

Left Hand Water District

Financial Statements and Supplementary Information

For the Years Ended December 31, 2010 and 2009



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Left Hand Water District

We have audited the accompanying basic financial statements of Left Hand Water District (the "District") as of and for the year ended December 31, 2010 as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements as of December 31, 2009, were audited by Watkins & Schommer, Inc., who merged with Anton Collins Mitchell LLP as of October 1, 2010, and whose report dated June 30, 2010 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of Left Hand Water District at December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 9 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.

Our audit was conducted for the purpose of forming an opinion of the financial statements that collectively comprise the District's financial statements as a whole. The budgetary comparison information on pages 27 and 28 is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Anton Collins Mitchell LLP

Greeley, Colorado
June 16, 2011

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**Left Hand Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2010**

The discussion and analysis is designed to provide an analysis of the Left Hand Water District (the "District") financial condition and operating results and to also inform the reader on District's financial issues and activities.

The Management Discussion and Analysis (MD&A) should be read in conjunction with the District's basic financial statement (beginning on page 10).

2010 Highlights – Business-type activities

- In 2010, net assets were \$84,203,233 or an increase of \$1,714,816 (2.08%) when compared to 2009.
- Total revenues were \$7,101,677 during 2010, which was \$554,276 or 9% more when compared to 2009 total revenues of \$6,654,401.
- In 2010, total operating expenses net of depreciation/amortization were \$3,576,559 or an increase of \$193,372 (6%) when compared to 2009.
- Net capital assets were \$72,143,645 in 2010 compared to \$71,752,661 in 2009 for an increase of \$390,984 or .5%.
- Long-term debt decreased to \$8,704,214 during 2010, which was \$1,272,661 or 13% less when compared to 2009.

Using this Annual Report

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

Statements of net assets – reports the District's current financial resources (short-term spendable resources) with capital assets and long-term obligations. (See pages 10-11).

Statements of revenues, expenses and changes in fund net assets – reports the District's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions. (See page 12).

Statements of cash flows – reports the District's cash flows from operating activities, investing, capital and non-capital activities. (See pages 13-14).

**Left Hand Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Statement of Net Assets

Year ending December 31	2010	2009
Current assets	\$ 19,552,551	\$ 19,308,949
Restricted assets	1,742,554	1,742,572
Capital assets	72,143,645	71,752,661
Other assets	<u>506,728</u>	<u>593,122</u>
Total assets	<u>93,945,478</u>	<u>93,397,304</u>
Current liabilities	1,600,119	1,463,656
Non-Current liabilities	<u>8,142,126</u>	<u>9,445,231</u>
Total liabilities	<u>9,742,245</u>	<u>10,908,887</u>
Net assets		
Invested in capital assets, net of related debt	62,971,265	61,281,486
Restricted:		
Debt service	213,327	213,345
Bond and loan reserves	1,529,227	1,529,227
Unrestricted	<u>19,489,414</u>	<u>19,464,359</u>
Total net assets	<u>\$ 84,203,233</u>	<u>\$ 82,488,417</u>

Total net assets increased to \$84,203,233 during 2010, a \$1.7 million increase from 2009. Current assets increased by \$243,602 (from \$19,308,949 in 2009 to \$19,552,551 in 2010). Cash held in banks and investments increased by \$243,589 with \$396,690 received in tap fees (up slightly from \$347,390 in 2009), \$13,238 received in Eastern Transmission Zone ("ETZ") line fees and current year's earnings of \$1,054,147 in 2010 before debt payments of \$1.7 million. Total designated assets increased \$474,326 which included a \$125,000 increase in the Water Fee Reserve and \$344,796 in the Replacement Reserve with \$1,653,956 spent on Replacement Fund construction projects in 2010. Capital assets increased \$390,984 in 2010 net of the \$2.03 million in depreciation and amortization expense. Included in the net change was \$1,799,883 spent in total construction projects in 2010 vs. \$2,947,661 in 2009. Current liabilities increased by \$136,463 (9%); non-current liabilities decreased \$1.303 million (14%) as a result of a \$322,661 principal payment on the DWRF loan and a \$950,000 principal payment on the 2004 Series Bond.

**Left Hand Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Review of Revenues

Year ending December 31	2010	2009
Operating revenues		
Water – Treated	\$ 4,775,036	\$ 4,381,735
Water – Basic	1,911,913	1,717,866
Other - Fees & Services	59,689	49,880
Other - Inventory Sales	936	3,088
Water Lease Income	<u>48,994</u>	<u>57,150</u>
Subtotal	6,796,568	6,209,719
Non-operating revenues		
Earnings on investments	288,175	442,449
Property rental and miscellaneous income	84,803	66,827
Unrealized Gain/(Loss) on Investments	(75,502)	(191,936)
Gain (loss) on disposition of capital assets	<u>1,510</u>	<u>9,270</u>
Subtotal	<u>298,986</u>	<u>326,610</u>
Total Revenues	<u>\$7,095,554</u>	<u>\$6,536,329</u>

Operating revenues were \$6,796,568 or 1% under the 2010 budget of \$6,868,351. While the basic service fee was raised due to increased operating costs, the water usage rates were not. Customer usage was up 8% from the prior year in part due to the unseasonably dry and mild weather through November and the wet weather in early summer 2009. After adjusting for the unrealized gain/loss on investments related to market value vs. book value (loss of \$75,502 in 2010 and a loss of \$191,936 in 2009), interest income was down by \$154,273 from 2009 (\$288,175 vs. \$442,448). Interest rates remain about the same as in 2009 at +/- 1%. Investments increased from \$11,658,816 in 2009 to \$11,834,125 in 2010. Water lease revenues were \$48,994 in 2010 vs. \$57,150 in 2009. In 2010, total revenues and receipts were up \$559,225 or 9% from 2009.

Review of Expenses

Year ending December 31	2010	2009
Operating expenses		
Operation and maintenance	\$ 2,021,486	\$ 1,868,097
Administrative services	1,564,073	1,515,090
Depreciation & Amortization	<u>2,032,267</u>	<u>1,946,984</u>
Total Operating Expenses	<u>\$ 5,608,826</u>	<u>\$ 5,330,171</u>

Net of depreciation, total operating expenditures were under budget by 3% or \$120,283 and when compared to 2009 increased \$193,372 or 6%. Operation and maintenance costs increased 8% or \$112,813 in 2010 compared to 2009. Operation and maintenance salaries increased \$31,695 or 4%; repairs and maintenance costs increased 14% or \$62,023 due to \$25,000 for the replacement of the waterline at Dry Creek Ditch and chlorine system changes at the Dodd WTP. Utilities increased 6% or \$11,498. Total administrative costs increased 4% or \$48,983 from 2009. Assessments increased 4% or \$9,138 and salaries increased 3% or \$19,088. Health insurance costs increased by 21% or \$23,269 compared to 2009. Depreciation costs were \$1,957,267 in 2010, up \$85,283 or 5% due to the completion of a number of capital construction projects in 2009.

**Left Hand Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Capital Contributions and Transfers

Year ending December 31	2010	2009
Capital Contributions	\$ 667,040	\$ 897,896
Reimbursement of Contributions	<u>(53,252)</u>	<u>(50,926)</u>
Net Contributions	<u>\$ 613,788</u>	<u>\$ 846,970</u>

In 2010, total tap fees were \$396,690 or \$58,890 (13%) under budget but \$49,300 more than in 2009. The system investment fee portion of tap fees was just \$5,580 more than the 2010 budget but the water fee portion was under budget by 38% or \$70,000. In 2009 system investment fees were \$259,470 and water fees were \$69,000. There were 3 CBT units transferred to the District in lieu of cash paid for tap fees.

In 2002, a developer contributed \$500,000 in participation fees related to the funding of the Highway 52 Eastern Zone Transmission (EZT) Water Main project. Reimbursement, including a 6% interest component, will occur only when new taps are paid by customers who benefit from the transmission line and whose fees include their portion of the line fee cost plus the interest component. The line fees payments received were \$10,000 in 2010 compared to \$17,500 in 2009. Line fee reimbursements paid-to-date to the developer is \$120,066. Other reimbursements were credits given for other installation fees in the amount of \$2,095 in 2010 compared to \$48,980 in 2009.

Capital Assets (net of depreciation)

Year ending December 31	2010	2009
Land & Easement Rights	\$ 920,675	\$ 888,055
Water Rights	11,142,688	10,933,760
Contributed Water Rights	8,345,149	8,315,149
Building and improvements	467,383	489,112
Treatment Plants	11,152,869	11,541,118
Storage Tanks	6,241,848	6,013,260
Raw Water Reservoirs	457,760	487,653
T & D Water Lines & Contributed Water Lines	32,553,513	32,213,410
Office Equipment and furnishings	11,558	41,840
Equipment and Vehicles	229,468	213,642
Construction in progress	<u>620,734</u>	<u>615,662</u>
Total Capital Assets	<u>\$ 72,143,645</u>	<u>\$ 71,752,661</u>

Major additions in 2010:

Increases included \$183,750 for the payment requirement related to the Northern Integrated Supply Project (NISP). Contributed assets increased \$164,685 in 2010 as a result of the completion of two subdivision infrastructures by developers. Those infrastructures were – St. Dimitre-The New Church \$77,261 and WCR 16 ½ \$87,424.

Total construction expenditures were \$1,801,130 or 63% of the 2010 budget of \$2,854,641 primarily due to the actual costs of construction of the 95th Street Water Main being less than budget (\$1,090,018 vs. \$1,200,200 budgeted) and only \$14,750 spent from the Unscheduled Construction budget of \$500,000. The 95th Street Water Main project was completed in 2010 at a total cost of \$1,362,301.

**Left Hand Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Capital Improvement Program

In 1994, Boulder County enacted regulations pursuant to state statutes, which allow counties to review and approve water and sanitation facilities, lines, plants and extensions. The Boulder County regulations are quite extensive and allow the County to actually prohibit the installation of new lines and facilities if the statutory criteria are not met. The regulations can significantly limit the ability of a water district to expand its facilities. The District has commissioned studies of transmission, storage, treatment, and raw water delivery over the past thirteen years to determine infrastructure needs. The recommendations following the studies have formed the basis of the District's Capital Improvement Plan ("CIP"), and resulted in 1041 permit applications in 1996, 1999 and 2001 to build the capital projects adopted in the CIP. The District received 1041 permit approval in 1996 for the projects financed with the Series 1996 Bonds, now the Series 2004 Refunding Bonds. In 1999, 1041 permitting was approved for the construction of a Highway 52 EZT waterline to serve customers in Weld County and the Town of Frederick service area west of I-25, and in 2001 for the construction of a pump station and water line to deliver untreated water from Left Hand Valley Reservoir to the Spurgeon Water Treatment Plant. Projects permitted under all 1041's were completed as of 2004, with the exception of the Joder Water Tank which was completed in 2005. In 2009, \$165,861 was spent on permitting costs for the Dodd Water Treatment Plant Upgrade and Expansion. The permit was approved in September 2009. Due to the slow economy, the project has been postponed until 2013 with no funds budgeted in 2010.

In response to recommendations in the Transmission Distribution and Storage Master Plan commissioned by the District in 1995, the District developed a 10-year CIP Plan related to growth and development and for implementing District goals. The plan was updated and refined in May 1997, following the approval of the 1996 1041 Permit from Boulder County, setting forth conditions for construction of the major projects funded by the Series 1996 Bonds (Series 2004 Refunding Bonds) proceeds and District capital reserves. The 1997 Plan was modified to include a major upgrade to the District's Spurgeon Water Treatment Plant which was completed in 2004.

Strategic Master Plan

In 2006, LHWD began a comprehensive strategic planning effort to address all of the significant challenges it will meet in fulfilling its mission in the coming years. The Strategic Plan was completed in 2007 and is reviewed and updated annually. It encompasses four major areas of study:

- Treated Water Transmission & Distribution Capital Improvement Program
- Dodd Water Treatment Plant Upgrade and Expansion
- Water Resources Planning and Development
- Financial Master Plan

The Plan sets forth infrastructure needs for the next 10 years (2020) with ongoing plans to implement and finance the projects. The projects have been divided into funded and unfunded and will be reviewed annually as part of the budget process.

Unfunded projects relating to Transmission & Distribution lines that benefit future development may require significant developer participation in all aspects of construction, as well as water rights acquisition. The Dodd Upgrade and Expansion project will qualify for the Drinking Water Program through the Colorado Water and Power Authority. This program offers loans at 80% of the current market rate, which represents the lowest possible cost of capital for the District for this project. Water Resource Planning will require the District to evaluate its options related to costs. They will include: paying for the project with cash; issuing traditional fixed-rate revenue bonds for the project; issuing variable rate revenue bonds for the project or some combination of all three. Projects other than those described as Replacement Fund-related would be paid for by legally unrestricted carryover funds, which at December 31, 2010 is \$18,882,626. All "Replacement Fund" related capital improvements projects will be paid for by the District's Replacement Fund Reserve. As of December 31, 2010 the balance in the reserve is \$5,138,187. The Replacement Fund Reserve will continue to be funded by profits from water sales and non-operating income. In 2010, the District funding was \$2,000,000 based on analysis using our Water Rate Model software. Funding in 2011 is set at \$2,000,000 and was based on estimates for future replacement project needs.

**Left Hand Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Replacement Fund Summary	
Replacement Funding – 1995-2010	\$ 15,998,387
Haldi Headgate	9,900
Prospect Rd Water Main	236,545
Hwy 287 Pump Station	271,017
CL2 Modification	67,573
Gunbarrel Estates Water Main	1,228,221
Airport Rd Water Main	136,466
Niwot Rd & 55th Water Main	103,712
Raw Meter Vault	19,415
Spurgeon Tank Improvements	141,191
71 st St Line Extension	12,534
Joder Tank & Design & Meter Vault	1,142,696
Spurgeon Reservoir Pump Station	1,070,920
WCR Pressure Reducing Valve Relocation	32,583
Ouray Drive Water Main	324,161
Country Side Drive Water Main	276,235
Other Tank Improvements	526,594
Boulder Water Main Extension	560,830
Niwot Road Water Main Replacement	2,349,492
Great Western Drive Water Main	134,389
County Line Road Replacement – Phase I	411,632
95 th St Water Main Replacement	1,362,302
N 115 th Street to Hwy 52	197,602
6 mg Pump Station Upgrade	244,191
Total Uses Of Funds	10,860,200
Replacement Fund at 12/31/10	\$ 5,138,187

In 2002 and 2003 the District began the process of formulating a raw water master plan. Future capital improvements will include supply and infrastructure for the delivery of water supplies to both the Spurgeon and Dodd WTPs. The District has anticipated the need for additional raw water supplies and delivery systems in the next 10-15 years. To meet that need, the District is participating in the Northern Integrated Supply Project (NISP) through the Northern Colorado Water Conservancy District (NCWCD). This project will provide new yield of water rights deliverable through the NCWCD system. The District is participating in the project for a total of 4,900 acre-feet of annual yield to meet its needs at build-out for an anticipated total of 12,000 single-family equivalent taps. It is anticipated that the cost of the District's allocation in the project, \$50,360,000 will be funded through a combination of District Raw Water Reserve funds and future debt.

A Treated Water Master Plan was completed in January 2007. The plan includes the planned developments of the surrounding entities (Boulder and Weld Counties, Town of Erie, Town of Frederick and City of Longmont), demand projections, computer modeling and phased programs of needed facility improvements including distribution system scenarios over 5, 10, 20 years and system build out based on modeling results indicating timing, size, location and probable cost. This plan will be reviewed and updated every 5 years.

**Left Hand Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2010**

The following table sets forth a summary of the District's major capital projects completed between 1996 and 2010 and proposed capital projects for 2011 through 2020.

Proposed Capital Project Plan 2011-2020

Project	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
New Meters & Upgrade/ Replacement Projects	\$35,500	\$40,000	\$60,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Unscheduled Construction	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Southern Supply Line	388,000			1,080,000	7,200,000					
Spurgeon Tank Improvements	486,127									
95 th St W/L	2,000									
NISP Project	183,750	245,000	784,000	809,000	8,208,000	8,208,000	214,000	521,000	5,219,000	6,431,000
Niwot Rd W/L	1,000									
Rustic Knolls 8" Jay Rd & 55 th 47 th Street Water Line	900,000	300,000								
Raw Water Legal related	47,435									
Source Water Quality	20,000									
Rodeo Drive to Oxford Road	15,000	18,000	18,000	18,000	18,000	18,000	20,000	20,000	20,000	20,000
Joder 12" Water Main	190,000									
Old town Niwot Road W/L	850,000									
Transmission System Flow Meters	66,000	800,000								
Office Buildings & Grounds Furniture, Computers/Office Equipment	259,000									
Vehicles, Lg Equipment	47,775	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
Replacement Fund – Treatment Storage	30,000									
Replacement Fund – Treated Pumping	53,500		30,000	54,000		32,000	60,000			66,000
Replacement Fund – Medium Priority - Distribution Mains		200,000								
Replacement Fund – High Priority – Distribution Mains		182,235	1,282,794	778,094	552,494	2,402,363	2,195,600	126,213	893,374	2,000,000
Growth Related – Treated Pumping					28,000	125,000				
Growth Related - Distribution Mains					1,594,403	815,539	267,683	1,040,851	1,500,000	
Growth Related – Treated Storage	350,000			200,000	2,480,000					
Growth Related – Dodd WTP Expansion			1,000,000	6,000,000	15,780,700	3,497,300		392,940	2,461,236	
Total	\$4,425,087	\$2,302,735	\$3,692,294	\$ 9,506,594	\$36,429,097	\$15,665,702	\$3,324,783	\$2,668,504	\$10,661,110	\$9,084,500
Total with a 5% Inflation Allowance	\$4,425,087	\$2,348,790	\$3,821,463	\$10,088,474	\$39,432,026	\$17,296,201	\$3,744,246	\$3,065,272	\$12,491,190	\$10,856,818

**Left Hand Water District
Management's Discussion and Analysis
For the Year Ended December 31, 2010**

Debt and Other Financial Obligations

The District's long-term debt was \$8,704,214 and \$9,976,875 at December 31, 2010 and December 31, 2009, respectively. The decrease was a result of principal payments on the DWRF loan for \$322,661 and \$950,000 on the 2004 Series Bond.

Contracts and Agreements

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

Economic and Other Factors

In 2010, revenues sales were up 9% due to dry warm weather through November 2010, an extremely wet year in 2009 and the improvement in the economy in 2010. Tap sales also increased \$49,300 or 14% compared to the previous year but were under budget by 13% for the current year. The District's water rate management plan utilizes a comprehensive rate and financial forecasting model that's based on an 18 year historical average of water usage. This water rate model implements a rate structure strategy that will provide adequate funds to pay current operating expenses, capital costs and debt service requirements, and in addition to accumulate funds for future operating costs as well as future repair and replacement or upgrades to our existing system and new capital projects related to growth to ensure the District will continue as a financially sound entity. Operating expenses have been consistent over the last few years and reflect only limited increases.

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 Boulder County, Weld County and the Town of Frederick. Although each of these governmental entities control growth in the areas under their governments the policies and procedures are outside of the control or influence of the District.

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 Connie Friedman CPA, Finance Manager, Left Hand Water District, P.O. Box 210, Niwot, CO 80544.

BASIC FINANCIAL STATEMENTS

**Left Hand Water District
Statements of Net Assets
December 31, 2010 and 2009**

	2010	2009
<u>ASSETS</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 7,151,051	\$ 7,077,216
Investments	11,834,125	11,658,816
Receivables	298,003	289,253
Inventory - supplies	135,502	158,646
Prepaid expenses and other assets	133,870	125,018
<u>Total current assets</u>	19,552,551	19,308,949
<u>Non-current assets</u>		
<u>Restricted assets</u>		
Cash and cash equivalents	1,742,554	1,742,572
<u>Capital assets</u>		
Land, easements and water rights	20,408,512	20,137,114
Construction in progress	620,733	615,661
Transmission and distribution system	56,994,526	54,995,033
Facilities	17,083,384	17,083,384
Vehicles	926,334	860,141
Furniture and equipment	390,762	390,762
<u>Total capital assets</u>	96,424,251	94,082,095
Less: accumulated depreciation	(24,280,606)	(22,329,434)
<u>Net capital assets, net</u>	72,143,645	71,752,661
<u>Other assets</u>		
Debt issuance costs	375,000	450,000
Deferred charges	131,728	143,122
<u>Total other assets</u>	506,728	593,122
<u>Total non-current assets</u>	74,392,927	74,088,355
<u>Total assets</u>	\$ 93,945,478	\$ 93,397,304

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

**Left Hand Water District
Statements of Net Assets (Concluded)
December 31, 2010 and 2009**

	2010	2009
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 199,019	\$ 102,336
Retainage payable	7,211	-
Accrued expenses	61,533	72,409
Pollution remediation payable	16,250	16,250
Current portion of long-term debt	1,316,106	1,272,661
<u>Total current liabilities</u>	1,600,119	1,463,656
<u>Non-current liabilities</u>		
Accrued compensated absences	257,266	224,217
Long-term debt (net of current maturities and unamortized discount)	7,849,063	9,198,514
Pollution remediation payable	35,797	22,500
<u>Total non-current liabilities</u>	8,142,126	9,445,231
<u>Total liabilities</u>	9,742,245	10,908,887
<u>NET ASSETS</u>		
<u>Net assets</u>		
Invested in capital assets, net of related debt	62,971,265	61,281,486
Restricted:		
Debt service	213,327	213,345
Bond and loan reserves	1,529,227	1,529,227
Unrestricted:	19,489,414	19,464,359
<u>Total net assets</u>	\$ 84,203,233	\$ 82,488,417

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

Left Hand Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Operating revenues</u>		
Water - treated	\$ 6,686,949	\$ 6,099,601
Service revenue	59,689	49,880
Other income	49,930	60,238
	<hr/>	<hr/>
<u>Total operating revenues</u>	6,796,568	6,209,719
	<hr/>	<hr/>
<u>Operating expenses</u>		
Depreciation and amortization	2,032,267	1,946,984
Salaries and wages	1,555,900	1,505,117
Employee benefits and taxes	513,447	472,858
Repairs and maintenance	493,939	416,062
Cost of water sold	419,480	389,120
Utilities	247,300	233,360
Office	105,146	106,214
Insurance	78,566	72,248
Other	70,384	72,213
Professional fees	76,396	68,530
Contract support service	9,819	38,031
Employee development	6,182	9,434
	<hr/>	<hr/>
<u>Total operating expenses</u>	5,608,826	5,330,171
	<hr/>	<hr/>
<u>Operating income</u>	1,187,742	879,548
	<hr/>	<hr/>
<u>Non-operating revenues (expenses)</u>		
Earnings on investments	288,175	442,448
Unrealized loss on investments	(75,502)	(191,936)
Property rental and miscellaneous income	84,803	66,827
Gain on disposal of capital assets	1,510	9,270
Interest expense	(406,697)	(445,834)
Property management expense - general and administrative	(32,255)	(31,579)
	<hr/>	<hr/>
<u>Total non-operating revenues (expenses)</u>	(139,966)	(150,804)
	<hr/>	<hr/>
<u>Income before contributions</u>	1,047,776	728,744
	<hr/>	<hr/>
<u>Capital contributions</u>	667,040	897,896
	<hr/>	<hr/>
<u>Change in net assets</u>	1,714,816	1,626,640
	<hr/>	<hr/>
<u>Net assets at beginning of year</u>	82,488,417	80,861,777
	<hr/>	<hr/>
<u>Net assets at end of year</u>	<u>\$ 84,203,233</u>	<u>\$ 82,488,417</u>

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

Left Hand Water District
Statements of Cash Flows
For the Years Ended December 31, 2010 and 2009

	2010	2009
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 6,787,818	\$ 6,259,684
Cash paid to suppliers	(1,964,115)	(2,181,077)
Cash paid to employees	(1,460,551)	(1,499,072)
<u>Net cash flows from operating activities</u>	3,363,152	2,579,535
<u>Cash flows from noncapital activities</u>		
Nonoperating revenues	84,803	66,827
Nonoperating expenses	(32,255)	(31,579)
<u>Net cash flows from noncapital activities</u>	52,548	35,248
<u>Cash flows from capital and related financing activities</u>		
Contributed capital	502,354	437,280
Proceeds from sale of capital assets	1,510	9,270
Acquisition and construction of capital assets	(2,176,354)	(3,239,546)
Repayment of bonds and loans	(1,272,661)	(1,234,595)
Interest paid	(434,096)	(472,596)
<u>Net cash flows from capital and related financing activities</u>	(3,379,247)	(4,500,187)
<u>Cash flows from investing activities</u>		
Proceeds from sales and maturities of investments	8,594,495	5,923,627
Purchase of investments	(8,845,306)	(7,158,685)
Change in restricted cash and cash equivalents	18	1,742,572
Earnings on investments	288,175	250,512
<u>Net cash flows from investing activities</u>	37,382	758,026
<u>Net change in cash and cash equivalents</u>	73,835	(1,127,378)
<u>Cash and cash equivalents at beginning of year</u>	7,077,216	8,204,594
<u>Cash and cash equivalents at end of year</u>	\$ 7,151,051	\$ 7,077,216

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

Left Hand Water District
Statements of Cash Flows (Concluded)
For the Years Ended December 31, 2010 and 2009

	2010	2009
<u>Reconciliation of operating income to net cash</u>		
<u>flows from operating activities:</u>		
Operating income	\$ 1,187,742	\$ 879,548
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	1,957,267	1,871,984
Amortization of water service agreement	75,000	75,000
Changes in assets and liabilities:		
Receivables	(8,750)	49,965
Inventory	23,144	29,593
Prepaid expenses and other assets	(8,852)	(13,183)
Accounts payable and accrued expenses	124,304	(297,122)
Pollution remediation payable	13,297	(16,250)
	<u>\$ 3,363,152</u>	<u>\$ 2,579,535</u>
<u>Net cash flows from operating activities</u>		
<u>Noncash investing, capital and financing activities:</u>		
Capital assets contributed to the District	\$ 164,686	\$ 460,616
Capital assets acquired with retainage payable	\$ 7,211	\$ -

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

**Left Hand Water District
Notes to Financial Statements
December 31, 2010**

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 ("C.R.S."). 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. However, in its original site plan, the District has agreed not to set a mill levy. The District grants credit to its customers, all of whom are located in Boulder, Weld and Broomfield Counties in Colorado.

Reporting Entity

For financial reporting purposes, management has considered all potential component units. The District meets the criteria of an "other stand alone government."

Basic Financial Statements

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

Basis of Accounting

Proprietary funds are accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net assets. Revenues and expenses are recorded in the accounting period in which they are earned or incurred, and they become measurable. Total net assets are segregated into amounts invested in capital assets, net of related debt, restricted for debt service and loan reserves, and unrestricted net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decrease (e.g., expenses) in net assets. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Budgets and Budgetary Accounting

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

1. On or about October 15, the District staff submits to the Board of Directors 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 taxpayer comments.
3. Prior to December 15, the budget is legally adopted by the Board of Directors.
4. Unused appropriations lapse at the end of each year.

The total appropriated expenditures for the District is \$22,484,371.

**Left Hand Water District
Notes to Financial Statements
December 31, 2010**

Note 1 - Summary of Significant Accounting Policies (Continued)

The following is a reconciliation of GAAP basis change in net assets to budget basis excess (deficiency) of revenues over expenditures:

	2010	2009
Changes in net assets	\$ 1,714,816	\$ 1,626,640
Add:		
Depreciation	1,957,267	1,871,984
Unrealized loss on investments of capital assets	75,502	-
Less:		
Capital outlay	(2,348,250)	(3,700,162)
Debt principal paid	(1,272,661)	(1,234,595)
Proceeds from sale of capital assets	(1,510)	(9,270)
Contributions in aid of construction	(52,140)	(48,980)
Amortization of water agreement	75,000	75,000
	\$ 148,024	\$ (1,419,383)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The District's investments in marketable debt and equity securities are carried at fair value plus accrued interest with net appreciation or depreciation on investments included in earnings 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, 2010 or 2009, based on historical collection experience.

Revenue Recognition

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues are for water treatment and delivery service, which are earned as water is delivered and services are provided. The District is responsible for billing and collection of these charges on a monthly basis. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances are considered past due 30 days from the invoice date.

Inventories

Inventories, consisting primarily of operating supplies for water meter repair and installation, have been valued at cost, on a first-in first-out basis.

Prepaid Expenses

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Expenditures for maintenance and repairs are charged to operations as incurred. Property replacements and improvements, which extend the lives of assets, are capitalized and subsequently depreciated. Contributed assets are reported at their fair market value at the date received.

**Left Hand Water District
Notes to Financial Statements
December 31, 2010**

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

Property and equipment of the District is depreciated using the straight-line method over the following estimated useful lives.

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

Debt Issuance Costs, Premiums and Discounts

Debt issuance costs, premiums, discounts and the losses on refunding are deferred and amortized over the life of the debt using the effective interest method. Debt issuance costs are reported as intangible assets and the loss on refunding and net premiums and discounts are presented as an adjustment to the face amount of the debt.

Deferred Charges

The District entered into a water service agreement with Central Weld County Water District ("CWCWD") on November 17, 1994. CWCWD will provide treated water to the District via a cross-tie connection. Upon execution of this agreement, the District paid \$1,500,000 to CWCWD. This agreement is in effect for 20 years and may be renewed for successive 10-year terms. The cost of the agreement is being amortized over the estimated economic life of the agreement. Accordingly, \$75,000 of amortization expense has been reported as a cost of water in the financial statements. The balance of the unamortized cost at December 31, 2010 and 2009 is \$375,000 and \$450,000, respectively.

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 considered a long-term liability.

The District has recorded a liability of \$257,266 and \$224,217 at December 31, 2010 and 2009, respectively.

Net Assets

Net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

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

Unrestricted Net Assets – This category represents the net assets of the District, which are 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 2009 financial statement amounts have been reclassified to conform to the current year presentation.

**Left Hand Water District
Notes to Financial Statements
December 31, 2010**

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 and liabilities 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.

Note 2 - Cash and Investments

Deposits

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

Investments

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

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

District policy is to hold investments until maturity.

Left Hand Water District
Notes to Financial Statements
December 31, 2010

Note 2 - Cash and Investments (Continued)

Interest Rate Risk

The District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however the District adheres to state statutes. Colorado state statutes prohibit investments with maturities in excess of five years.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposit may not be returned to it. The District does not have a deposit policy for custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through the PDPA. As of December 31, 2010 and 2009, none of the District's bank balances were exposed to custodial credit risk.

Local Government Investment Pools

Pooled investment funds (trusts) are supervised by the participating governments and must comply with the same restrictions on cash deposits and investments explained in the preceding paragraphs. The District's investments are held with COLOTRUST PRIME, which has an AAAM rating by Standard and Poor's. Investment funds or money market funds are not categorized because they are not evidenced by securities that exist in physical or book form.

Cash deposits held by the District at December 31, 2010 and 2009 were as follows:

	2010	2009
Cash on hand	\$ 600	\$ 600
Bank deposits	1,387,096	671,194
Local government investment pool	7,505,909	8,147,994
	\$ 8,893,605	\$ 8,819,788

Investments held by the District at December 31, 2010 and 2009 were as follows:

	2010			2009		
	Cost	Fair Value	Weighted Average Remaining Life	Cost	Fair Value	Weighted Average Remaining Life
<i>US Instrumentality</i>						
FHLB	\$ 2,937,435	\$ 2,975,511	0.8 years	\$ 3,400,119	\$ 3,460,605	2.2 years
FNMA	2,949,336	2,940,501	1.1 years	2,052,182	2,050,262	1.7 years
FHLMC	651,271	676,019	1.0 years	3,231,242	3,281,255	0.6 years
FFCB	2,199,815	2,190,404	1.0 years	2,114,610	2,141,030	1.0 years
Treasury note	1,920,302	1,933,307	0.8 years	496,953	500,664	1.3 years
Walmart corporate bond	497,250	495,487	2.8 years	-	-	-
GE Capital corporate bond	402,593	397,896	1.9 years	-	-	-
Certificate of deposit	225,000	225,000	2.0 years	225,000	225,000	2.0 years
Total	\$11,783,002	\$11,834,125		\$11,520,106	\$11,658,816	

The U.S. Instrumentalities shown above are rated AAA by Standards & Poor and Aaa by Moody at December 31, 2010 and 2009, respectively. The Walmart bond is rated AA by Standards and Poor and Aa2 by Moody and the GE Capital bond is rated AA+ by Standards and Poor and Aa2 by Moody at December 31, 2010. The weighted average yield of the above investments is 1.68% and 2.80% at December 31, 2010 and 2009, respectively.

**Left Hand Water District
Notes to Financial Statements
December 31, 2010**

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 non-current assets:

	2010	2009
Debt service account:		
Paying current principal and interest on bonds and loan	\$ 213,327	\$ 213,345
Debt service reserve and operations and maintenance reserve account:		
Paying principal and interest in the event there are insufficient funds available in the debt service account and operations and maintenance reserve	1,529,227	1,529,227
Total restricted assets	\$ 1,742,554	\$ 1,742,572

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:

Board designated accounts:		
Deferred system replacement account	\$ 5,138,187	\$ 4,793,391
Water acquisition account	5,474,716	5,349,716
Dental account	9,532	4,985
Total designated accounts	\$ 10,622,435	\$ 10,148,092

Note 4 - Capital Assets

The following is a summary of capital asset activities for the year ended December 31, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements and right water rights	\$ 20,137,114	\$ 271,398	\$ -	\$ 20,408,512
Construction in progress	615,661	1,786,381	(1,781,309)	620,733
Total capital assets, not being depreciated	20,752,775	2,057,779	(1,781,309)	21,029,245
Capital assets, being depreciated:				
Transmission and distribution system	54,995,033	1,999,493	-	56,994,526
Facilities	17,083,384	-	-	17,083,384
Vehicles and equipment	860,141	72,288	(6,095)	926,334
Furniture and equipment	390,762	-	-	390,762
Total capital assets, being depreciated	73,329,320	2,071,781	(6,095)	75,395,006

Left Hand Water District
Notes to Financial Statements
December 31, 2010

Note 4 - Capital Assets (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Less: accumulated depreciation for:				
Transmission and distribution system	(15,870,817)	(1,432,806)	-	(17,303,623)
Facilities	(5,394,291)	(437,868)	-	(5,832,159)
Vehicles and equipment	(715,897)	(56,312)	6,095	(766,114)
Furniture and equipment	(348,429)	(30,281)	-	(378,710)
Total accumulated depreciation	<u>(22,329,434)</u>	<u>(1,957,267)</u>	<u>6,095</u>	<u>(24,280,606)</u>
Total capital assets, being depreciated, net	<u>50,999,886</u>	<u>114,514</u>	<u>-</u>	<u>51,114,400</u>
Total capital assets, net	<u>\$ 71,752,661</u>	<u>\$ 2,172,293</u>	<u>\$ (1,781,309)</u>	<u>\$ 72,143,645</u>

The following is a summary of capital asset activities for the year ended December 31, 2009:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements and right of way	\$ 19,928,036	\$ 209,078	\$ -	\$ 20,137,114
Construction in progress	995,381	2,935,658	(3,315,378)	615,661
Total capital assets, not being depreciated	<u>20,923,417</u>	<u>3,144,736</u>	<u>(3,315,378)</u>	<u>20,752,775</u>
Capital assets, being depreciated:				
Transmission and distribution system	51,421,636	3,630,449	(57,052)	54,995,033
Facilities	16,855,680	227,704	-	17,083,384
Vehicles and equipment	859,686	69,703	(69,248)	860,141
Furniture and equipment	507,944	-	(117,182)	390,762
Total capital assets, being depreciated	<u>69,644,946</u>	<u>3,927,856</u>	<u>(243,482)</u>	<u>73,329,320</u>
Less accumulated depreciation for:				
Transmission and distribution system	(14,523,308)	(1,347,509)	-	(15,870,817)
Facilities	(5,028,860)	(434,679)	69,248	(5,394,291)
Vehicles and equipment	(662,452)	(53,445)	-	(715,897)
Furniture and equipment	(429,260)	(36,351)	117,182	(348,429)
Total accumulated depreciation	<u>(20,643,880)</u>	<u>(1,871,984)</u>	<u>186,430</u>	<u>(22,329,434)</u>
Total capital assets, being depreciated, net	<u>49,001,066</u>	<u>2,055,872</u>	<u>(57,052)</u>	<u>50,999,886</u>
Total capital assets, net	<u>\$ 69,924,483</u>	<u>\$ 5,200,608</u>	<u>\$ (3,372,430)</u>	<u>\$ 71,752,661</u>

**Left Hand Water District
Notes to Financial Statements
December 31, 2010**

Note 5 - Long-Term Debt

	2010	2009
<u>2004 Water Revenue Bonds</u>		
\$9,885,000 April 1, 2004, water revenue refunding bonds due in installments of \$980,000 on May 15, 2011, increasing to \$1,190,000 on May 15, 2015; interest at 1.6% to 3.77%. The proceeds were used to refund the 1996 water revenue bonds.	\$ 5,405,000	\$ 6,355,000
<u>1999 Loan - Colorado Water Resources and Power Development Authority</u>		
\$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 \$336,106 in 2011, increasing to \$446,348 in 2018. A final principal payment of \$231,241 is due May 15, 2019. Interest with an effective target rate of 3.85% along with principal and an administrative fee of .8% are payable semi-annually on May 15 and November 15. The proceeds are being used to finance improvements to the Spurgeon water treatment plant and to upgrade the water system. In accordance with the agreement, a \$496,165 reserve has been established on June 1, 1999.	3,299,214	3,621,875
<u>Subtotal</u>	8,704,214	9,976,875
Add: unamortized premium	460,955	494,300
<u>Total long-term debt</u>	\$ 9,165,169	\$ 10,471,175

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2004 revenue bonds	\$ 6,355,000	\$ -	\$ 950,000	\$ 5,405,000	\$ 980,000
1999 CWRPDA loan	3,621,875	-	322,661	3,299,214	336,106
Totals	9,976,875	\$ -	\$ 1,272,661	8,704,214	\$ 1,316,106
Current portion of long-term debt	(1,272,661)			(1,316,106)	
Unamortized bond premium	494,300			460,955	
Noncurrent portion of long-term debt	\$ 9,198,514			\$ 7,849,063	

**Left Hand Water District
Notes to Financial Statements
December 31, 2010**

Note 5 - Long-Term Debt (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2010 are as follows:

Year Ending December 31,	Principal	Interest	Total
2011	\$ 1,316,106	\$ 390,514	\$ 1,706,620
2012	1,374,550	336,290	1,710,840
2013	1,440,305	271,759	1,712,064
2014	1,501,061	204,236	1,705,297
2015	1,571,816	137,446	1,709,262
2016-2019	1,500,376	228,579	1,728,955
<u>Total</u>	<u>\$ 8,704,214</u>	<u>\$ 1,568,824</u>	<u>\$ 10,273,038</u>

Note 6 - Rate Maintenance

The District shall establish rates, fees, plant investment fees, standby charges, availability fees, tolls and charges for the services furnished by the system in an amount sufficient to (1) meet the operation and maintenance expenses of the system, (2) to comply with all covenants in the loan resolution, and (3) pay at least 110% of the debt service on the CWR&PDA loan and any debt service on any indebtedness payable on a parity with the lien or charge of this loan agreement.

As shown below the District is in compliance with this requirement of the 1999 CWR&PDA loan agreement.

Operating revenues	\$ 6,796,568
Capital contributions	667,040
<u>Subtotal</u>	<u>7,463,608</u>
Operation and maintenance expense	(3,576,559)
<u>Net revenue as defined in loan resolution</u>	<u>\$ 3,887,049</u>
2010 principal due	\$ 322,661
2010 interest due	169,055
<u>Subtotal</u>	<u>491,716</u>
	x110%
<u>Required revenue as defined in loan resolution</u>	<u>\$ 540,888</u>

Note 7 - Rental Income

On June 1, 1999 the District entered into a twelve month lease for approximately ten acres with barns and other out buildings with a retired employee. The lease is renewable annually at the leasee's discretion until the lessee either abandons or vacates the premises or upon the twentieth anniversary of the lease, whichever occurs first. The lease agreement requires rent of \$1,200 per year.

Left Hand Water District
Notes to Financial Statements
December 31, 2010

Note 8 - 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 District are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes ("CRS"), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The District is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the District it is 10.0% of covered salary. A portion of the District's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (See Note 9). The District is also required to pay an amortization equalization disbursement ("AED") equal to 2.2% of the total payroll for the calendar year 2010 (1.8% of total payroll for the calendar year 2009, and 1.4% of total payroll for the calendar year 2008). Additionally, the District is required to pay a supplemental amortization equalization disbursement ("SAED") equal to 1.5% of the total payroll for the calendar year 2010 (1.0% of total payroll for the calendar year 2009 and 0.5% of total payroll for the calendar year 2008). If the District rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and the SAED on the amounts paid for the retiree; however no member contributions are required. For the years ending December 31, 2010 and 2009, the District's employer contributions to the LGDTF were \$193,735 and \$176,150, respectively, equal to their required contributions for each year.

Note 9 - 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 annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy - The District is required to contribute at a rate of 1.02 percent of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the years ending December 31, 2010 and 2009, the District's employer contributions to the HCTF were \$15,266 and \$14,939, respectively, equal to their required contributions for each year.

Note 10 - Voluntary Investment Program

Description - Employees of the District who are members of the LGDTF (see Note 8) 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 annual financial report for the 401(k) Plan. 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).

Left Hand Water District
Notes to Financial Statements
December 31, 2010

Note 10 - Voluntary Investment Program (Continued)

Funding Policy - The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$16,500 for the calendar year 2009 and calendar year 2010). Catch-up contributions up to \$5,500 for the calendar year 2009 and for the calendar year 2010 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contribution requirements for the District are established under Title 24, Article 51, and Section 1402 of the CRS, as amended. For the years ended December 31, 2010 and 2009 401(k) Plan member contributions from employees of the District were, \$122,272 and \$109,070 respectively. For the years ending December 31, 2010 and 2009 the District's employer contributions to the 401(k) Plan were \$71,510 and \$65,644 respectively.

Note 11 - Risk Management

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

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

Note 12 - 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, 2010, the Left Hand Water District owns approximately 17 percent of Left Hand Ditch Company water shares.

Note 13 - TABOR Compliance

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20), which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

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

The Amendment excludes from its provisions enterprises funds. Enterprises 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 provisions of the Amendment.

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

Left Hand Water District
Notes to Financial Statements
December 31, 2010

Note 13 - TABOR Compliance (Compliance)

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

Note 14 - Fuel Tank Pollution Remediation Payable

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB Statement No. 49 does not require the District to search for pollution, it does require the District to reasonably estimate and report a remediation liability when any of the following events has occurred:

- Pollution poses an imminent danger to the public and the District is compelled to take action;
- The District is in violation of a pollution related permit or license;
- The District is named or has evidence that it will be named as responsible part by a regulator;
- The District is named or has evidence that it will be named in a lawsuit or enforce a cleanup; or
- The District commences or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the District.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revision to these estimates. Prospective recoveries from responsible parties may reduce the District's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

The District determined that their underground fuel tank had been leaking and had it removed and replaced them with above ground fuel storage tank. The District hired an outside firm, to do the required clean up and monitoring required as a result of the leaking tank. The District has expended \$241,657 to correct this problem since 2005. On August 29, 2006, the District was notified by the Division of Oil and Public Safety that the District's Corrective Action Plan ("CAP") was accepted. The District's has outstanding pollution remediation obligations of \$52,047 and \$38,750 at December 31, 2010 and 2009, respectively, for all future costs, net of anticipated reimbursements from the Colorado Petroleum Storage Tank Fund.

Note 15 - Subsequent Events

Management of the District has evaluated subsequent events through June 16, 2011, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosure in the financial statements were identified.

OTHER SUPPLEMENTARY INFORMATION

Left Hand Water District
Schedule of Revenues, Expenditures - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2010
(Unaudited)

	Enterprise Fund			
	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Operating revenue</u>				
Water - volume charge	\$ 4,870,663	\$ 4,870,663	\$ 4,775,036	\$ (95,627)
Water - basic service charge	1,911,098	1,911,098	1,911,913	815
Transfers/BA/requests	5,000	5,000	6,767	1,767
Service and rental income	35,000	35,000	52,922	17,922
Other income	46,590	46,590	49,930	3,340
<u>Total operating revenue</u>	6,868,351	6,868,351	6,796,568	(71,783)
<u>Nonoperating revenue</u>				
Interest income	430,200	430,200	288,175	(142,025)
Property rental and miscellaneous income	85,227	85,227	84,803	(424)
MTR/PIT credit on contributions in aid of construction	-	-	(52,140)	(52,140)
Transfers between funds	(16,995)	(16,995)	(13,760)	3,235
Capital contributions	455,580	455,580	667,040	211,460
<u>Total nonoperating revenue</u>	954,012	954,012	974,118	20,106
<u>Total available revenue</u>	7,822,363	7,822,363	7,770,686	(51,677)
<u>Expenditures</u>				
Cost of water sold	447,322	447,322	419,480	27,842
Utilities	283,285	283,285	247,300	35,985
Repairs and maintenance	576,525	576,525	493,939	82,586
Salaries and wages	1,554,733	1,554,733	1,555,900	(1,167)
Office	131,250	131,250	105,146	26,104
Professional fees	69,600	69,600	76,396	(6,796)
Contract support services	29,000	29,000	9,819	19,181
Employee benefits and taxes	564,077	564,077	513,447	50,630
Employee development	14,500	14,500	6,182	8,318
Insurance	76,050	76,050	78,566	(2,516)
Other	9,000	9,000	56,624	(47,624)
Appropriated reserves	13,270,656	13,270,656	-	13,270,656
<u>Total operating expenses</u>	17,025,998	17,025,998	3,562,799	13,463,199
<u>Nonoperating expenses</u>				
Interest expense	434,092	434,092	406,697	27,395
Property management - general and administrative	84,550	84,550	32,255	52,295
Capital outlay	3,650,075	3,650,075	2,348,250	1,301,825
<u>Total nonoperating expenses</u>	4,168,717	4,168,717	2,787,202	1,381,515
<u>Principal payments on debt</u>	1,272,661	1,272,661	1,272,661	-
<u>Total expenditures</u>	22,467,376	22,467,376	7,622,662	14,844,714
<u>Excess (deficiency) of revenues over expenditures</u>	<u>\$ (14,645,013)</u>	<u>\$ (14,645,013)</u>	<u>\$ 148,024</u>	<u>\$ (14,793,037)</u>

See accompanying Independent Auditors' Report.

Government Fund				Totals (Memorandum Only)			
Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ 4,870,663	\$ 4,870,663	\$ 4,775,036	\$ (95,627)
-	-	-	-	1,911,098	1,911,098	1,911,913	815
-	-	-	-	5,000	5,000	6,767	1,767
-	-	-	-	35,000	35,000	52,922	17,922
-	-	-	-	46,590	46,590	49,930	3,340
-	-	-	-	6,868,351	6,868,351	6,796,568	(71,783)
-	-	-	-	430,200	430,200	288,175	(142,025)
-	-	-	-	85,227	85,227	84,803	(424)
-	-	-	-	-	-	(52,140)	(52,140)
16,995	16,995	13,760	(3,235)	-	-	-	-
-	-	-	-	455,580	455,580	667,040	211,460
16,995	16,995	13,760	(3,235)	971,007	971,007	987,878	16,871
16,995	16,995	13,760	(3,235)	7,839,358	7,839,358	7,784,446	(54,912)
-	-	-	-	447,322	447,322	419,480	27,842
-	-	-	-	283,285	283,285	247,300	35,985
-	-	-	-	576,525	576,525	493,939	82,586
-	-	-	-	1,554,733	1,554,733	1,555,900	(1,167)
-	-	-	-	131,250	131,250	105,146	26,104
-	-	-	-	69,600	69,600	76,396	(6,796)
-	-	-	-	29,000	29,000	9,819	19,181
-	-	-	-	564,077	564,077	513,447	50,630
-	-	-	-	14,500	14,500	6,182	8,318
-	-	-	-	76,050	76,050	78,566	(2,516)
16,500	16,500	13,760	2,740	25,500	25,500	70,384	(44,884)
495	495	-	495	13,271,151	13,271,151	-	13,271,151
16,995	16,995	13,760	3,235	17,042,993	17,042,993	3,576,559	13,466,434
-	-	-	-	434,092	434,092	406,697	27,395
-	-	-	-	84,550	84,550	32,255	52,295
-	-	-	-	3,650,075	3,650,075	2,348,250	1,301,825
-	-	-	-	4,168,717	4,168,717	2,787,202	1,381,515
-	-	-	-	1,272,661	1,272,661	1,272,661	-
16,995	16,995	13,760	3,235	22,484,371	22,484,371	7,636,422	14,847,949
\$ -	\$ -	\$ -	\$ -	\$ (14,645,013)	\$ (14,645,013)	\$ 148,024	\$ (14,793,037)