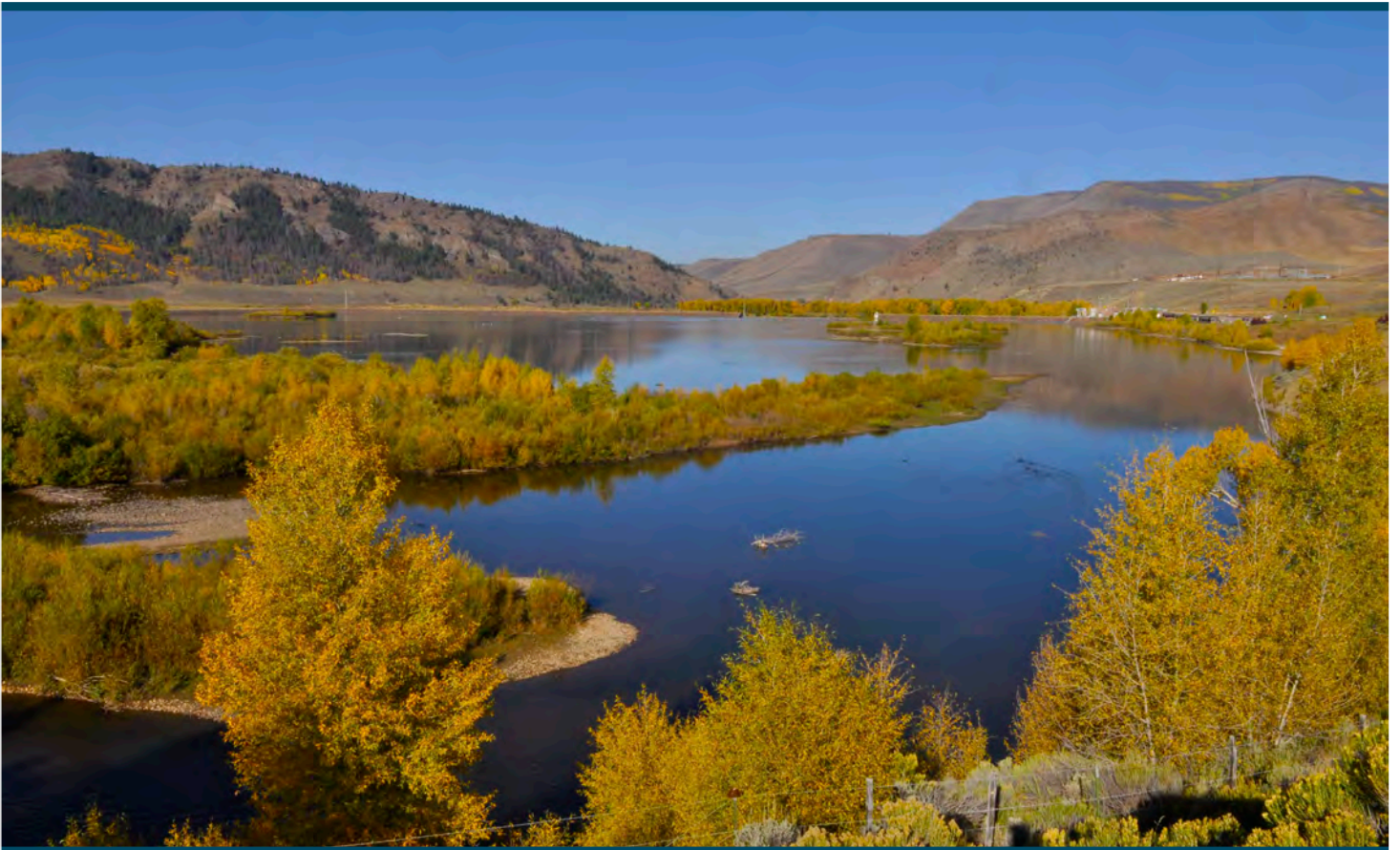


2016

Municipal Subdistrict



Municipal Subdistrict
Northern Colorado Water Conservancy District
Comprehensive Annual Financial Report
Year ended September 30, 2016



RECEIVED

By Justin L. Smith at 3:29 pm, Mar 16, 2017

Comprehensive Annual Financial Report

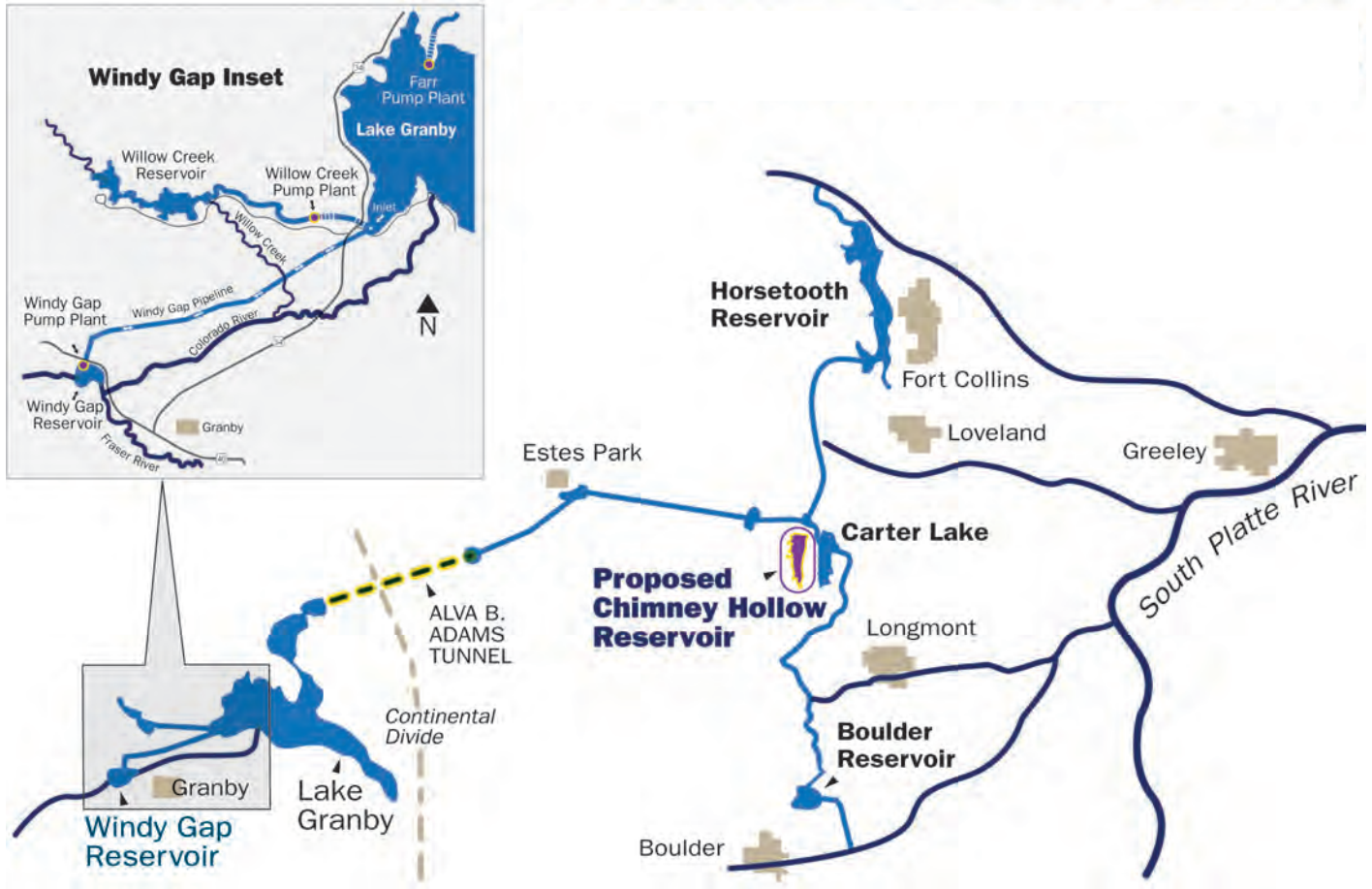
Year ended September 30, 2016

**Municipal Subdistrict,
Northern Colorado Water Conservancy District
Berthoud, Colorado**



Issued by:

*Municipal Subdistrict,
Northern Colorado Water Conservancy District
with the assistance of the
Financial Services Department, Northern Water*



Windy Gap Project and proposed Windy Gap Firming Project



Site of the proposed Chimney Hollow Reservoir, with Flatiron Reservoir in the foreground and Carter Lake to the left

Comprehensive Annual Financial Report

Year ended September 30, 2016

Table of Contents

	<u>Page</u>
INTRODUCTORY	
Letter of Transmittal	i
Board of Directors	iv
Organizational Chart	v
Certificate of Achievement	vi
FINANCIAL	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Financial Statements	12
Supplementary Information	
Subdistrict Enterprise Funds	
Schedule of Revenues and Expenses, Budget to Actual	
Windy Gap	20
Windy Gap Firming Project	21
STATISTICAL INFORMATION	
Table of Contents	23
Subdistrict Boundaries	25
Financial Trends	26
This schedule contains trend information to help the reader understand how the Subdistrict's financial performance and well-being have changed over time.	
Revenue Sources	28
These schedules contain information to help the reader assess the Subdistrict's primary revenue source.	
Demographic and Economic Statistics	32
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Subdistrict's financial activities take place.	
Operating Information	37
These schedules contain information about the Subdistrict's operations and resources to help the reader understand how the Subdistrict's financial information relates to the services it provides and the activities it performs.	



February 22, 2017

To the Board of Directors
Municipal Subdistrict,
Northern Colorado Water Conservancy District

The comprehensive annual financial report of the Municipal Subdistrict, Northern Colorado Water Conservancy District (Subdistrict), for the fiscal year ended September 30, 2016, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Subdistrict's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the Subdistrict. All disclosures necessary to enable the reader to gain an understanding of the Subdistrict's financial activities have been included.

In developing and evaluating the Subdistrict's accounting system, an important consideration is the overall adequacy of internal controls. Internal controls are designed to provide Subdistrict management with reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the overall reliability of maintaining accountability and control over the Subdistrict's assets. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

CliftonLarsonAllen LLP, a certified public accounting and consulting firm, has issued unmodified opinions on the Subdistrict's financial statements as of, and for the year ended, September 30, 2016. Their independent auditors' report is located on pages 1-3 of the Financial section of this report. State statutes require that an annual audit of the books of account, financial records and transactions of the Subdistrict be performed in accordance with generally accepted auditing standards by independent certified public accountants selected by the Board of Directors. These requirements have been met.

Management's Discussion and Analysis (MD&A), located on pages 4 - 7, provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with the letter.

Profile of the Subdistrict

The Subdistrict and the Windy Gap Water Activity Enterprise were established in 1970 and 1993, respectively, to develop a water supply from the Windy Gap Project for six Northern Colorado municipalities. The Windy Gap Project participants have expanded to include the Platte River Power Authority; the municipalities of Boulder, Broomfield, Fort Lupton, Greeley, Lafayette, Longmont, Louisville, Loveland, Superior, Estes Park and Erie; and the Little Thompson Water District and the Central Weld County Water District. The areas served by the Subdistrict are situated along the Front Range of the Colorado Rocky Mountains, north of Denver.

The Windy Gap Project consists of a diversion dam on the Colorado River, a pump station and a pipeline to pump and transport diverted Windy Gap Project water to Lake Granby, which is then conveyed through the Adams Tunnel of the Colorado-Big Thompson (C-BT) Project for distribution to the participants on the East Slope. The Windy Gap Project became operational and began making water deliveries in 1985. The Subdistrict has a Carriage Contract with the U.S. Bureau of Reclamation (Reclamation) and the Northern Colorado Water Conservancy District (Northern Water) whereby the Windy Gap Project may utilize unused capacity in the C-BT Project.

In 1999, the Subdistrict established the Windy Gap Firming Project (WGFP) Water Activity Enterprise. The purpose of the enterprise is to pursue activities in connection with "firming," making more reliable, the supply of water from the Windy Gap Project. Participants in the WGFP are the same as in the Windy Gap Project with the exception of the City of Boulder and the Town of Estes Park.

The Subdistrict maintains third-party insurance coverage for all of its potential losses; it is not self-insured.

Local Economy

The Subdistrict is located in Northern Colorado, which has one of the state's largest concentration of economic activity. The region provides many opportunities due to its broad mix of industries. Growth in the professional and business services, high-tech, finance and health care sectors continue to fuel the construction, real estate, retail and recreation sectors. The state's economy has become increasingly knowledge-based where economic value is created through ideas, information and innovation. Knowledge-based and high-tech industries are involved in developing new products and processes that lead to increased productivity and overall economic growth. Several universities are located in the Subdistrict, including Colorado State University, the University of Colorado Boulder, and the University of Northern Colorado, as well as several community colleges.

The Colorado Economic Outlook, published in December 2016 by the Colorado Office of State Planning and Budgeting, indicates that economic activity in Colorado improved in 2016 compared to 2015. Expansion is expected to continue at a moderate pace in 2017.

An increase in new business formation, the source of most new jobs, is contributing to Colorado's economic growth. The Boulder metropolitan area experienced the highest job growth in 2016 at 3.5 percent while the average for the state was 2.2 percent; it is expected to increase to 2.4 percent in 2017. The increase in personal income in Colorado is expected to be 5.4 percent in 2017, well below the 8.1 percent increase in 2014, but higher than the 4.0 percent increase in 2016. Per-capita income increased 2.3 percent to \$52,060 in 2016 and is expected to continue to grow at the same rate in 2017.

Demand for workers, especially along the northern Front Range, remains among the highest in the country. Unemployment in Colorado averaged 3.4 percent in 2016, down from 3.9 percent in 2015, with a slight increase to 3.6 percent expected in 2017. Tight labor market conditions may constrain economic growth for the state.

The state's home values continue to show upward pressure, particularly along the northern Front Range due to low inventory of homes for sale and strong demand from the state's growing population. In 2016, Colorado's population increased at 1.7 percent, more than double the national average. The state's total population, presently at 5.5 million, is expected to reach 5.7 million by 2018. The Denver-Boulder-Greeley CPI grew 2.7 percent in 2016 reflecting the increase in housing costs and is expected to remain at 2.7 percent for 2017 compared to 2.2 percent nationwide.

The 2015 drop in spending and income in Colorado from the downturn in the oil and gas industry has stabilized and is no longer weighing on growth. While certain areas were particularly impacted by the oil and gas sector, in general, Colorado's mix of diverse industries has helped the state rebound much better than other leading oil and gas producing states.

Major Initiative and Long-Term Financial Planning

Windy Gap Firming Project

Since inception, the primary focus of the WGFP has been to make the supply of water from the Windy Gap Project more reliable. WGFP will consist of the Chimney Hollow Reservoir and related appurtenances, providing 90,000 acre-feet of dedicated storage capacity to stabilize Windy Gap Project water inventories and improve the reliability of water deliveries. Using existing Windy Gap water rights, the WGFP is expected to provide 30,000 acre-feet of water to participants annually.

WGFP's federal permitting process began in 2003 and has progressed since then to the December 2014, issuance of a Record of Decision by Reclamation and the March 2016, state Water Quality Control Commission's 401 certification. Final permitting consists of an Army Corps of Engineers 404 permit, which is expected to be issued in 2017.

In conjunction with Reclamation's Record of Decision, the Subdistrict, Reclamation and Northern Water entered into a new 40-year Carriage Contract. As part of this and other agreements, the Subdistrict agreed to fund environmental mitigation and enhancement measures amounting to approximately \$15.8 million, of which \$10.6 million is contingent on final permitting of the WGFP. It is expected that the majority of those amounts will be paid by the WGFP participants. The new Carriage Contract took effect in 2015; however, its new rate structure will not take effect until the earlier of 2019 or the date water is first stored in Chimney Hollow Reservoir.

The Subdistrict is evaluating the potential of a channel to connect the Colorado River above and below Windy Gap Dam, allowing for a more natural aquatic habitat. The connectivity channel, if realized, is expected to cost between \$10 - \$12 million. Funding for the project is being sought.

WGFP final design began in 2016 and is expected to be completed in 2018. Construction will occur between 2018 - 2021, pending issuance of a final permit. The project is estimated to cost \$400 million. WGFP participants are developing a long-term financial plan for the development and operation of the project. All expenditures are being paid by participant contributions.

Water Year

During 2016, Windy Gap participants once again faced a full C-BT Project with no capacity available for Windy Gap Project water storage in Lake Granby. Therefore, no Windy Gap Project water was pumped in 2016 or stored at year end. During the year, participants took delivery of 11,294 acre-feet of water in accordance with Carriage Contracts with Reclamation whereby, under certain circumstances, participants can borrow from C-BT Project water when no Windy Gap Project water is available. Participants borrowing C-BT Project water for use in-lieu of Windy Gap Project water must provide payback water in accordance with applicable contracts and policies.

Financial Policies

In 2016 the Subdistrict implemented Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, which enhances disclosures of cash and investments reported at fair value. Other principles and policies have been consistently applied in the preparation of the Subdistrict financial statements including the basis of accounting and valuation of fund assets. These policies and the GASB statement implementation are further detailed in Notes 1 and 3 to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Subdistrict for its Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2015. The Subdistrict has received this award every year since 1987.

The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR, the contents of which satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe the Subdistrict CAFR for the year ended September 30, 2016, continues to meet the Certificate of Achievement Program's requirements, and we will be submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the following individuals:

Zach Allen	Bernice Rupp
Veronica Gomez	Sarah Smith
Colleen Krabbenhoft	
Mary Krakow	

In addition, we would like to recognize the leadership of the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the Subdistrict's finances.

Sincerely,

/s/ Judy L. Skram

Judy L. Skram, CPA
Senior Accountant, Financial Services Department of Northern Water

/s/ John B. Budde

John B. Budde, CPA
Manager, Financial Services Department of Northern Water

/s/ Donald C. Carlson

Donald C. Carlson, P.E.
Treasurer,
Municipal Subdistrict, Northern Colorado Water Conservancy District

Board of Directors⁽¹⁾

Dennis Yanchunas, President and Board Chairman

Retired Securities Broker
Director since August 20, 2010
Term expires September 28, 2020
Boulder County
Committees: 1,2,5

Bill Emslie, Vice President and Board Vice-Chairman

Retired Electrical Engineer and Farmer
Director since September 28, 2005
Term expires September 28, 2017
Larimer County
Committees: 2,3,5

Bill Fischer

Attorney
Director since September 28, 2016
Term expires September 28, 2020
Larimer County
Committees: 3,4,5

Kenton Brunner

Retired Farmer/Cattle Feeder
Director since March 14, 1994
Term expires September 28, 2018
Weld County
Committees: 2,5

Don Magnuson

*Retired Ditch Company General Manager and
Agricultural Enterprises*
Director since September 28, 2004
Term expires September 28, 2020
Weld County
Committees: 1,3,4,5

Dale Trowbridge

Ditch Company General Manager
Director since August 15, 2014
Term expires September 28, 2019
Weld County
Committees: 1,2,3,4,5

Mike Applegate

Engineer
Director since September 28, 1991
Term expires September 28, 2019
Larimer County
Committees: 1,2,3,4,5

Les Williams

Retired Businessman
Director since September 28, 1989
Term expires September 28, 2017
Boulder County
Committees: 1,5

Sue Ellen Harrison

Attorney
Director since September 28, 2009
Term expires September 28, 2018
Boulder County
Committees: 3,4,5

John Rusch

Water Resource Consultant
Director since May 20, 2002
Term expires September 28, 2017
Morgan/Washington Counties
Committees: 4,5

Brad Stromberger

Farmer
Director since September 28, 2010
Term expires September 28, 2018
Logan County
Committees: 3,4,5

Rob McClary

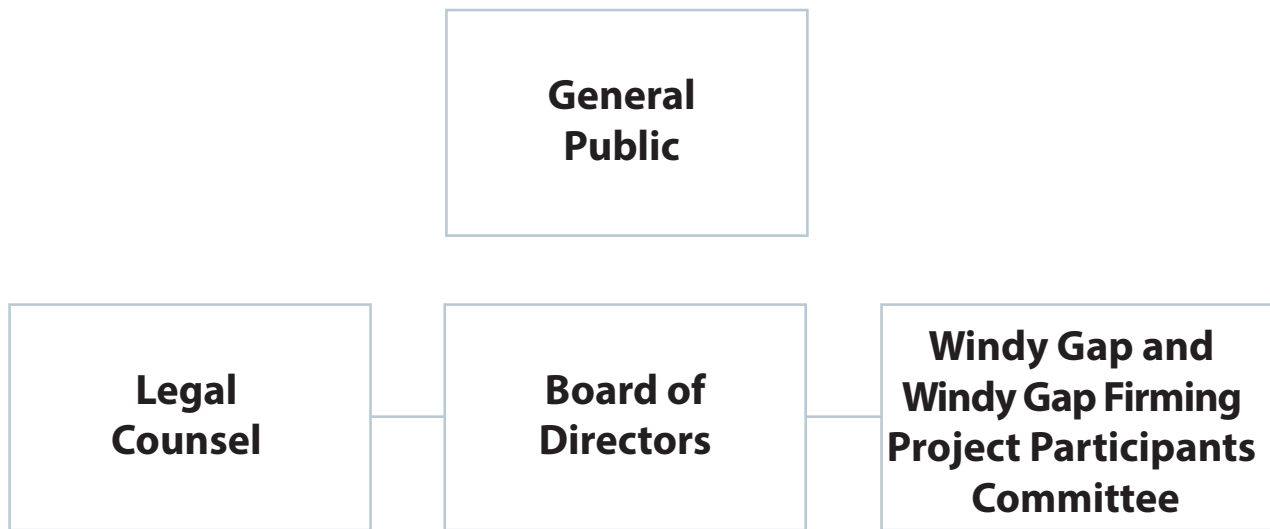
Farmer
Director since September 28, 2011
Term expires September 28, 2019
Sedgwick County
Committees: 2,5

Committees

- 1 Audit
- 2 Finance
- 3 Legislative
- 4 Legal
- 5 Planning

⁽¹⁾ Effective October 1, 2016.

Organizational Chart



There are no full-time employees of the Subdistrict. All administrative, engineering and operations and maintenance functions are provided through an agreement with Northern Water.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Municipal Subdistrict, Northern Colorado
Water Conservancy District**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

A handwritten signature in black ink, reading "Jeffrey R. Emen".

Executive Director/CEO



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Municipal Subdistrict, Northern Colorado Water Conservancy District
Berthoud, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Municipal Subdistrict, Northern Colorado Water Conservancy District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Municipal Subdistrict, Northern Colorado Water Conservancy District as of September 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit for the year ended September 30, 2016, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipal Subdistrict, Northern Colorado Water Conservancy District's basic financial statements. The supplementary information for the year ended September 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended September 30, 2016.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Municipal Subdistrict, Northern Colorado Water Conservancy District as of and for the year ended September 30, 2015, and have issued our report thereon dated February 23, 2016, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund.

Board of Directors
Municipal Subdistrict, Northern Colorado Water Conservancy District

The budgetary schedules for the year ended September 30, 2015 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounts and other records used to prepare the 2015 financial statements. The budgetary schedules have been subjected to the auditing procedures applied in the audit of the 2015 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounts and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the budgetary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended September 30, 2015.

The introductory and statistical sections have 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 22, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis presents a narrative overview of the financial activities of the Subdistrict for the fiscal year ended September 30, 2016. It should be read in conjunction with the additional information furnished in the transmittal letter on pages i - iii of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Subdistrict financial statements consist of the Windy Gap Water Activity Enterprise Fund and the Windy Gap Firming Project (WGFP) Water Activity Enterprise Fund. These funds report business-type activities and have been established by the respective water activity enterprises pursuant to Colorado state law.

This discussion and analysis is intended to serve as an introduction to the Subdistrict's basic financial statements. The Subdistrict report also includes other supplementary and statistical information. Comparative data is included on select schedules to enable the reader to make comparisons against prior years.

The Subdistrict's basic financial statements are composed of the following:

- **Statement of Net Position** - presents information as to the Subdistrict's current and noncurrent financial resources, capital assets, current and noncurrent obligations. The difference between assets and liabilities is reported as net position.
- **Statement of Revenues, Expenses and Changes in Net Position** - reports the Subdistrict's operating and nonoperating revenues by major sources along with operating and nonoperating expenses and capital contributions. It details the increase in net position for the year.
- **Statement of Cash Flows** - reports the Subdistrict's cash flows from operating, capital and related financing, and investing activities.
- **Notes to Financial Statements** - provide further explanation and details that are essential to a full understanding of the above statements.

HIGHLIGHTS

- The Subdistrict met all of its outstanding water revenue bond obligations by a defeasement of its Series H bonds from available resources and final payment on its Series J bonds. The bonds had been used to finance the Windy Gap Project. The defeasement resulted in a loss under generally accepted accounting principles of \$864,629. A supplemental budget appropriation was passed relating to the defeasance. To date, the Subdistrict has no noncurrent liabilities.
- In 2016 the State of Colorado endorsed the Windy Gap Firming Project, the first time a water storage project has ever been endorsed by a Colorado governor.
- The Windy Gap Firming Project began final design of the Chimney Hollow Reservoir in September 2016. Pending receipts of final permitting, construction is expected to occur over 2018 - 2021 at an estimated cost of \$400 million including environmental mitigation and enhancement of \$15.5 million.
- In 2016 the Windy Gap Firming Project received its state Water Quality Control Commission's 401 certification. The final Army Corps of Engineers 404 permit is expected in 2017.
- No Windy Gap Project water was pumped in 2016 due to lack of available Windy Gap Project water storage in the C-BT Project. Water deliveries of 11,294 acre-feet were made from C-BT Project water.
- The Subdistrict implemented GASB Statement No. 72 Fair Value Measurement and Application in 2016. The new statement provided guidance on fair market valuation and expanded disclosures for cash and investment holdings.

FINANCIAL ANALYSIS
STATEMENT OF NET POSITION⁽¹⁾

(condensed)
September 30,

	(\$000s)		Change in Net Position	Percentage Change
	2016	2015		
Assets				
Current assets	\$ 27,728	\$ 23,252	\$ 4,476	19.2%
Noncurrent cash equivalents and investments	7,052	17,585	(10,533)	(59.9)
Capital assets, net of depreciation	41,893	42,529	(636)	(1.5)
Assets	76,673	83,366	(6,693)	8.0
Deferred outflows of resources				
Deferred losses on water revenue bond refundings	-	294	(294)	(100.0)
Liabilities				
Current liabilities	3,846	13,154	(9,308)	(70.7)
Water revenue bonds payable after one year	-	19,289	(19,289)	(100.0)
Liabilities	3,846	32,443	(28,597)	(88.1)
Net position				
Net investment in capital assets	41,893	29,566	12,327	
Restricted net position	12,555	12,839	(284)	
Unrestricted net position	18,379	8,812	9,567	
Net position	\$ 72,827	\$ 51,217	\$ 21,610	42.2%

The Subdistrict discharged its outstanding water revenue bond obligations from available resources in 2016 (see below under Debt Administration.) The bonds had been used to fund construction of the Windy Gap Project. Subdistrict assets and liabilities were reduced by the transaction. In addition, WGFP participants contributed capital of \$13.8 million to fund the first half of the Chimney Hollow Reservoir final design. The capital transactions contributed to the \$21.6 million increase in Subdistrict net position. See additional information relating to water revenue bonds and the bond defeasement at Note 6 to the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION⁽¹⁾

September 30,

	(\$000s)		Decrease	Percentage Change
	2016	2015		
Capital assets, net of depreciation				
Land and water rights	\$ 2,517	\$ 2,517		
Water diversion project, equipment and improvements	18,770	20,849		
Construction in progress	20,606	19,163		
Capital assets, net of depreciation	\$ 41,893	\$ 42,529	(\$ 636)	(1.5%)

Capital assets consist primarily of the Windy Gap Project water diversion infrastructure and WGFP construction in progress. The overall decrease of \$636,000 in net capital assets reflects the current year Windy Gap \$2.0 million depreciation provision offset by \$1.4 million in WGFP construction in progress costs. All WGFP costs are funded by participants in the project. In the event a participant's share of actual costs is less than contributions provided, the excess will be refunded. See additional information relating to capital assets at Note 5 to the financial statements.

⁽¹⁾ Amounts reflect the Subdistrict two enterprise funds combined.

Management's Discussion and Analysis

	(\$000s)		Decrease	Percentage Change
	2016	2015		
Water revenue bonds outstanding	\$ -	\$ 27,200		
Unamortized bond premiums	-	414		
Water revenue bonds	-	27,614		
Less: Current maturities	-	(8,325)		
Water revenue bonds payable after one year	\$ -	\$ 19,289	(\$ 19,289)	-

In 2016 all Subdistrict water revenue bond obligations were met when the Subdistrict made its final payment on its Series J bonds and defeased its outstanding Series H bonds. The defeasement was accomplished by placing Subdistrict available resources, including debt service and debt service reserve funds, into a trustee escrow account to extinguish the Series H debt. The defeasement resulted in a net loss under generally accepted accounting principles of \$864,629. The Subdistrict had originally issued its water revenue bonds beginning in 1977 to fund construction of the Windy Gap Project.

See additional information relating to water revenue bonds at Note 6 to the financial statements.

REVENUES, EXPENSES AND CHANGES IN NET POSITION⁽¹⁾

(condensed)

Years ended September 30,

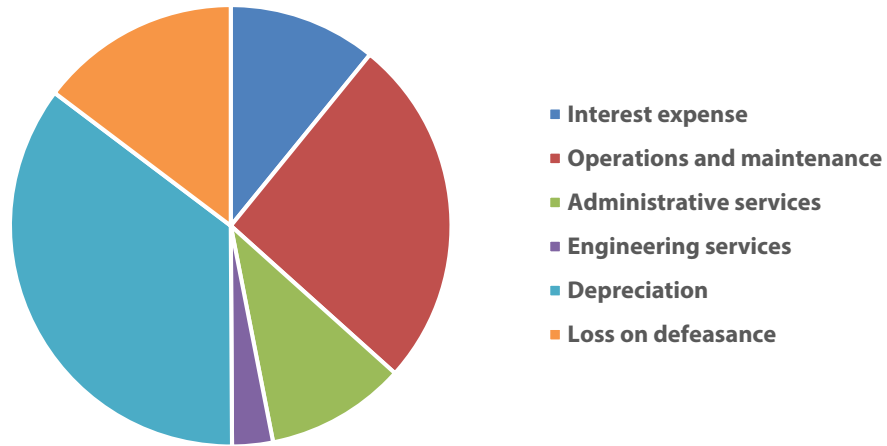
	(\$000s)		Change in Net Position	Percentage Change
	2016	2015		
Operating revenues				
Assessments	\$ 12,874	\$ 13,959	(\$ 1,085)	(7.7%)
Operating expenses				
Operations and maintenance	1,515	2,879		
Administrative services	604	540		
Engineering services	176	117		
Depreciation	2,079	2,079		
Operating expenses	4,374	5,615	1,241	22.1
Nonoperating revenues (expenses)				
Loss on defeasance of water revenue bonds	(864)	-		
Interest expense	(638)	(1,325)		
Other nonoperating revenues (expenses), net	508	236		
Nonoperating revenues (expenses), net	(994)	(1,089)	95	8.7
Income before contributions	7,506	7,255	251	3.4
Capital contributions	14,104	1,469	12,635	860.1
Increases in net position	21,610	8,724	12,886	147.7
Net position, beginning of year	51,217	42,493	8,724	20.5
Net position, end of year	\$ 72,827	\$ 51,217	\$ 21,610	42.2

⁽¹⁾ Amounts reflect the Subdistrict two enterprise funds combined.

Windy Gap operating expenses include carriage charges that are based, in part, on water volume conveyed through the C-BT Project Adams Tunnel. Water flows through the tunnel increased over 100% from an unusual low of 113,000 acre-feet in 2015 to 243,000 acre-feet in 2016, causing a decrease in carriage charges for the year.

Total non operating revenues (expenses), net reflects the loss on defeasement of water revenue bonds offset by a reduction in related interest expense and by funds received to offset the costs of an engineering study.

2016 Operating and Nonoperating Expenses



FINANCIAL CONTACT

The Subdistrict's financial statements are designed to present users with a general overview of the Subdistrict's finances and to demonstrate the Subdistrict's accountability. If there are any questions about the report or if additional financial information is needed, please contact the Financial Services Department, Northern Water, 220 Water Avenue, Berthoud, Colorado 80513.

**Statement of Net Position
Proprietary Funds**

September 30, 2016

Business-type Activity Enterprise Funds

ASSETS	Windy Gap		Total
	Windy Gap	Firming Project	
Current assets			
Cash and cash equivalents, unrestricted	\$ 13,857,886	\$ 12,605,460	\$ 26,463,346
Accounts receivable	16,070	279,739	295,809
Due from other funds	329,497	-	329,497
Accrued interest receivable	15,313	-	15,313
Prepaid carriage costs	623,691	-	623,691
Current assets	<u>14,842,457</u>	<u>12,885,199</u>	<u>27,727,656</u>
Noncurrent assets			
Cash and cash equivalents, unrestricted	21,978	-	21,978
Investments, unrestricted	7,030,781	-	7,030,781
Capital assets	85,478,263	20,605,749	106,084,012
Less accumulated depreciation	(64,191,109)	-	(64,191,109)
Capital assets, net of depreciation	<u>21,287,154</u>	<u>20,605,749</u>	<u>41,892,903</u>
Non-current assets	<u>28,339,913</u>	<u>20,605,749</u>	<u>48,945,662</u>
Assets	<u>\$ 43,182,370</u>	<u>\$ 33,490,948</u>	<u>\$ 76,673,318</u>

See accompanying Notes to Financial Statements.

Business-type Activity Enterprise Funds

	Windy Gap	Windy Gap Firming Project	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,641,864	\$ -	\$ 1,641,864
Due to other funds	-	329,497	329,497
Unearned revenue	1,874,622	-	1,874,622
	<hr/>	<hr/>	<hr/>
Current liabilities	3,516,486	329,497	3,845,983
	<hr/>	<hr/>	<hr/>
Liabilities	\$ 3,516,486	\$ 329,497	\$ 3,845,983
	<hr/>	<hr/>	<hr/>
NET POSITION			
Investment in capital assets	\$ 21,287,154	\$ 20,605,749	\$ 41,892,903
Restricted net position			
Capital project	-	12,555,702	12,555,702
Unrestricted net position	18,378,730	-	18,378,730
	<hr/>	<hr/>	<hr/>
Net position	\$ 39,665,884	\$ 33,161,451	\$ 72,827,335
	<hr/>	<hr/>	<hr/>

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

Year ended September 30, 2016

	Business-type Activity Enterprise Funds		
	Windy Gap	Windy Gap Firming Project	Total
Operating revenues			
Assessments	\$ 12,873,962	\$ -	\$ 12,873,962
Operating expenses			
Operations and maintenance	1,514,945	-	1,514,945
Administrative services	604,070	-	604,070
Engineering services	175,590	-	175,590
Depreciation	2,078,999	-	2,078,999
Operating expenses	4,373,604	-	4,373,604
Operating income	8,500,358	-	8,500,358
Nonoperating revenues (expenses)			
Earnings on investments	166,206	-	166,206
Interest expense	(638,455)	-	(638,455)
Loss on defeasance of water revenue bonds	(864,629)	-	(864,629)
Other nonoperating revenues (expenses), net	342,442	-	342,442
Nonoperating revenues (expenses), net	(994,436)	-	(994,436)
Income before contributions	7,505,922	-	7,505,922
Capital contributions	328,000	13,775,950	14,103,950
Increases in net position	7,833,922	13,775,950	21,609,872
Net position, beginning of year	31,831,962	19,385,501	51,217,463
Net position, end of year	\$ 39,665,884	\$ 33,161,451	\$ 72,827,335

See accompanying Notes to Financial Statements.

Statement of Cash Flows
Proprietary Funds

Year ended September 30, 2016

Business-type Activity Enterprise Funds

	Windy Gap	Windy Gap Firming Project	Total
Cash flows from operating activities			
Receipts from participants	\$ 14,069,465	\$ -	\$ 14,069,465
Payments to suppliers	(3,966,883)	-	(3,966,883)
Payments for labor charges	(638,646)	-	(638,646)
Other receipts	342,969	-	342,969
Net cash provided by operating activities	9,806,905	-	9,806,905
Cash flows from capital and related financing activities			
Construction of capital assets	-	(1,148,680)	(1,148,680)
Principal paid on water revenue bonds	(8,325,000)	-	(8,325,000)
Defeasement of water revenue bonds	(20,242,722)	-	(20,242,722)
Interest paid on water revenue bonds	(702,563)	-	(702,563)
Capital contributions	328,000	13,496,211	13,824,211
Net cash provided by (used by) capital and related financing activities	(28,942,285)	12,347,531	(16,594,754)
Cash flows from investing activities			
Investment purchases	(13,199,936)	-	(13,199,936)
Investment sales	23,500,493	-	23,500,493
Interest received on investments	243,805	-	243,805
Net cash provided by investing activities	10,544,362	-	10,544,362
Net increase (decrease) in cash and cash equivalents	(8,591,018)	12,347,531	3,756,513
Cash and cash equivalents, beginning of year	22,470,882	257,929	22,728,811
Cash and cash equivalents, end of year	\$ 13,879,864	\$ 12,605,460	\$ 26,485,324
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 8,500,358	\$ -	\$ 8,500,358
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,078,999	-	2,078,999
Other nonoperating revenues	342,442	-	342,442
Changes in current assets and current liabilities			
Accounts receivable	526	-	526
Due from other funds	(294,403)	-	(294,403)
Prepaid carriage costs	(12,064)	-	(12,064)
Accounts payable and accrued liabilities	(2,004,458)	-	(2,004,458)
Unearned revenue	1,195,505	-	1,195,505
Adjustments	1,306,547	-	1,306,547
Net cash provided by operating activities	\$ 9,806,905	\$ -	\$ 9,806,905
Schedule of non-cash activities			
Change in value of investments	(\$ 45,670)	\$ -	(\$ 45,670)

See accompanying Notes to Financial Statements.

Notes to Financial Statements

September 30, 2016

1 Summary of Significant Accounting Policies

Reporting Entity

The Municipal Subdistrict, Northern Colorado Water Conservancy District (Subdistrict) was established July 6, 1970, pursuant to the Water Conservancy Act. The Subdistrict is governed by a 12-member Board of Directors (Board), which is appointed by the presiding District Court Judges of four of the five judicial districts located wholly or partially within the Northern Colorado Water Conservancy District boundaries.

The financial statements of the Subdistrict have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Subdistrict is a special-purpose government engaged in business-type activities. Therefore, only enterprise fund financial statements are presented. For financial reporting purposes, management has considered all potential component units. The Subdistrict meets the criteria of an "other stand-alone government" as defined in GASB Statement No. 39.

The Subdistrict accounts for its financial operations as proprietary funds recognizing assets, liabilities and revenues and expenses on the accrual basis of accounting. Accordingly, revenues and expenses are recognized in the period earned or incurred, respectively, regardless of the timing of the related cash flows.

The Windy Gap Enterprise Fund accounts for the activities of the Windy Gap Project, which provides water supplies to participating Northern Colorado municipalities, rural domestic water suppliers and a power authority. The Windy Gap Firming Project (WGFP) Enterprise Fund accounts for the activities of the WGFP in connection with firming the water supplies of the Windy Gap Project.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. Both Windy Gap Enterprise Fund and WGFP Enterprise Fund met this criteria at September 30, 2016.

Assets, Liabilities and Net Position

Cash Equivalents and Investments, Unrestricted

The Subdistrict's investments are reported at their fair value. The Subdistrict categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, which prioritizes the inputs to fair market valuation techniques. Investments categorized as Level 1 are valued using prices quoted in active markets for identical assets. Investments categorized as Level 2 are valued using a matrix pricing technique from an independent securities pricing service based on the securities' relationship to quoted benchmark prices. (See Note 3 GASB Statement Implementation.)

Cash and cash equivalents are considered to be demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Colorado statutes require that the Subdistrict use eligible public depositories as defined by the Colorado Public Deposit Protection Act. Under the Act, amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the Act and allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

The Subdistrict's investment objectives are the preservation of capital (safety), liquidity, return and diversification. The Board has adopted a policy that establishes the investment scope and incorporates the investment objectives of the Subdistrict. The investment policy allows for the following investments:

- U.S. Treasury Obligations guaranteed by the U.S. Government.
- Federal Agency Instrumentality Securities, including those issued by or fully guaranteed by federal agencies or U.S. government sponsored enterprises.
- Time Certificates of Deposit in FDIC insured state or nationally chartered banks or savings banks.
- Corporate Bonds issued by a corporation or bank organized and operated within the United States and denominated in U.S. dollars.
- Municipal Bonds representing general and revenue obligations of or under the authority of any state in the United States or any political subdivision of such a government entity.
- Commercial Paper where the issuer's commercial paper program's size exceeds \$200 million.
- Bankers Acceptances issued by FDIC insured state or national banks with combined capital and surplus of at least \$250 million.
- Repurchase Agreements collateralized by U.S. Treasury Obligations and Federal Agency Instrumentality Securities.
- Local Government Investment Pools authorized under Colorado state statute.
- Money Market Funds registered under the Investment Company Act of 1940 and authorized under Colorado state statute.

Accounts Receivable

The Subdistrict does not provide an allowance for uncollectible receivable balances as the receivables are considered fully collectible.

Water Inventory

The Subdistrict is permitted to use storage capacity in Lake Granby, a water storage feature of the Colorado-Big Thompson Project (C-BT Project), in accordance with a carriage contract with the U.S. Bureau of Reclamation (Reclamation) and the Northern Colorado Water Conservancy District (Northern Water). The agreement specifies that when Lake Granby's storage capacity is needed for storage of water

under C-BT Project water rights, Windy Gap Project participants are required to take delivery of their stored water or that water must be spilled. Water inventory is valued on a specific identification basis using its pumping energy cost component. There was no water inventory as of September 30, 2016.

Carriage Costs

Carriage costs represent water delivery charges incurred by the Subdistrict for use of the C-BT Project conveyance and storage system. Prepaid balances represent estimated payments made to Reclamation in excess of actual costs.

Capital Assets

Capital assets consist primarily of the Windy Gap Project and construction in progress of the WGFP. Costs incurred for infrastructure projects, including capitalized labor, environmental impact, engineering, feasibility and other studies, are capitalized at historical cost. When construction of a project is completed, the accumulated costs are depreciated over the estimated useful life of the project. If a project does not become operational or does not benefit other projects, the accumulated costs are charged to expense. Any applicable interest costs incurred during the construction period are capitalized as part of the value of the constructed assets.

Capital assets, other than infrastructure assets, are defined by the Subdistrict as those with an initial individual cost of more than \$5,000. All capital assets are reported at their historical cost.

Maintenance and repair charges that do not increase the capacity or efficiency of an asset or extend its useful life beyond the original estimate are charged to current period operating expenses as incurred. Upon retirement or other disposition of capital assets, the costs and related accumulated depreciation are removed from the respective accounts and any gains or losses are reflected as nonoperating revenues or expenses.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Equipment	3 - 5
Buildings and improvements	10 - 25
Water diversion project	40

Water rights have an indefinite useful life and are not depreciated or amortized.

Unearned Revenue

Windy Gap Project participants pay carriage costs for use of the C-BT Project conveyance and storage system and pumping energy charges based on estimates of water to be delivered during the coming water season. Amounts paid over actual costs incurred represents unearned revenue.

Net Position

The accompanying financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position for capital project and unrestricted net position. Net investment in capital assets reflects the Subdistrict's net position that is associated with capital assets.

Operating Revenues and Expenses

Assessments represent revenues from Windy Gap Project participants' "take-or-pay" contracts. The participants must make certain assessment payments whether or not they take delivery of water.

Operating revenues and expenses for proprietary funds in general are those that result from providing services and/or producing and delivering goods. They include all revenues and expenses not related to capital and related financing, noncapital financing or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2 Stewardship, Compliance and Accountability

Tax Revenue, Spending and Multiple-Fiscal Year Debt and Other Financial Obligation Limitations

Article X, Section 20, of the Colorado Constitution contains limitations on the ability of state and local governmental entities to increase taxes, revenues and spending and to enter into multiple-fiscal year direct or indirect debt or other financial obligations. However, these limitations do not apply to "enterprises" as defined in the constitutional provision. The Subdistrict's Windy Gap Water Activity Enterprise and Windy Gap Firming Project Water Activity Enterprise have been established as "water activity enterprises" in accordance with Colorado statutes and, as "enterprises," are excluded from the application of these constitutional restrictions.

Budgetary Data

The Subdistrict follows these procedures in establishing budgetary data reflected in the financial statements:

- On or before June 1, all Department Managers submit working budgets to Budget Officers.
- Budget Officers submit the overall budget to the Subdistrict Board prior to the August Planning and Action Session.
- The Board holds a public hearing during the August Planning and Action session, and the budget is legally enacted through passage of a resolution by the Subdistrict Board.

The level of control (level at which expenses may not exceed appropriations) is maintained at the department, capital-outlay and debt-service levels. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. Material purchase orders that would result in an overrun of available funds are not released until additional appropriations are made available. Management is authorized to transfer budget amounts between departments; however, any revisions that exceed the appropriated balances must be approved by the Subdistrict Board. Unused appropriations lapse at the end of each fiscal year. The overall objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Subdistrict Board.

Notes to Financial Statements

Annual budgets are adopted for all funds on a basis consistent with GAAP with the following exceptions:

- Principal debt repayments and water revenue bond defeasance were budgeted as nonoperating expense uses based on amounts paid, not GAAP loss on defeasance.
- Depreciation is not budgeted.
- Capital outlays are treated as nonoperating expense uses

In 2016 the Subdistrict Board approved a contingent appropriation amounting to \$20,238,997 for unanticipated expense uses primarily relating to the water revenue bond defeasement.

3 GASB Statement Implementation

In 2016, the Subdistrict adopted GASB Statement No. 72 Fair Value Measurement and Application. The Statement addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for determining and applying those measurements to investments for financial reporting purposes. The Statement also requires disclosures related to fair value measurement techniques used and the categorization of investments by valuation inputs (level of fair value hierarchy). This financial report has been prepared in accordance with GASB Statement No. 72. The implementation of the Statement had no effect on the net position of the Subdistrict.

4 Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments at September 30, 2016, were as follows:

	Investment Type					Total
	Deposits	Money Market Funds	U.S. Government Securities	Federal Agency Securities	Negotiable Certificates of Deposit	
Current assets						
Cash and cash equivalents, unrestricted	\$ 21,169,313	\$ 5,294,033	\$ -	\$ -	\$ -	\$ 26,463,346
Noncurrent assets						
Cash, unrestricted	-	21,978	-	-	-	21,978
Investments, unrestricted	-	-	1,411,749	4,722,756	896,276	7,030,781
Cash, cash equivalents and investments	\$ 21,169,313	\$ 5,316,011	\$ 1,411,749	\$ 4,722,756	\$ 896,276	\$ 33,516,105

Cash, cash equivalents and investment balances at September 30, 2016, were as follows:

Investment Type	Fair Value	Level 1	Level 2
U.S. Government Securities	\$ 1,411,749	\$ 1,411,749	\$ -
Federal Agency Securities	4,722,756	-	4,722,756
Negotiable Certificates of Deposit	896,276	-	896,276
Investments by fair value level	7,030,781	\$ 1,411,749	\$ 5,619,032
Deposits	21,169,313		
Money Market Funds (measured at amortized cost)	5,316,011		
Cash, cash equivalents and investments	\$ 33,516,105		

There is no significant difference between Money Market Funds amortized cost and fair value.

In accordance with the Subdistrict investment policy, investments are limited to those meeting the following criteria:

Investment Type	Maximum Portfolio Percentage	Maximum Issuer Percentage	Rating Restrictions	Maturity Restrictions
U.S. Treasury Obligations	100%	100%	N/A	5 years
Federal Agency Instrumentality Securities	85%	35%	AA ⁽¹⁾	5 years
Time Certificates of Deposit	5%	1%	N/A	1 year
Corporate Bonds	35%	5%	AA ⁻ (1)	3 years
Municipal Bonds of a Colorado Issuer	25%	5%	A ⁽¹⁾	5 years
Municipal Bonds of a Non-Colorado Issuer	25%	5%	AA ⁽¹⁾	5 years
Municipal Bonds, School District Certificates of Participation	25%	5%	A ⁽¹⁾	5 years
Municipal Bonds, Pre-Refunded	40%	5%	AA ⁻ (1)	5 years
Commercial Paper	25%	5%	A-1 ⁽¹⁾	270 days
Bankers Acceptances	20%	5%	A-1 ⁽¹⁾	180 days
Repurchase Agreements	50%	10%	A-1	180 days
Local Government Investment Pools	100%	50%	AAAm	N/A
Money Market Funds	100%	50%	AAAm	N/A

The portfolio is limited to an aggregate exposure of 50 percent for the following investment types: Time Certificates of Deposit, Corporate Bonds, Municipal Bonds, Commercial Paper, and Bankers Acceptances. The aggregate exposure to municipal bonds may not exceed 25 percent of the portfolio and no more than 5 percent of the portfolio may be invested with a single issuer.

At September 30, 2016, the Subdistrict had cash, cash equivalents and investments with the following ratings:

Investment Type	Fair Value	A-1	A-1+	AA+	AAAm	N/A
Deposits	\$ 21,169,313	\$ -	\$ -	\$ -	\$ -	\$ 21,169,313
Money Market Funds	5,316,011	-	-	-	5,316,011	-
U.S. Government Securities	1,411,749	-	-	1,411,749	-	-
Federal Agency Securities	4,722,756	-	-	4,722,756	-	-
Negotiable Certificates of Deposit	896,276	620,653	275,623	-	-	-
Cash, cash equivalents and investments	\$ 33,516,105	\$ 620,653	\$ 275,623	\$ 6,134,505	\$ 5,316,011	\$ 21,169,313

⁽¹⁾ Rating required by two nationally recognized statistical rating organizations.

Notes to Financial Statements

At September 30, 2016, the Subdistrict had cash, cash equivalents and investments with the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)	
		<1	1 - 2
Deposits	\$ 21,169,313	\$ 21,169,313	\$ -
Money Market Funds	5,316,011	5,316,011	-
U.S. Government Securities	1,411,749	1,411,749	-
Federal Agency Securities	4,722,756	1,579,544	3,143,212
Negotiable Certificates of Deposit	896,276	796,050	100,226
Cash, cash equivalents and investments	\$ 33,516,105	\$ 30,272,667	\$ 3,243,438

To the extent possible, Subdistrict investments are matched with anticipated cash flow requirements. Investments are not invested in securities maturing more than five years from the date of trade settlement.

Interest and Credit Risk

Credit risk is generally considered to be the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Such risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Concentration of credit risk derives from investments being concentrated with a single issuer. Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment.

5 Capital Assets

Capital asset activity for the Subdistrict enterprise funds for the year ended September 30, 2016, was as follows:

	2015	Additions	Retirements	2016
Windy Gap				
Non-depreciable assets				
Land	\$ 2,046,198	\$ -	\$ -	\$ 2,046,198
Water rights	470,921	-	-	470,921
Depreciable assets				
Buildings, equipment and improvements	825,707	-	(32,149)	793,558
Water diversion project	82,167,586	-	-	82,167,586
Capital assets	85,510,412	-	(32,149)	85,478,263
Less accumulated depreciation				
Buildings, equipment and improvements	(825,707)	-	32,149	(793,558)
Water diversion project	(61,318,552)	(2,078,999)	-	(63,397,551)
Accumulated depreciation	(62,144,259)	(2,078,999)	32,149	(64,191,109)
Capital assets, net	23,366,153	(2,078,999)	-	21,287,154
Windy Gap FIRMING Project				
Construction in progress	19,162,666	1,443,083	-	20,605,749
Subdistrict	\$ 42,528,819	(\$ 635,916)	\$ -	\$ 41,892,903

6 Water Revenue Bonds

The Subdistrict issued water revenue bonds to fund construction of the Windy Gap Project. In 2005 and 2007, the Subdistrict refunded its then outstanding revenue bonds by the issuance of water revenue bonds Series H and J. In 2016, the final principal payment was made on the Series J bonds.

In addition, in 2016 Subdistrict debt service, debt service reserve funds and other available cash resources for a combined total of \$20,238,997 were deposited in an irrevocable trust with a bank to provide for all remaining debt service payments on the Series H bonds. As a result, the Series H bonds were defeased and the funds placed into escrow as well as the liability for the bonds was removed from the Subdistrict financial accounts.

The defeasance, including administrative fees of \$3,725, resulted in a net loss of \$864,629, which has been reflected in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Final amortization of prepaid guaranty insurance, deferred losses and premiums on Series J bonds and amortization prior to the defeasance on Series H bonds amounted to \$8,623, net, for the year ended September 30, 2016, and was credited against interest expense. All remaining unamortized prepaid guaranty insurance, deferred losses and premiums on Series H bonds were written off as part of the defeasance transaction.

Long-term debt activity for the year ended September 30, 2016, was as follows:

	2015	Additions	Reductions	2016
Series H \$19,880,000 Serial Bonds				
Principal due in annual installments through December 1, 2017. Interest at 4.25 - 5.25% due in semi-annual installments June 1 and December 1.	\$ 19,150,000	\$ -	(\$ 19,150,000)	\$ -
Series J \$23,005,000 Serial Bonds				
Principal due in annual installments through December 1, 2015. Interest at 5.00% due in semi-annual installments June 1 and December 1.	8,050,000	-	(8,050,000)	-
Outstanding principal balances	27,200,000	-	(27,200,000)	-
Unamortized bond premiums	414,251	-	(414,251)	-
Water revenue bonds	27,614,251	-	(27,614,251)	-
Less: Current maturities	(8,325,000)	-	8,325,000	-
Water revenue bonds payable after one year	\$ 19,289,251	\$ -	(\$ 19,289,251)	\$ -

Notes to Financial Statements

7 Principal Participants

The following participants generated the six largest percentages of water assessments for the year ended September 30:

	<u>2016</u>
Platte River Power Authority	33.5%
Longmont, City of	15.5
Broomfield, City and County of	13.0
Greeley, City of	10.9
Loveland, City of	7.8
Boulder, City of	7.2
Principal participants	<u>87.9%</u>

8 Risk Management

The Subdistrict is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Subdistrict carries commercial insurance for these risks. Settled claims resulting from these risks did not exceed commercial insurance coverage in any of the past three fiscal years.

9 Intergovernmental Transactions

Total charges from Northern Water for carriage, operations and maintenance, engineering and administrative services amounted to \$1,645,940 for the year ended September 30, 2016, of which \$888,761 was payable at year end and is included in accounts payable on the accompanying financial statements.

10 Commitments and Contingencies

The Subdistrict has agreed to fund a total of approximately \$15,800,000 in environmental mitigation and enhancement measures. Of this amount approximately \$5,200,000 is committed as part of Reclamation's Record of Decision or other contracts. The remaining balance of \$10,600,000 is contingent upon receiving final permitting for WGFP. In some cases, costs to be incurred reflect management's best estimates to achieve performance objectives. Committed funds are expected to be incurred over the next ten years and it is anticipated will be paid by WGFP participants.

In fiscal year 2015, Reclamation, the Subdistrict and Northern Water signed a new 40-year Carriage Contract agreement. Such contract supercedes the 1990 Amendatory Contract with Reclamation and specifically addresses the Subdistrict's utilization of the C-BT Project. The contract provides for an additional charge of \$34 per acre foot for the use of the C-BT Project storage and conveyance system, such rate to increase at 1.79 percent per year. The revised rate structure in the new Carriage Contract becomes effective the earlier of December 2019 or the date that water is first stored in Chimney Hollow Reservoir.

In the normal course of business, there are various outstanding legal proceedings, claims, commitments and contingent liabilities. In the opinion of management, the ultimate disposition of these matters will not have a materially adverse effect on the Subdistrict's financial statements.

SUPPLEMENTARY INFORMATION

Schedule of Revenues and Expenses, Budget to Actual

Windy Gap Enterprise Fund

Non-GAAP Budgetary Basis

	Year ended September 30, 2016			Year ended September 30, 2015
	Budget	Actual	Variance	Actual
Operating revenue sources				
Water assessments	\$ 15,387,525	\$ 12,873,962	(\$ 2,513,563)	\$ 13,959,770
Operating expense uses				
Operations and maintenance	4,344,759	1,505,438	2,839,321	2,878,863
Administrative services	1,249,026	488,158	760,868	539,622
Engineering services	167,614	171,904	(4,290)	117,402
Operating expense uses	5,761,399	2,165,500	3,595,899	3,535,887
Operating revenue sources over expense uses	9,626,126	10,708,462	1,082,336	10,423,883
Nonoperating revenue sources				
Capital contributions	328,000	598,000	270,000	336,000
Earnings on investments	140,700	166,206	25,506	180,024
Other nonoperating revenues	23,500	80,858	57,358	55,695
Nonoperating revenue sources	492,200	845,064	352,864	571,719
Nonoperating expense uses				
Capital outlay	109,400	137,521	(28,121)	-
Debt service and defeasement				
Water revenue bonds	29,623,965	29,214,800	409,165	9,250,146
Long-term settlement obligation	-	-	-	166,667
Nonoperating expense uses	29,733,365	29,352,321	381,044	9,416,813
Revenue sources over (under) expense uses	(\$ 19,615,039)	(17,798,795)	\$ 1,816,244	1,578,789
Adjustments to reconcile budgetary basis to GAAP basis				
Water revenue bond defeasance funds placed in escrow		20,238,997		-
Water revenue bond related amortization expense		8,623		-
Loss on water revenue bond defeasance for GAAP		(860,904)		-
Water revenue bond principal payments		8,325,000		7,925,000
Long term settlement obligation		-		166,667
Depreciation		(2,078,999)		(2,078,999)
Increases in net position		\$ 7,833,922		\$ 7,591,457

Schedule of Revenues and Expenses, Budget to Actual
Windy Gap Firing Project Enterprise Fund

Non-GAAP Budgetary Basis

	Year ended September 30, 2016			Year ended September 30, 2015
	Budget	Actual	Variance	Actual
Nonoperating revenue sources				
Capital contributions	\$ 13,995,950	\$ 13,775,950	(\$ 220,000)	\$ 1,133,333
Nonoperating revenue sources	13,995,950	13,775,950	(220,000)	1,133,333
Nonoperating expense uses				
Construction in progress capital outlay	13,995,950	1,443,083	12,552,867	533,618
Nonoperating revenue sources over nonoperating expense uses	\$ -	12,332,867	\$ 12,332,867	599,715
Adjustments to reconcile budgetary basis to GAAP basis				
Construction in progress capital outlay		1,443,083		533,618
Increases in net position		\$ 13,775,950		\$ 1,133,333

Statistical Information

Table of Contents

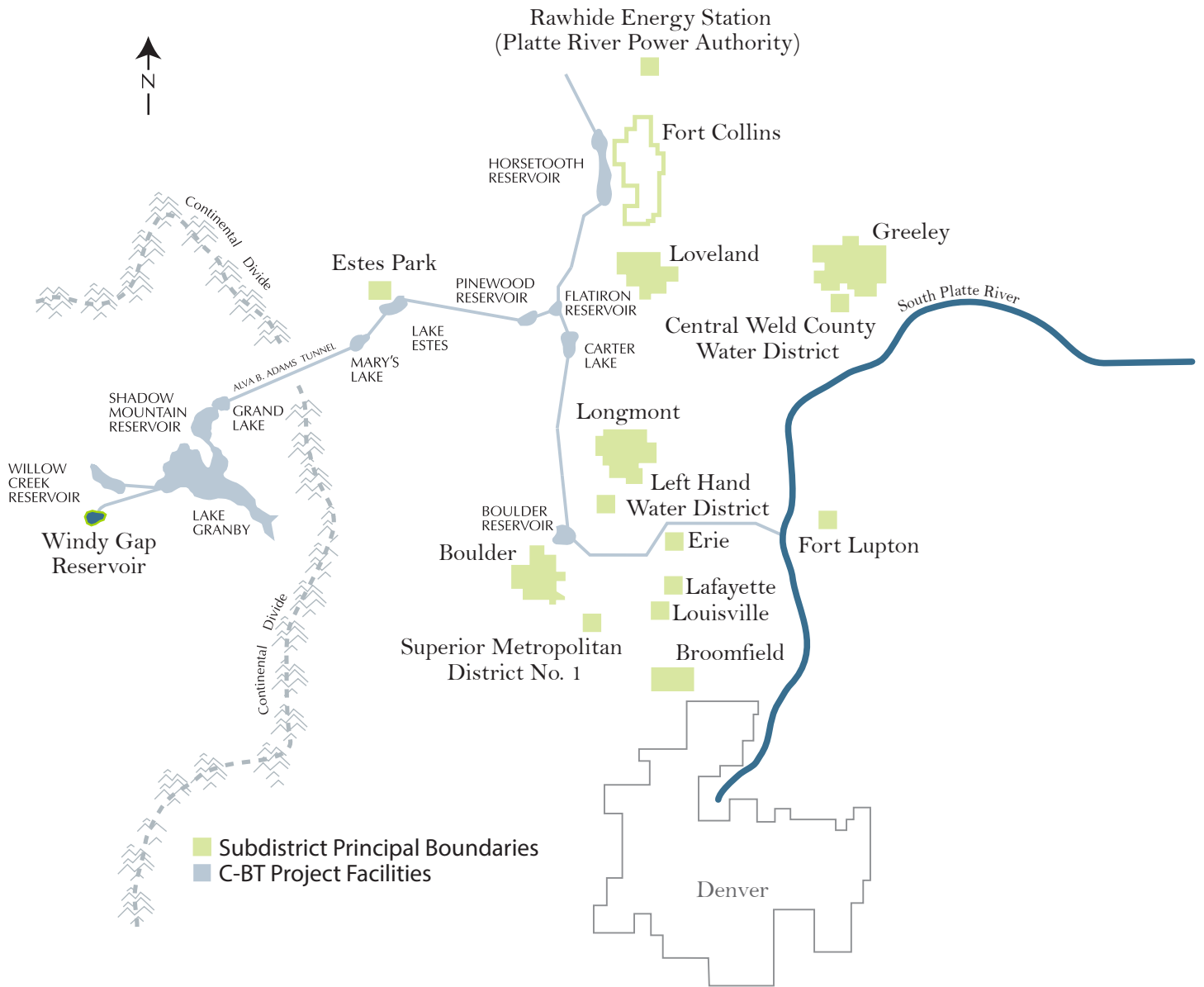
This part of the Subdistrict's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and supplementary information says about the Subdistrict's overall financial health.

	<u>Page</u>
Subdistrict Boundaries	25
Financial Trends	
This schedule contains trend information to help the reader understand how the Subdistrict's financial performance and well-being have changed over time.	
Net Position	26
Revenue Sources	
These schedules contain information to help the reader assess Windy Gap Enterprise Fund's primary revenue source.	
Annual Assessments by Participant	28
Schedule of Participant Units	30
Carriage, Energy and Wheeling Charges	31
Demographic and Economic Statistics	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Subdistrict's financial activities take place.	
Population and Economic Statistics	32
Largest Employers by Principal Cities Served by the Subdistrict	34
Operating Information	
These schedules contain information about the Subdistrict's operations and resources to help the reader understand how the Subdistrict's financial information relates to the services it provides and the activities it performs.	
Historical Schedule of Water Pumped and Delivered - Windy Gap Project	37
Capital Assets	38
Dam, Pipeline and Pump Station Capacity - Windy Gap Project	40
Subdistrict General Information	41
Subdistrict Contact Information	42

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR and underlying allotments, operations and accounting records of the Subdistrict for the relevant year.



Subdistrict Boundaries



Net Position⁽¹⁾

Years ended September 30,
Unaudited

Changes in Net Position

	2016	2015	2014	2013 ⁽²⁾
Operating revenues				
Assessments	<u>\$ 12,873,962</u>	<u>\$ 13,959,770</u>	<u>\$ 13,524,172</u>	<u>\$ 13,715,876</u>
Operating expenses				
Operations and maintenance	<u>1,514,945</u>	<u>2,878,863</u>	<u>2,788,801</u>	<u>3,374,057</u>
Administrative services	<u>604,070</u>	<u>539,622</u>	<u>479,124</u>	<u>642,510</u>
Engineering services	<u>175,590</u>	<u>117,402</u>	<u>160,445</u>	<u>223,415</u>
Depreciation	<u>2,078,999</u>	<u>2,078,999</u>	<u>2,078,999</u>	<u>2,060,125</u>
Operating expenses	<u>4,373,604</u>	<u>5,614,886</u>	<u>5,507,369</u>	<u>6,300,107</u>
Operating income	<u>8,500,358</u>	<u>8,344,884</u>	<u>8,016,803</u>	<u>7,415,769</u>
Nonoperating revenues (expenses)				
Earnings on investments	<u>166,206</u>	<u>180,024</u>	<u>124,093</u>	<u>117,006</u>
Interest expense	<u>(638,455)</u>	<u>(1,325,146)</u>	<u>(1,784,178)</u>	<u>(2,214,668)</u>
Loss on defeasance of water revenue bonds	<u>(864,629)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other nonoperating revenues (expenses), net	<u>342,442</u>	<u>55,695</u>	<u>44,107</u>	<u>275,177</u>
Nonoperating revenues (expenses), net	<u>(994,436)</u>	<u>(1,089,427)</u>	<u>(1,615,978)</u>	<u>(1,822,485)</u>
Income before contributions	<u>7,505,922</u>	<u>7,255,457</u>	<u>6,400,825</u>	<u>5,593,284</u>
Capital contributions	<u>14,103,950</u>	<u>1,469,333</u>	<u>2,336,001</u>	<u>-</u>
Increases in net position	<u>\$ 21,609,872</u>	<u>\$ 8,724,790</u>	<u>\$ 8,736,826</u>	<u>\$ 5,593,284</u>

Net Position by Component

Net position				
Net investment in capital assets	<u>\$ 41,892,903</u>	<u>\$ 29,565,993</u>	<u>\$ 21,741,075</u>	<u>\$ 13,873,621</u>
Restricted net position				
Debt service	<u>-</u>	<u>12,616,627</u>	<u>12,289,137</u>	<u>12,013,764</u>
Capital project	<u>12,555,702</u>	<u>222,835</u>	<u>756,453</u>	<u>637,669</u>
Unrestricted net position	<u>18,378,730</u>	<u>8,812,008</u>	<u>7,706,008</u>	<u>7,230,793</u>
Net position	<u>\$ 72,827,335</u>	<u>\$ 51,217,463</u>	<u>\$ 42,492,673</u>	<u>\$ 33,755,847</u>

⁽¹⁾ Amounts reflect the Subdistrict two enterprise funds combined.

⁽²⁾ Opening net position restated for GASB Statement No. 65.

2012	2011	2010	2009	2008	2007
\$ 13,292,546	\$ 13,538,859	\$ 13,464,062	\$ 13,581,712	\$ 13,027,880	\$ 13,377,479
2,422,523	2,630,065	3,097,335	3,041,115	2,324,047	2,987,429
832,077	805,951	1,049,366	1,011,348	1,036,247	1,271,317
166,293	133,176	149,335	174,548	196,932	191,834
2,041,474	2,047,112	2,046,020	2,044,000	2,049,154	2,073,273
5,462,367	5,616,304	6,342,056	6,271,011	5,606,380	6,523,853
7,830,179	7,922,555	7,122,006	7,310,701	7,421,500	6,853,626
62,237	96,932	105,687	835,444	1,300,073	1,771,981
(2,575,659)	(3,001,470)	(3,646,792)	(4,042,116)	(4,510,585)	(4,904,971)
-	-	-	-	-	-
19,704	40,757	23,635	99,261	36,490	26,611
(2,493,718)	(2,863,781)	(3,517,470)	(3,107,411)	(3,174,022)	(3,106,379)
5,336,461	5,058,774	3,604,536	4,203,290	4,247,478	3,747,247
1,999,998	-	1,073,180	988,528	915,347	24,672
\$ 7,336,459	\$ 5,058,774	\$ 4,677,716	\$ 5,191,818	\$ 5,162,825	\$ 3,771,919
\$ 7,923,924	\$ 2,623,507	(\$ 2,506,786)	(\$ 6,809,396)	(\$ 9,702,576)	(\$ 12,702,754)
12,022,534	11,842,320	11,945,850	11,656,123	10,044,658	10,218,860
1,088,872	-	858,839	470,260	292,868	70,701
7,734,372	6,967,416	6,076,566	6,379,766	5,869,985	3,755,303
\$ 28,769,702	\$ 21,433,243	\$ 16,374,469	\$ 11,696,753	\$ 6,504,935	\$ 1,342,110

Annual Assessments by Participant Windy Gap Enterprise Fund

Years ended September 30,
Unaudited

Participant ⁽¹⁾⁽²⁾	2016	2015	2014	2013
Platte River Power Authority ⁽³⁾	\$ 4,918,223	\$ 4,604,577	\$ 4,575,200	\$ 4,869,952
Boulder, City of ⁽⁴⁾	910,645	956,179	1,693,008	1,972,529
Longmont, City of	1,853,861	1,736,904	2,509,157	2,378,341
Greeley, City of ⁽⁵⁾	1,628,167	1,360,400	2,083,128	2,181,730
Loveland, City of ⁽³⁾	953,243	931,557	1,018,408	1,061,399
Superior Metropolitan District No. 1 ⁽⁶⁾⁽⁷⁾	542,502	501,778	480,735	531,523
Broomfield, City and County of ⁽⁴⁾⁽⁵⁾	1,993,171	1,645,257	823,939	1,020,464
Estes Park, Town of ⁽³⁾⁽⁶⁾	79,046	77,521	82,728	88,707
Erie, Town of ⁽⁷⁾	560,716	389,141	474,128	459,202
Louisville, City of ⁽⁷⁾	143,911	103,659	146,270	167,330
Central Weld County Water District ⁽⁶⁾	39,239	30,276	28,548	30,779
Fort Lupton, Town of ⁽⁵⁾	120,724	121,213	85,046	110,623
Lafayette, City of ⁽²⁾	23,897	23,285	24,307	27,236
Little Thompson Water District ⁽⁵⁾	302,120	-	-	-
Water rental	-	-	-	-
Unearned revenue adjustment	(1,195,503)	1,478,023	(500,430)	(1,183,939)
Assessments	\$ 12,873,962	\$ 13,959,770	\$ 13,524,172	\$ 13,715,876

⁽¹⁾ Annual assessments by participant reflect the allotment transactions described in footnotes (2) - (7) below. Participant units as shown on page 30 detail the Windy Gap Enterprise allotment contracts outstanding at September 30, 2016.

⁽²⁾ In 1988 Left Hand Water District purchased 1 unit from the Town of Estes Park that was subsequently sold to the City of Lafayette in 2006.

⁽³⁾ Platte River Power Authority acquired 40 units each from the City of Loveland and the Town of Estes Park and all of the 80 units of the City of Fort Collins in 1976.

⁽⁴⁾ The City of Boulder sold 43 units to the City and County of Broomfield in fiscal year 1991.

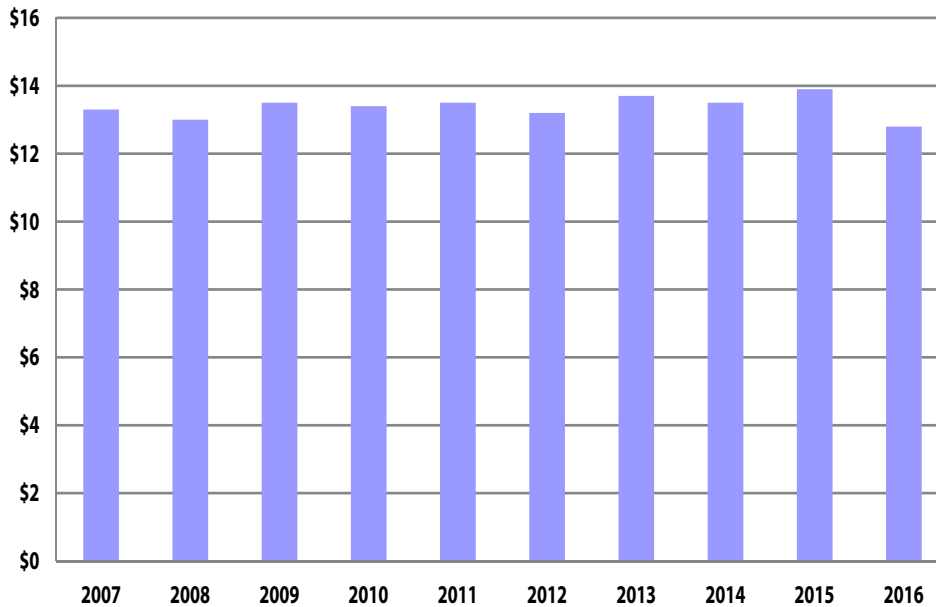
⁽⁵⁾ The City of Greeley has lease agreements whereby Greeley leases 5 units of water to the City of Evans and 3 units to the City of Louisville. Assessments from lessees are included under the City of Greeley. In 2015 the City of Greeley sold 12 units to Little Thompson Water District. These units were previously leased from the City of Greeley to Little Thompson Water District. In addition, the City of Greeley sold 3 units to the Town of Fort Lupton in fiscal year 2006 and 13 units to the City and County of Broomfield in fiscal year 1990.

⁽⁶⁾ The Town of Estes Park sold 1 unit to Central Weld County Water District in 1985, 35 units to Superior Metropolitan District No. 1 and 1 unit to Left Hand Water District in 1988.

⁽⁷⁾ Superior Metropolitan District No. 1 sold 7 units to the Town of Erie and 6 units to the City of Louisville in fiscal year 2003 and an additional 7 units to the Town of Erie in fiscal year 2005.

	2012	2011	2010	2009	2008	2007
\$	4,327,875	\$ 4,372,347	\$ 4,466,818	\$ 4,120,248	\$ 4,192,518	\$ 4,095,862
	2,251,034	2,340,919	2,461,675	2,196,290	2,167,616	2,229,188
	1,898,498	2,120,995	2,032,150	1,961,383	2,191,255	2,140,887
	1,887,647	1,820,399	1,924,617	1,750,205	1,855,600	1,730,156
	963,042	999,468	1,072,916	915,365	952,058	1,250,827
	513,991	496,906	493,092	418,342	444,250	432,164
	427,794	438,421	467,299	380,920	397,726	376,014
	78,938	84,444	91,228	76,732	87,580	70,276
	444,606	416,419	453,203	369,393	393,079	402,559
	144,341	150,755	171,577	131,412	139,606	126,348
	27,486	27,665	30,149	25,990	31,209	23,606
	86,295	105,246	111,072	89,569	93,448	88,325
	24,002	24,631	26,950	22,486	23,402	21,998
	-	-	-	-	-	93,488
	-	-	225,434	245,342	60,000	-
	216,997	140,244	(564,118)	878,035	(1,467)	295,781
\$	13,292,546	\$ 13,538,859	\$ 13,464,062	\$ 13,581,712	\$ 13,027,880	\$ 13,377,479

Annual Water Assessments
(millions)



Schedule of Participant Units Windy Gap Project

September 30, 2016

Unaudited

<u>Participants</u>	<u>Units</u>	<u>Acre-Feet</u>	<u>Percentage</u>
Platte River Power Authority	160	16,000	33.3%
Longmont, City of	80	8,000	16.7
Broomfield, City and County of	56	5,600	11.7
Greeley, City of	52	5,200	10.8
Loveland, City of	40	4,000	8.4
Boulder, City of	37	3,700	7.7
Superior Metropolitan District No. 1	15	1,500	3.1
Erie, Town of	14	1,400	2.9
Little Thompson Water District	12	1,200	2.5
Louisville, City of	6	600	1.3
Estes Park, Town of	3	300	0.6
Fort Lupton, Town of	3	300	0.6
Central Weld County Water District	1	100	0.2
Lafayette, City of	1	100	0.2
Total	480	48,000	100.0%

Carriage, Energy and Wheeling Charges Windy Gap Enterprise Fund

Years ended September 30,
Unaudited
(Cost per acre-foot)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Carriage charges⁽¹⁾										
Reclamation ⁽²⁾										
7(c) ii Farr Pumping Plant	\$ 3.22	\$ 3.07	\$ 3.53	\$ 3.92	\$ 3.29	\$ 3.14	\$ 3.32	\$ 3.13	\$ 2.83	\$ 2.41
7(c) iii Flatiron Pumping Plant	6.89	7.25	6.60	6.63	6.52	6.03	6.84	5.94	4.68	3.97
7(d) Operations and maintenance	7.12 ⁽³⁾	16.05 ⁽³⁾	9.34	9.60	29.04 ⁽⁴⁾	18.11 ⁽⁴⁾	8.24	14.72 ⁽⁴⁾	5.41	4.66
7(e) Service charge	2.85	2.85	2.85	-	2.85	2.85	-	-	-	-
Reclamation carriage charges	<u>20.08</u>	<u>29.22</u>	<u>22.32</u>	<u>20.15</u>	<u>41.70</u>	<u>30.13</u>	<u>18.40</u>	<u>23.79</u>	<u>12.92</u>	<u>11.04</u>
Northern Water										
8(a) Adams Tunnel conveyance	.26	.26	.26	.26	.26	.26	.26	.26	.26	.26
8(b)(d) Operations, maintenance and administration costs	63.22 ⁽³⁾	134.89 ⁽³⁾	76.62	66.64	56.31	62.90	64.54	55.55	40.27	45.19
8(e) Service charge	2.85	2.85	2.85	-	2.85	2.85	-	-	-	-
Northern Water carriage charges	<u>66.33</u>	<u>138.00</u>	<u>79.73</u>	<u>66.90</u>	<u>59.42</u>	<u>66.01</u>	<u>64.80</u>	<u>55.81</u>	<u>40.53</u>	<u>45.45</u>
Carriage charges	86.41	167.22	102.05	87.05	101.12	96.14	83.20	79.60	53.45	56.49
Energy and wheeling charges	-	-	35.99	33.30	22.93	28.67	26.67	24.04	23.62	24.00
Carriage, energy and wheeling charges	\$ 86.41	\$167.22	\$138.04	\$120.35	\$124.05	\$124.81	\$109.87	\$103.64	\$ 77.07	\$ 80.49
Water pumped (acre-feet) ⁽⁵⁾	-	-	-	45,061	5,145	-	6,758	26,365	33,523	40,933
Water delivered (acre-feet) ⁽⁶⁾	11,294	13,964	12,627	19,536	16,774	18,023	22,461	22,713	20,889	24,089
Water conveyed through the C-BT Project Adams Tunnel (acre-feet) ⁽³⁾	243,543	113,856	203,467	236,268	289,890	245,284	225,917	242,832	287,012	233,854

⁽¹⁾ References are to the appropriate section in the 1990 Subdistrict carriage contract with Reclamation.

⁽²⁾ Excludes fixed annual carriage charge from Reclamation of \$84,525.

⁽³⁾ Carriage charges calculated, in part, based on total water conveyed through the C-BT Project Adams Tunnel, which increased from an abnormally low 113,856 acre-feet in 2015 to 243,543 acre-feet in 2016.

⁽⁴⁾ Increase due to repair and extraordinary maintenance items (RAX).

⁽⁵⁾ No water pumped since 2013 as the result of no available storage capacity in the C-BT Project.

⁽⁶⁾ See Historical Schedule of Water Pumped and Delivered at page 37.

Subdistrict Population and Economic Statistics

Unaudited

	2016 ⁽¹⁾	2015	2014	2013
Boulder, City of				
Estimated population	105,000	105,000	102,000	101,000
Unemployment rate	2.8%	3.2%	4.7%	5.6%
School enrollment ⁽²⁾	13,352	13,486	13,331	12,627
Per capita income ⁽³⁾	\$ N/A	\$ 58,627	\$ 54,968	\$ 54,502
Personal income (000s) ⁽³⁾	\$ N/A	\$ 18,370,000	\$ 17,042,000	\$ 16,639,000
Broomfield, City and County of⁽⁴⁾				
Estimated population	65,907	63,860	60,885	57,865
Unemployment rate	4.3%	4.2%	6.8%	7.8%
School enrollment ⁽²⁾	4,317	4,319	4,260	4,102
Per capita income	\$ 36,783	\$ 36,783	\$ 36,783	\$ 36,783
Personal income (000s)	\$ 2,424,257	\$ 2,348,962	\$ 2,239,533	\$ 2,128,448
Greeley, City of				
Estimated population	101,048	98,423	97,320	96,093
Unemployment rate ⁽³⁾	3.5%	4.0%	7.6%	8.7%
School enrollment ⁽²⁾	17,613	17,713	21,183	20,450
Per capita income ⁽³⁾	\$ N/A	\$ 38,664	\$ 33,393	\$ 31,657
Personal income (000s) ⁽³⁾	\$ N/A	\$ 3,805,427	\$ 3,249,807	\$ 3,042,016
Longmont, City of				
Estimated population	92,852	91,911	90,219	87,854
Unemployment rate	2.6%	3.1%	4.4%	5.5%
School enrollment ⁽²⁾	14,707	15,448	15,512	15,381
Per capita income	\$ 58,627	\$ 54,968	\$ 53,772	\$ 51,893
Personal income (000s)	\$ 5,443,634	\$ 5,052,164	\$ 4,851,256	\$ 4,559,008
Loveland, City of				
Estimated population	74,349	71,985	72,846	68,825
Unemployment rate ⁽³⁾	3.4%	4.0%	5.5%	6.4%
School enrollment ⁽²⁾	15,597	15,520	15,621	15,577
Per capita income ⁽⁵⁾	\$ 43,584	\$ 42,866	\$ 41,311	\$ 39,767
Personal income (000s)	\$ 3,240,427	\$ 3,085,709	\$ 3,009,341	\$ 2,736,964
Estimated population in Subdistrict Area ⁽⁶⁾	922,233	893,145	878,100	859,913

Source: Data taken from the government's most recent CAFR unless otherwise indicated.

⁽¹⁾ N/A Certain data not yet available.

⁽²⁾ Information compiled from school district websites for schools within Subdistrict boundaries.

⁽³⁾ Data for the Metropolitan Statistical Area.

⁽⁴⁾ Data provided for the entire City and County of Broomfield, only a portion of which is within Subdistrict boundaries.

⁽⁵⁾ Data for Larimer County. Separate municipal statistics not available.

⁽⁶⁾ Data from the Northern Water current year CAFR.

	2012	2011	2010	2009	2008	2007
	98,000	97,000	104,000	104,000	103,000	102,000
	5.9%	6.5%	5.3%	4.6%	3.9%	4.3%
	13,471	13,583	13,258	13,129	12,999	13,739
\$	51,893	\$ 50,031	\$ 48,891	\$ 50,714	\$ 49,999	\$ 48,954
\$	536,000	\$ 14,786,000	\$ 14,334,000	\$ 15,237,000	\$ 14,784,000	\$ 14,267,000
	57,336	56,543	55,284	54,586	53,693	51,454
	8.5%	8.9%	8.1%	4.8%	3.8%	4.4%
	4,034	4,034	4,165	4,151	4,150	3,682
\$	35,836	\$ 34,268	\$ 33,500	\$ 31,568	\$ 28,661	\$ 27,827
\$	2,054,693	\$ 1,937,615	\$ 1,852,014	\$ 1,723,171	\$ 1,538,895	\$ 1,431,810
	95,453	94,358	91,759	90,249	86,779	85,107
	9.7%	11.1%	9.1%	5.2%	3.9%	4.6%
	19,821	17,278	19,851	19,444	18,870	18,401
\$	29,986	\$ 28,447	\$ 27,109	\$ 28,402	\$ 27,988	\$ 25,668
\$	2,862,254	\$ 2,684,202	\$ 2,487,495	\$ 2,563,252	\$ 2,428,771	\$ 2,184,526
	87,850	87,461	86,303	86,194	85,762	84,636
	6.1%	6.8%	6.0%	5.0%	3.7%	4.0%
	14,404	14,132	13,997	15,953	24,582	14,175
\$	50,697	\$ 47,489	\$ 52,719	\$ 48,324	\$ 48,324	\$ 46,800
\$	4,453,731	\$ 4,153,435	\$ 4,549,808	\$ 4,165,239	\$ 4,144,363	\$ 3,960,965
	67,581	66,572	65,800	64,800	65,800	64,100
	6.8%	7.4%	7.1%	4.2%	3.4%	3.9%
	15,420	15,043	14,734	14,747	14,958	14,883
\$	37,844	\$ 37,368	\$ 37,481	\$ 36,956	\$ 34,300	\$ 32,900
\$	2,557,535	\$ 2,487,662	\$ 2,466,250	\$ 2,394,749	\$ 2,256,940	\$ 2,108,890
	858,565	842,494	842,447	828,350	794,616	770,563

Largest Employers by Principal Cities Served by the Subdistrict

September 30,

Unaudited

Boulder, City of

Employers	2016 ⁽¹⁾			2007 ⁽¹⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment
University of Colorado at Boulder	1	7,964	3.8%	1	7,050	4.3%
St. Vrain Valley School District ⁽²⁾	2	4,661	2.2	10	1,463	0.9
Boulder Valley School District	3	4,381	2.1	4	3,600	2.2
IBM Corporation	4	2,800	1.3	2	4,200	2.6
Boulder County	5	1,957	0.9	9	1,600	1.0
SCL Health System	6	1,900	0.9	-	-	-
Ball Corporation	7	1,865	0.9	5	3,000	1.8
Covidien	8	1,800	0.9	-	-	-
Boulder Community Hospital	9	1,796	0.9	8	1,907	1.2
Boulder, City of	10	1,359	0.5	-	-	-
Oracle Corporation (formerly Sun Microsystems, Inc.)	-	-	-	3	3,800	2.4
Colorado, State of	-	-	-	6	2,820	1.7
Level 3 Communications, Inc.	-	-	-	7	2,000	1.2
Top ten principal employers		30,483	14.4%		31,440	19.3%
Employees		211,687			162,901	-

Broomfield, City and County of⁽³⁾

Employers	2016			2007 ⁽⁴⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment ⁽⁵⁾
Level 3 Communications	1	2,400	5.8%	2	2,400	-
Oracle Corporation (formerly Sun Microsystems, Inc.)	2	2,000	4.9	1	3,387	-
Urban Lending Solutions	3	930	2.3	-	-	-
Hunter Douglas	4	920	2.2	4	978	-
SCL Health System	5	900	2.2	-	-	-
Broomfield, City and County of	6	724	1.7	6	564	-
Staples Advantage (formerly Corporate Express)	7	700	1.7	3	1,000	-
Vail Resorts	8	680	1.7	-	-	-
Ball Corporation	8	680	1.7	7	550	-
TransFirst Holdings	10	660	1.6	-	-	-
Sandoz, Inc. (Geneva Pharmaceuticals)	-	-	-	5	600	-
Wal-Mart Supercenter	-	-	-	8	450	-
Bestop	-	-	-	9	433	-
McKesson HBOC	-	-	-	10	428	-
Top ten principal employers		10,594	25.8%		10,790	
Employees		41,116			-(5)	

Source: Data taken or calculated from the cities' most recent CAFRs unless otherwise indicated.

⁽¹⁾ Information for the City of Boulder lists the largest employers in Boulder and Broomfield Counties. Employment information specific to the City of Boulder is not available for the years presented.

⁽²⁾ The St. Vrain Valley School District spans 13 different communities including Eastern Boulder. Also reported under the City of Longmont.

⁽³⁾ Data provided for the entire City and County of Broomfield, only a portion of which is within Subdistrict boundaries.

⁽⁴⁾ Data taken from the Subdistrict 2007 CAFR.

⁽⁵⁾ Data not available.

Longmont, City of

Employers	2016			2007		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment
St. Vrain Valley School District	1	3,960	8.3%	-	-	-
Seagate Technology	2	1,558	3.3	1	1,605	3.7%
Longmont United Hospital	3	1,276	2.7	-	-	-
Intrado	4	1,247	2.6	4	697	1.6
Circle Graphics, Inc.	5	919	1.9	-	-	-
Longmont, City of	6	818	1.7	-	-	-
DigitalGlobe	7	514	1.1	8	315	0.7
Federal Aviation Administration	8	448	0.9	5	547	1.3
McLane Western	9	432	0.9	6	545	1.3
Longmont Clinic	10	279	0.5	-	-	-
Amgen	-	-	-	2	1,183	2.8
Butterball, LLC	-	-	-	3	920	2.1
Xilinx	-	-	-	7	400	0.9
Times-Call	-	-	-	9	218	0.6
Sunrise Medical, Colorado Division	-	-	-	10	208	0.5
Top ten principal employers		11,451	23.9%		6,638	15.5%
Employees		47,912			42,825	

Greeley, City of

Employers	2016			2007⁽⁴⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment⁽⁵⁾
JBS Swift & Company	1	3,885	2.9%	1	3,650	-
Banner Health Care (formerly North Colorado Medical Center)	2	3,178	2.4	2	2,700	-
Greeley/Evans School District Six	3	2,320	1.7	4	2,037	-
University of Northern Colorado	4	2,001	1.5	3	2,066	-
Weld County	5	1,527	1.1	8	1,400	-
State Farm Insurance Companies	6	1,193	0.9	7	1,478	-
Greeley, City of	7	1,268	0.9	6	1,490	-
TeleTech Services	8	662	0.5	-	-	-
Aims Community College	9	609	0.4	-	-	-
Colorado Premium Foods	10	423	0.3	-	-	-
Eastman Kodak	-	-	-	5	1,650	-
StarTek, Inc.	-	-	-	9	906	-
Wal-Mart Supercenter	-	-	-	10	856	-
Top ten principal employers		17,066	12.6%		18,233	-
Employees		135,279			_(5)	

Largest Employers by Principal Cities Served by the Subdistrict

September 30,
Unaudited

Loveland, City of

Employers	2016			2007		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment
Thompson School District R2-J	1	3,615	8.1%	1	1,888	6.2%
Medical Center of the Rockies	2	1,329	3.0	-	-	-
Wal-Mart Distribution Center	3	1,000	2.2	2	1,000	3.3
Loveland, City of	4	995	2.2	4	710	2.3
Hach Company	5	980	2.2	7	550	1.8
McKee Medical Center	6	505	1.1	3	950	3.1
Woodward Governor	7	500	1.1	10	238	0.8
Elevations Credit Union	8	380	0.9	-	-	-
Miramont Lifestyle Fitness	9	370	0.9	-	-	-
Agrium/Crop Production Services	10	360	0.8	-	-	-
Wal-Mart Supercenter	-	-	-	5	700	2.3
Agilent Technologies	-	-	-	6	650	2.1
Group Publishing	-	-	-	8	300	1.0
Quebecor	-	-	-	9	242	0.8
Top ten principal employers		10,034	22.5%		7,228	23.7%
Employees		44,705			30,556	

Source: Data taken or calculated from the cities' most recent CAFRs unless otherwise indicated.

Historical Schedule of Water Pumped and Delivered

Windy Gap Project

Years ended September 30,

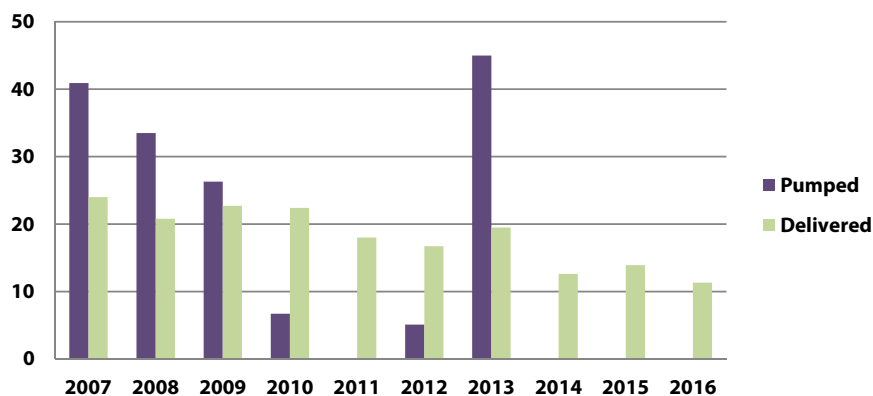
Unaudited

(Acre-feet)

Years	Water Pumped	Water Deliverable ⁽¹⁾	Water Deliveries ⁽²⁾	Water Losses ⁽³⁾	Windy Gap Project Water Spillage ⁽⁴⁾	In-lieu Deliveries ⁽⁵⁾	Water Rentals	Water Inventory
1987	3,700.0	3,330.0	(864.4)	-	-	-	-	2,465.6
1988	19,863.0	17,876.0	(7,316.8)	(146.2)	-	-	-	12,878.6
1989	3,998.2	3,598.4	(7,940.2)	(963.4)	-	-	-	7,573.4
1990	14,519.4	13,068.6	(4,478.8)	(552.5)	-	-	-	15,610.7
1991	19,252.3	18,827.1	(6,213.2)	(1,305.7)	-	-	(15,000.0)	11,918.9
1992	21,856.8	19,671.0	(5,206.8)	(919.9)	-	-	(9,517.0)	15,946.2
1993	21,740.0	19,566.0	(5,619.7)	(971.8)	-	-	(11,089.0)	17,831.7
1994	10,784.0	9,705.6	(5,507.0)	(1,208.0)	-	-	(11,194.0)	9,628.3
1995	14,058.0	12,652.2	(5,400.9)	(728.2)	(10,463.0)	-	-	5,688.4
1996	-	-	(5,652.7)	(350.5)	(1,902.4)	2,217.2	-	-
1997	-	-	(5,911.1)	-	-	5,911.1	-	-
1998	-	-	(5,845.5)	-	-	5,845.5	-	-
1999	-	-	(5,911.1)	-	-	5,911.1	-	-
2000	-	-	(12,105.3)	-	-	12,105.3	-	-
2001	14,250.0	12,825.0	(13,310.1)	-	-	485.1	-	-
2002	-	-	(16,803.0)	-	-	16,803.0	-	-
2003	64,200.0	57,780.0	(14,639.1)	-	-	-	-	43,140.9
2004	327.0	294.3	(15,196.7)	(4,208.6)	-	-	-	24,029.9
2005	41,320.0	37,188.0	(17,239.9)	(2,167.4)	-	-	-	41,810.6
2006	25,022.0	22,519.8	(21,883.8)	(3,499.9)	-	-	-	38,946.7
2007	40,933.0	36,839.7	(24,089.2)	(3,342.4)	-	-	-	48,354.8
2008	33,523.0	30,170.7	(20,889.1)	(4,458.4)	-	-	-	53,178.0
2009	26,365.0	23,728.5	(22,712.5)	(4,746.0)	-	-	-	49,448.0
2010	6,758.0	6,082.2	(22,460.7)	(4,278.9)	-	-	-	28,790.6
2011	-	-	(18,022.6)	(2,034.5)	(11,528.7)	2,795.2	-	-
2012	5,145.0	4,630.1	(16,774.1)	-	-	13,330.1	-	1,186.1
2013	45,061.0	40,554.9	(19,536.0)	(112.1)	-	2,169.0	-	24,261.9
2014	-	-	(12,627.3)	(1,882.6)	(11,448.6)	1,696.6	-	-
2015	-	-	(13,964.1)	-	-	13,964.1	-	-
2016	-	-	(11,294.0)	-	-	11,294.0	-	-

Water pumped and delivered

(thousands of acre-feet)



⁽¹⁾ Ninety percent of water pumped.

⁽²⁾ Includes 1,000 acre-feet leased to Northern Water for delivery to Grand Valley Water Users in 2007 and 848.9; 2,231.4; 3,907.5 and 1,854.5 acre-feet of water leased to Grand County in 2008 through 2011, respectively.

⁽³⁾ Ten percent of all water remaining on March 31 of any year is deducted as shrinkage loss to the system.

⁽⁴⁾ When Windy Gap Project water is being stored in Lake Granby and Lake Granby's storage capacity is needed for storage of water available under C-BT Project water rights, Windy Gap Project participants are required to take delivery of their stored water or that water is required to be spilled.

⁽⁵⁾ Delivery of C-BT Project water in lieu of Windy Gap Project water. Repayment may include C-BT Project water, Windy Gap Project water, Windy Gap Project pumping or cancellation of the in-lieu obligation as the result of C-BT Project water spillage.

Capital Assets by Enterprise Fund

September 30,
Unaudited

	2016	2015	2014	2013
Windy Gap				
Non-depreciable assets				
Land	\$ 2,046,198	\$ 2,046,198	\$ 2,046,198	\$ 2,046,198
Water rights ⁽¹⁾	470,921	470,921	470,921	470,921
Depreciable assets				
Buildings, equipment and improvements	793,558	825,707	825,707	825,707
Water diversion project	82,167,586	82,167,586	82,167,586	82,167,586
Capital assets	<u>85,478,263</u>	<u>85,510,412</u>	<u>85,510,412</u>	<u>85,510,412</u>
Less accumulated depreciation				
Buildings, equipment and improvements	(793,558)	(825,707)	(825,707)	(825,707)
Water diversion project	(63,397,551)	(61,318,552)	(59,239,553)	(57,160,554)
Accumulated depreciation	<u>(64,191,109)</u>	<u>(62,144,259)</u>	<u>(60,065,260)</u>	<u>(57,986,261)</u>
Capital assets, net	<u>\$ 21,287,154</u>	<u>\$ 23,366,153</u>	<u>\$ 25,445,152</u>	<u>\$ 27,524,151</u>
Windy Gap Firing Project				
Construction in process	<u>\$ 20,605,749</u>	<u>\$ 19,162,666</u>	<u>\$ 18,629,048</u>	<u>\$ 17,610,297</u>

⁽¹⁾Water rights included under Land in 2012 and prior years.

2012	2011	2010	2009	2008	2007
\$ 2,062,566	\$ 2,061,352	\$ 2,053,298	\$ 2,046,198	\$ 1,893,887	\$ 1,891,285
-	-	-	-	-	-
155,574	155,574	155,574	155,574	258,553	258,553
<u>81,837,719</u>	<u>81,840,342</u>	<u>81,840,845</u>	<u>81,836,862</u>	<u>81,851,722</u>	<u>81,867,742</u>
<u>84,055,859</u>	<u>84,057,268</u>	<u>84,049,717</u>	<u>84,038,634</u>	<u>84,004,162</u>	<u>84,017,580</u>
(155,574)	(155,574)	(155,574)	(155,574)	(258,553)	(258,553)
<u>(55,770,562)</u>	<u>(53,731,711)</u>	<u>(51,685,101)</u>	<u>(49,653,287)</u>	<u>(47,624,148)</u>	<u>(45,593,564)</u>
<u>(55,926,136)</u>	<u>(53,887,285)</u>	<u>(51,840,675)</u>	<u>(49,808,861)</u>	<u>(47,882,701)</u>	<u>(45,852,117)</u>
\$ 28,129,723	\$ 30,169,983	\$ 32,209,042	\$ 34,229,773	\$ 36,121,461	\$ 38,165,463
\$ 15,155,178	\$ 14,325,617	\$ 13,378,785	\$ 12,691,012	\$ 11,876,096	\$ 11,171,661

Dam, Pipeline and Pump Station Capacity Windy Gap Project

Unaudited

Windy Gap Reservoir

Capacity - 445 acre-feet

Windy Gap Dam

Embankment section

Length - 0.97 miles

Maximum height - 25 feet

Volume of fill - 249,000 cubic yards

Spillway

Discharge capacity - 32,400 cubic feet per second

Length - 345 feet

Volume of concrete - 15,000 cubic yards

Main bypass outlet works

Discharge capacity - 133 cubic feet per second

Length of 48-inch diameter, reinforced concrete pipe - 245 feet

Auxiliary outlet works

Discharge capacity - 228 cubic feet per second

Windy Gap Pump Station

Maximum discharge capacity - 600 cubic feet per second

Motor horsepower - 12,000 horsepower per pump

Installed capacity - 35,800 KW

Maximum total dynamic head - 521 feet

Number of 150 cfs pumps - 4

Windy Gap - Lake Granby Pipeline

Pipeline

Capacity - 600 cubic feet per second

Length - 6.2 miles

Diameter - 9 feet

Surge Tank

Type - Dual 9-foot diameter pipes

Tank length - 735 feet

Vertical rise - 134 feet

Discharge capacity

Willow Creek - 440 cubic feet per second

Windy Gap - 600 cubic feet per second

Subdistrict General Information

September 30, 2016
Unaudited

Authority	Water Conservancy Act
Date of Formation	July 6, 1970
Governing Body	The Subdistrict is governed by a 12-member Board of Directors, which is appointed by the presiding District Court Judges of four of the five judicial districts located wholly or partially within the Northern Colorado Water Conservancy District boundaries.
Organization	The Subdistrict is a public body political and corporate, a quasi-municipal entity and political subdivision of the State of Colorado.
Purpose	The Subdistrict was organized to acquire water; to obtain rights-of-way for certain water works; to provide for construction of water facilities; to incur contractual or bond indebtedness; to administer, operate and maintain physical works; and to conserve, control, allocate and distribute water supplies.
Number of Employees	There are no full-time employees of the Subdistrict. All administrative, engineering and operations and maintenance functions are provided through an agreement with Northern Water.

Subdistrict Contact Information

Offices

220 Water Avenue
Berthoud, Colorado 80513
(800) 369-7246
FAX: (877) 851-0018
www.northernwater.org

Independent Auditors

CliftonLarsonAllen LLP
8390 E. Crescent Parkway, Suite 600
Greenwood Village, Colorado 80111
(303) 779-5710

General Counsel

Trout Raley Montaño Freeman Sinor Thompson, P.C.
1120 Lincoln Street, Suite 1600
Denver, Colorado 80203
(303) 861-1963

Bond Counsel

Butler Snow, LLP
1700 Broadway 41st Floor
New York, New York 10019
(646) 606-2996