

LEFT HAND WATER DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**For the Years Ended
December 31, 2009 and 2008**

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-8
<u>Financial Statements:</u>	
Statement of Net Assets	9-10
Statement of Revenues, Expenses, and Changes in Net Assets	11
Statement of Cash Flows	12-13
Notes to Financial Statements	14-25
<u>Other Supplementary Information</u>	
Schedule of Revenues and Expenditures - Budget and Actual (Budgetary Basis)	26-27

INDEPENDENT AUDITORS' REPORT

Board of Directors
Left Hand Water District
Niwot, Colorado

We have audited the accompanying basic financial statements of Left Hand Water District (the "District") as of December 31, 2009 and 2008, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Left Hand Water District at December 31, 2009 and 2008, and the results of its operations and its cash flows for the years 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 and budgetary comparison information on pages 2 through 8 and 26 through 27 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.

Respectfully submitted,

Watkins & Schommer, Inc.
Greeley, Colorado
June 10, 2010

Management Discussion and Analysis

The discussion and analysis is designed to provide an analysis of the District's financial condition and operating results and to also inform the reader on District 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 9).

2009 Highlights – Business-type activities

- In 2009, net assets were \$82,488,418 or an increase of \$1,626,640 (2.01%) when compared to 2008.
- Total revenues were \$6,547,401 during 2009, which was \$1,563,670 or 20.72% less when compared to 2008 total revenues of \$8,111,071.
- In 2009, total operating expenses were \$4,873,158 or a decrease of \$365,864 (6.98%) when compared to 2008.
- Net capital assets were \$71,752,662 in 2009 compared to \$69,924,480 in 2008 for an increase of \$1,828,182 or 2.61%.
- Long-term debt decreased to \$9,976,875 during 2009, which was \$1,234,595 or 8.9% less when compared to 2008.

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 9 and 10).

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 11).

Statements of cash flows – reports the District's cash flows from operating activities, investing, capital and non-capital activities. (See page 12-13).

Statement of Net Assets

(In thousands)

Year ending December 31	2009	2008
Current assets	\$ 9,160,856	\$ 10,077,683
Restricted assets	11,890,664	12,675,108
Capital assets	71,752,662	69,924,480
Other assets	<u>593,122</u>	<u>679,517</u>
Total assets	<u>93,397,304</u>	<u>93,356,788</u>
Current liabilities	1,671,623	1,935,492
Non-Current liabilities	<u>9,237,263</u>	<u>10,504,518</u>
Total liabilities	<u>10,908,886</u>	<u>12,440,010</u>
Net assets		
Invested in capital assets, net of related debt	61,281,449	58,185,368
Restricted:		
Debt service	213,344	328,399
Bond and loan reserves	1,529,227	1,529,227
Board Designated	10,148,092	10,817,481
Unrestricted	<u>9,316,266</u>	<u>10,056,303</u>
Total net assets	<u>\$ 82,488,418</u>	<u>\$ 80,916,778</u>

Total net assets increased to just nearly \$82.5 million during 2009, a \$1.57 million increase from 2008. Current assets decreased by \$916,827 (from \$10,077,683 in 2008 to \$9,160,856 in 2009). Cash held in banks and investments decreased by \$1.63 million with \$347,390 received in tap fees (down from \$510,940 in 2008), \$17,500 received in EZT line fees and net income of \$744,105 earned in 2009 before debt payments of \$1.6 million. Total restricted assets decreased \$744,105 which included a \$71,000 increase in the Water Fee Reserve and a net decrease of \$739,971 in the Replacement Reserve with \$2,739,971 spent on construction projects in 2009. Capital assets increased \$1.8 million in 2009 from 2008 net of \$1.97 million in depreciation expense. Included in the net change was \$2,763,551 spent in construction projects in 2009 vs. \$974,563 in 2008 with replacement projects accounting for \$2,745,947 of the total spent in 2009. Current liabilities decreased by \$263,869 (13%); non-current liabilities decreased \$1.32 million (12%) as a result of a \$314,595 principal payment on the DWRF loan, a \$920,000 principal payment on the 2004 Series Bond.

Review of Revenues

(In thousands)

Year ending December 31	2009	2008
Operating revenues		
Water – Treated	\$ 4,381,735	\$ 5,315,807
Water – Basic	1,717,866	1,695,783
Other - Fees & Services	49,880	66,210
Other - Inventory Sales	<u>3,088</u>	<u>4,314</u>
Subtotal	6,152,569	7,082,114
Non-operating revenues		
Earnings on investments	442,449	715,014
Property rental and miscellaneous income	66,827	59,433
Water Lease Income	57,150	55,180
Unrealized Gain on Investments	191,936	171,337
Gain (loss) on disposition of capital assets	<u>9,270</u>	<u>2,560</u>
Subtotal	<u>767,632</u>	<u>1,003,524</u>
Total Revenues	<u>\$6,920,201</u>	<u>\$8,085,638</u>

Operating revenues were \$6,152,569 or 9% under the 2009 budget of \$6,768,368. Due to the downturn in our economy, the District did not raise water usage rates or monthly basic fee from the previous year. After adjusting for the unrealized gain/loss on investments related to market value vs. book value (loss of \$191,936 in 2009 and a gain of \$171,337 in 2008), interest income was down by \$272,566 from 2008 (\$442,448 vs. \$715,014) with interest rates falling from 2.02% in 2008 to 1%+/- in 2009 with an increase in investments of \$1,010,917 (\$11,269,487 vs. \$10,258,570). Water lease revenues were \$57,150 in 2009 vs. \$55,180 in 2008. In 2009, total revenues and receipts were down from 2008 by about 17% (\$1,444,231) or \$7,091,210 vs. \$8,535,441.

Review of Expenses

(In thousands)

Year ending December 31	2009	2008
Operating expenses		
Operation and maintenance	\$ 1,425,529	\$ 1,450,373
Administrative services	1,904,208	1,768,427
Depreciation & Amortization	<u>1,958,379</u>	<u>1,937,466</u>
Total Operating Expenses	<u>\$ 5,288,116</u>	<u>\$ 5,156,266</u>

Net of depreciation, total operating expenditures were under budget by 8% or \$295,350 and when compared to 2008 were up only 4% or \$110,937. Operation and maintenance costs decreased 1% or \$24,844 in 2009 compared to 2008. Operation and maintenance salaries increased \$52,712 or 7%; chemical costs increased 14% or \$21,351; repairs and maintenance costs decreased 18% or \$35,440; utilities decreased 8% or \$19,142 as a result of lower water production related to a decrease in usage. Total administrative costs increased 8% or \$135,781 from 2008. Assessments increased 10% or \$19,995 and salaries increased 9% or \$55,819 as a result of the department being fully staffed in 2009. During 2008, the District joined a pool to increase our negotiating power so we could obtain better rates for health insurance. As a result, these costs decreased by 24% or \$36,872 from 2008. Depreciation costs were \$1,883,379 in 2009, up \$20,913 or 2%.

Capital Contributions and Transfers

(In thousands)

Year ending December 31	2009	2008
Capital Contributions	\$ 897,895	\$ 707,806
Reimbursement of Contributions	(50,926)	(84,106)
Net Contributions	<u>\$ 846,969</u>	<u>\$ 623,700</u>

In 2009, total tap fees were \$347,390 or \$219,530 (38%) under budget and \$163,550 less than in 2008 as development projects slowed during the year as a result of the slow down in the economy. While the system investment fee portion of tap fees were higher than the 2009 budget - \$259,470 vs. \$189,720, the water fee portion was under budget by 81% or \$69,000 vs. \$361,500. In 2008 system investment fees were \$380,440 and water fees were \$130,500. No water was transferred to the District in lieu of cash paid for any 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. These line fees were \$17,500 in 2009 compared to \$20,611 in 2008. Reimbursements to the developer were \$1,946 in both 2009 and 2008. Line fee reimbursements paid-to-date to the developer is \$118,954. Other reimbursements were credits given to developers for installation fees in the amount of \$48,980 in 2009 compared to \$82,160 in 2008.

Capital Assets (net of depreciation)

(In thousands)

Year ending December 31	2009	2008
Land & Easement Rights	\$ 888,055	\$ 811,719
Water Rights	10,933,760	10,801,168
Contributed Water Rights	8,315,149	8,315,149
Building and improvements	489,112	488,700
Treatment Plants	11,541,118	11,704,887
Storage Tanks	6,013,260	5,831,211
Raw Water Reservoirs	487,653	517,547
T & D Water Lines & Contributed Water Lines	32,213,410	30,165,526
Office Equipment and furnishings	41,840	78,361
Equipment and Vehicles	213,494	197,559
Construction in progress	<u>615,662</u>	<u>995,382</u>
Total Capital Assets	<u>\$ 71,752,513</u>	<u>\$ 69,907,209</u>

Major additions in 2009:

Increases included \$91,875 for the payment requirement related to the Northern Integrated Supply project. Contributed assets increased \$460,616 in 2009 as a result of the completion of three subdivision infrastructure by developers. Those subdivision waterline infrastructures are as follows – Wyndham Hill \$188,639; Hauck Preserve \$214,577 and WCR 5 water line \$57,400.

Total construction expenditures were \$2,763,551 or 49% of the 2009 budget of \$5,724,750 primarily due to significantly less spent on replacement funded projects in 2009. The Niwot Road Water Main - Phase Three was completed under budget by \$1.4 million or 41% due to very competitive bids (\$2,110,552 vs. \$3,600,000).

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, in 1999 for the construction of a Highway 52 Eastern Transmission Zone 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. Costs related to the 1041 permitting work related to the Dodd Water Treatment Plant Upgrade and Expansion was budgeted at \$150,000 in 2009 with \$165,861 spent. The permit was approved in September 2009.

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 1996 Bond 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. It encompasses four major areas of study:

- Treated Water Transmission and 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 (2019) 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 and Distribution lines that benefit future development will 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, 2009 is \$18,731,046. All "Replacement Fund" related capital improvements projects will be paid for by the District's Replacement Fund Reserve. As of December 31, 2009 the balance in the reserve is \$4,793,390. The Replacement Fund Reserve will continue to be funded by profits from water sales and non-operating income. In 2009, the District funding was \$2,000,000 based on analysis using our Water Rate Model software. Funding in 2010 is set at \$2,000,000 and was based on estimates for future replacement project needs.

Replacement Fund Summary

Replacement Funding – 1995-2009	\$ 13,998,387
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	152,656
Boulder Water Main Extension	560,830
Niwot Road Water Main Replacement	2,321,586
Great Western Drive Water Main	134,389
County Line Road Replacement – Phase I	411,632
95 th St Water Main Replacement	272,283
N 115 th Street to Hwy 52	34,261
6 mg Pump Station Upgrade	244,191
Total Uses Of Funds	9,204,997
Replacement Fund @ 12/31/09	\$ 4,793,390

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 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.

Proposed Capital Project Plan 2010-2019

Project	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
New Meters & Upgrade/ Replacement Projects	\$26,400	\$40,000	\$60,000	\$60,000	\$60,000	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Unscheduled Construction Southern Supply Line	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Tank Improvements 95 th St W/L Phase II	175,000	5,000				1,080,000	7,200,000			
NISP Project	1,620,000	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 Phase II	245,000									
Rustic Knolls 8 th Jay Rd & 55 th	5,000									
N 115 th Water main	120,000	830,000	5,000							
Raw Water Legal related	350,000									
Source Water Quality	20,000									
Rodeo Drive to Oxford Road	15,000									
Joder 12 th Water Main	5,000	80,000								
Office Buildings & Grounds	70,000	500,000	5,000							
Replacement Fund – Treatment Storage	17,500									
Replacement Fund – Treated Pumping										
Replacement Fund – Medium Priority - Distribution Mains										
Replacement Fund – High Priority – Distribution Mains			794,354	1,173,137	1,419,028	2,261,468	1,274,505	2,049,391	2,000,000	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	330,000		400,000	3,000,000	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	\$3,498,900	\$2,200,000	\$3,548,354	\$11,542,137	\$27,762,131	\$18,917,307	\$9,559,188	\$4,311,242	\$9,686,940	\$11,467,236
Total with a 5% Inflation Allowance	\$3,498,900	\$2,310,000	\$3,912,061	\$12,725,207	\$33,745,045	\$24,143,813	\$12,810,226	\$6,066,350	\$14,382,201	\$17,789,447

Debt and Other Financial Obligations

The District's long-term debt was \$9,976,875 and \$11,211,470 at December 31, 2009 and December 31, 2008, respectively. The decrease was a result of principal payments on the DWRF loan for \$314,595 and \$920,000 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

Revenues sales were down 17% during 2009 due to an extremely wet year as well as the impact of the slow economy. Tap sales also decreased \$163,550 or 32% compared to the previous year. The District's water rate management plan utilizes a comprehensive rate and financial forecasting model that's based on a 17 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, 2009 and 2008**

	2009	2008
<u>ASSETS</u>		
<u>Current assets</u>		
Cash and cash equivalents	155,823	243,471
Investments	8,432,117	9,194,918
Receivables	289,253	339,218
Inventory - supplies	158,646	188,239
Prepaid expenses and other assets	125,018	111,835
<u>Total current assets</u>	9,160,857	10,077,681
<u>Non-current assets</u>		
<u>Restricted assets</u>		
Cash and cash equivalents	8,663,965	555,976
Investments	3,226,699	12,119,131
<u>Total restricted assets</u>	11,890,664	12,675,107
<u>Capital assets</u>		
Transmission and distribution system	54,995,033	51,421,632
Facilities	17,083,384	16,855,681
Vehicles	860,141	859,688
Furniture and equipment	390,762	507,944
<u>Total capital assets</u>	73,329,320	69,644,945
Less: accumulated depreciation	(22,329,434)	(20,643,881)
<u>Total</u>	50,999,886	49,001,064
Land, easements and water rights	20,137,114	19,928,037
Construction in progress	615,661	995,382
<u>Net capital assets</u>	71,752,661	69,924,483
<u>Other assets</u>		
Intangible assets	593,122	679,517
<u>Total non-current assets</u>	84,236,447	83,279,107
<u>Total assets</u>	93,397,304	93,356,788

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

	<u>2009</u>	<u>2008</u>
<u>LIABILITIES</u>		
<u>Current liabilities</u>		
Current portion of long-term debt	1,272,661	1,234,595
Accounts payable	102,336	365,978
Retainage payable	-	22,580
Accrued expenses	72,409	108,090
Pollution remediation payable	16,250	16,250
	<u>1,463,656</u>	<u>1,747,493</u>
<u>Total current liabilities</u>		
<u>Non-current liabilities</u>		
Accrued compensated absences	224,217	204,249
Long-term debt (net of current maturities and unamortized discount)	9,198,514	10,504,519
Pollution remediation payable	22,500	38,750
	<u>9,445,231</u>	<u>10,543,269</u>
<u>Total non-current liabilities</u>		
	<u>10,908,887</u>	<u>12,290,762</u>
<u>Total liabilities</u>		
<u>NET ASSETS</u>		
<u>Net assets</u>		
Invested in capital assets, net of related debt	61,281,486	58,185,369
Restricted:		
Debt service	213,345	328,399
Bond and loan reserves	1,529,227	1,529,227
Unrestricted:		
Board designated	10,148,092	10,817,481
Undesignated	9,316,267	10,001,301
	<u>82,488,417</u>	<u>80,861,777</u>
<u>Total net assets</u>		

Left Hand Water District
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Operating revenues</u>		
Water - treated	6,099,601	7,011,590
Service revenue	49,880	66,210
Other income	60,238	59,494
	<u>6,209,719</u>	<u>7,137,294</u>
<u>Total operating revenue</u>		
<u>Operating expenses</u>		
Depreciation and amortization	1,946,984	1,937,466
Salaries and wages	1,505,117	1,370,999
Employee benefits and taxes	472,858	480,610
Repairs and maintenance	416,062	462,299
Cost of water sold	389,120	332,699
Utilities	233,360	254,747
Office	106,214	115,111
Insurance	72,248	66,487
Other	72,213	99,449
Professional fees	68,530	54,732
Contract support service	38,031	32,088
Employee development	9,434	6,902
	<u>5,330,171</u>	<u>5,213,589</u>
<u>Total operating expenses</u>		
<u>Operating income</u>	<u>879,548</u>	<u>1,923,705</u>
<u>Non-operating revenues (expenses)</u>		
Earnings on investments	250,512	886,351
Property rental and miscellaneous income	66,827	59,433
Gain on disposition of capital assets	9,270	2,560
Interest expense	(445,834)	(468,674)
Property management expense - G&A	(31,579)	(64,589)
Fuel tank pollution remediation expense	-	(55,000)
	<u>(150,804)</u>	<u>360,081</u>
<u>Total non-operating revenues (expenses)</u>		
<u>Income before contributions</u>	728,744	2,283,786
<u>Capital contributions</u>	897,896	756,588
<u>Change in net assets</u>	1,626,640	3,040,374
<u>Net assets - beginning of year</u>	80,861,777	77,821,403
<u>Net assets - end of year</u>	<u>82,488,417</u>	<u>80,861,777</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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<u>Cash flows from operating activities</u>		
Cash received from customers	6,149,566	6,998,595
Cash paid to suppliers	(2,209,833)	(1,757,096)
Cash paid to employees	(1,470,316)	(1,389,929)
Other operating revenues	110,118	125,704
	<u>2,579,535</u>	<u>3,977,274</u>
<u>Cash flows from noncapital activities</u>		
Nonoperating revenues	66,827	59,433
Nonoperating expenses	(31,579)	(64,589)
	<u>35,248</u>	<u>(5,156)</u>
<u>Cash flows from capital and related financing activities:</u>		
Contributed capital	437,280	684,100
Proceeds from sale of capital assets	9,270	2,560
Acquisition and construction of capital assets	(3,239,546)	(1,542,861)
Repayment of bonds and loans	(1,234,595)	(1,199,217)
Interest paid	(472,596)	(506,220)
	<u>(4,500,187)</u>	<u>(2,561,638)</u>
<u>Cash flows from investing activities</u>		
Proceeds from sales and maturities of investments	5,923,627	2,266,883
Purchase of investments	(7,158,685)	(4,603,918)
Change in restricted cash and cash equivalents	2,782,302	17,561
Earnings on investments	250,512	886,351
	<u>1,797,756</u>	<u>(1,433,123)</u>
<u>Net change in cash and cash equivalents</u>	(87,648)	(22,643)
<u>Cash and cash equivalents - beginning of year</u>	<u>243,471</u>	<u>266,114</u>
<u>Cash and cash equivalents - end of year</u>	<u><u>155,823</u></u>	<u><u>243,471</u></u>

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

	<u>2009</u>	<u>2008</u>
<u>Reconciliation of operating loss to net cash</u>		
<u>flows from operating activities:</u>		
Operating income	879,548	1,923,705
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	1,871,984	1,862,466
Amortization of water service agreement	75,000	75,000
Fuel tank pollution remediation expense	-	(55,000)
Changes in assets and liabilities:		
Receivables	49,965	(12,995)
Inventory	29,593	(78,539)
Prepaid expenses and other assets	(13,183)	(27,273)
Accounts payable and accrued expenses	(274,542)	240,484
Retainage payable	(22,580)	(5,574)
Pollution remediation payable	(16,250)	55,000
	<u>2,579,535</u>	<u>3,977,274</u>
<u>Net cash flows from operating activities</u>		
<u>Noncash investing, capital and financing activities:</u>		
The District has recorded as contributed capital and fixed assets utility lines and water rights contributed by developers.	460,616	72,488

Left Hand Water District
Notes to Financial Statements
December 31, 2009

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) 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, 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. 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 decreases (e.g., expenses) in net total 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 \$21,552,954.

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.

**Left Hand Water District
Notes to Financial Statements
December 31, 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts

The District has not established an allowance for doubtful accounts because all charges for services create a statutory lien on the property which will be paid to the District when the property is sold.

Revenue Recognition

Operating revenues are those revenues that are generated directly from the primary activity of the District. These revenues are water treatment and delivery service charges. 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.

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	5 years
Furniture and equipment	5-10 years

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

	<u>2009</u>	<u>2008</u>
Changes in net assets	1,626,640	3,040,374
Add: Depreciation	1,871,984	1,862,466
Pollution remediation expense of capital assets	-	55,000
Less: Capital outlay	(3,700,162)	(1,615,349)
Debt principal paid	(1,234,595)	(1,199,217)
Gain on sale of capital assets	(9,270)	(2,560)
MTR/PIT credit on CIAC	(48,980)	(82,160)
Excess (deficiency) of revenues over expenditures	<u>(1,494,383)</u>	<u>2,058,554</u>

Left Hand Water District
Notes to Financial Statements
December 31, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

Intangible Assets

Debt issuance costs, premiums, discounts and the loss 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 a reduction of the face amount of the debt.

The District entered into a water service agreement with Central Weld County Water District (Central Weld) on November 17, 1994. Central Weld will provide treated water to the District via a cross-tie connection. Upon execution of this agreement, the District paid \$1,500,000 to Central Weld. 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 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, 2009 and 2008 is \$450,000 and \$525,000.

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.

Accrued Compensated Absences Payable

In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*, vested or accumulated vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expense and a liability.

The District has recorded a liability of \$224,217 and \$204,249 at December 31, 2009 and 2008, respectively.

Contributions in Aid of Construction

Contributions of cash, transmission lines and water rights to the District by developers, customers or by agreements with others are treated as capital contributions on the District's statement of revenues, expenses and changes in net assets.

Fund Equity and 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.

If applicable, the District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Left Hand Water District
Notes to Financial Statements
December 31, 2009

Note 2 - Cash and Investments

Cash Deposits

Custodial Credit Risk

This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits. The District's deposit policy is in accordance with CRS 11-10.5-101, the Colorado Public Deposit Protection Act ("PDPA"), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels (\$250,000 as of December 31, 2009) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is maintained by another institution, or held in trust for all of the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2009 all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

Investments

Credit Risk

Colorado statutes specify 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.

**Left Hand Water District
Notes to Financial Statements
December 31, 2009**

Note 2 - Cash and Investments (Continued)

District policy is to hold investments until maturity

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates. 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.

At December 31, 2009 and 2008, the District had invested \$8,147,994 and \$10,890,291, respectively in the Colorado Local Government Liquid Asset Trust (the Trust), a local government investment pool. As an investment pool, the Trust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAA by Standard and Poor's and Aaa by Moody Rating. Authorized securities include U.S. Treasuries, U.S. Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). The pools operate similar to a money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

Cash deposits held by the District at December 31, 2009 and 2008 were as follows:

	2009		2008	
	Book Balance	Bank Balance	Book Balance	Bank Balance
<i>Cash deposits</i>				
Insured deposits	263,382	263,382	798,847	776,429
Collateralized deposits	407,812	511,083	-	-
	671,194	774,465	798,847	776,429
 Uncategorized:				
Cash on hand	600		600	
Local government investment pool	8,147,994		10,890,291	
Total cash deposits	8,819,788		11,689,738	

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. Investment funds or money market funds are not categorized because they are not evidenced by securities that exist in physical or book form.

**Left Hand Water District
Notes to Financial Statements
December 31, 2009**

Note 2 - Cash and Investments (Continued)

Investments held by the District at December 31, 2009 and 2008 were as follows:

	2009			2008		
	Cost	Fair Value	Weighted Average Duration	Cost	Fair Value	Weighted Average Duration
<i>US Instrumentality</i>						
FHLB	3,400,119	3,460,605	2.2 years	1,472,322	1,585,667	3.8 years
FNMA	2,052,182	2,050,262	1.7 years	3,076,190	3,128,088	3.3 years
FHLMC	3,231,242	3,281,255	.6 years	2,231,608	2,305,060	4.6 years
FFCB	2,114,610	2,141,030	1.0 years	3,055,793	3,179,943	4.6 years
Treasury note	496,953	500,665	1.3 years	-	-	-
Certificate of deposit	225,000	225,000	2 years	225,000	225,000	2 years
Total	11,520,106	11,658,817		10,060,913	10,423,758	

All the above U.S. Instrumentalities shown above are rated AAA by Standards & Poor and Aaa by Moody at December 31, 2009 and 2008, respectively. The weighted average yield of the above U.S. Instrumentalities is 4.19% and 4.19% at December 31, 2009 and 2008, respectively.

Note 3 - Restricted Assets

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

	2009	2008
Debt service account:		
Paying current principal and interest on bonds and loan	213,345	328,399
Debt service reserve account:		
Paying principal and interest in the event there are insufficient funds available in the debt service account	1,529,227	1,529,227
Board designated accounts:		
Deferred system replacement account	4,793,391	5,533,361
Water acquisition account	5,349,716	5,278,716
Dental account	4,986	5,404
Total restricted assets	11,890,665	12,675,107

Left Hand Water District
Notes to Financial Statements
December 31, 2009

Note 4 - Capital Assets

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 water rights	19,928,037	209,078	-	20,137,115
Construction in progress	995,382	2,935,658	(3,315,378)	615,662
Total capital assets, not being depreciated	20,923,419	3,144,736	(3,315,378)	20,752,777
Capital assets, being depreciated:				
Transmission and distribution system	51,421,632	3,630,449	(57,048)	54,995,033
Facilities	16,855,681	227,704	-	17,083,385
Vehicles and equipment	859,688	69,703	(69,248)	860,143
Furniture and equipment	507,944	-	(117,182)	390,762
Total capital assets, being depreciated	69,644,945	3,927,856	(243,478)	73,329,323
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)	117,182	(598,715)
Furniture and equipment	(429,261)	(36,351)	-	(465,612)
Total accumulated depreciation	(20,643,881)	(1,871,984)	186,430	(22,329,435)
Total capital assets, being depreciated, net	49,001,064	2,055,872	(57,048)	50,999,888
Total capital assets, net	69,924,483	5,200,608	(3,372,426)	71,752,665

The following is a summary of capital asset activities for the year ended December 31, 2008:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land, easements and right of way	19,721,883	206,154	-	19,928,037
Construction in progress	695,446	957,124	(657,188)	995,382
Total capital assets, not being depreciated	20,417,329	1,163,278	(657,188)	20,923,419
Capital assets, being depreciated:				
Transmission and distribution system	50,359,268	1,062,364	-	51,421,632
Facilities	16,855,681	-	-	16,855,681
Vehicles and equipment	863,455	47,986	(51,753)	859,688
Furniture and equipment	507,944	-	-	507,944
Total capital assets, being depreciated	68,586,348	1,110,350	(51,753)	69,644,945

**Left Hand Water District
Notes to Financial Statements
December 31, 2009**

Note 4 - Capital Assets (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Less accumulated depreciation for:				
Transmission and distribution system	(13,199,366)	(1,323,942)	-	(14,523,308)
Facilities	(4,596,345)	(432,515)	-	(5,028,860)
Vehicles and equipment	(666,654)	(47,551)	51,753	(662,452)
Furniture and equipment	(382,199)	(47,062)	-	(429,261)
Total accumulated depreciation	(18,844,564)	(1,851,070)	51,753	(20,643,881)
 Total capital assets, being depreciated, net	 49,741,784	 (740,720)	 -	 49,001,064
 Total capital assets, net	 70,159,113	 422,558	 (657,188)	 69,924,483

Note 5 - Long-Term Debt

2004 Water Revenue Bonds

\$9,885,000 April 1, 2004, water revenue refunding bonds due in installments of \$920,000 in 2009, increasing to \$1,190,000 in 2015; interest at 1.6% to 3.77%. The proceeds were used to refund the 1996 water revenue bonds.

6,355,000

1999 Loan - Colorado Water Resources and Power
Development Authority

\$6,625,000 May 1, 1999, Colorado Water Resources and Power Development Authority Loan, from the State of Colorado Drinking Water Revolving Fund, with principal due in installments of \$314,595 in 2009 increase 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 Exhibit F of the agreement a \$496,165 reserve has been established on June 1, 1999. The reserve consists of U.S. Treasury notes.

3,621,875

Subtotal

9,976,875

Add: Unamortized premium

494,300

Total bonds, loans, and contract payable

10,471,175

**Left Hand Water District
Notes to Financial Statements
December 31, 2009**

Note 5 - Long-Term Debt (Continued)

The annual requirements to amortized all debt outstanding as of December 31, 2009, are as follows:

Year Ending December 31,	Principal	Interest	Total
2010	1,272,661	434,093	1,706,754
2011	1,316,106	390,514	1,706,620
2012	1,374,550	335,290	1,709,840
2013	1,440,305	271,759	1,712,064
2014	4,342,012	554,060	4,896,072
2015-2019	231,241	17,202	248,443
Total	9,976,875	2,002,918	11,979,793

A summary of changes in debt is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2004 revenue bonds	7,275,000	-	920,000	6,355,000	950,000
1999 CWRPDA loan	3,936,470	-	314,595	3,621,875	322,661
Totals	11,211,470	-	1,234,595	9,976,875	1,272,661
Current portion of long-term debt	(1,234,595)			(1,272,661)	
Unamortized bond Premium	527,644			494,300	
Noncurrent portion of long-term debt	10,504,519			9,198,514	

Note 6 - Rate Maintenance

The District shall establish, rates, fees, plant investment fees, standby charges, availability fee, 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 Governmental Agency Loan and any debt service on any indebtedness payable on a parity with the lien or charge of this loan agreement.

**Left Hand Water District
Notes to Financial Statements
December 31, 2009**

Note 6 - Rate Maintenance (Continued)

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

Operating revenues	6,209,719
Connection fees	<u>897,896</u>
<u>Subtotal</u>	7,107,615
Operation and maintenance expense	(3,383,187)
<u>Net revenue as defined in loan resolution</u>	<u>3,724,428</u>
2009 principal due	314,595
2009 interest due	<u>178,321</u>
<u>Subtotal</u>	492,916
	<u>x110%</u>
<u>Required revenue as defined in loan resolution</u>	<u>542,208</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.

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 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 percent and for the District it is 10.00 percent of covered salary. A portion of the District's contribution (1.02 percent of covered salary) is allocated to the Health Care Trust Fund (See Note 10). The District is also required to pay an amortization equalization disbursement ("AED") equal to 1.80 percent of the total payroll for the calendar year 2009 (1.40 percent of total payroll for the calendar year 2008, and 1.00 percent of total payroll for the calendar year 2007). Additionally, the District is required to pay a supplemental amortization equalization disbursement ("SAED") equal to 1.00 percent of the total payroll for the calendar year 2009 (0.50 percent 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, 2007, 2008, and 2009, the District's employer contributions to the LGDTF were \$132,527, \$151,537, and \$176,150, respectively, equal to their required contributions for each year.

**Left Hand Water District
Notes to Financial Statements
December 31, 2009**

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 East Larimer County Water 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, 2007, 2008, and 2009, the East Larimer County Water District employer contributions to the HCTF were \$14,259, \$14,207, 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).

Funding Policy - The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$15,500 for the calendar year 2008 and \$16,500 calendar year 2009). Catch-up contributions up to \$5,000 for the calendar year 2008 and \$5,500 for the calendar 2009 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). No matching is required by the District. However, the Board elected to match up to five percent for eligible employees. 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, 2007, 2008, and 2009, the 401(k) Plan member contributions from employees of the District were \$50,842, \$63,087 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 exceeds commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage.

**Left Hand Water District
Notes to Financial Statements
December 31, 2009**

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, 2009, the Left Hand Water District owns approximately 17 percent of Left Hand Ditch Company stock.

Note 13 - Water Activity Enterprise

In November 1992, Colorado voters passed an amendment (Amendment One) 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, excludes 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. Enterprises, 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.

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

During 2004 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 a firm, CGRS, Inc., 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). During 2008, the District recorded a liability of \$55,000 for all future costs, net of anticipated reimbursements for the Colorado Petroleum Storage Tank Fund.

Note 15 - Subsequent Events

Management of the District has evaluated subsequent events through June 10, 2010, 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 SUPPLEMENTAL INFORMATION

Left Hand Water District
Schedule of Revenues and Expenses - Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2009

	Enterprise Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budget Basis	Positive (Negative)
<u>Operating revenue</u>				
Water - volume charge	5,003,050	5,003,050	4,381,735	(621,315)
Water - basic service charge	1,706,818	1,706,818	1,717,866	11,048
Transfers/BA/requests	7,500	7,500	6,312	(1,188)
Service and rental income	42,000	42,000	43,568	1,568
Other income	50,800	50,800	60,238	9,438
<u>Total operating revenue</u>	<u>6,810,168</u>	<u>6,810,168</u>	<u>6,209,719</u>	<u>(600,449)</u>
<u>Nonoperating revenue</u>				
Interest income	315,000	315,000	250,512	(64,488)
Property rental and miscellaneous income	66,451	66,451	66,827	376
MTR/PIT credit on CIAC	-	-	(48,980)	(48,980)
Transfers between funds	(16,995)	(16,995)	(11,943)	5,052
Other revenue	567,920	567,920	897,896	329,976
<u>Total nonoperating revenue</u>	<u>932,376</u>	<u>932,376</u>	<u>1,154,312</u>	<u>221,936</u>
<u>Total available revenue</u>	<u>7,742,544</u>	<u>7,742,544</u>	<u>7,364,031</u>	<u>(378,513)</u>
<u>Expenditures</u>				
Cost of water sold	394,991	394,991	464,120	(69,129)
Utilities	288,052	288,052	233,360	54,692
Repairs and maintenance	498,535	498,535	416,062	82,473
Salaries and wages	1,507,671	1,507,671	1,505,117	2,554
Office	93,850	93,850	106,214	(12,364)
Professional fees	39,500	39,500	68,530	(29,030)
Contract support services	41,500	41,500	38,031	3,469
Employee benefits and taxes	530,413	530,413	472,858	57,555
Employee development	15,000	15,000	9,434	5,566
Insurance	72,000	72,000	72,248	(248)
Other	143,576	143,576	60,270	83,306
Appropriated reserves	9,706,130	9,706,130	-	9,706,130
<u>Total operating expenses</u>	<u>13,331,218</u>	<u>13,331,218</u>	<u>3,446,244</u>	<u>9,884,974</u>
<u>Nonoperating expenses</u>				
Interest expense	472,596	472,596	445,834	26,762
Property management - G&A	56,300	56,300	31,579	24,721
Capital outlay	6,441,250	6,441,250	3,700,162	2,741,088
<u>Total nonoperating expenses</u>	<u>6,970,146</u>	<u>6,970,146</u>	<u>4,177,575</u>	<u>2,792,571</u>
<u>Principal payments on debt</u>	<u>1,234,595</u>	<u>1,234,595</u>	<u>1,234,595</u>	<u>-</u>
<u>Total expenditures</u>	<u>21,535,959</u>	<u>21,535,959</u>	<u>8,858,414</u>	<u>12,677,545</u>
<u>Excess (deficiency) of revenues over expenditures</u>	<u>(13,793,415)</u>	<u>(13,793,415)</u>	<u>(1,494,383)</u>	<u>(12,299,032)</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		
-	-	-	-	5,003,050	5,003,050	4,381,735	(621,315)
-	-	-	-	1,706,818	1,706,818	1,717,866	11,048
-	-	-	-	7,500	7,500	6,312	(1,188)
-	-	-	-	42,000	42,000	43,568	1,568
-	-	-	-	50,800	50,800	60,238	9,438
-	-	-	-	6,810,168	6,810,168	6,209,719	(600,449)
-	-	-	-	315,000	315,000	250,512	(64,488)
-	-	-	-	66,451	66,451	66,827	376
-	-	-	-	-	-	(48,980)	(48,980)
16,995	16,995	11,943	(5,052)	-	-	-	-
-	-	-	-	567,920	567,920	897,896	329,976
16,995	16,995	11,943	(5,052)	949,371	949,371	1,166,255	216,884
16,995	16,995	11,943	(5,052)	7,759,539	7,759,539	7,375,974	(383,565)
-	-	-	-	394,991	394,991	464,120	(69,129)
-	-	-	-	288,052	288,052	233,360	54,692
-	-	-	-	498,535	498,535	416,062	82,473
-	-	-	-	1,507,671	1,507,671	1,505,117	2,554
-	-	-	-	93,850	93,850	106,214	(12,364)
-	-	-	-	39,500	39,500	68,530	(29,030)
-	-	-	-	41,500	41,500	38,031	3,469
-	-	-	-	530,413	530,413	472,858	57,555
-	-	-	-	15,000	15,000	9,434	5,566
-	-	-	-	72,000	72,000	72,248	(248)
16,500	16,500	11,943	4,557	160,076	160,076	72,213	87,863
495	495	-	495	9,706,625	9,706,625	-	9,706,625
16,995	16,995	11,943	5,052	13,348,213	13,348,213	3,458,187	9,890,026
-	-	-	-	472,596	472,596	445,834	26,762
-	-	-	-	56,300	56,300	31,579	24,721
-	-	-	-	6,441,250	6,441,250	3,700,162	2,741,088
-	-	-	-	6,970,146	6,970,146	4,177,575	2,792,571
-	-	-	-	1,234,595	1,234,595	1,234,595	-
16,995	16,995	11,943	5,052	21,552,954	21,552,954	8,870,357	12,682,597
-	-	-	-	(13,793,415)	(13,793,415)	(1,494,383)	(12,299,032)