meet the operation and maintenance expenses of the system, (2) to comply with all covenants in the loan resolution, and (3) pay at least 110% of 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, 2015:

Operating Revenues	\$ 7,557,434
Capital Contributions	2,926,508
Subtotal	<u>10,483,942</u>
Operation and Maintenance Expense	<u>(4,531,444)</u>
Net Revenue as Defined in 1999 CWR&PDA Loan Resolution	<u>\$ 5,952,498</u>
2016 Principal Due	\$ 400,638
2016 Interest Due	53,773
Subtotal	<u>454,411</u>
	x110%
Required Revenue as Defined in 1999 CWR&PDA Loan Resolution	<u>\$ 499,852</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 8 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, 2015:

Operating Revenues	\$ 7,557,434
Capital Contributions	2,926,508
Subtotal	<u>10,483,942</u>
Operation and Maintenance Expense	<u>(4,531,444)</u>
Net Revenue as Defined in 2014 CWR&PDA Loan Resolution	<u>\$ 5,952,498</u>
2016 Principal Due	\$ 1,360,254
2016 Interest Due	462,597
Subtotal	<u>1,822,851</u>
	x110%
Required Revenue as Defined in 2014 CWR&PDA Loan Resolution	<u>\$ 2,005,136</u>
Required Revenue for Both 1999 and 2014 CWR&PDA Loans	<u>\$ 2,504,988</u>

NOTE 9 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 \$95,625 and \$93,207 rental income for the years ended December 31, 2015 and 2014, respectively.

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

Year ended December 31,	Amount
2016	\$ 96,018
2017	108,733
2018	110,343
2019	112,011
2020	115,850
Therafter	1,334,346
Total	<u>\$ 1,877,301</u>

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO

Plan Description

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

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) which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of the 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 contribution were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPW-W) for the prior calendar year.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual Increase Reserve for the LGDTF.

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

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

Contributions

Employers 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. Employer Contribution requirements, as a percentage of salary, are summarized in the table below:

<u>January 1st through December 31st</u>	<u>2014</u>
Employer Contribution Rate	10.00%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	(1.02%)
Amount Apportioned to the LGDTF	8.98%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	2.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	1.50%
Total Employer Contribution Rate to the LGDTF	<u>12.68%</u>

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

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the District were \$205,397 for the year ended December 31, 2015.

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

At December 31, 2015, the District reported a liability of \$2,552,694 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The District's proportion of the net pension liability was based on District contributions to the LGDTF for the calendar year 2014 relative to the total contributions of participating employers to the LGDTF.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

As of December 31, 2014, the District's proportion was .28480%, which was an increase of .00827% from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the District recognized pension expense of \$298,941. At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 512
Net difference between projected and actual earnings on pension plan investments	138,433	-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	38,062	-
Contributions subsequent to the measurement date	213,565	-
Total	<u>\$ 390,060</u>	<u>\$ 512</u>

The \$213,565 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, 2016. 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 Ended	
December 31, 2016	\$ 64,175
December 31, 2017	42,592
December 31, 2018	34,608
December 31, 2019	34,608

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.85 percent
Long-term investment Rate of Return, not 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

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

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, 2013 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.

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 most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, 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%	3.00%
Long Duration Gov't/Credit	0.53%	2.00%
Emerging Market Bonds	0.43%	3.00%
Real Estate	7.00%	5.00%
Private Equity	7.00%	7.00%
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 assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ration reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 10 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO (CONTINUED)

Based on those assumptions, the LDGTF'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	<u>\$ 4,168,829</u>	<u>\$ 2,552,694</u>	<u>\$ 1,205,595</u>

NOTE 11 POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the 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, 2015, 2014, and 2013, the District's employer contributions to the HCTF were \$16,522, \$15,918, and \$14,800, respectively, equal to their required contributions for each year.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 12 VOLUNTARY INVESTMENT PROGRAM

Description

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

Funding Policy

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$17,500 for the calendar years 2015 and 2014). Catch-up contributions up to \$6,000 and \$5,500 for calendar years 2015 and 2014, 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, 2015 and 2014, the 401(k) Plan member contributions were \$74,563 and \$70,581, respectively.

NOTE 13 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 14 RELATED PARTY TRANSACTIONS

The District has an agreement with the Left Hand Ditch Company to transfer and exchange Northern Colorado Water Conservancy District (Big T) water and Left Hand Ditch Company water pursuant to certain restrictive terms and conditions. This agreement is automatically renewable unless terminated by written mutual agreement between the parties. As of December 31, 2015, the District owns approximately 17% of Left Hand Ditch Company water shares.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 15 TABOR COMPLIANCE

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

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

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

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

NOTE 16 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. As of December 31, 2015, the amount to completion was approximately \$13,893,440. 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.

**LEFT HAND WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 17 PRIOR PERIOD ADJUSTMENT AND RESTATEMENT OF NET POSITION AND FUND BALANCE

For the year ended December 31, 2015, the District adopted GASB Statement No. 68, *Accounting and financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement requires the liability of employers contributing to entities for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past period of service (total pension liability), less the amount of the pension plans fiduciary net position. As a result, the District decreased the January 1, 2015 beginning net position in the amount of \$2,069,177.

Net Position - Beginning	\$ 97,009,803
December 31, 2014, net pension liability	(2,275,652)
Employer contributions afer 12/31/2013 measurement date	<u>206,475</u>
Net Position - Beginning, restated	<u><u>\$ 94,940,626</u></u>

NOTE 18 – SUBSEQUENT EVENTS

Management of the District has evaluation subsequent events through April 14, 2016, the date the financial statements were available to be issued. There were no material subsequent events that require recognition.

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***

	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.2848006479%	0.2765334667%
District's proportional share of the net pension liability	\$ 2,552,694	\$ 2,275,652
District's covered-employee payroll	1,560,580	1,450,933
Total pension liability	4,647,777	4,517,239
Plan Fiduciary net position	<u>3,751,468</u>	<u>3,322,306</u>
Net pension liability	<u>\$ 896,309</u>	<u>\$ 1,194,933</u>
Plan fiduciary net position as a percentage of the total pension liability	80.72%	73.55%

* Information for the prior 8 years was not available to report.

**LEFT HAND WATER DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
2006 – 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily Required Contribution	\$ 205,397	\$ 197,882	\$ 187,358	\$ 202,677	\$ 209,505	\$ 193,393	\$ 175,692	\$ 151,558	\$ 133,175	\$ 112,268
Contributions in Relation to the Statutorily Required Contribution	<u>205,397</u>	<u>197,882</u>	<u>187,358</u>	<u>202,677</u>	<u>209,505</u>	<u>193,393</u>	<u>175,692</u>	<u>151,558</u>	<u>133,175</u>	<u>112,268</u>
Contribution Deficiency (Excess)	<u>\$ -</u>									
District's Covered-employee Payroll	\$ 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	\$ 1,184,263
Contributions as a Percentage of Covered-employee Payroll	12.68%	12.68%	12.68%	12.68%	12.68%	12.68%	11.78%	10.90%	9.98%	9.48%

SUPPLEMENTARY INFORMATION

**LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Revenue and Receipts			
Operating Revenue			
Water - Volume Charge	\$ 5,976,410	\$ 5,221,509	\$ (754,901)
Water - Basic Service Charge	2,230,150	2,215,487	(14,663)
Other Service Revenue	84,500	69,108	(15,392)
Total Operating Revenue	<u>8,291,060</u>	<u>7,506,104</u>	<u>(784,956)</u>
Non-Operating Revenue			
Interest Income	200,000	206,971	6,971
Water Lease Income	50,000	51,330	1,330
Property Rental and Miscellaneous Income	93,000	95,625	2,625
Miscellaneous Non-Operating Revenue	-	89,482	89,482
Total Nonoperating Revenue	<u>343,000</u>	<u>443,408</u>	<u>100,408</u>
Other Receipts			
Customer Tap Fees	494,360	861,200	366,840
Water Requirement Fee	828,500	1,064,964	236,464
Less: Funding to Water Reserve	(828,500)	(1,064,964)	(236,464)
CIAC - Line Fee/Fire System, etc.	192,320	196,250	3,930
Less: Idaho Creek - Line Fee Reimbursement	(30,160)	(21,817)	8,343
2014 DWRF Loan Proceeds	25,000,000	7,913,244	(17,086,756)
Total Other Receipts	<u>25,656,520</u>	<u>8,948,877</u>	<u>(16,707,643)</u>
Total Revenue and Receipts	<u>34,290,580</u>	<u>16,898,389</u>	<u>(17,392,191)</u>

LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Disbursed Expenditures			
Operating Expenditures			
Water Assessments	351,770	352,896	(1,126)
Winter Water Supply	50,870	50,768	102
X-Tie Water Supply	160,000	158,478	1,522
Salaries	1,639,250	1,613,730	25,520
PERA Contribution	306,540	296,482	10,058
Taxes - Medicare Match	23,770	23,794	(24)
Health/Life Insurance	244,870	238,633	6,237
Worker's Compensation/Unemployment	29,750	35,112	(5,362)
Accounting and Audit	12,500	16,767	(4,267)
Board of Director Fees	8,400	7,300	1,100
Less: Board Fees w/ 3% Reserve - Government Fund	(8,660)	(7,519)	(1,141)
Board of Director Expenditures	7,000	13,333	(6,333)
Less: Board Expense w/ 3% Reserve - Government Fund	(7,210)	(13,733)	6,523
Chemicals	226,600	170,518	56,082
Commercial Insurance	105,000	108,280	(3,280)
Computer Expense	39,100	27,367	11,733
Contract Service Support	50,000	48,119	1,881
Education and Dues	35,000	26,586	8,414
Fuel	56,500	31,758	24,742
Legal Expense	25,000	19,902	5,098
Repairs and Maintenance	672,500	599,625	72,875
Supplies	120,900	100,066	20,834
Utilities and Communication	325,920	257,490	68,430
Water Tests	34,000	29,914	4,086
Other Expenditures	108,600	103,958	4,642
Contingency Expenses	30,000	-	30,000
Total Operating Expenditures	<u>4,647,970</u>	<u>4,309,624</u>	<u>338,346</u>
Nonoperating Expenditures			
Property Management Expense	43,500	89,799	(46,299)
Interest Expense	534,670	501,542	33,128
1999 DWRF Payable	381,820	381,816	4
2014 DWRF Payable	1,351,800	1,351,795	5
Total Nonoperating Expenditures	<u>2,311,790</u>	<u>2,324,952</u>	<u>(13,162)</u>
Capital Expenditures			
General and Administrative	58,000	45,187	12,813
Distribution and Transmission	150,000	-	150,000
Treatment	80,000	-	80,000
Building and Grounds	17,500	-	17,500
Total Capital Expenditures	<u>305,500</u>	<u>45,187</u>	<u>260,313</u>

**LEFT HAND WATER DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET TO ACTUAL (BUDGETARY BASIS)
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Enterprise Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Land, Easement and Water Acquisition			
Land Acquisition	\$ 5,000	\$ -	\$ 5,000
Water Rights - Water Quality	4,800,000	4,770,000	30,000
Funding from Water Reserve	(4,800,000)	(4,770,000)	(30,000)
Raw Water - Legal Costs and NISP Project	430,000	324,423	105,577
Total Land, Easement and Water Acquisition	<u>435,000</u>	<u>324,423</u>	<u>110,577</u>
Construction			
Miscellaneous and Unscheduled Construction	25,755,500	15,383,488	10,372,012
Replacement Fund Projects	712,000	1,060,351	(348,351)
Net Funding to (from) Replacement Fund	1,288,000	939,649	348,351
Southern Supply Line II	220,000	220,000	-
Total Construction	<u>27,975,500</u>	<u>17,603,488</u>	<u>10,372,012</u>
Total Disbursed Expenditures	<u>35,675,760</u>	<u>24,607,674</u>	<u>11,068,086</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,385,180)</u>	<u>\$ (7,709,285)</u>	<u>\$ (6,324,105)</u>
	Government Fund		
	Original/ Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Sources of Funds			
Revenues	\$ -	\$ -	\$ -
Transfers from Enterprise Fund	15,870	21,252	5,382
Total Sources of Funds	<u>15,870</u>	<u>21,252</u>	<u>5,382</u>
Uses of Funds			
Board of Directors Expenditures	7,000	13,333	6,333
Director Fees	8,400	7,300	(1,100)
TABOR Reserve (3%)	470	619	149
Total Uses of Funds	<u>15,870</u>	<u>21,252</u>	<u>5,382</u>
Excess (Deficiency) of Revenues over Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015, 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, 2016.

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. We did identify a certain deficiency in internal control, describe in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2015-001).

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*.

Left Hand Water District's Response to Finding

Left Hand Water District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Denver, Colorado
April 14, 2016

**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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questions costs as items 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questions costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Denver, Colorado
April 14, 2016

**LEFT HAND WATER DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Grant Identifying Number</u>	<u>Federal Expenditures</u>
Department of Public Safety			
Passed through the Colorado Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D11F095	\$ 16,734
Environmental Protection Agency			
Passed through the Colorado Water & Resources Power Development Authority			
Capitalization Grants for Drinking Water State Revolving Fund - Loan D14A071	66.458	N/A	<u>6,818,360</u>
Total Expenditures of Federal Awards			<u>\$ 6,835,094</u>

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, 2015**

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

There were no subrecipients of federal awards during the year ended December 31, 2015.

**LEFT HAND WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

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 Section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	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, 2015**

Section II – Financial Statement 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.

Responsible Official: Victoria Santos, 303-530-4200 x214

**LEFT HAND WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

Section III – Federal Award Findings and Questioned Costs

None noted.

**LEFT HAND WATER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2015**

Section II – Financial Statement Findings

None noted

Section III – Federal Award Findings and Questioned Costs

None noted