

2017

Northern Water



Northern Colorado Water Conservancy District
Comprehensive Annual Financial Report
Year ended September 30, 2017

Comprehensive Annual Financial Report

Year ended September 30, 2017

Northern Colorado Water Conservancy District

Berthoud, Colorado



Prepared by: Financial Services Department

Comprehensive Annual Financial Report

September 30, 2017

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February 23, 2018

To the Board of Directors of Northern Water

The comprehensive annual financial report of the Northern Colorado Water Conservancy District (Northern Water) as of and for the year ended September 30, 2017, is submitted herewith.

Northern Water's management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Internal controls are designed to provide Northern Water's management with reasonable (but not absolute) assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the overall reliability of the financial records for preparing financial statements and for maintaining accountability and control over Northern Water's assets. The concept of reasonable assurance recognizes that the cost 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 Northern Water financial statements for the year ended September 30, 2017. The independent auditors' report is located on page 1.

Management's Discussion and Analysis, located on pages 4 - 9 of this report, provides a narrative introduction, overview and analysis of the basic financial statements. Management's Discussion and Analysis complements this letter of transmittal and should be read in conjunction with this letter.

Northern Water adopts a final budget for the next fiscal year by the end of the current fiscal year. This annual budget serves as a foundation for Northern Water's financial planning and control. Appropriations are established to record the current year's fiscal requirements. Portions of these appropriations are set aside as purchase orders and/or contracts are awarded. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. To facilitate this determination, Northern Water's accounting records are delineated by function and activity.

Profile of Northern Water

Northern Water was organized in 1937 to partner with the U.S. Bureau of Reclamation (Reclamation) to construct, operate and maintain the Colorado-Big Thompson (C-BT) Project. The C-BT Project captures runoff from the headwaters of the Colorado River on the West Slope of the Rocky Mountains and conveys it to the East Slope via the 13.1-mile C-BT Project Alva B. Adams Tunnel under the Continental Divide. C-BT Project water supplements native water supplies, helping to irrigate approximately 640,000 acres of farm and ranch land and providing supplemental water supplies for municipalities, rural domestic water districts and industrial users in 8 Northern Colorado

counties. The C-BT Project became fully operational in 1957 and today delivers on average more than 212,000 acre-feet of water annually.

In addition to operating and maintaining certain features of the C-BT Project, Northern Water engages in other activities to fulfill its mission and define its values and principles of:

- Collaborative, proactive and progressive leadership
- Water resource conservation
- Environmental stewardship
- Personal and district-wide ethical integrity and professionalism
- Solution-oriented service
- Regional cooperation

Some of Northern Water's activities include monitoring weather data, conducting water quality studies and tracking and forecasting streamflows. Northern Water strives to promote effective water management through its newly-initiated Water Efficiency Program and provides water resource information to the public through water users' meetings, its website, a speakers' bureau and tours of its facilities.

Northern Water has three main sources of revenue: water assessments from water allotment contract holders, charges for services and property taxes. In accordance with its Repayment Contract with Reclamation, Northern Water collects a voter-approved 1.00 mill levy property tax on real property located within its boundaries. These taxes are assessed by the individual counties and submitted to Northern Water.

Northern Water Projects

The 110-mile Southern Water Supply Project (SWSP) pipeline was constructed in the 1990's to convey C-BT Project and Windy Gap Project water supplies. (The Windy Gap Project was developed by the Municipal Subdistrict, Northern Colorado Water Conservancy District [Subdistrict], a special-purpose entity established pursuant to the Water Conservancy Act.) SWSP was followed by the Pleasant Valley Pipeline (PVP) project that increases water reliability and flexibility for project participants on the East Slope. Both of these projects are operated and maintained by Northern Water for the benefit of project participants who fully funded the pipelines' construction and continue to fully fund their operations.

In 2011 the Northern Water Hydropower Water Activity Enterprise (Hydropower) was established to construct and operate two small hydropower facilities. Hydropower operates the Robert V. Trout Hydropower Plant (Trout) at Carter Lake and the Granby Hydropower plant at Lake Granby. The Trout and Granby hydropower facilities became operational in 2012 and 2016, respectively. The two plants combined generate approximately 12 million kwh of power annually, which is sold to local power delivery systems. Revenue from power sales provides all operating and debt service requirements of the Hydropower enterprise.

Projects Under Development

Northern Integrated Supply Project

The Northern Integrated Supply Project Water Activity Enterprise (NISPE) was established in 2003 to develop a water storage and distribution system that will supply water to 15 participants located in Northern Water boundaries. NISPE will add 40,000 acre-feet of new annual water supplies and more than 200,000 acre-feet of storage capacity with the construction of Glade and Galeton reservoirs, two pump stations and a network of related conveyance pipelines.

The formal federal environmental permitting process began in 2004 and, in 2015, the U.S. Army Corps of Engineers released a Supplemental Draft Environmental Impact Statement for the NISPE project. Since then, the Corps has been addressing public comments and is expected to release a final Environmental Impact Statement in 2018, followed by a Record of Decision in 2019.

In 2017, a Fish and Wildlife Mitigation and Enhancement Plan was developed and approved by the Colorado Parks and Wildlife Commission and the Colorado Water Conservation Board. The Plan will mitigate environmental impacts identified in the Supplemental Draft Environmental Impact Statement and improve the aquatic and riparian habitat of the Poudre River, regional wildlife habitat and recreational opportunities. NISPE continues with the design and water quality certification process. Final design is expected to begin in 2019 and it is anticipated that the project may be operational by 2025.

NISPE participants are responsible for funding the entire project, which is presently forecast to cost approximately \$1 billion.

Southern Water Supply Project II

SWSP is developing an addition to its original pipeline system. SWSP II is a 20-mile pipeline project that will supply C-BT Project and Windy Gap Project water from Carter Lake to the City of Boulder, Left Hand Water District, the Town of Berthoud and Longs Peak Water District. The project participants are paying 100 percent of the estimated \$42 million project cost. Design and right-of-way acquisition activities are underway. Construction is expected to begin in 2018 with the system operational in 2019.

Northern Water Activities

Water Efficiency Program

In 2017 the Northern Water Board approved moving forward with a new Water Efficiency Program to benefit its constituents. The Program will promote urban water efficiency and demand management to assist stakeholders in meeting water management objectives.

Enterprise Asset Management System

Northern Water has implemented an enterprise asset management (EAM) system to manage the lifecycle of project assets and track and manage maintenance and repairs. Using daily work orders, the program systematizes repairs as well as preventive and predictive maintenance. The EAM system will allow comprehensive knowledge of the C-BT Project and enterprise funds operating systems to be transferred to future generations of Northern Water employees.

Water Quality

Water quality has become increasingly important to Northern Water as the use and ownership of C-BT Project water shifts from agricultural irrigation to municipal needs. Northern Water provides water quality

monitoring and studies through its water quality staff supplemented by a team of field service personnel. The Water Quality Department also manages Northern Water's forest and watershed health program, which seeks to protect the quality of C-BT Project and Windy Gap Project water supplies from the effects of wildfire and other disturbances in the watershed. The Water Quality Department has been instrumental in providing support for NISPE and the Subdistrict's Windy Gap and Windy Gap Firing Project.

Safety

Northern Water has put safety first by appointing a Safety Officer to create a safer workplace for its employees. Safety audits have been performed at all Northern Water facilities to identify and mitigate potential hazards. Job hazard analyses are completed prior to initiating any large maintenance or construction project. The 2018 safety program will focus on fall protection and prevention. Northern Water has been awarded the Circle of Safety by Pinnacle Assurance for its excellent safety record.

Local Economy

Northern Water serves an area located on the Northern Front Range of the Colorado Rocky Mountains. This area has one of the state's largest concentrations 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 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 area, 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 2017 by the Colorado Office of State Planning and Budgeting, indicates that the state's economic growth remains solid, with broad-based increases in jobs and low unemployment. The most populated urban areas along the Front Range, with their greater economic diversity of growing industries, continue to outperform other areas of the state. However, strong expansion has led to higher costs of living and doing business, as well as to one of the tightest labor markets in the country. These factors have contributed to moderating growth, which is expected to continue through the forecast period.

New business formation, the source of most new jobs, continues to contribute to Colorado's economic well being. Greeley experienced the highest job growth over the last twelve months at 6.5 percent while the average for the state remained steady at approximately 2 percent. The unemployment rate in Colorado continued to decline in 2017 to 2.8 percent, but is expected to rise slightly in coming years to 3.0 percent.

Personal income in Colorado is expected to increase by just over 5 percent annually in coming years. Per-capita income continues to grow faster than the national average, increasing 3.6 percent to \$56,000 in 2018 as compared to \$52,000 for the nation. The state's home values increased by 18.7 percent but are forecasted to correct by 8.5 percent before leveling off in coming years. The Denver-Boulder-

Greeley CPI grew 2.8 percent, more than twice the national average, and is expected to remain at this level for the forecast period compared to 2.2 percent nationwide.

In 2017, Colorado's population increased 1.7 percent, more than double the national average. Lower rates of in-migration will contribute to future lower population growth overall. The state's total population, presently at 5.5 million, is expected to reach almost 5.8 million by 2019.

Water Year

The 2017 water year began with snowpacks falling below average through early December. However, record-breaking snow accumulations in late December and January put snowpack conditions well above average by March 1. Dry spring conditions returned pulling stream flow forecasts back down to average. The Northern Water Board responded to these dry conditions by increasing its quota to 80 percent, slightly above the long-term average quota of 70 percent. Moisture conditions improved substantially in May to improve the runoff forecast.

The C-BT Project started the year with storage capacity at a high level. With the 2017 above-average runoff, another spill at Lake Granby was realized, making it the fourth year in a row for C-BT Project spills. Total C-BT Project water spilled in 2017 amounted to 35,500 acre-feet. C-BT Project water deliveries were below the long-term average due to timely spring and summer precipitation events that decreased the need for supplemental water supplies.

Water Assessments

Northern Water annually updates its financial projections to determine adjustments in water assessments that may be needed to meet current and projected operating and capital cost requirements as well as to maintain adequate financial reserves. Based on the financial projections, Northern Water has increased its open-rate assessments for 2017 and 2018. In addition, the Board has passed a forward guidance resolution to implement increases in assessments for fiscal years 2019 and 2020.

Financial Policies

Northern Water financial principles and policies have been consistently applied in the preparation of the Northern Water financial statements including the basis of accounting and valuation of fund assets. These policies are further detailed in Note 1 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 Northern Water for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2016. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. Northern Water has received this award each year since 1987.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must 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 Northern Water CAFR for the year ended September 30, 2017, continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis would not have been possible without the efficient and dedicated services of Northern Water staff. In particular we would like to recognize the efforts of the following individuals:

Zach Allen	Mary Krakow
Scott Bartling	Katie Melander
Craig Friar	Andy Pineda
Veronica Gomez	Bernice Rupp
Todd Klimkowsky	Greg Silkensen
Colleen Krabbenhoft	

In September 2017 General Manager Eric Wilkinson announced his plans to retire. We would like to express our deepest appreciation to him for his enormous contribution over the last 30 years to Northern Water and the Colorado water community. The benchmarks of honesty, integrity and ethics as established under General Manager Wilkinson's leadership are evidenced in every aspect of Northern Water practices and serve as standards for all employees of Northern Water to follow. The Board plans to select a new general manager by Spring 2018.

We would also like to recognize the leadership of the Board of Directors of Northern Water for its unfailing support for maintaining the highest standards of professionalism in the management of Northern Water finances.

Sincerely,

/s/ Judy L. Skram

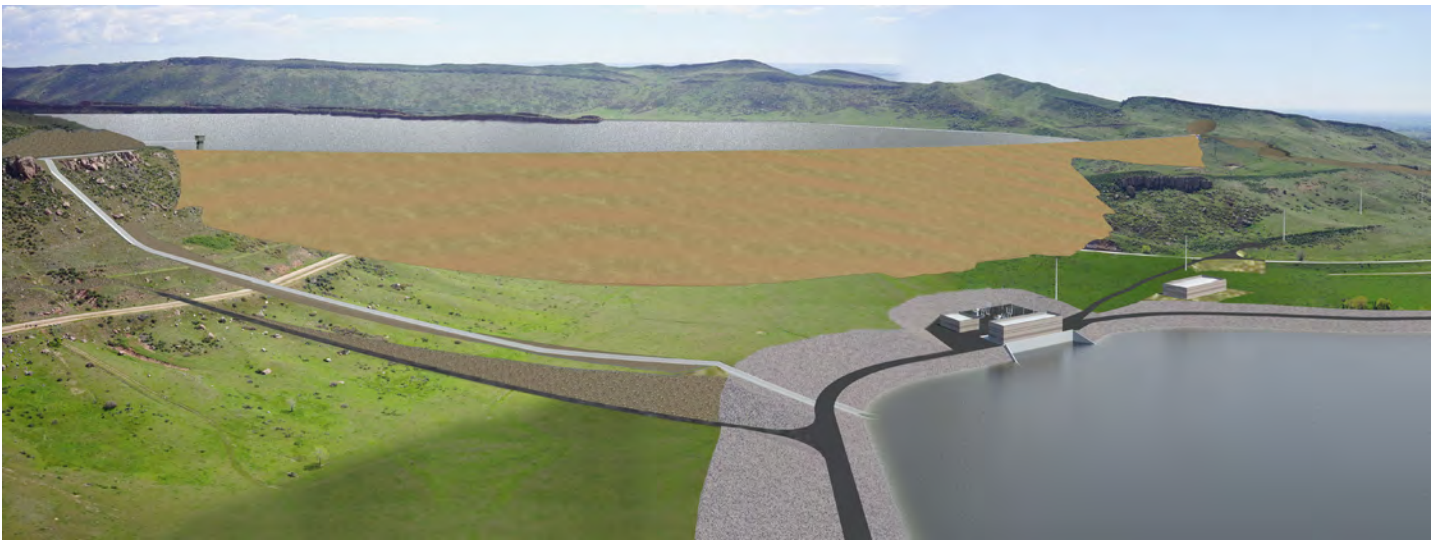
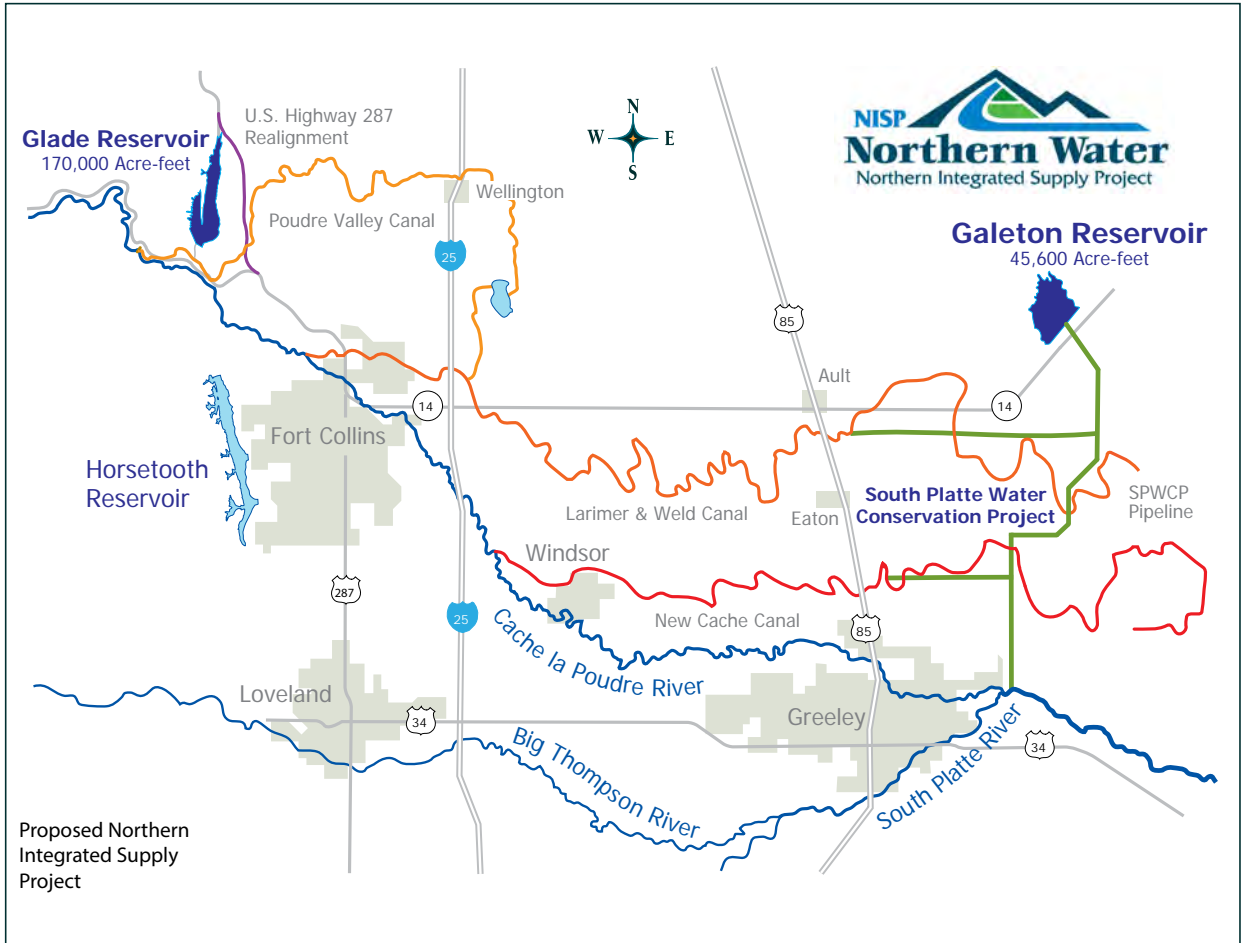
Judy L. Skram, CPA
Senior Accountant
Financial Services Department

/s/ John B. Budde

John B. Budde, CPA
Manager
Financial Services Department

/s/ Bradley D. Wind

Bradley D. Wind, P.E.
Treasurer,
Northern Colorado Water Conservancy District



3D rendering of Glade Reservoir

Board of Directors⁽¹⁾

Mike Applegate, President and Board Chairman

Engineer

Director since September 28, 1991

Term expires September 28, 2019

Larimer County

Committees: 1,2,3,4,5,6

Kenton Brunner, Vice President and Board Vice-Chairman

Retired Farmer/Cattle Feeder

Director since March 14, 1994

Term expires September 28, 2018

Weld County

Committees: 2,5,6

Sue Ellen Harrison

Attorney

Director since September 28, 2009

Term expires September 28, 2018

Boulder County

Committees: 3,4,6

Todd Williams

Water Resources Engineer

Director since September 28, 2017

Term expires September 28, 2021

Boulder County

Committees: 1,2,3,4,5,6

Dennis Yanchunas

Retired Securities Broker

Director since August 20, 2010

Term expires September 28, 2020

Boulder County

Committees: 1,2,5,6

Bill Emslie

Retired Electrical Engineer and Farmer

Director since September 28, 2005

Term expires September 28, 2021

Larimer County

Committees: 2,3,5,6

Bill Fischer

Attorney

Director since September 28, 2016

Term expires September 28, 2020

Larimer County

Committees: 3,4,6

Don Magnuson

*Retired Ditch Company General Manager and
Agricultural Enterprises*

Director since September 28, 2004

Term expires September 28, 2020

Weld County

Committees: 1,3,4,6

Dale Trowbridge

Ditch Company General Manager

Director since August 15, 2014

Term expires September 28, 2019

Weld County

Committees: 1,2,3,4,5,6

John Rusch

Water Resource Consultant

Director since May 20, 2002

Term expires September 28, 2021

Morgan/Washington Counties

Committees: 4,6

Brad Stromberger

Farmer

Director since September 28, 2010

Term expires September 28, 2018

Logan County

Committees: 3,4,6

Rob McClary

Farmer

Director since September 28, 2011

Term expires September 28, 2019

Sedgwick County

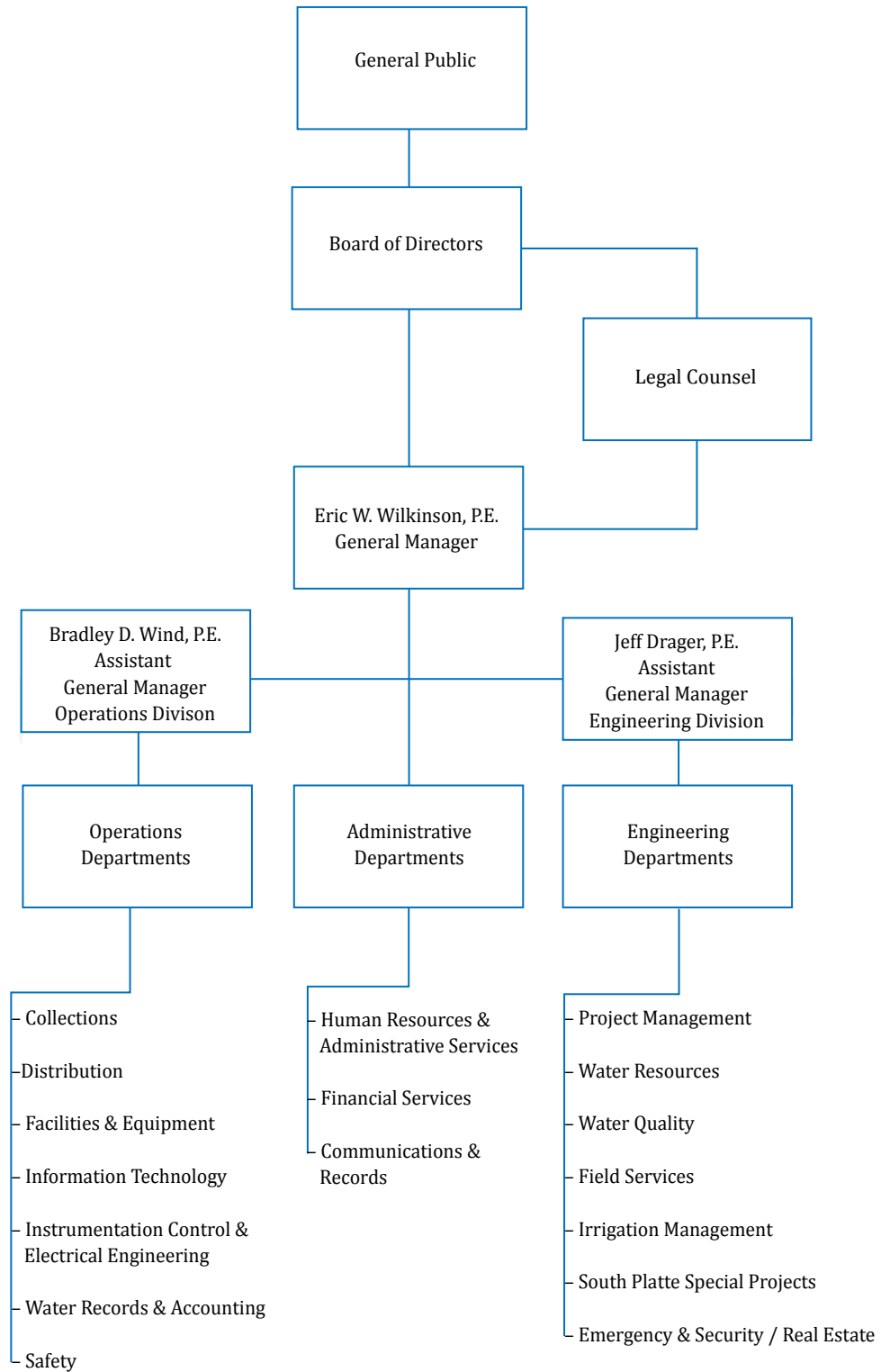
Committees: 2,6

Committees

1 Audit, 2 Finance, 3 Legislative, 4 Legal, 5 Employee Benefits & Retirement, 6 Planning

⁽¹⁾ Effective October 1, 2017.

Organizational Chart and Management⁽¹⁾



(1) Effective October 1, 2017.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Northern Colorado
Water Conservancy District**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrell

Executive Director/CEO





CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Northern Colorado Water Conservancy District
Berthoud, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Northern Colorado Water Conservancy District, as of and for the year ended September 30, 2017, 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, each major fund, and the aggregate remaining fund information of the Northern Colorado Water Conservancy District as of September 30, 2017, and the respective changes in financial position and, where applicable, 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, schedule of changes in net pension liability and related ratios, and schedule of employer contributions as listed in the table of contents 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, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Colorado Water Conservancy District's basic financial statements. The budgetary schedules listed in the table of contents for the year ended September 30, 2017, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements for the year ended September 30, 2017. 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 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, 2017.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Northern Colorado Water Conservancy District as of and for the year ended September 30, 2016, and have issued our report thereon dated February 22, 2017, which contained unmodified opinions on the respective financial statements of the business-type activities, each major fund and the aggregate remaining fund information.

Board of Directors
Northern Colorado Water Conservancy District

The budgetary schedules for the year ended September 30, 2016, 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 2016 financial statements. The budgetary schedules have been subjected to the auditing procedures applied in the audit of the 2016 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 States 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, 2016.

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 23, 2018

Management's Discussion and Analysis

Management's Discussion and Analysis presents a narrative overview of the financial activities of the Northern Colorado Water Conservancy District (Northern Water) for the fiscal year ended September 30, 2017. It should be considered in conjunction with the additional information furnished in the Transmittal Letter (page i).

OVERVIEW OF THE FINANCIAL STATEMENTS

The Northern Water basic financial statements consist of enterprise fund financial statements used to report the business-type activities of Northern Water, fiduciary fund financial statements reporting the transactions of the closed Northern Water defined benefit Group Pension Plan (Pension Plan), and accompanying Notes to Financial Statements. This report also contains required supplementary information, supplementary information and statistical information. The Management's Discussion and Analysis includes comparative data to enable the reader to review information against the prior year.

The enterprise fund financial statements include the following:

Statement of Net Position - reports Northern Water's current and noncurrent financial resources, capital assets, deferred inflows and outflows of resources, current and noncurrent liabilities. The difference between assets and deferred outflows and liabilities and deferred inflows is reported as net position (pages 10 - 11).

Statement of Revenues, Expenses and Changes in Net Position - reports Northern Water's operating and nonoperating revenues by major sources, operating and nonoperating expenses, capital contributions and changes in net position (page 13).

Statement of Cash Flows - reports Northern Water's cash flows from operating, noncapital financing, capital and related financing, and investing activities (pages 14 - 15).

Statements of Fiduciary Net Position and Changes in Fiduciary Net Position - report the net position held in trust for participants in the Pension Plan and the increase in its net position for the year (pages 16 - 17). The net position of the Pension Plan is not reflected as part of the

HIGHLIGHTS

- In 2017, NISP received approval of its Fish and Wildlife Mitigation Plan from the Colorado Parks and Wildlife Commission. A final EIS, federal permit and water quality certification are anticipated over the next two years. Preliminary design work is underway. The total project cost is currently estimated at \$1 billion including mitigation and enhancement costs of nearly \$60 million.
- SWSP II continues with design and right-of-way acquisition activities. Construction is expected to begin in 2018 with the pipeline operational in 2019. The total project cost is estimated at \$42 million.
- In 2017 Northern Water implemented an enterprise asset management system to facilitate the efficient maintenance of assets.
- Water assessments increased in 2017 and a forward guidance resolution was approved for future rate increases.
- Property tax revenue decreased in 2017 primarily due to declines in oil prices.

Northern Water net position because the Pension Plan resources are not available to support Northern Water operations. Required information concerning Northern Water's net pension liability and contributions to the Pension Plan can be found in the Required Supplementary Information (pages 34 - 35).

Notes to Financial Statements - provide further explanations and details that are essential to a full understanding of the information provided in the financial statements described above (pages 18 - 32).

FINANCIAL ANALYSIS

STATEMENT OF NET POSITION⁽¹⁾

(condensed)

September 30,

	<i>\$000's</i>		Increase (Decrease) in Net Position	Percentage Change
	2017	2016		
Assets				
Current assets				
Cash, cash equivalents and investments	\$ 66,074	\$ 57,404	\$ 8,670	
Receivables	5,750	4,452	1,298	
Other current assets	783	1,182	(399)	
Noncurrent restricted cash equivalents	2,562	2,523	39	
Interfund loan receivable	3,693	3,903	(210)	
Capital assets, net of accumulated depreciation	197,422	194,806	2,616	
	<u>276,284</u>	<u>264,270</u>	<u>12,014</u>	4.5%
Deferred Outflows of Resources Related to Pension Plan	<u>5,045</u>	<u>5,713</u>	<u>(668)</u>	(11.7%)
Liabilities				
Current liabilities	4,912	4,317	(595)	
Long-term debt, net of current maturities	13,818	15,568	1,750	
Interfund loan payable, net of current maturity	3,693	3,903	210	
Net pension liability	6,610	8,155	1,545	
	<u>29,033</u>	<u>31,943</u>	<u>2,910</u>	9.1%
Deferred Inflows of Resources	<u>38</u>	<u>53</u>	<u>15</u>	28.3%
Net Position	<u>\$ 252,258</u>	<u>\$ 237,987</u>	<u>\$ 14,271</u>	6.0%

Northern Water assets consisted primarily of its net investment in capital assets and cash and investments for the various enterprise funds. Assets increased \$12 million in 2017 primarily due to higher District cash and investment balances reflecting funds generated from increases in water assessment rates.

Liability balances were substantially represented by District and Hydropower debt obligations, District trade payables included in current liabilities and District net pension liability. Debt balances decreased as a result of regularly scheduled principal payments. The net pension liability decreased primarily due to the District making a \$1.6 million supplemental contribution to the Pension Plan in excess of the actuarially-determined contribution.

⁽¹⁾ Balances reflect all Northern Water enterprise funds combined.

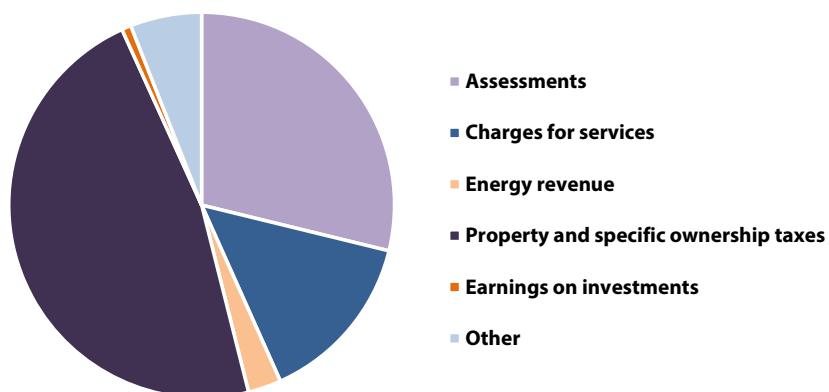
Management's Discussion and Analysis

REVENUES⁽¹⁾

Years ended September 30,

	\$000's		Increase (Decrease)	Percentage Change
	2017	2016		
Operating revenues				
Assessments	\$ 11,496	\$ 10,114	\$ 1,382	
Charges for services	5,784	4,702	1,082	
Energy revenue	1,110	937	173	
Other operating revenues	1,916	1,644	272	
Operating revenues	<u>20,306</u>	<u>17,397</u>	<u>2,909</u>	16.7%
Nonoperating revenues				
Property and specific ownership taxes	18,807	19,027	(220)	
Interest income and earnings on investments	315	344	(29)	
Intergovernmental grants	83	537	(454)	
Other nonoperating revenues, net	391	262	129	
Nonoperating revenues	<u>19,596</u>	<u>20,170</u>	<u>(574)</u>	(2.8%)
Revenues	<u>\$ 39,902</u>	<u>\$ 37,567</u>	<u>\$ 2,335</u>	6.2%

2017 Revenues



REVENUES

Assessments for Northern Water were from District water allotment contract holders of the 310,000 acre-foot units of C-BT Project water and from operating project participants (SWSP and PVP). District water assessments are based on units held and are independent of actual water deliveries. The 2017 municipal and industrial water assessment open rates increased 17 percent from \$35.90 per acre-foot unit in 2016 to \$42.20 in 2017. Irrigation water assessment open rates increased 41 percent from \$17.60 per acre-foot unit in 2016 to \$24.90 in 2017. The rate structure increases were the result of updated financial projections.

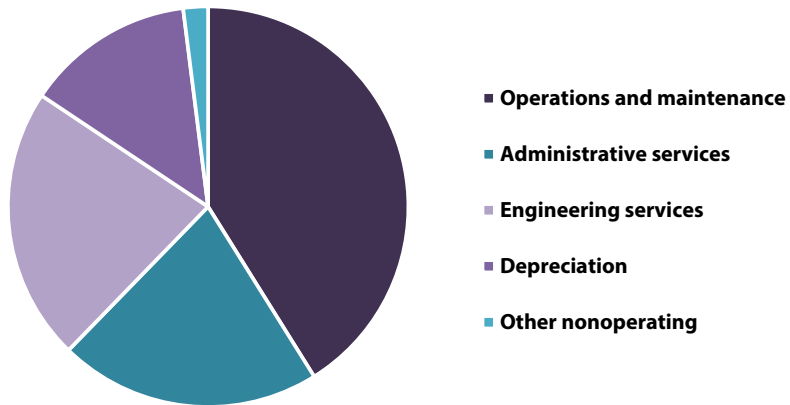
Charges for services included amounts charged to Reclamation and the Subdistrict as well as other Northern Water enterprise funds for costs incurred on their behalf. The increase in 2017 related to amounts charged to Reclamation for operations and planned maintenance on the C-BT Project and to the Subdistrict for labor charges relating to the Windy Gap Firming Project.

⁽¹⁾ Balances reflect all Northern Water enterprise funds combined.

EXPENSES⁽¹⁾

Years ended September 30,

	<i>\$000's</i>		Increase (Decrease)	Percentage Change
	2017	2016		
Operating expenses				
Operations and maintenance	\$ 13,223	\$ 12,737	\$ 486	
Administrative services	6,807	6,289	518	
Engineering services	7,102	5,436	1,666	
Depreciation	4,384	4,169	215	
Operating expenses	<u>31,516</u>	<u>28,631</u>	<u>2,885</u>	10.1%
Nonoperating expenses				
Interest expense	531	476	55	
Intergovernmental subgrantee payments	113	454	(341)	
Return of contributed capital	-	60	(60)	
Nonoperating expenses	<u>644</u>	<u>990</u>	<u>(346)</u>	(34.9%)
Expenses	<u>\$ 32,160</u>	<u>\$ 29,621</u>	<u>\$ 2,539</u>	8.6%

2017 Operating and Nonoperating Expenses

Management's Discussion and Analysis

NET POSITION⁽¹⁾

Years ended September 30,

	<i>\$000's</i>		Increase (Decrease)	Percentage Change
	2017	2016		
Changes in net position				
Income before contributions	\$ 7,742	\$ 7,946	(\$ 204)	
Capital contributions	6,529	4,400	2,129	
Increases in net position	14,271	12,346	1,925	15.6%
Net position, beginning of year	237,987	225,641	12,346	
Net position, end of year	\$ 252,258	\$ 237,987	\$ 14,271	
Net position				
Net investment in capital assets	\$ 182,062	\$ 177,863		
Restricted net position	4,943	4,079		
Unrestricted net position	65,253	56,045		
Net position	\$ 252,258	\$ 237,987	\$ 14,271	6.0%

Net position increases were primarily attributed to the District increase in cash and investments as discussed above and contributions to fund capital projects.

CAPITAL ASSETS, NET⁽¹⁾

September 30,

	<i>\$000's</i>		Increase	Percentage Change
	2017	2016		
Land, easements and water rights	\$ 88,079	\$ 88,163		
Construction in progress	30,693	24,997		
Water pipelines and equipment	99,715	99,715		
Hydropower facilities	11,489	11,489		
Operations equipment	5,473	5,371		
Buildings and improvements	19,429	19,340		
Computer and office equipment	10,056	9,384		
Capital assets	264,934	258,459		
Less accumulated depreciation	(67,512)	(63,653)		
Capital assets, net of depreciation	\$ 197,422	\$ 194,806	\$ 2,616	1.3%

The 2017 increase of \$2.6 million in capital assets, net of depreciation, was due primarily to the \$4 million and \$1.7 million increase in NISP and SWSP construction in progress, respectively. These expenditures were offset by current year depreciation expense.

See additional information relating to capital assets at Notes 1 and 8 to the financial statements.

⁽¹⁾ Balances reflect all Northern Water enterprise funds combined.

DEBT ADMINISTRATION⁽¹⁾

September 30,

	<i>\$000's</i>			Percentage Change
	2017	2016	Decrease	
District				
Certificates of Participation Series 2012	\$ 5,046	\$ 6,206	\$	
Horsetooth Safety of Dams	3,450	3,568		
Pole Hill Canal	275	361		
Hydropower				
Colorado Water Resources and Power Development Authority	1,572	1,661		
Colorado Water Conservation Board	5,009	5,135		
Long-term debt outstanding	15,352	16,931		
Less current maturities of long-term debt	(1,534)	(1,363)		
Long-term debt, net of current maturities	\$ 13,818	\$ 15,568	(\$ 1,750)	(11.2%)
Interfund loan receivable/payable	\$ 3,902	\$ 4,108		
Less current maturities of interfund loan receivable/payable	(209)	(205)		
Interfund loan receivable/payable, net of current maturities	\$ 3,693	\$ 3,903	(\$ 210)	(5.4%)

The decrease in long-term debt reflected regularly scheduled principal payments on outstanding obligations.

See additional information relating to long-term debt and the interfund loan receivable/payable at Notes 1 and 11.

FINANCIAL CONTACT

Northern Water's financial statements are designed to present users (water users, taxpayers, participants and creditors) with a general overview of Northern Water's finances and to demonstrate its accountability. If there are any questions regarding the report or any additional financial information is needed, please contact the Financial Services Department, Northern Colorado Water Conservancy District, 220 Water Avenue, Berthoud, Colorado 80513.

Statement of Net Position
Proprietary Funds

September 30, 2017

Business-type Activity Enterprise Funds

	District	Southern Water Supply Project	Pleasant Valley Pipeline	Northern Integrated Supply Project	Northern Water Hydropower	Total
ASSETS						
Current assets						
Cash and cash equivalents						
Unrestricted	\$ 43,188,404	\$ 3,119,014	\$ 113,898	\$ 1,349,963	\$ 676,909	\$ 48,448,188
Restricted	2,713,226	-	-	-	-	2,713,226
Investments, unrestricted	14,912,626	-	-	-	-	14,912,626
Receivables	5,539,170	11,624	-	-	198,732	5,749,526
Due from other funds	132,547	-	-	-	-	132,547
Advances	115,713	-	-	-	9,835	125,548
Other current assets	316,206	-	-	-	-	316,206
Current maturity of interfund loan receivable	209,382	-	-	-	-	209,382
Current assets	67,127,274	3,130,638	113,898	1,349,963	885,476	72,607,249
Noncurrent assets						
Cash equivalents, restricted	2,108,546	-	-	-	453,899	2,562,445
Interfund loan receivable	3,693,348	-	-	-	-	3,693,348
Capital assets	119,570,232	79,073,552	30,666,535	24,134,570	11,489,074	264,933,963
Less accumulated depreciation	(20,766,465)	(36,117,443)	(9,662,966)	-	(965,578)	(67,512,452)
Capital assets, net of accumulated depreciation	98,803,767	42,956,109	21,003,569	24,134,570	10,523,496	197,421,511
Noncurrent assets	104,605,661	42,956,109	21,003,569	24,134,570	10,977,395	203,677,304
Assets	\$ 171,732,935	\$ 46,086,747	\$ 21,117,467	\$ 25,484,533	\$ 11,862,871	\$ 276,284,553
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources related to Pension Plan	\$ 5,045,300	\$ -	\$ -	\$ -	\$ -	\$ 5,045,300

See accompanying Notes to Financial Statements.

Business-type Activity Enterprise Funds

	District	Southern Water Supply Project	Pleasant Valley Pipeline	Northern Integrated Supply Project	Northern Water Hydropower	Total
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 1,310,460	\$ 171,200	\$ 540	\$ 455,751	\$ 1,190	\$ 1,939,141
Due to other funds	-	67,516	1,290	56,011	7,730	132,547
Interest payable	199,480	-	-	-	51,405	250,885
Compensated absences	847,010	-	-	-	-	847,010
Current maturities of long-term debt	1,313,679	-	-	-	219,994	1,533,673
Current maturity of interfund loan payable	-	-	-	-	209,382	209,382
Current liabilities	3,670,629	238,716	1,830	511,762	489,701	4,912,638
Noncurrent liabilities						
Long-term debt, net of current maturities	7,457,864	-	-	-	6,360,244	13,818,108
Interfund loan payable, net of current maturity	-	-	-	-	3,693,348	3,693,348
Net pension liability	6,610,070	-	-	-	-	6,610,070
Noncurrent liabilities	14,067,934	-	-	-	10,053,592	24,121,526
Liabilities	\$ 17,738,563	\$ 238,716	\$ 1,830	\$ 511,762	\$ 10,543,293	\$ 29,034,164
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	\$ 37,804	\$ -	\$ -	\$ -	\$ -	\$ 37,804
NET POSITION						
Net investment in capital assets	\$ 90,024,430	\$ 42,956,109	\$ 21,003,569	\$ 24,134,570	\$ 3,943,258	\$ 182,061,936
Restricted net position						
Major repairs	2,007,139	-	-	-	-	2,007,139
Capital projects	-	1,947,960	-	838,201	-	2,786,161
Debt service	-	-	-	-	149,684	149,684
Unrestricted net position (deficit)	66,970,299	943,962	112,068	-	(2,773,364)	65,252,965
Net position	\$ 159,001,868	\$ 45,848,031	\$ 21,115,637	\$ 24,972,771	\$ 1,319,578	\$ 252,257,885



Horsetooth Reservoir

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

Year ended September 30, 2017

Business-type Activity Enterprise Funds

	District	Southern Water Supply Project	Pleasant Valley Pipeline	Northern Integrated Supply Project	Northern Water Hydropower	Total
Operating revenues						
Assessments	\$ 10,342,519	\$ 1,112,252	\$ 41,568	\$ -	\$ -	\$ 11,496,339
Charges for services	5,783,834	-	-	-	-	5,783,834
Energy revenue	-	-	-	-	1,110,090	1,110,090
Other operating revenues	1,916,281	-	-	-	-	1,916,281
Operating revenues	18,042,634	1,112,252	41,568	-	1,110,090	20,306,544
Operating expenses						
Operations and maintenance	11,913,034	982,473	25,467	-	302,144	13,223,118
Administrative services	6,775,058	16,488	3,304	-	11,824	6,806,674
Engineering services	7,074,052	27,484	-	-	656	7,102,192
Depreciation	1,697,898	1,655,910	743,305	-	287,226	4,384,339
Operating expenses	27,460,042	2,682,355	772,076	-	601,850	31,516,323
Operating income (loss)	(9,417,408)	(1,570,103)	(730,508)	-	508,240	(11,209,779)
Nonoperating revenues (expenses)						
Property and specific ownership taxes	18,807,149	-	-	-	-	18,807,149
Interest income and earnings on investments	300,063	7,248	674	-	6,971	314,956
Interest expense	(315,250)	-	-	-	(215,364)	(530,614)
Intergovernmental grants	83,449	-	-	-	-	83,449
Intergovernmental subgrantee payments	(113,800)	-	-	-	-	(113,800)
Other nonoperating revenues	379,231	11,624	-	-	-	390,855
Nonoperating revenues (expenses), net	19,140,842	18,872	674	-	(208,393)	18,951,995
Income (loss) before contributions	9,723,434	(1,551,231)	(729,834)	-	299,847	7,742,216
Capital contributions	-	2,515,253	-	4,013,093	-	6,528,346
Increase (decrease) in net position	9,723,434	964,022	(729,834)	4,013,093	299,847	14,270,562
Net position, beginning of year	149,278,434	44,884,009	21,845,471	20,959,678	1,019,731	237,987,323
Net position, end of year	\$ 159,001,868	\$ 45,848,031	\$ 21,115,637	\$ 24,972,771	\$ 1,319,578	\$ 252,257,885

See accompanying Notes to Financial Statements.

Statement of Cash Flows
Proprietary Funds

Year ended September 30, 2017

	Business-type Activity Enterprise Funds					Total
	District	Southern Water Supply Project	Pleasant Valley Pipeline	Northern Integrated Supply Project	Northern Water Hydropower	
Cash flows from operating activities						
Receipts from customers	\$ 16,597,951	\$ 1,112,252	\$ 41,568	\$ -	\$ 1,109,437	\$ 18,861,208
Payments to suppliers	(10,559,859)	(439,929)	(12,028)	-	(183,228)	(11,195,044)
Payments to employees	(15,424,416)	(557,994)	(15,534)	-	(222,177)	(16,220,121)
Other receipts	302,819	-	-	-	-	302,819
Net cash provided by (used in) operating activities	(9,083,505)	114,329	14,006	-	704,032	(8,251,138)
Cash flows from noncapital financing activities						
Property and specific ownership tax receipts	18,824,626	-	-	-	-	18,824,626
Intergovernmental grants	83,449	-	-	-	-	83,449
Intergovernmental subgrantee payments	(113,800)	-	-	-	-	(113,800)
Net cash provided by noncapital financing activities	18,794,275	-	-	-	-	18,794,275
Cash flows from capital and related financing activities						
Capital contributions	-	2,515,253	-	4,113,093	-	6,628,346
Acquisition and construction of capital assets	(1,484,392)	(1,578,565)	-	(3,781,896)	-	(6,844,853)
Principal paid on capital debt	(1,273,987)	-	-	-	(420,957)	(1,694,944)
Interest paid on capital debt	(424,366)	-	-	-	(218,079)	(642,445)
Principal receipts from interfund loan	205,276	-	-	-	-	205,276
Interest receipts from interfund loan	86,185	-	-	-	-	86,185
Proceeds from sale of capital assets	199,109	-	-	-	-	199,109
Net cash provided by (used in) capital and related financing activities	(2,692,175)	936,688	-	331,197	(639,036)	(2,063,326)
Cash flows from investing activities						
Investment purchases	(8,505,746)	-	-	-	-	(8,505,746)
Investment sales	8,281,081	-	-	-	-	8,281,081
Proceeds from earnings on investments	317,548	7,248	674	-	6,971	332,441
Net cash provided by investing activities	92,883	7,248	674	-	6,971	107,776
Net increase in cash and cash equivalents	7,111,478	1,058,265	14,680	331,197	71,967	8,587,587
Cash and cash equivalents, beginning of year	40,898,698	2,060,749	99,218	1,018,766	1,058,841	45,136,272
Cash and cash equivalents, end of year	\$ 48,010,176	\$ 3,119,014	\$ 113,898	\$ 1,349,963	\$ 1,130,808	\$ 53,723,859

See accompanying Notes to Financial Statements.

	Business-type Activity Enterprise Funds					Total
	District	Southern Water Supply Project	Pleasant Valley Pipeline	Northern Integrated Supply Project	Northern Water Hydropower	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	(\$ 9,417,408)	(\$ 1,570,103)	(\$ 730,508)	\$ -	\$ 508,240	(\$ 11,209,779)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	1,697,898	1,655,910	743,305	-	287,226	4,384,339
Nonoperating revenues	302,820	11,624	-	-	-	314,444
(Increase) decrease in current assets						
Receivables	(3,314,887)	(11,624)	-	-	(655)	(3,327,166)
Due from other funds	71,248	-	-	-	-	71,248
Advances	282,338	-	-	-	-	282,338
Other current assets	49,156	-	-	-	-	49,156
Increase (decrease) in current liabilities						
Accounts payable and accrued liabilities	2,147,034	40,993	(127)	-	1,236	2,189,136
Due to other funds	-	(12,471)	1,336	-	(92,015)	(103,150)
Compensated absences	(13,099)	-	-	-	-	(13,099)
Increase in Pension Plan-related items						
Net pension liability	(1,545,407)	-	-	-	-	(1,545,407)
Deferred outflows of resources	667,917	-	-	-	-	667,917
Deferred inflows of resources	(11,115)	-	-	-	-	(11,115)
Adjustments	333,903	1,684,432	744,514	-	195,792	2,958,641
Net cash provided by (used in) operating activities	(\$ 9,083,505)	\$ 114,329	\$ 14,006	\$ -	\$ 704,032	(\$ 8,251,138)
Non-cash activities						
Change in value of investments	\$ 102,372	\$ -	\$ -	\$ -	\$ -	\$ 102,372

Statement of Fiduciary Net Position Fiduciary Fund Pension Trust Fund

September 30, 2017

	Northern Water Group Pension Plan
Assets	
Cash and cash equivalents	\$ 965,950
Investments	
Domestic equities	11,000,922
Mutual funds	
Fixed income	13,693,668
International equities	4,203,818
Liquid low correlated hedge	3,809,889
Commodities	1,883,369
Emerging markets equities	1,959,608
	<u>36,551,274</u>
Investments	<u>36,551,274</u>
Due from Northern Water	<u>762</u>
Assets	37,517,986
Liabilities	<u>-</u>
Net position held in trust for participants	<u>\$ 37,517,986</u>

See accompanying Notes to Financial Statements.

Statement of Changes in Fiduciary Net Position Fiduciary Fund Pension Trust Fund

Year ended September 30, 2017

	Northern Water Group Pension Plan
Additions	
Employer contributions	<u>\$ 3,301,343</u>
Investment earnings	
Net appreciation in fair value of investments	2,619,612
Interest and dividends	<u>888,002</u>
Investment earnings	3,507,614
Investment expenses	<u>(93,831)</u>
Investment earnings, net of expenses	<u>3,413,783</u>
Additions to Plan assets	6,715,126
Deductions	
Benefits	<u>(3,130,940)</u>
Increase in net position	3,584,186
Net position, beginning of year	<u>33,933,800</u>
Net position, end of year	<u>\$ 37,517,986</u>

See accompanying Notes to Financial Statements.

Notes to Financial Statements

September 30, 2017

1 Summary of Significant Accounting Policies

Financial Reporting Entity

Northern Water is a quasi-municipal entity and political subdivision of the State of Colorado organized September 20, 1937. Northern Water 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 Northern Water boundaries. Board members are appointed to four-year terms, which are staggered so that three Board seats are up for appointment each year.

In 2002, Northern Water organized the Building Corporation as a nonprofit corporation in accordance with state law to facilitate the financing of the Northern Water headquarters facilities. The Northern Water Board serves as the Board of Directors of the Building Corporation. The Building Corporation financed the headquarters facilities through the issuance of Certificates of Participation. The Certificates of Participation are payable solely from Northern Water's facilities lease payments. The Building Corporation has a September 30 year end.

As required by generally accepted accounting principles (GAAP), Northern Water's financial statements present the activities of the Building Corporation as a blended component unit of the District Fund. The Building Corporation is a legally separate entity but is, in substance, part of the District's operations. Separate financial statements for the Building Corporation are not issued.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Northern Water is a special-purpose government engaged in business-type activities. The accounts are organized and operated on a fund basis. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. For these business-type activities, enterprise fund financial statements are presented. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, consistent with businesses in the private sector. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. The Northern Water Group Pension Plan (Pension Plan), a defined benefit retirement plan, is presented as a fiduciary fund pension trust fund.

The financial statements of Northern Water have been prepared in conformity with GAAP as promulgated by the Governmental Accounting Standards Board (GASB), the accepted standard setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34 sets forth minimum criteria for the determination of major and nonmajor funds. All of the Northern Water business-type enterprise funds met this criteria at September 30, 2017, with the exception of the Pleasant Valley Pipeline Water Activity Enterprise (PVP) Fund and the Northern Integrated Supply Project Water Activity Enterprise (NISPP) Fund. Northern Water management has elected to report these funds as major funds.

Northern Water, pursuant to a perpetual contract with the U.S. Department of the Interior and in conjunction with the U.S. Bureau of Reclamation (Reclamation), operates and maintains a portion of the Colorado-Big Thompson (C-BT) Project. The primary purpose of the C-BT Project is the development and use of the waters of the Colorado and Big Thompson rivers.

The following is a description of the proprietary business-type enterprise funds and fiduciary fund of Northern Water:

- The District Enterprise (District) Fund accounts for the activities of the District including maintenance and operations of the C-BT Project, engineering programs and administrative support services.
- Southern Water Supply Project Water Activity Enterprise Fund accounts for the activities of the Southern Water Supply Project pipeline system and the Southern Water Supply Project II pipeline, which is in the design and right-of-way acquisition stage.
- The Pleasant Valley Pipeline Water Activity Enterprise Fund accounts for the activities of the Pleasant Valley Pipeline project.
- The Northern Integrated Supply Project Water Activity Enterprise Fund accounts for the activities of the Northern Integrated Supply Project. The project is in the permitting and initial design stage.
- The Northern Water Hydropower Water Activity Enterprise Fund accounts for the activities of the Trout and Granby hydropower facilities, which became operational in 2012 and 2016, respectively.
- The Pension Plan Fund accounts for the activities of the Northern Water Defined Benefit Pension Plan. Since January 1, 2003, the Pension Plan has been closed to new participants. As a fiduciary fund pension trust fund, the Pension Plan Fund reports net position held in trust for Pension Plan participants and, therefore, not available to support Northern Water operations. The reporting focus of the Pension Plan Fund is on net position and changes in net position and employs accounting principles similar to the proprietary enterprise funds described above. As further described in Note 14, the financial statements of the Pension Plan Fund are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and delivering goods in connection with the funds' principal ongoing operations. Operating revenues of Northern Water enterprise funds consist primarily of assessments, charges for services and energy revenue. Operating expenses include operations, administration and engineering costs associated with providing untreated water, services and energy, and depreciation on capital assets. All revenues and expenses not meeting this definition of operating revenues and expenses, including property and specific ownership taxes, are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is Northern Water's policy to use restricted resources for their specified purposes first, then unrestricted resources as needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**Cash, Cash Equivalents and Investments, Unrestricted and Restricted**

Cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition. Certain cash balances are held in the Colorado Statewide Investment Pool (CSIP), a local government investment pool. CSIP seeks to maintain a stable net asset value of \$1.00 per share. Cash equivalents are reported at amortized cost which is not considered significantly different from fair value. Certain balances are classified as restricted on the Statement of Net Position because their use is limited by either Board direction, contractual obligations or debt covenants. Balances restricted by contract or debt covenants are held in separate bank accounts by a bank trust department acting as trustee for Northern Water (Note 7).

Northern Water's investment balances are reported at their fair value with net appreciation or depreciation on the assets included in earnings on investments. Northern Water categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Investments classified as Level 1 are valued using prices quoted in active markets for identical assets; investments classified as Level 2 are valued using a matrix pricing technique from an independent securities pricing service. Matrix pricing is used to value securities based on the securities' relationship to quoted benchmark prices.

Northern Water's investment objectives are the preservation of capital (safety), liquidity, return and diversification. The Board has adopted a policy for its proprietary funds that establishes the investment scope and incorporates the investment objectives of Northern Water. 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.
- Negotiable Certificates of Deposit issued by any bank organized and operating within the United States.
- Corporate Bonds issued by a corporation or bank organized and operating 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 (LGIP) authorized under Colorado state statute.
- Money Market Funds registered under the Investment Company Act of 1940 and authorized under Colorado state statute.

Colorado statutes require that Northern Water 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 by the banks. The eligible collateral is determined by the Act and allows the financial 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.

Receivables

Northern Water does not provide an allowance for uncollectible receivable balances as all balances are considered fully collectible.

Due To/From Other Funds

The District provides certain administrative, operational and maintenance services to the other Northern Water enterprises. Charges for these services are considered equal to their cost and, therefore, are reported as operating revenue from charges for services by the District and operating expenses by the enterprises receiving the services.

Advances

In accordance with the District's contract with Reclamation, the District makes estimated advance payments to Reclamation for its share of operations and maintenance costs as described in more detail under C-BT Project Operations and Maintenance Costs below.

Other Current Assets

Other current assets consist primarily of payments to vendors applicable to future periods considered prepaid at year end and chemical supplies inventory. Inventory is held for consumption and valued at the lower of cost or market on a first-in, first-out basis.

Capital Assets

Capital assets of Northern Water include intangible assets such as water rights and computer software, physical assets such as water pipelines and hydropower plant infrastructures, buildings and improvements, computer, office and operations equipment, and construction in progress. Contracts between Reclamation and Northern Water give Northern Water perpetual rights to use water made available by the C-BT Project. These rights are considered intangible, have an indefinite useful life and are not depreciated or amortized.

All costs incurred for the construction or acquisition of infrastructure assets, including labor and legal charges, are capitalized. Any applicable interest expense incurred during the construction phase is included as part of the capitalized value of the asset constructed. Capital assets, other than infrastructure assets, are defined by Northern Water as those with an initial individual cost of more than \$5,000. As Northern Water completes construction or acquires capital assets, including infrastructure assets, the assets are capitalized and

Notes to Financial Statements

reported at their historical cost. This reported value excludes normal maintenance and repairs, which are amounts incurred in relation to capital assets that do not increase the capacity or efficiency of those assets or extend their useful lives beyond the original estimate.

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

	<u>Years</u>
Water pipelines and hydropower plants	40
Buildings and improvements	5 - 25
Operations equipment	3 - 10
Office equipment	5 - 10
Computer equipment	3

Deferred Outflows of Resources

Deferred outflows of resources reflect Pension Plan related balances including Northern Water's contributions to the Pension Plan subsequent to the January 1, 2017, measurement date of the Pension Plan (Note 14).

Estimated Liability for Medical Claims

Northern Water self insures its specific individual medical claims and maintains a restricted cash reserve for future claims. In accordance with GAAP, Northern Water accrues an estimated liability for medical claims incurred but not reported (IBNR). The accrual is based on industry norms given actual claims paid by Northern Water. The estimated liability is included in accounts payable and accrued liabilities.

Compensated Absences

Northern Water accrues annual and compensatory leave benefits when earned by an employee and reflects the unused accumulated leave obligation as an accrued liability. In the event of an employee's termination, the employee is paid for the unused accumulated days up to specified maximum amounts. Employees do not accumulate sick leave and, therefore, no liability for unpaid sick leave is accrued.

Long-term Debt

Long-term debt is reported including the applicable unamortized bond premiums associated with the Certificates of Participation. Amortization is calculated over the life of the bonds using the effective interest method and recorded as an adjustment to interest expense.

Deferred Inflows of Resources

Deferred inflows of resources include a deferred gain from refunding the Certificates of Participation and deferred inflows relating to the Pension Plan (Note 14).

Net Position

The financial statements utilize a net position presentation categorized as net investment in capital assets; restricted net position for major repairs, capital projects and debt service; and unrestricted. Net investment in capital assets reflects the portion of net position associated with capital assets, less outstanding capital-asset-related debt. Restricted net position consists of liquid assets generated from revenues that have third-party debt or contractual limitations on their use. Unrestricted net position represents unrestricted liquid assets.

Revenues and Expenses

C-BT Project Operations and Maintenance Costs

Water distribution and power generation features of the C-BT Project are each considered to be single purpose features, whereas project features that serve or benefit both power generation and water supply are considered to be multipurpose. Operations and maintenance costs for single purpose water distribution features are the sole responsibility of Northern Water; costs associated with single purpose power generation features are the sole responsibility of Reclamation. Since 1986, Northern Water has had the responsibility for the operations and maintenance of the majority of multipurpose project features. Reclamation reimburses Northern Water 50 percent of the operations and maintenance costs incurred by Northern Water for multipurpose features. Similarly, Northern Water reimburses Reclamation 50 percent of the operations and maintenance costs incurred by Reclamation on those multipurpose project features not maintained by Northern Water. Reclamation reimbursements to Northern Water and Northern Water reimbursements to Reclamation are reflected as operating revenues from charges for services and operating expenses for operations and maintenance, respectively, on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Energy Revenue

Hydropower energy revenue includes revenue from generated power and the sale of green energy credits in accordance with renewable agreements between Hydropower and electric associations. Revenue earned is based on megawatt hours of energy produced.

Property and Specific Ownership Taxes

Northern Water collects a voter-approved 1.00 mill levy tax on real property located within Northern Water boundaries. This tax is levied by the respective eight County Treasurers in December of each year and attached as an enforceable lien on property on January 1 of the following year. The County Treasurers are responsible for collecting the assessments and remitting them to Northern Water. Property and specific ownership tax revenue is reported as nonoperating revenues on the accompanying financial statements.

Intergovernmental Grants and Subgrantee Payments

In 2017 Northern Water acted as fiscal agent of the Colorado Department of Natural Resources Wildlife Risk Reduction Grant Program. Funds received from the government agency and paid to subgrantees have been reflected as intergovernmental grants and subgrantee payments, respectively.

Capital Contributions

Capital contributions are received in cash from project participants. No non-cash items are included as capital contributions.

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 debt, direct and indirect, or other financial obligations. However, these limitations do not apply to "enterprises" as defined in the

constitutional provision. Northern Water's Southern Water Supply Project Water Activity Enterprise, Pleasant Valley Pipeline Water Activity Enterprise, Northern Integrated Supply Project Water Activity Enterprise and the Northern Water Hydropower 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. Northern Water believes that the District is in compliance with these limitations.

Budgetary Information

Appropriated annual budgets are established and adopted for the proprietary enterprise funds on a basis consistent with GAAP with the following exceptions:

- Annual principal debt repayments are budgeted as nonoperating expense uses.
- Proceeds from debt are budgeted as nonoperating revenue sources.
- Depreciation is not budgeted.
- Capital expenditures are treated as nonoperating expense uses.
- Interfund loan payments are budgeted by the District and Hydropower as nonoperating revenue sources and expense uses, respectively.

- The actuarially-determined pension plan expense is not budgeted.

Northern Water follows these annual 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 workshops are held with participants and the Board in July.
- Budget Officers submit an overall proposed budget to the 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 resolutions by the Board.

The level of control (level at which expenses may not exceed appropriations) is maintained at the department, capital outlay and debt service levels. Management is authorized to transfer budgeted amounts between departments; however, any revisions that exceed the appropriated balances must be approved by the Board. Unused appropriations lapse at the end of each fiscal year.

3 Cash, Cash Equivalents and Investments

As of September 30, 2017, Northern Water had the following cash, cash equivalents and investments:

Investment Type by Fund	Current Assets			Noncurrent Assets	Cash, Cash Equivalents and Investments
	Cash and Cash Equivalents		Investments, Unrestricted	Cash Equivalents, Restricted	
	Unrestricted	Restricted			
Deposits					
District	\$ 34,149,143	\$ 2,667,675	\$ -	\$ -	\$ 36,816,818
Hydropower	103,981	-	-	-	103,981
LGIP/Money Market Funds					
District	9,039,261	45,551	-	2,108,546	11,193,358
SWSP	3,119,014	-	-	-	3,119,014
PVP	113,898	-	-	-	113,898
NISP	1,349,963	-	-	-	1,349,963
Hydropower	572,928	-	-	453,899	1,026,827
Federal Agency Securities - District	-	-	6,874,325	-	6,874,325
Corporate Notes - District	-	-	2,245,973	-	2,245,973
U.S. Government Securities - District	-	-	5,408,119	-	5,408,119
Municipal Obligations - District	-	-	384,209	-	384,209
Total	\$ 48,448,188	\$ 2,713,226	\$ 14,912,626	\$ 2,562,445	\$ 68,636,485

Notes to Financial Statements

Cash, cash equivalents and investment balances at September 30, 2017, by fair value hierarchy were as follows:

Investment Type	Level 1	Level 2	Fair Value
Federal Agency Securities	\$ -	\$ 6,874,325	\$ 6,874,325
Corporate Notes	-	2,245,973	2,245,973
U.S. Government Securities	5,408,119	-	5,408,119
Municipal Obligations	-	384,209	384,209
Investments by fair value level	\$ 5,408,119	\$ 9,504,507	14,912,626
Deposits			36,920,799
LGIP/Money Market Funds (measured at amortized cost)			16,803,060
Cash, cash equivalents and investments			\$ 68,636,485

There is no significant difference between the valuation of LGIP/Money Market Funds at amortized cost and fair value. In accordance with Northern Water's investment policy, investments are limited to those meeting the following criteria:

Investment Type	Maximum Portfolio Percentage	Maximum Issuer Percentage	Rating Restrictions	Maximum 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
Negotiable Certificates of Deposit				
Long term	35%	5%	A-1 ⁽¹⁾	3 years
Short term	35%	5%	AA ⁽¹⁾	3 years
Corporate Bonds	35%	5%	AA ⁽¹⁾	3 years
Municipal Bonds				
Colorado Issuer	35%	5%	A ⁽¹⁾	5 years
Non-Colorado Issuer	35%	5%	AA ⁽¹⁾	5 years
School District Certificates of Participation	35%	5%	A ⁽¹⁾	5 years
Commercial Paper	35%	5%	A-1 ⁽¹⁾	270 days
Bankers Acceptances	35%	5%	A-1 ⁽¹⁾	180 days
Repurchase Agreements	50%	10%	A-1	180 days
Local Government Investment Pools	100%	100%	AAAm/AAAf	N/A
Money Market Funds	100%	100%	AAAm/AAAf	N/A

The Northern Water portfolio is limited to an aggregate exposure of 50 percent for the following investment types: Time Certificates of Deposit, Corporate Bonds, Commercial Paper and Bankers Acceptances. The aggregate exposure to municipal bonds may not exceed 35 percent of the portfolio and no more than 5 percent of the portfolio may be invested with a single issuer.

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

As of September 30, 2017, Northern Water had cash, cash equivalents and investments with the following maturities:

Investment Type	Investment Maturities				Cash, Cash Equivalents and Investments
	Less than 1 year	1 - 2 years	2 - 3 years	3 - 4 years	
Deposits	\$ 36,920,799	\$ -	\$ -	\$ -	\$ 36,920,799
LGIP/Money Market Funds	16,803,060	-	-	-	16,803,060
Federal Agency Securities	34,891	6,045,870	685,818	107,746	6,874,325
Corporate Notes	610,463	975,984	659,526	-	2,245,973
U.S. Government Securities	349,986	180,079	4,878,054	-	5,408,119
Municipal Obligations	299,013	-	85,196	-	384,209
Total	\$ 55,018,212	\$ 7,201,933	\$ 6,308,594	\$ 107,746	\$ 68,636,485

To the extent possible, Northern Water 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.

As of September 30, 2017, Northern Water had cash, cash equivalents and investments with the following Standard and Poor's ratings:

Investment Type	Investment Ratings						Cash, Cash Equivalents and Investments
	A+	AA-	AA	AA+	AAA	AAAm	
LGIP/Money Market Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,803,060	\$ 16,803,060
Federal Agency Securities	-	-	-	6,874,325	-	-	6,874,325
Corporate Notes	-	1,338,296	279,914	385,490	242,273	-	2,245,973
U.S. Government Securities	-	-	-	5,408,119	-	-	5,408,119
Municipal Obligations	299,013	-	-	-	85,196	-	384,209
Rated funds	\$ 299,013	\$ 1,338,296	\$ 279,914	\$ 12,667,934	\$ 327,469	\$ 16,803,060	31,715,686
Non-rated deposits							36,920,799
Total							\$ 68,636,485

Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Credit risk is generally considered to be the risk that a financial institution holding a deposit or an issuer of an investment will not fulfill its obligation to a depositor or investor. Credit risk can be measured in part by the assignment of a rating by a nationally recognized statistical rating organization. Concentration of credit risk arises from the magnitude of an investment in a single issuer. As of September 30, 2017, more than 5 percent of the Northern Water investment portfolio was invested in Federal National Mortgage Association (FNMA) federal agency securities.

Notes to Financial Statements

4 Receivables

Receivables at September 30 are summarized by major classification as follows:

	<u>2017</u>
Charges for services	\$ 3,262,192
Water assessment	1,849,545
Other	<u>637,789</u>
Receivables	<u>\$ 5,749,526</u>

5 Due To/From Other Funds

Amounts due to/from the various Northern Water enterprise funds to the District Fund at September 30 were as follows:

	<u>2017</u>
Due to District Fund	
Southern Water Supply Project	\$ 67,516
Pleasant Valley Pipeline	1,290
Northern Integrated Supply Project	56,011
Hydropower	<u>7,730</u>
Due to District Fund	<u>\$ 132,547</u>

6 Other Current Assets

Other current assets at September 30 included the following:

	<u>2017</u>
Prepaid expenses	\$ 219,123
Inventory	88,854
Other	<u>8,229</u>
Other current assets	<u>\$ 316,206</u>

7 Cash and Cash Equivalents, Restricted

Restricted cash and cash equivalent balances have been classified as current and noncurrent consistent with the anticipated uses of the reserve funds. The reserve balances at September 30 are detailed as follows:

	<u>2017</u>
Current cash and cash equivalents, restricted	
District	
Certificates of Participation, Base Rental	\$ 45,551
Medical Reserve	<u>2,667,675</u>
Current cash and cash equivalents, restricted	<u>\$ 2,713,226</u>

Noncurrent cash equivalents, restricted

	<u>2017</u>
District	
Fund I Single Purpose (Reclamation)	\$ 645,305
Fund II Multipurpose (Reclamation)	888,465
Fund IV Contingency (Reclamation)	106,489
Emergency Reserve	366,882
Hydropower Facility Removal	101,405
District	<u>2,108,546</u>
Hydropower	
Colorado Water Resources and Power Development Authority Debt Service	126,755
Interfund Loan Payable Debt Service	304,215
Colorado Water Conservation Board	22,929
Hydropower	<u>453,899</u>
Noncurrent cash equivalents, restricted	<u>\$ 2,562,445</u>

District

Certificates of Participation, Base Rental - Financing for the current principal and interest payments due on the outstanding Certificates of Participation.

Medical Reserve - Reserve for future medical claims.

Fund I Single Purpose (Reclamation) - Reserve for operations and maintenance costs, major repairs, extraordinary and unforeseen expenditures for the C-BT Project single purpose water supply features in the event there are insufficient funds available for such purposes from current revenues. Funding requirements are \$600,000 with a minimum of \$100,000.

Fund II Multipurpose (Reclamation) - Reserve for operations and maintenance costs, major repairs, extraordinary and unforeseen expenditures for the C-BT Project multipurpose features in the event there are insufficient funds available for such purposes from current revenues. Funding requirements are \$800,000 with a minimum of \$150,000.

Fund IV Contingency (Reclamation) - Reserve for contingent items with a funding requirement of \$100,000.

Emergency Reserve - Reserve for declared emergencies.

Hydropower Facility Removal - Reserve for any future removal costs of the Trout hydropower facility.

Colorado Water Resources and Power Development Authority (Power Authority) Debt Service - Reserve for the payment of one year's debt service requirement.

Interfund Loan Payable Debt Service - Reserve for the payment of one year's debt service requirement on the interfund loan payable to Northern Water.

Colorado Water Conservation Board - Reserve for one-tenth of the annual debt service requirement.

Notes to Financial Statements

8 Capital Assets

Capital asset activity for the Northern Water enterprise funds for the year ended September 30, 2017, was as follows:

	2016	Additions	Retirements/ Other	2017
District				
Non-depreciable capital assets				
Construction in progress	\$ 2,668,200	\$ 361,767	(\$ 328,509)	\$ 2,701,458
Land, easements and water rights	81,996,315	44,325	(129,223)	81,911,417
Depreciable capital assets				
Buildings and improvements	19,340,433	88,561	-	19,428,994
Operations equipment	5,370,649	299,529	(197,403)	5,472,775
Computer and office equipment	9,382,832	1,018,717	(345,961)	10,055,588
Capital assets	<u>118,758,429</u>	<u>1,812,899</u>	<u>(1,001,096)</u>	<u>119,570,232</u>
Less accumulated depreciation				
Buildings and improvements	(9,865,172)	(757,542)	-	(10,622,714)
Operations equipment	(5,033,544)	(180,271)	183,763	(5,030,052)
Computer and office equipment	(4,694,811)	(760,085)	341,197	(5,113,699)
Accumulated depreciation	<u>(19,593,527)</u>	<u>(1,697,898)</u>	<u>524,960</u>	<u>(20,766,465)</u>
District capital assets, net	<u>99,164,902</u>	<u>115,001</u>	<u>(476,136)</u>	<u>98,803,767</u>
Southern Water Supply Project				
Non-depreciable capital assets				
Construction in progress	2,189,374	1,667,862	-	3,857,236
Land and easements	5,232,983	-	-	5,232,983
Depreciable capital assets				
Water pipeline and equipment	69,983,357	-	(24)	69,983,333
Capital assets	<u>77,405,714</u>	<u>1,667,862</u>	<u>(24)</u>	<u>79,073,552</u>
Less accumulated depreciation				
Water pipeline and equipment	(34,461,533)	(1,655,910)	-	(36,117,443)
Southern Water Supply Project capital assets, net	<u>42,944,181</u>	<u>11,952</u>	<u>(24)</u>	<u>42,956,109</u>
Pleasant Valley Pipeline				
Non-depreciable capital assets				
Land and easements	934,330	-	-	934,330
Depreciable capital assets				
Water pipeline and equipment	29,732,205	-	-	29,732,205
Capital assets	<u>30,666,535</u>	<u>-</u>	<u>-</u>	<u>30,666,535</u>
Less accumulated depreciation				
Water pipeline and equipment	(8,919,661)	(743,305)	-	(9,662,966)
Pleasant Valley Pipeline capital assets, net	<u>21,746,874</u>	<u>(743,305)</u>	<u>-</u>	<u>21,003,569</u>
Northern Integrated Supply Project				
Non-depreciable capital asset				
Construction in progress	20,139,477	3,995,093	-	24,134,570
Hydropower				
Hydropower plants	11,489,074	-	-	11,489,074
Less accumulated depreciation				
Hydropower plants	(678,352)	(287,226)	-	(965,578)
Hydropower capital assets, net	<u>10,810,722</u>	<u>(287,226)</u>	<u>-</u>	<u>10,523,496</u>
Capital assets, net	<u>\$ 194,806,156</u>	<u>\$ 3,090,118</u>	<u>(\$ 474,763)</u>	<u>\$ 197,421,511</u>

9 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at September 30 consisted primarily of trade payables.

IBNR activity for the years ended September 30 was as follows:

	2017	2016
Claims incurred	\$ 1,073,469	\$ 1,094,083
Claims paid	(1,073,469)	(1,094,083)
Adjustment to IBNR estimate	41	(50,060)
IBNR, beginning of year	146,156	196,216
	<u>\$ 146,197</u>	<u>\$ 146,156</u>

Claims incurred and paid are shown net of stop loss reimbursements.

10 Compensated Absences

Activity for annual leave and compensatory time off for the years ended September 30 was as follows:

	2017	2016
Absences accrued	\$ 909,153	\$ 904,601
Absences taken	(922,252)	(902,882)
Compensated absences, beginning of year	860,109	858,390
	<u>\$ 847,010</u>	<u>\$ 860,109</u>

11 Long-term Debt, Interfund Loan Receivable/Payable and Net Pension Liability

District

Certificates of Participation, Series 2012

The Certificates of Participation Series 2012 (Certificates), with an original amount of \$9,855,000, refunded the Certificates of Participation Series 2002 originally issued by the Building Corporation to finance construction of the Northern Water headquarters facilities. The Certificates are an obligation of the Building Corporation and do not constitute a general obligation or other indebtedness of Northern Water. Underlying the Certificates is an annually renewable lease, subject to annual appropriation, between Northern Water and the Building Corporation. The Certificates are subject to federal arbitrage regulations and maintain an AA- rating from Standard and Poor's.

Annual principal repayments on the Certificates are due July 1 through the year 2021. Interest is payable in semi-annual installments on January 1 and July 1 at 3.0 to 4.0 percent. Amortization of the related bond premium amounted to \$89,907 for the year ended September 30, 2017, and was credited against interest expense. The Certificates are subject to redemption prior to maturity on or after July 1, 2020.

Horsetooth Safety of Dams

Northern Water is obligated under its contract with Reclamation to pay a portion of the costs of the Reclamation Horsetooth Safety of Dams project. This obligation, with an original loan amount of \$4,234,399, was funded by Reclamation under Supplement No. 7 of the Repayment Contract between Northern Water and Reclamation. Annual payments of \$323,415, including interest at 5.75 percent, are due on December 31 through the year 2033.

Pole Hill Canal

Northern Water is obligated under its contract with Reclamation to pay 50 percent of the costs of the Reclamation Pole Hill Canal project. This obligation, with an original loan amount of \$847,326, was partially funded by Reclamation under Supplement No. 8 of the Repayment Contract between Northern Water and Reclamation. Annual payments of \$97,937, including interest at 3.375 percent, are due on January 1 through the year 2020.

Hydropower

Colorado Water Resources and Power Development Authority

Hydropower has a 20-year loan agreement with the Power Authority with an original loan amount of \$2 million that was used to partially finance construction of the Trout hydropower facility. In accordance with the terms of the debt agreement, a reserve has been established for debt service payments (Note 7). Energy revenues generated from the Trout facility are pledged as security for the loan. Annual payments of \$122,313, including interest at 2.0 percent, are due September 1 through the year 2032.

Interfund Loan Receivable/Payable

Hydropower capital financing for the Trout hydropower facility not provided by the Power Authority as described above was provided by Northern Water in the form of a 20-year loan to Hydropower with an original loan amount of \$4.7 million. In accordance with the terms of the debt agreement, a reserve has been established for debt service payments (Note 7). Energy revenues generated from the Trout facility are pledged as security for the loan. The loan is subordinated to the lien granted to secure the loan from the Power Authority. Annual payments of \$287,437, including interest at 2.0 percent, are due on February 15 through the year 2033.

Colorado Water Conservation Board

Hydropower has a 30-year loan agreement with the Colorado Water Conservation Board (CWCB) with an original loan amount of \$5,135,183 that was used to finance construction of the Granby hydropower facility. In accordance with the terms of the debt agreement, a debt service reserve in the amount of one-tenth of the annual debt service payment has been established (Note 7). The reserve will be increased by the same amount annually through 2026. Energy revenues generated from the Granby facility are pledged as security for the loan. Annual payments of \$229,285, including interest at 2.0 percent, are due on October 1 through the year 2047.

District Net Pension Liability

Northern Water has an unfunded liability for its Pension Plan (Note 14).

Long-term debt, interfund loan receivable/payable and net pension liability activity for the year ended September 30, 2017, was as follows:

	2016	Additions	Reductions	2017	Amounts Due Within One Year
District					
Certificates of Participation Series 2012	\$ 5,740,000	\$ -	(\$ 1,070,000)	\$ 4,670,000	\$ 1,100,000
Unamortized premium	466,126	-	(89,907)	376,219	-
Certificates of Participation	6,206,126	-	(1,159,907)	5,046,219	1,100,000
Contracts Payable to Reclamation					
Horsetooth Safety of Dams	3,568,509	-	(118,227)	3,450,282	125,024
Pole Hill Canal	360,802	-	(85,760)	275,042	88,655
District	10,135,437	-	(1,363,894)	8,771,543	1,313,679
Hydropower					
Colorado Water Resources and Power Development Authority	1,660,736	-	(89,099)	1,571,637	90,881
Colorado Water Conservation Board	5,135,183	-	(126,582)	5,008,601	129,113
Hydropower	6,795,919	-	(215,681)	6,580,238	219,994
Long-term debt outstanding	16,931,356	-	(1,579,575)	15,351,781	<u>\$ 1,533,673</u>
Less: current maturities of long-term debt	(1,363,086)	(170,587)	-	(1,533,673)	
Long-term debt, net of current maturities	<u>\$ 15,568,270</u>	<u>(\$ 170,587)</u>	<u>(\$ 1,579,575)</u>	<u>\$ 13,818,108</u>	
Hydropower					
Interfund loan receivable/payable	\$ 4,108,006	\$ -	(\$ 205,276)	\$ 3,902,730	<u>\$ 209,382</u>
Less: current maturity of interfund loan receivable/payable	(205,276)	(4,106)	-	(209,382)	
Interfund loan receivable/payable, net of current maturities	<u>\$ 3,902,730</u>	<u>(\$ 4,106)</u>	<u>(\$ 205,276)</u>	<u>\$ 3,693,348</u>	
District					
Net pension liability	<u>\$ 8,155,477</u>	<u>\$ -</u>	<u>(\$ 1,545,407)</u>	<u>\$ 6,610,070</u>	

Notes to Financial Statements

Annual debt service requirements to maturity by major type of debt including the interfund loan receivable/payable are as shown below:

Years ending September 30,	Certificates of Participation Series 2012		Contracts Payable to Reclamation ⁽¹⁾		Hydropower ⁽²⁾		Annual Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 1,100,000	\$ 174,900	\$ 213,679	\$ 207,674	\$ 429,376	\$ 209,659	\$ 2,335,288
2019	1,150,000	130,900	223,860	197,493	437,964	201,071	2,341,288
2020	1,190,000	84,900	234,555	186,798	446,723	192,312	2,335,288
2021	1,230,000	49,200	147,855	175,561	455,657	183,378	2,241,651
2022	-	-	156,356	167,060	464,770	174,265	962,451
2023-2027	-	-	927,436	689,642	2,467,058	728,120	4,812,256
2028-2032	-	-	1,226,551	390,528	2,723,832	471,345	4,812,256
2033-2037	-	-	595,032	51,800	1,186,105	247,759	2,080,696
2038-2042	-	-	-	-	998,426	148,001	1,146,427
2043-2047	-	-	-	-	873,057	44,085	917,142
Debt service	\$ 4,670,000	\$ 439,900	\$ 3,725,324	\$ 2,066,556	\$ 10,482,968	\$ 2,599,995	\$ 23,984,743

Annual debt service requirements to maturity for all types of debt for Northern Water including the interfund loan receivable/payable are as follows:

Years ending September 30,	Principal	Interest	Total
2018	\$ 1,743,055	\$ 592,233	\$ 2,335,288
2019	1,811,824	529,464	2,341,288
2020	1,871,278	464,010	2,335,288
2021	1,833,512	408,139	2,241,651
2022	621,126	341,325	962,451
2023-2027	3,394,494	1,417,762	4,812,256
2028-2032	3,950,383	861,873	4,812,256
2033-2037	1,781,137	299,559	2,080,696
2038-2042	998,426	148,001	1,146,427
2043-2047	873,057	44,085	917,142
Debt service	\$ 18,878,292	\$ 5,106,451	\$ 23,984,743

⁽¹⁾ Includes Horsetooth Safety of Dams and Pole Hill Canal contracts payable.

⁽²⁾ Includes CWCB, Power Authority and the interfund loan payable.

12 Deferred Inflows of Resources

At September 30 Northern Water had deferred inflows of resources as follows:

	<u>2017</u>
Deferred inflow from Pension Plan economic/demographic gain	\$ 30,010
Deferred inflow from Certificates of Participation refunding	<u>7,794</u>
Deferred inflows of resources	<u>\$ 37,804</u>

13 Money Purchase Plan

Northern Water has a defined contribution Money Purchase Plan established by the Board in 2003 to provide retirement benefits to employees not covered under the Pension Plan. The Money Purchase Plan is administered by a third-party plan administrator. At September 30, 2017, there were 64 Money Purchase Plan participants. The participants are neither permitted nor required to make contributions to the Money Purchase Plan. Plan administration fees are paid by Northern Water.

Under the terms of the Money Purchase Plan, Northern Water contributes as follows:

<u>Years of Service</u>	<u>Percentage of Employee's Compensation</u>
Less than 5	5%
5 - 10	6%
10 - 15	7%
15 or more	8%

The Board established the Money Purchase Plan and may amend its provisions and contribution requirements. Northern Water's contribution to the Money Purchase Plan for the year ended September 30, 2017, was \$241,768.

14 Pension Plan (Closed Plan)

Plan Description

Northern Water has a single-employer Pension Plan which provides retirement benefits to qualified employees hired prior to January 1, 2003, and their beneficiaries. The Pension Plan is on a calendar year end. The most recent actuarial valuation was as of January 1, 2017. The Measurement Date, the date as of which the net pension liability was determined, was December 31, 2016. The Pension Plan does not issue a stand-alone financial report.

Under the terms of the Pension Plan, at normal retirement age eligible employees may elect to receive monthly retirement benefits equal to two percent of their average monthly compensation multiplied by their years of credited service. Alternatively, employees may elect to receive an actuarially-determined lump sum benefit based on this same

formula. Normal retirement age is defined as having attained age 65 or 30 years of service and age 60. Monthly benefit payments receive an annual cost of living increase based on the Consumer Price Index. The Board established the Pension Plan and may amend it.

At January 1, 2017, Pension Plan participants included 14 retirees receiving benefits, 56 active plan members and 4 former employees entitled to benefits but not yet eligible to receive them for a total of 74 participants.

Summary of Significant Accounting Policies

The financial statements of the Pension Plan are prepared using the accrual basis of accounting.

Pension Plan Contributions

Pension Plan contributions are approved and may be amended by the Board. Contributions are recognized when paid into the Pension Plan as defined by its investment policy. Contributions are neither permitted nor required of the Pension Plan participants. Northern Water funds all Pension Plan administrative costs and investment management expenses. It is the policy of Northern Water to fund the Pension Plan based on amounts duly appropriated by the Board for the current fiscal year. This amount is typically the actuarially determined contribution as defined by the Pension Plan's actuarial report. In fiscal year 2017 (Pension Plan year 2016) the Board approved a \$1.6 million supplemental contribution to the Pension Plan. For the fiscal year ended September 30, 2017, Northern Water contributions to the Pension Plan amounted to a total of \$3,301,343 or 53.7 percent of covered payroll.

Investments

In accordance with the terms of the Pension Plan Investment Policy, Pension Plan assets are invested in a diversified portfolio.

<u>Investments</u>	<u>Concentration</u>
Domestic equities	30%
Fixed income	39
International equities	11
Liquid low correlated hedge funds	10
Commodities	5
Emerging markets	<u>5</u>
Investments	<u>100%</u>

GAAP has established a fair value hierarchy that prioritizes the inputs to fair market valuation techniques, giving the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and lower priority to unobservable inputs (Level 3 measurements). Certain investments may be measured at their net asset value (NAV) as a practical expedient of fair value and excluded from the fair value hierarchy.

As of September 30, 2017, the Pension Plan had the following investments:

Investment Type	Fair Value	
	September 30, 2017	Level 1
Domestic equities	\$ 11,000,922	\$ 11,000,922
Fixed income	13,693,668	13,693,668
International equities	4,203,818	4,203,818
Liquid low correlated hedge funds	367,507	367,507
Commodities	1,883,369	1,883,369
Emerging markets	1,959,608	1,959,608
Investments at fair value	33,108,892	\$ 33,108,892
Investments measured at NAV		
Equity long/short hedge fund	1,729,964	
Multi-strategy hedge fund	1,712,418	
Investments	\$ 36,551,274	

The equity long/short hedge fund invests in a variety of related segregated portfolios with various global investment strategies of which the majority follow a long/short equity strategy that involves the purchase of a long basket of securities and the sale of a short basket of securities. Redemptions are permitted monthly with a 90 days' notice and quarterly with a 60 days' notice. There is no lock-up; however, there is a 2 percent fee that may be charged for redemptions within the first 12 months. As of December 31, 2016, the date of the most recent audited financial statements of the fund, the fund's total net assets were \$369 million.

The multi-strategy hedge fund invests in approximately 30 independent funds that pursue multiple strategies to diversify risk and reduce volatility including relative value, market neutral and low net equity, event-driven, and distressed and credit securities. At April 30, 2017, the date of the fund's most recent audited financial statements, the next available redemption date ranged from May 31, 2017 - June 30, 2018. Liquidity, representing the available frequency of redemption without a redemption fee, ranged from monthly to semi-annually. Approximately 34 percent of the fund's net assets were invested in funds that did not have set redemption timeframes but were liquidating investments making distributions as underlying investments are sold. The timing of when these investments would be liquidated could not be estimated. At April 30, 2017, the fund had total net assets of \$2 billion and unfunded capital commitments to investment funds of \$42 million.

The long-term expected rate of return on Pension Plan investments was determined by adding expected inflation to expected long-term real returns and reflected expected volatility and correlation. The capital market assumptions are from the Northern Water actuaries' investment consulting practice as of December 31, 2016, assuming a 20-year time horizon.

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Cash	3.0%	0.3%
Fixed income	29.0	1.3
Leveraged loans	8.0	2.7
U.S. equities - large cap	21.0	3.6
U.S. equities - small and midcap	8.0	4.1
Foreign developed equities	11.0	4.4
Emerging market equities	5.0	5.1
Commodities	5.0	1.4
Liquid low correlated hedge funds	10.0	1.7
Total	100.0%	

For the Pension Plan year ended December 31, 2016, the annual money-weighted rate of return was 4.9 percent. The money-weighted rate of return considered the changing amounts actually invested during the period and weighted the amount of Pension Plan investments by the proportion of time they were available to earn a return during the period. External cash outflows were determined on a monthly basis and were assumed to occur at the middle of each month. External cash inflows were netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return was calculated net of investment expenses.

Interest Rate and Credit Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Weighted average maturities for the Pension Plan's fixed income mutual funds were as follows:

Fixed Income Mutual Fund	Fair Value September 30, 2017	Weighted Average Maturity
Eaton Vance Floating Rate	\$ 2,998,665	5.1 years
Metropolitan West	5,324,554	7.4 years
Schroder Fixed Income Fund	5,370,449	5.2 years

Credit risk is generally considered to be the risk that an issuer of an investment will not fulfill its obligations to an investor. The fixed income mutual funds held by the Pension Plan at September 30, 2017, were unrated by a nationally recognized statistical rating organization. Concentration of credit risk arises from the magnitude of an investment in a single issuer. At September 30, 2017, no individual holdings of the Pension Plan exceeded 5 percent of total assets.

Actuarial Methods and Assumptions

Total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions:

- **Inflation** - 2.5 percent (prior valuation assumed 2.75 percent)
- **Salary Increases** - Based on the Northern Water step-grade pay increase program with periodic 5 percent increases at various years of service, plus an underlying wage increase of 3.5 percent (prior valuation assumed an underlying wage increase of 3.75 percent)

Notes to Financial Statements

- **Cost of Living Adjustments** - 1.25 percent (prior valuation assumed 1.50 percent)
- **Mortality** - RP-2000 Healthy Mortality Table for annuitants and non-annuitants, projected to 2025 using Scale BB
- **Investment Rate of Return** - 6.0 percent (prior valuation assumed 6.25 percent)
- **Valuation Timing** - January 1
- **Actuarial Cost Method** - Aggregate
- **Retirement Age** - Members are assumed to retire upon attainment of Normal Retirement Age.

Changes in Net Pension Liability

Net pension liability was determined by an actuarial valuation as of the December 31, 2016, Measurement Date, calculated based on a discount rate and long-term expected rate of return of 6.0 percent. Changes in the Northern Water pension liability for the Pension Plan year ended December 31, 2016, were as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances, December 31, 2015	\$ 40,878,466	\$ 32,722,989	\$ 8,155,477
Changes for the year:			
Service cost	629,104	-	629,104
Interest on pension liability	2,533,835	-	2,533,835
Effect of economic/demographic gain	98,744	-	98,744
Effect of assumptions changes	120,176	-	120,176
Benefit payments	(1,962,149)	(1,962,149)	-
Employer contributions	-	3,315,464	(3,315,464)
Investment income, net of investment expenses	-	1,611,802	(1,611,802)
Net changes	1,419,710	2,965,117	(1,545,407)
Balances, December 31, 2016	\$ 42,298,176	\$ 35,688,106	\$ 6,610,070

Fiduciary net position as a percentage of total pension liability	84.4%
Covered payroll	\$ 6,150,893
Net pension liability as a percentage of covered payroll	107.5%

Sensitivity Analysis

The following presents the Northern Water net pension liability as of December 31, 2016, calculated using the discount rate of 6.0 percent, as well as what the net pension liability would have been if it were calculated using a discount rate that was 1 percentage point lower (5.0 percent) or 1 percentage point higher (7.0 percent) than the current rate.

	1 Percentage Point Decrease (5.0%)	Current Discount Rate (6.0%)	1 Percentage Point Increase (7.0%)
Total pension liability	\$ 45,537,237	\$ 42,298,176	\$ 39,488,560
Fiduciary net position	35,688,106	35,688,106	35,688,106
Net pension liability	\$ 9,849,131	\$ 6,610,070	\$ 3,800,454

Pension Expense

For the fiscal year ended September 30, 2017, Northern Water recognized pension expense of \$2,412,738.

Pension Plan Deferred Inflows and Outflows of Resources

As of the December 31, 2016, Measurement Date deferred inflows and outflows of resources relating to the Pension Plan were as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Economic/demographic gain	(\$ 30,010)	\$ 336,201
Changes in assumptions	-	1,063,952
Investment differences between projected and actual earnings	-	2,365,534
Northern Water contributions made subsequent to the December 31, 2016, Measurement Date	-	1,279,613
Deferred inflows and outflows of resources	(\$ 30,010)	\$ 5,045,300

Deferred outflows of resources resulting from Northern Water contributions subsequent to the December 31, 2016, Measurement Date will be recognized as a reduction in net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Years ending September 30,	Amounts Recognized in Pension Expense
2018	\$ 1,336,533
2019	1,336,534
2020	967,628
2021	94,982
Total	\$ 3,735,677

Additional future Pension Plan-related deferred inflows and outflows of resources may impact these numbers.

15 Intergovernmental Transactions

Northern Water provides certain administrative, operational and maintenance services to the Subdistrict. In addition, Northern Water charges the Subdistrict for the Subdistrict's use of the C-BT Project conveyance and storage system (carriage costs). District revenue from charges for services and other operating revenues on the accompanying financial statement included charges to the Subdistrict totalling \$2,311,516 for the year ended September 30, 2017, of which carriage costs amounted to \$938,449. Outstanding charges of \$1,124,041 were included in receivables at September 30, 2017.

16 Risk Management

Northern Water carries commercial insurance for its operations and property risks including business interruption, property losses, casualty risks, liability to third parties, natural disasters and injuries to employees. Settled claims have not exceeded insurance coverage in any of the past three fiscal years. Northern Water is self-insured for medical benefits with stop loss coverage.

17 Commitments and Contingencies

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 Northern Water financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios⁽¹⁾
Required Supplementary Information
Fiduciary Fund Pension Trust Fund

Years ended January 1,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability			
Service cost	\$ 629,104	\$ 767,076	\$ 746,409
Interest on pension liability	2,533,835	2,479,704	2,360,109
Effect of economic/demographic gain	98,744	459,807	(63,355)
Effect of assumptions changes	120,176	727,550	1,178,636
Benefit payments	(1,962,149)	(1,846,706)	(293,103)
Net increase in pension liability	1,419,710	2,587,431	3,928,696
Total pension liability, beginning of year	40,878,466	38,291,035	34,362,339
Total pension liability, end of year	42,298,176	40,878,466	38,291,035
Fiduciary net position			
Employer contributions	3,315,464	1,511,622	631,338
Investment income, net of investment expenses	1,611,802	(421,624)	1,091,271
Benefit payments	(1,962,149)	(1,846,706)	(293,103)
Change in fiduciary net position	2,965,117	(756,708)	1,429,506
Fiduciary net position, beginning of year	32,722,989	33,479,697	32,050,191
Fiduciary net position, end of year	35,688,106	32,722,989	33,479,697
Net pension liability, end of year	\$ 6,610,070	\$ 8,155,477	\$ 4,811,338
Fiduciary net position as a percentage of pension liability	84.4%	80.0%	87.4%
Covered payroll	\$ 6,150,893	\$ 6,212,513	\$ 6,306,166
Net pension liability as a percentage of covered payroll	107.5%	131.3%	76.3%

⁽¹⁾ Information for prior years not disclosed as data was not available.

Schedule of Employer Contributions⁽¹⁾
Required Supplementary Information
Fiduciary Fund Pension Trust Fund

Northern Water Fiscal Year Ended September 30	Actual Employer Contribution	Actuarially Determined Contribution	Employer Contribution Over Actuarially Determined Contribution	Covered Payroll	Actual Employer Contribution as a Percentage of Covered Payroll
2008	\$ 875,697	\$ 866,218	\$ 9,479	\$ 5,845,955	15.0%
2009	1,313,095	792,968	520,127	5,986,239	21.9
2010	1,508,289	1,125,536	382,753	6,262,506	24.1
2011	1,524,233	1,442,084	82,149	6,368,205	23.9
2012	1,505,057	1,444,211	60,846	6,267,907	24.0
2013	1,624,350	1,438,257	186,093	6,173,816	26.3
2014	1,740,550	1,507,525	233,025	6,272,605	27.7
2015	1,457,540	1,376,863	80,677	6,254,401	23.3
2016	1,721,211	1,555,703	165,508	6,218,190	27.7
2017	3,301,343	1,613,606	1,687,737	6,166,298	53.5

⁽¹⁾ The Pension Plan's actuarially determined contribution is the normal cost under the aggregate normal cost method.



Hansen Feeder Canal

SUPPLEMENTARY INFORMATION

Schedule of Revenues and Expenses, Budget to Actual
District Enterprise Fund

Non-GAAP Budgetary Basis

	Year ended September 30, 2017			Year ended
	Budget	Actual	Variance Positive (Negative)	September 30, 2016 Actual
Operating revenue sources				
Water assessments	\$ 9,226,655	\$ 10,342,519	\$ 1,115,864	\$ 9,020,452
Charges for services	5,896,059	5,783,834	(112,225)	4,701,786
Other operating revenues	1,975,641	1,916,281	(59,360)	1,644,774
Operating revenue sources	17,098,355	18,042,634	944,279	15,367,012
Operating expense uses	25,217,688	23,264,191	1,953,497	21,711,507
Operating revenue sources under expense uses	(8,119,333)	(5,221,557)	2,897,776	(6,344,495)
Nonoperating revenue sources				
Property and specific ownership taxes	18,893,965	18,807,149	(86,816)	19,027,007
Earnings on investments	254,840	300,063	45,223	254,387
Intergovernmental grants	215,500	83,449	(132,051)	427,554
Other nonoperating revenues	2,376,500	379,231	(1,997,269)	262,128
Interfund loan receivable receipts	287,436	205,276	(82,160)	284,921
Nonoperating revenue sources	22,028,241	19,775,168	(2,253,073)	20,255,997
Nonoperating expense uses				
Debt service	1,698,353	1,695,235	3,118	1,684,832
Intergovernmental subgrantee payments	121,300	113,800	7,500	454,589
Capital expenditures	4,512,753	3,421,704	1,091,049	3,470,886
Supplemental Pension Plan contribution	1,600,000	1,400,000	200,000	-
Nonoperating expense uses	7,932,406	6,630,739	1,301,667	5,610,307
Nonoperating revenue sources over expense uses	14,095,835	13,144,429	(951,406)	14,645,690
Revenue sources over expense uses	\$ 5,976,502	7,922,872	\$ 1,946,370	8,301,195
Adjustments to reconcile budgetary basis to GAAP basis				
Interfund loan receivable principal receipts		(205,276)		(201,251)
Debt principal payments and bond-related amortization		1,367,808		1,327,598
Capital outlay		1,471,304		2,556,068
Actuarially-determined pension plan expense		888,604		(542,485)
Other		(23,980)		14,700
Depreciation		(1,697,898)		(1,611,487)
Increases in net position		\$ 9,723,434		\$ 9,844,338

Schedule of Revenues and Expenses, Budget to Actual
Southern Water Supply Project Water Activity Enterprise Fund

Non-GAAP Budgetary Basis

	Year ended September 30, 2017		Variance Positive (Negative)	Year ended
	Budget	Actual		September 30, 2016 Actual
Operating revenue sources				
Assessments	\$ 1,154,686	\$ 1,112,252	(\$ 42,434)	\$ 1,065,001
Operating expense uses				
	1,154,686	1,015,661	139,025	902,344
Operating revenue sources over expense uses	-	96,591	96,591	162,657
Nonoperating revenue sources				
Earnings on investments	-	7,248	7,248	3,081
Intergovernmental grants	-	-	-	33,516
Capital contributions ⁽¹⁾	2,950,000	2,526,877	(423,123)	740,328
Nonoperating revenue sources	2,950,000	2,534,125	(415,875)	776,925
Nonoperating expense uses				
Capital expenditures	2,950,000	1,678,623	1,271,377	479,320
Nonoperating revenue sources over expense uses	-	855,502	855,502	297,605
Revenue sources over expense uses	\$ -	952,093	\$ 952,093	460,262
Adjustments to reconcile budgetary basis to GAAP basis				
Capital purchases and projects		1,667,839		439,350
Depreciation		(1,655,910)		(1,657,307)
Increase (decrease) in net position		\$ 964,022		(\$ 757,695)

⁽¹⁾ Capital contributions for the year ended September 30, 2016, shown net of \$59,672 return of capital.

Schedule of Revenues and Expenses, Budget to Actual
Pleasant Valley Pipeline Water Activity Enterprise Fund

Non-GAAP Budgetary Basis

	Year ended September 30, 2017			Year ended
	Budget	Actual	Variance Positive (Negative)	September 30, 2016 Actual
Operating revenue sources				
Assessments	\$ 135,189	\$ 41,568	(\$ 93,621)	\$ 28,271
Operating expense uses	135,189	28,771	106,418	38,430
Operating revenue sources over (under) expense uses	-	12,797	12,797	(10,159)
Nonoperating revenue sources				
Earnings on investments	-	674	674	196
Revenue sources over (under) expense uses	\$ -	13,471	\$ 13,471	(9,963)
Adjustment to reconcile budgetary basis to GAAP basis				
Depreciation		(743,305)		(743,305)
Decreases in net position		(\$ 729,834)		(\$ 753,268)

Schedule of Revenues and Expenses, Budget to Actual
Northern Integrated Supply Project Water Activity Enterprise Fund

Non-GAAP Budgetary Basis

	Year ended September 30, 2017		Variance Positive (Negative)	Year ended
	Budget	Actual		September 30, 2016
				Actual
Nonoperating revenue sources				
Capital contributions	\$ 4,000,000	\$ 4,013,093	\$ 13,093	\$ 3,600,000
Nonoperating expense uses				
Capital expenditures	4,000,000	3,995,093	4,907	3,401,766
Nonoperating revenue sources over expense uses	\$ -	18,000	\$ 18,000	198,234
Adjustments to reconcile budgetary basis to GAAP basis				
Capital outlay		3,995,093		3,401,766
Increases in net position		\$ 4,013,093		\$ 3,600,000

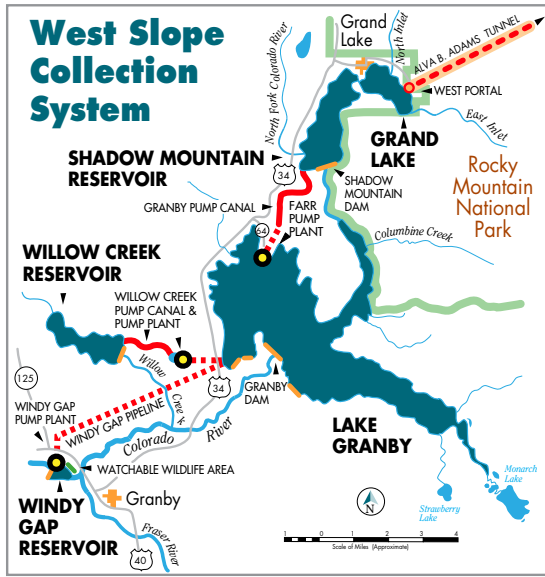
Schedule of Revenues and Expenses, Budget to Actual
Northern Water Hydropower Water Activity Enterprise Fund

Non-GAAP Budgetary Basis

	Year ended September 30, 2017			Year ended
	Budget	Actual	Variance Positive (Negative)	September 30, 2016 Actual
Operating revenue sources				
Energy revenue	\$ 910,000	\$ 1,110,090	\$ 200,090	\$ 936,746
Operating expense uses	401,700	314,624	87,076	313,993
Operating revenue sources over expense uses	508,300	795,466	287,166	622,753
Nonoperating revenue sources				
Debt proceeds	-	-	-	3,047,509
Earnings on investments	1,700	6,971	5,271	2,761
Intergovernmental grant	-	-	-	75,706
Nonoperating revenue sources	1,700	6,971	5,271	3,125,976
Nonoperating expense uses				
Debt service	662,250	636,321	25,929	407,089
Capital expenditures	-	-	-	2,379,840
Nonoperating expense uses	662,250	636,321	25,929	2,786,929
Nonoperating revenue sources over (under) expense uses	(660,550)	(629,350)	31,200	339,047
Revenue sources over (under) expense uses	(\$ 152,250)	166,116	\$ 318,366	961,800
Adjustments to reconcile budgetary basis to GAAP basis				
Debt proceeds		-		(3,047,509)
Debt principal payments		420,957		288,603
Capital outlay		-		2,379,840
Depreciation		(287,226)		(156,974)
Other		-		(12,352)
Increases in net position		\$ 299,847		\$ 413,408

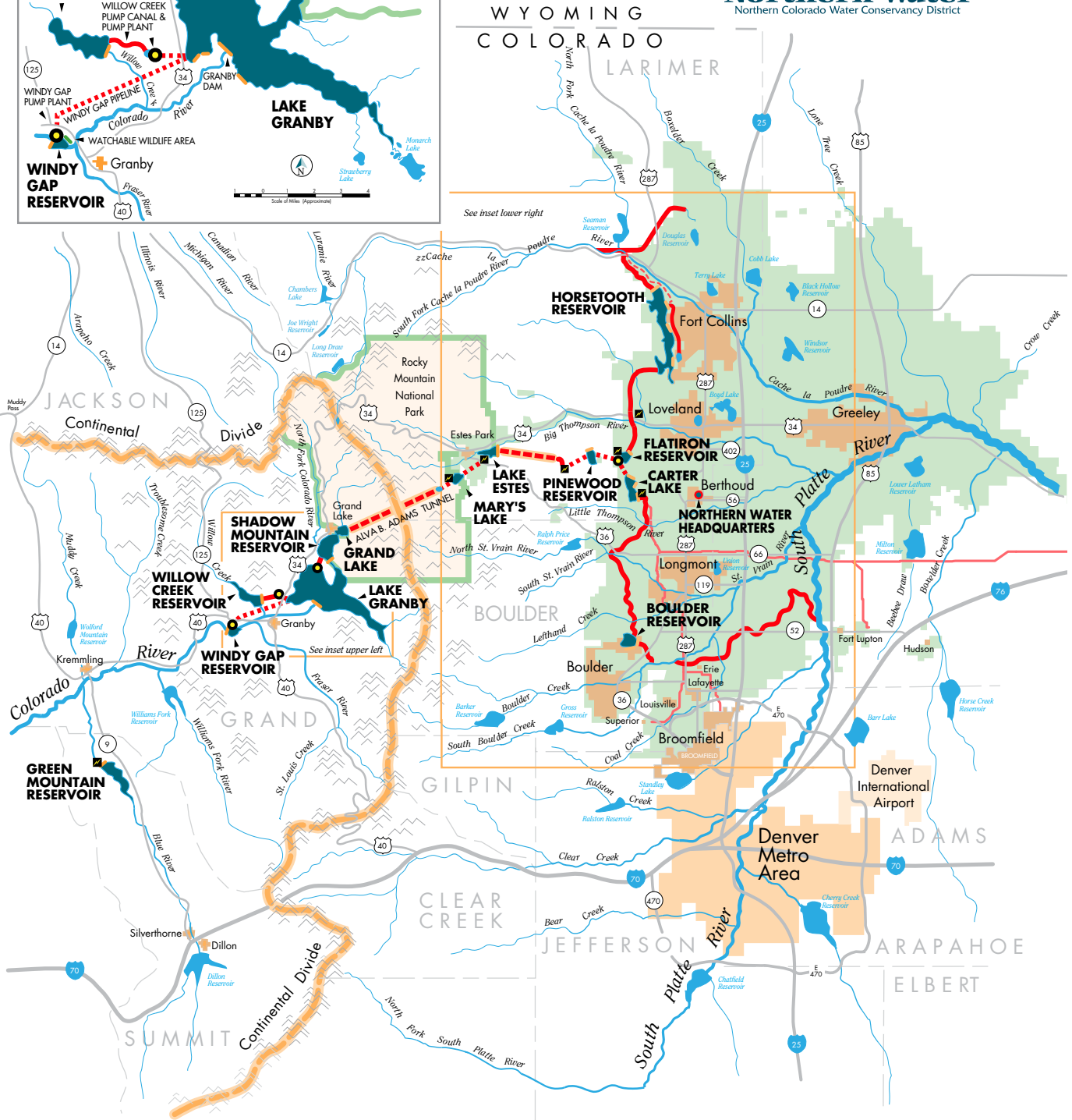


North Fork Colorado River above Shadow Mountain Reservoir



Northern Water

Colorado-Big Thompson Project Facilities and Northern Water Boundaries

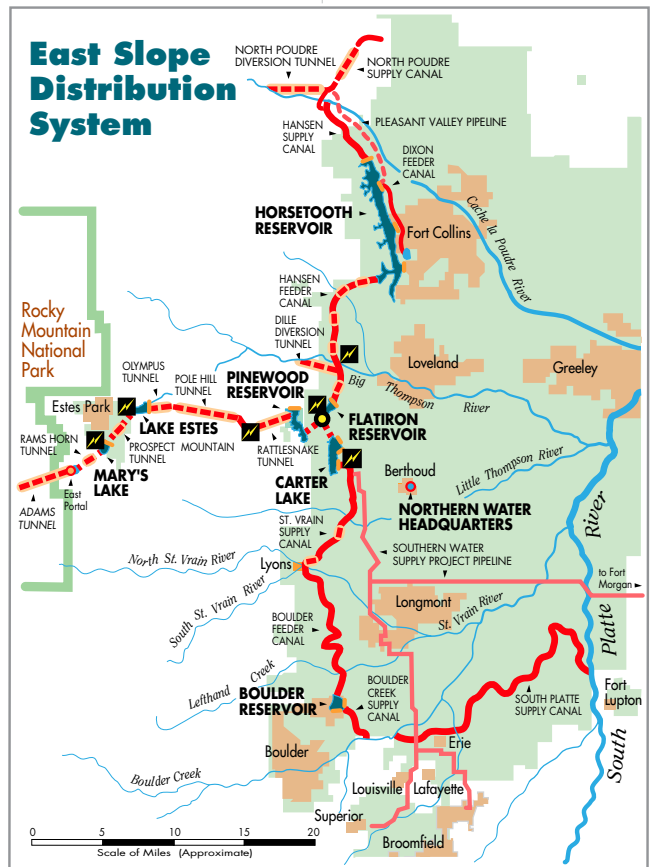
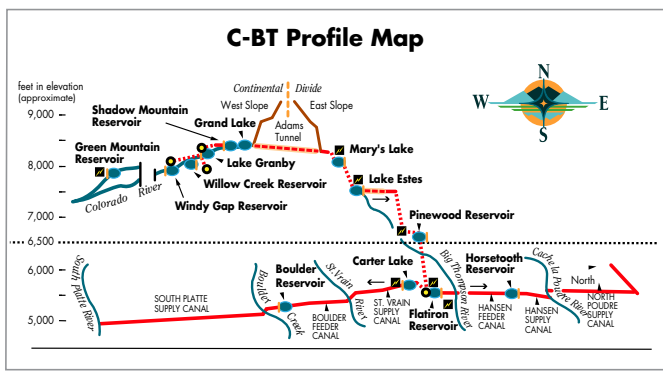
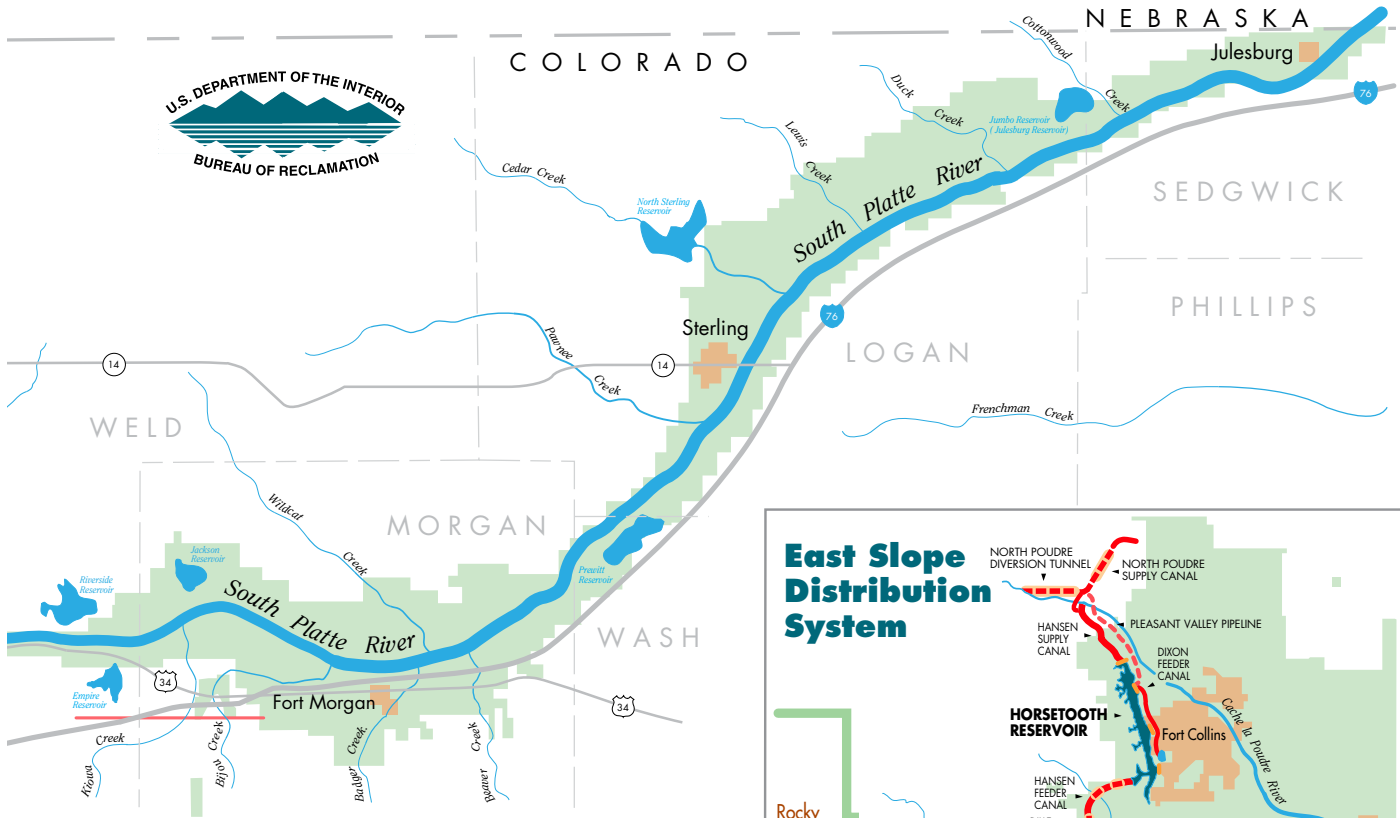
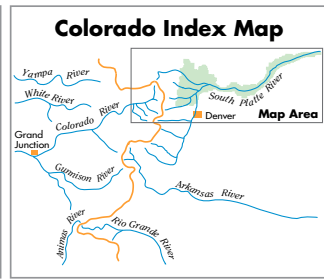
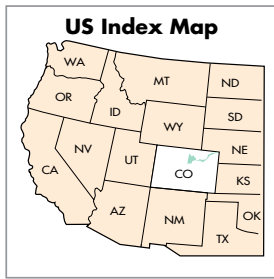


Legend

- Canal
- - - Pipeline/Conduit
- - - Tunnel
- Dam
- Power Plant
- Pump Plant
- Colorado-Big Thompson Reservoirs
- City/Town
- Northern Water Boundaries
- Southern Water Supply Pipeline
- - - Pleasant Valley Pipeline
- Berthoud Headquarters

0 5 10 15 20
Scale of Miles (Approximate)

JA Dahlstrom 06/01 revised 01/10



Statement of Changes in Net Position (2008 - 2017)⁽¹⁾

Years ended September 30,
Unaudited

	2017	%	2016	%	2015	%	2014	%
Revenues								
Operating revenues								
Assessments	\$ 11,496,339	29	\$ 10,113,724	27	\$ 8,110,867	24	\$ 7,875,949	23
Charges for services ⁽²⁾	5,783,834	14	4,701,786	12	4,541,473	13	4,658,426	14
Energy revenue ⁽³⁾	1,110,090	3	936,746	3	606,827	2	480,309	1
Other operating revenues	1,916,281	5	1,644,774	4	2,592,305	8	1,836,432	6
Operating revenues	20,306,544	51	17,397,030	46	15,851,472	47	14,851,116	44
Nonoperating revenues								
Property and specific ownership taxes	18,807,149	47	19,027,007	51	15,997,115	47	15,569,049	46
Earnings on investments	314,956	1	344,096	1	313,207	1	208,444	1
Intergovernmental grants	83,449	-	536,777	1	1,397,620	4	1,962,262	6
Other nonoperating revenues, net	390,855	1	262,128	1	487,930	1	1,028,181	3
Use of right of way ⁽⁴⁾	-	-	-	-	-	-	-	-
Gain (loss) on disposition of assets ⁽⁵⁾	-	-	-	-	-	-	-	-
Nonoperating revenues	19,596,409	49	20,170,008	54	18,195,872	53	18,767,936	56
Revenues	39,902,953	100	37,567,038	100	34,047,344	100	33,619,052	100
Expenses								
Operating expenses								
Operations and maintenance	13,223,118	33	12,736,200	34	12,787,288	38	13,358,066	40
Administrative services	6,806,674	17	6,289,010	17	4,934,313	14	6,238,623	18
Engineering services	7,102,192	18	5,435,991	14	5,497,912	16	5,090,341	15
Depreciation	4,384,339	11	4,169,073	11	4,102,074	12	4,149,642	12
Operating expenses	31,516,323	79	28,630,274	76	27,321,587	80	28,836,672	85
Nonoperating expenses								
Interest expense	530,614	2	475,720	2	522,045	2	566,912	2
Intergovernmental subgrantee payments	113,800	-	454,589	1	1,191,100	3	1,259,635	4
Participant gain on use of right of way ⁽⁴⁾	-	-	-	-	-	-	-	-
Refund of contributed capital ⁽⁴⁾	-	-	59,672	-	-	-	-	-
Nonoperating expenses	644,414	2	989,981	3	1,713,145	5	1,826,547	6
Expenses	32,160,737	81	29,620,255	79	29,034,732	85	30,663,219	91
Income (loss) before contributions	7,742,216	19	7,946,783	21	5,012,612	15	2,955,833	9
Capital contributions	6,528,346		4,400,000		3,542,024		1,890,000	
Changes in net position	14,270,562		12,346,783		8,554,636		4,845,833	
Net position, beginning of year	237,987,323		225,640,540		217,085,904		215,054,729	
Restatement ⁽⁶⁾	-		-		-		(2,814,658)	
Net position, end of year	\$252,257,885		\$ 237,987,323		\$ 225,640,540		\$ 217,085,904	

⁽¹⁾ Balances reflect all Northern Water enterprise funds combined.

⁽²⁾ Certain 2013 charges for services reclassified to other operating revenues for consistency with prior years.

⁽³⁾ The Trout and Granby hydropower facilities became operational in 2012 and 2016, respectively.

⁽⁴⁾ Balances in 2013 are the result of SWSP II pipeline right-of-way transactions.

⁽⁵⁾ Included in other nonoperating revenues from 2013 forward.

⁽⁶⁾ Balances reflect restatements due to implementation of GASB 67, 68 and 71 relating to pension plans and GASB 65 relating to debt issue costs in 2014 and 2013, respectively.

2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
\$ 7,343,449	18	\$ 6,739,612	23	\$ 6,336,897	22	\$ 6,142,790	21	\$ 6,279,168	22	\$ 5,986,712	21
5,133,403	13	6,197,883	21	6,400,517	22	6,070,393	20	5,756,767	20	5,140,151	18
625,371	2	484,632	1	-	-	-	-	-	-	-	-
10,622,677	26	1,273,387	4	1,174,792	4	1,636,640	6	1,195,266	4	1,021,135	4
<u>23,724,900</u>	<u>59</u>	<u>14,695,514</u>	<u>49</u>	<u>13,912,206</u>	<u>48</u>	<u>13,849,823</u>	<u>47</u>	<u>13,231,201</u>	<u>46</u>	<u>12,147,998</u>	<u>43</u>
15,217,883	38	14,614,826	49	14,427,014	50	15,242,950	51	14,373,355	49	14,274,285	50
196,413	-	91,339	-	150,191	1	203,801	1	1,073,183	4	1,563,837	5
-	-	-	-	-	-	-	-	-	-	-	-
235,503	1	285,265	2	281,631	1	315,364	1	335,733	1	423,683	2
906,507	2	-	-	-	-	-	-	-	-	-	-
-	-	35,879	-	34,053	-	(20)	-	28,922	-	132,619	-
<u>16,556,306</u>	<u>41</u>	<u>15,027,309</u>	<u>51</u>	<u>14,892,889</u>	<u>52</u>	<u>15,762,095</u>	<u>53</u>	<u>15,811,193</u>	<u>54</u>	<u>16,394,424</u>	<u>57</u>
<u>40,281,206</u>	<u>100</u>	<u>29,722,823</u>	<u>100</u>	<u>28,805,095</u>	<u>100</u>	<u>29,611,918</u>	<u>100</u>	<u>29,042,394</u>	<u>100</u>	<u>28,542,422</u>	<u>100</u>
13,533,921	33	12,054,637	40	11,639,603	40	10,746,757	36	12,044,474	41	9,817,051	34
5,485,132	14	9,216,199	32	9,315,195	32	8,721,734	29	7,992,889	28	7,505,789	26
4,645,297	11	4,970,541	17	4,679,940	17	4,808,126	16	4,336,697	15	3,541,818	13
3,841,086	10	3,997,207	13	4,019,615	14	3,983,907	14	3,989,476	14	4,040,028	14
<u>27,505,436</u>	<u>68</u>	<u>30,238,584</u>	<u>102</u>	<u>29,654,353</u>	<u>103</u>	<u>28,260,524</u>	<u>95</u>	<u>28,363,536</u>	<u>98</u>	<u>24,904,686</u>	<u>87</u>
783,119	2	980,401	3	1,019,611	4	1,045,104	4	1,025,320	3	877,568	3
-	-	-	-	-	-	-	-	-	-	-	-
702,165	2	-	-	-	-	-	-	-	-	-	-
204,342	-	-	-	-	-	-	-	-	-	-	-
<u>1,689,626</u>	<u>4</u>	<u>980,401</u>	<u>3</u>	<u>1,019,611</u>	<u>4</u>	<u>1,045,104</u>	<u>4</u>	<u>1,025,320</u>	<u>3</u>	<u>877,568</u>	<u>3</u>
<u>29,195,062</u>	<u>72</u>	<u>31,218,985</u>	<u>105</u>	<u>30,673,964</u>	<u>107</u>	<u>29,305,628</u>	<u>99</u>	<u>29,388,856</u>	<u>101</u>	<u>25,782,254</u>	<u>90</u>
11,086,144	28	(1,496,162)	(5)	(1,868,869)	(7)	306,290	1	(346,462)	(1)	2,760,168	10
1,799,304		1,003,100		1,500,000		1,630,000		1,501,385		855,515	
12,885,448		(493,062)		(368,869)		1,936,290		1,154,923		3,615,683	
202,378,483		202,871,545		203,240,414		201,304,124		200,149,201		196,533,518	
(209,202)		-		-		-		-		-	
<u>\$ 215,054,729</u>		<u>\$ 202,378,483</u>		<u>\$ 202,871,545</u>		<u>\$203,240,414</u>		<u>\$201,304,124</u>		<u>\$200,149,201</u>	

Statement of Net Position by Component (2008 - 2017)⁽¹⁾

September 30,
Unaudited

	2017	2016	2015	2014 ⁽²⁾
Net position				
Net investment in capital assets	\$182,061,936	\$ 177,863,092	\$ 174,959,097	\$ 171,634,522
Restricted net position				
Debt service	149,684	126,010	125,505	125,363
Major repairs	2,007,139	1,993,343	1,989,621	1,989,049
Capital projects	2,786,161	1,959,697	1,381,990	840,935
Unrestricted net position	65,252,965	56,045,181	47,184,327	42,496,035
Net position	\$252,257,885	\$ 237,987,323	\$ 225,640,540	\$ 217,085,904

⁽¹⁾ Balances reflect all Northern Water enterprise funds combined.

⁽²⁾ Net position restated at September 30, 2014 for GASB Statement Nos. 67, 68 and 71 changes in accounting principles. In addition, components of net position reclassified for consistency with subsequent years.

⁽³⁾ Net position at September 30, 2012, restated for GASB Statement No. 65 change in accounting principle.

2013⁽³⁾	2012	2011	2010	2009	2008
\$ 171,455,879	\$ 167,267,534	\$ 154,229,495	\$ 150,796,408	\$ 151,016,881	\$ 151,103,054
425,806	-	-	-	-	-
1,988,522	1,987,672	1,987,256	1,985,832	1,978,579	1,924,968
1,326,539	949,872	1,148,136	907,677	585,293	375,873
39,857,983	32,173,405	45,506,658	49,550,497	47,723,371	46,745,306
\$ 215,054,729	\$ 202,378,483	\$ 202,871,545	\$ 203,240,414	\$ 201,304,124	\$ 200,149,201

Schedule of C-BT Project Joint Operations and Maintenance Costs (Historical)

District Enterprise Fund

Years ended September 30,
Unaudited

Year	Reclamation ⁽¹⁾	WAPA Colorado River ⁽²⁾	Lower Boulder Ditch Company ⁽³⁾	Coal Ridge Ditch Company ⁽³⁾	Reclamation Power Interference ⁽⁴⁾	Joint Operation and Maintenance Costs
1985	\$ 1,043,062	\$ -	\$ 54,607	\$ 50,969	\$ 21,450	\$ 1,170,088
1986	607,616	17,541	57,515	57,316	21,735	761,723
1987	379,750	17,476	58,879	56,172	14,142	526,419
1988	537,794	23,509	60,647	53,107	8,384	683,441
1989 ⁽⁵⁾	592,768	17,632	62,748	45,000	9,795	727,943
1990	474,736	(11,536)	80,665	55,329	14,635	613,829
1991	360,290	(4,811)	34,303	60,579	14,321	464,682
1992	408,438	30,701	67,720	55,728	17,720	580,307
1993	458,527	72,509	77,370	65,058	21,566	695,030
1994	795,147	127,912	94,330	60,000	35,746	1,113,135
1995	876,034	13,193	75,160	61,384	41,781	1,067,552
1996	1,061,983	-	78,058	36,999	36,454	1,213,494
1997	822,471	121,323	93,142	62,655	43,492	1,143,083
1998	746,583	84,044	97,874	76,220	47,781	1,052,502
1999	999,856	96,154	120,554	118,947	45,002	1,380,513
2000	1,084,780	12,100	280,099	51,170	48,116	1,476,265
2001	1,381,264	62,100	150,772	115,872	58,078	1,768,086
2002	1,560,641	170,219	135,425	61,201	59,092	1,986,578
2003	1,258,913	69,421	148,829	75,598	66,804	1,619,565
2004	1,268,617	55,975	183,015	88,676	64,772	1,661,055
2005	1,933,792	59,283	176,078	69,467	54,307	2,292,927
2006	2,127,367	71,809	146,736	72,541	57,351	2,475,804
2007	1,417,394	133,184	203,812	73,607	88,077	1,916,074
2008	2,353,997	87,912	151,007	98,269	78,985	2,770,170
2009	4,150,250	151,287	161,432	74,253	81,857	4,619,079
2010	2,186,032	72,784	166,147	96,361	68,813	2,590,137
2011	2,562,308	25,862	184,213	70,148	68,225	2,910,756
2012	2,660,054	93,421	166,809	73,910	87,029	3,081,223
2013	1,809,712	26,472	155,247	92,945	77,686	2,162,062
2014	1,695,104	10,156	117,984	90,630	84,044	1,997,918
2015	1,347,374	3,394	181,260	67,673	161,075	1,760,776
2016	1,353,954	4,712	233,974	170,102	95,193	1,857,935
2017	1,646,323	364,136	121,646	117,090	94,492	2,343,687

⁽¹⁾ Beginning 1986, the responsibilities for daily operations and maintenance of the majority of multipurpose projects was transferred from Reclamation to Northern Water. The amounts present Northern Water's share of C-BT Project operations and maintenance costs for joint works projects maintained by Reclamation.

⁽²⁾ Northern Water costs incurred on joint works related to the C-BT Project power distribution system. Increase in 2017 relates to charges relating to a fiber optic connection and vegetation management on transmission lines.

⁽³⁾ Costs incurred under terms of agreements whereby Northern Water shares a portion of the ditch company costs in consideration for use of the ditch company's conveyance system.

⁽⁴⁾ Charges from Reclamation for losses in C-BT Project power revenue resulting from changes in the distribution pattern of C-BT Project water. Power interference charges for 2015 adjusted to reflect identified corrections.

⁽⁵⁾ The Board adopted a September 30 year end; accordingly, the expenses reflect nine months.



Grand Lake

Water Assessments and Ownership by Water Allotment Contract Class and Rate (2008 - 2017)

District Enterprise Fund

Years ended September 30,

Unaudited

	2017	%	2016	%	2015	%	2014	%
Water Assessments								
Class B, municipal	\$ 4,689,355	46	\$ 4,371,754	48	\$ 3,529,939	50	\$ 3,181,025	46
Class C, corporate								
Domestic	2,163,133	21	1,795,448	20	1,442,564	20	1,308,281	19
Industrial	524,355	5	440,908	5	376,939	5	318,286	5
Irrigation	464,719	4	343,280	4	262,962	4	249,332	4
Multi-purpose ⁽¹⁾	22,998	-	17,053	-	14,487	-	19,797	-
Class D, irrigation	660,774	6	506,851	6	318,641	4	310,360	4
Carryover	1,817,185	18	1,545,158	17	1,224,416	17	1,528,117	22
	\$10,342,519	100	\$ 9,020,452	100	\$ 7,169,948	100	\$ 6,915,198	100
Ownership by Water Allotment Contract Class (acre-foot units)								
Class B, municipal	151,517	49	151,063	49	150,161	48	149,879	48
Class C, corporation								
Irrigation	56,490	18	56,615	18	56,417	18	60,122	20
Domestic/Industrial/multi-purpose	65,894	21	64,587	21	63,878	21	58,999	19
Class D, Irrigation ⁽²⁾	36,099	12	37,735	12	39,544	13	41,000	13
	310,000	100	310,000	100	310,000	100	310,000	100
Ownership by Water Allotment Contract Rate (acre-foot units)								
Fixed rate	\$ 97,401	31	\$ 98,263	32	\$ 99,311	32	\$ 99,862	32
Open rate	212,599	69	211,737	68	210,689	68	210,138	68
	310,000	100	310,000	100	310,000	100	310,000	100

⁽¹⁾ Not separately detailed in 2013.

⁽²⁾ Includes inactive units.

	2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
\$	2,950,799	48	\$ 2,805,799	48	\$ 2,676,564	50	\$ 2,652,230	48	\$ 2,650,888	48	\$ 2,438,459	46
	1,240,943	20	1,165,155	20	1,136,715	20	1,156,327	21	1,126,025	20	1,084,925	21
	272,712	4	262,864	5	258,328	5	258,328	5	250,701	5	259,445	5
	249,426	4	245,675	4	251,139	5	237,551	4	235,235	4	250,451	5
	-	-	18,028	-	17,717	-	17,717	-	17,194	-	16,686	-
	315,163	5	301,179	5	306,431	6	312,300	6	307,135	6	355,611	7
	1,209,928	19	968,104	18	744,912	14	869,130	16	925,975	17	883,964	16
\$	6,238,971	100	\$ 5,766,804	100	\$ 5,391,806	100	\$ 5,503,583	100	\$ 5,513,153	100	\$ 5,289,541	100
	149,568	48	148,891	48	148,241	48	146,828	47	146,023	47	143,177	46
	60,505	20	60,660	20	59,696	19	60,322	20	60,589	20	62,636	20
	57,414	18	56,871	18	57,569	18	57,273	18	57,380	18	56,971	19
	42,513	14	43,578	14	44,494	15	45,577	15	46,008	15	47,216	15
	310,000	100	310,000	100	310,000	100	310,000	100	310,000	100	310,000	100
\$	100,406	32	\$ 101,286	33	101,497	33	\$ 101,810	33	\$ 102,070	33	\$ 102,389	33
	209,594	68	208,714	67	208,503	67	208,190	67	207,930	67	207,611	67
	310,000	100	310,000	100	310,000	100	310,000	100	310,000	100	310,000	100

Largest Water Allotment Contract Holders by Acre-Foot Units (2008 and 2017)

District Enterprise Fund

September 30,

Unaudited

Entity	2017		2008	
	Acre-Foot Units	Percentage	Acre-Foot Units	Percentage
North Poudre Irrigation Company	40,000	12.9%	40,000	12.9%
Greeley, City of	22,565	7.3	22,523	7.3
Boulder, City of	21,264	6.9	21,264	6.9
Fort Collins, City of	18,855	6.1	18,855	6.1
Broomfield, City and County of	13,698	4.4	12,649	4.1
Fort Collins-Loveland Water District	13,033	4.2	11,265	3.6
Longmont, City of	12,713	4.1	12,670	4.1
Loveland, City of	12,178	3.9	10,856	3.5
Little Thompson Water District	10,244	3.3	9,746	3.1
Xcel Energy (Public Service Company of Colorado)	10,007	3.2	9,997	3.2
Ten largest allottees by acre-foot units	174,557	56.3	169,825	54.8
Other allottees	135,443	43.7	140,175	45.2
Acre-foot units	310,000	100.0%	310,000	100.0%

Largest Water Allotment Contract Holders by Water Assessment (2008 and 2017)

District Enterprise Fund

Years ended September 30,

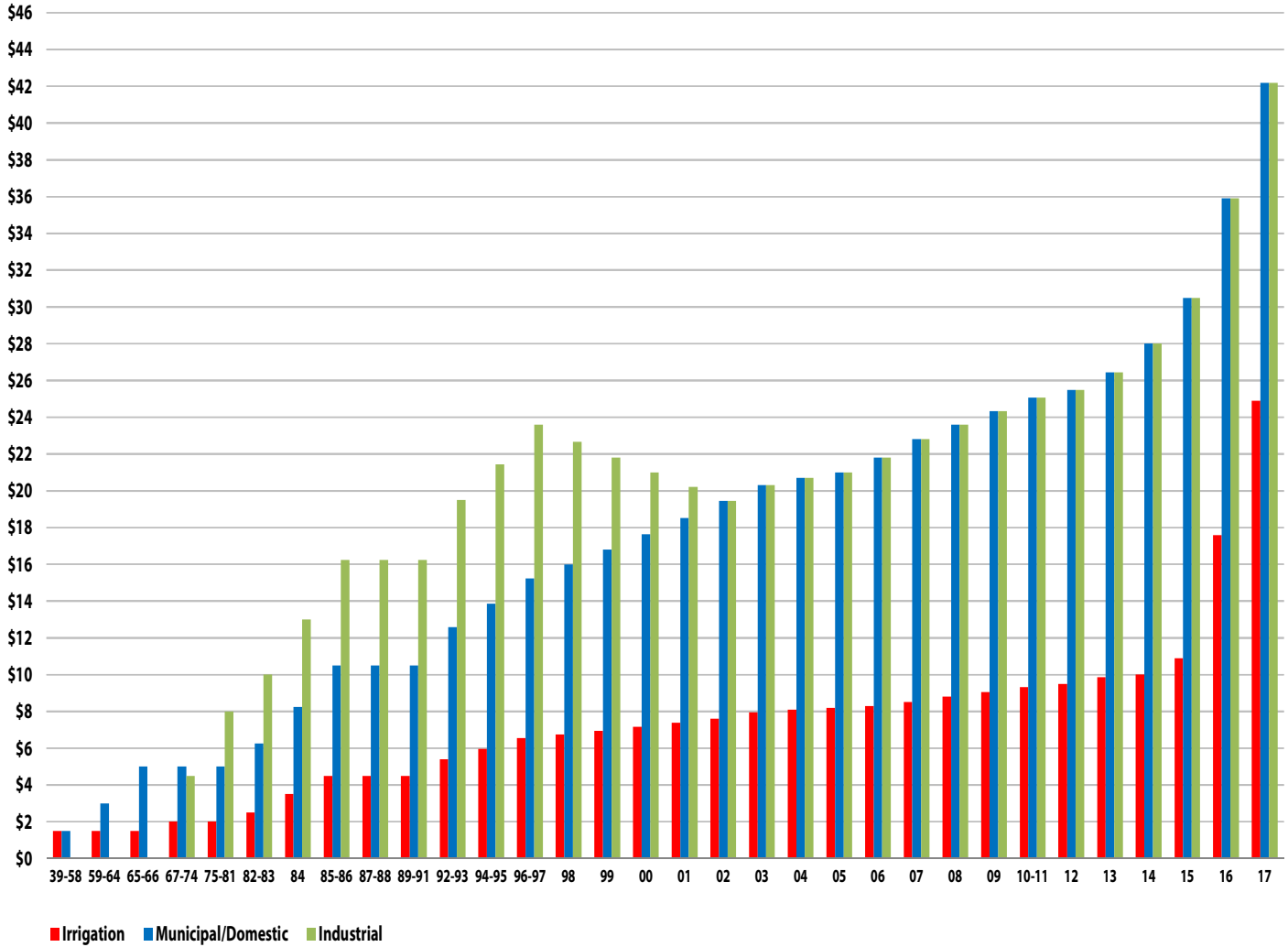
Unaudited

Entity	2017 ⁽¹⁾			2008		
	Rank	Assessment	Percentage	Rank	Assessment	Percentage
Water Assessments						
Broomfield, City and County of	1	\$ 595,713	5.8%	7	\$ 242,525	4.6%
Fort Collins, City of	2	550,568	5.3	1	371,051	7.0
Fort Collins-Loveland Water District	3	549,993	5.3	5	264,178	5.0
Little Thompson Water District	4	432,297	4.2	3	284,135	5.4
Xcel Energy (Public Service Company of Colorado)	5	422,295	4.1	4	270,307	5.1
Boulder, City of	6	400,269	3.9	8	234,306	4.4
Greeley, City of	7	339,925	3.3	2	316,218	6.0
Longmont, City of	8	336,872	3.2	6	248,986	4.7
Loveland, City of	9	308,267	3.0	-	-	-
Left Hand Water District	10	300,033	2.9	-	-	-
Central Weld County Water District	-	-	-	9	212,098	4.0
Erie, Town of	-	-	-	10	208,610	3.9
Water assessments for ten largest allottees		4,236,232	41.0		2,652,414	50.1
Other allottees		6,106,287	59.0		2,637,127	49.9
Water assessments		\$ 10,342,519	100.0%		\$ 5,289,541	100.0%

⁽¹⁾ The total water assessments reflects all District allottee water assessments, including carryover, whereas the individual water assessments listed above include only the water assessment charge.

Open-Rate Water Assessment Charges (Historical)⁽¹⁾
District Enterprise Fund

September 30,
 Unaudited



2017 Open-Rate Water Assessments

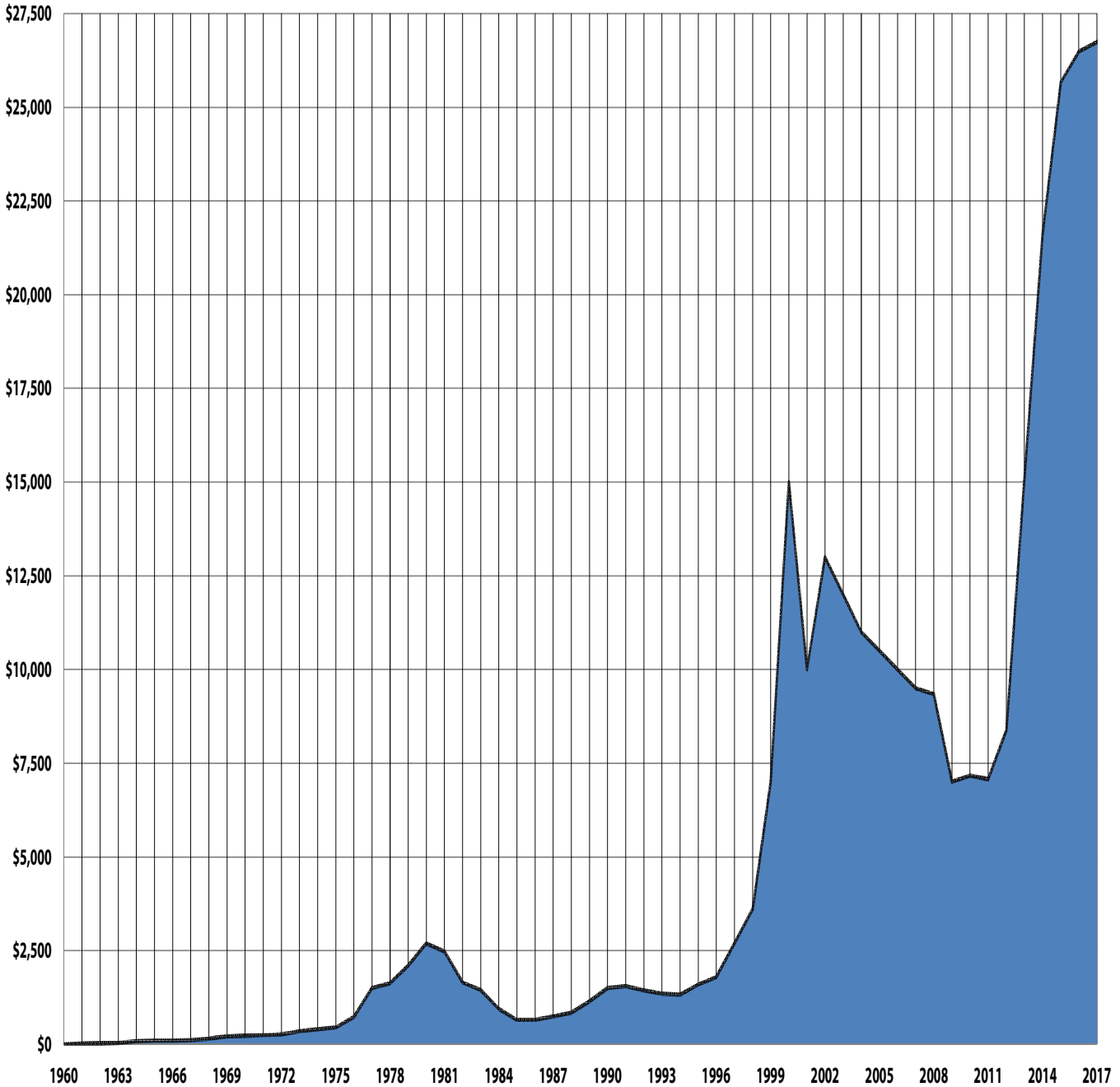
	Per Acre-Foot Unit	
Irrigation	\$	24.90
Municipal/ Industrial	\$	42.20

⁽¹⁾ The District Enterprise Fund collects annual water assessments on each acre-foot unit. Assessments on fixed-rate contracts are \$1.50 per unit. When a unit is transferred, sold or altered, the contract is changed from the original fixed rate to an open-rate assessment. Open-rate assessments are determined annually by the Board. The assessments are not contingent on delivery of water and must be paid without regard to water deliveries.

Market Prices Per Acre-Foot Unit (Historical)⁽¹⁾

District Enterprise Fund

Years ended September 30,
Unaudited



⁽¹⁾ District allottees of C-BT Project water may transfer and sell their respective acre-foot units to other parties within Northern Water boundaries. These transactions are subject to rules and regulations of the Board. The above table represents data gathered by voluntary action and serves as an indicator of how the price of C-BT Project acre-foot units has fluctuated on the open market through the years. Actual transaction prices may vary.

Charges for Services and Energy Revenue (2008 - 2017)
District and Hydropower Enterprise Funds

Years ended September 30,
 Unaudited

	2017	%	2016	%	2015	%	2014	%
District Charges for Services⁽¹⁾								
Reclamation	\$ 2,796,752	48	\$ 2,162,973	46	\$ 2,243,156	49	\$ 2,645,274	57
Labor, overhead and supplies	2,987,082	52	2,538,813	54	2,298,317	51	2,013,152	43
Charges for services	\$ 5,783,834	100	\$ 4,701,786	100	\$ 4,541,473	100	\$ 4,658,426	100
Hydropower Energy Revenue⁽²⁾								
Trout	\$ 798,799	72	\$ 750,251	80	\$ 606,827	100	\$ 480,309	100
Granby	311,291	28	186,495	20	-	-	-	-
Hydropower	\$ 1,110,090	100	\$ 936,746	100	\$ 606,827	100	\$ 480,309	100

⁽¹⁾ Charges for services do not include charges for the Interdistrict Fund and, therefore, do not reflect charges for services as shown on Changes in Net Position (page 46) prior to 2013.

⁽²⁾ The Trout and Granby Hydropower facilities became operational in 2012 and 2016, respectively.

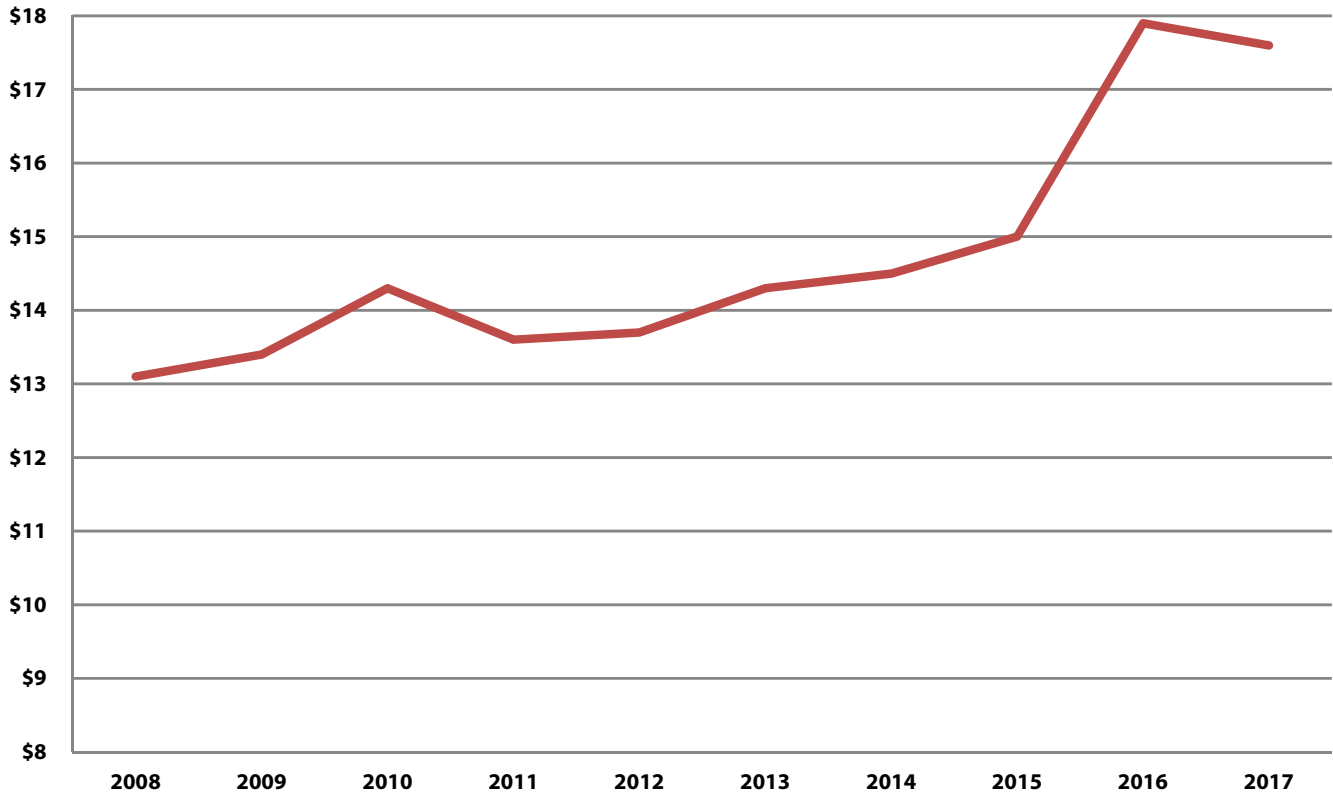
	2013	%	2012	%	2011	%	2010	%	2009	%	2008	%
\$	2,666,441	52	\$ 2,803,614	49	\$ 3,079,495	52	\$ 2,302,935	42	\$ 2,319,168	44	\$ 1,918,853	40
	2,466,962	48	2,962,499	51	2,878,260	48	3,231,119	58	2,925,971	56	2,845,164	60
	5,133,403	100	5,766,113	100	\$ 5,957,755	100	\$ 5,534,054	100	\$ 5,245,139	100	\$ 4,764,017	100
\$	625,371	100	\$ 484,632	100	\$ -	-	\$ -	-	\$ -	-	\$ -	-
	-	-	-	-	-	-	-	-	-	-	-	-
\$	625,371	100	\$ 484,632	100	\$ -	-	\$ -	-	\$ -	-	\$ -	-

Property Tax Levies and Collections (2008 - 2017)

District Enterprise Fund

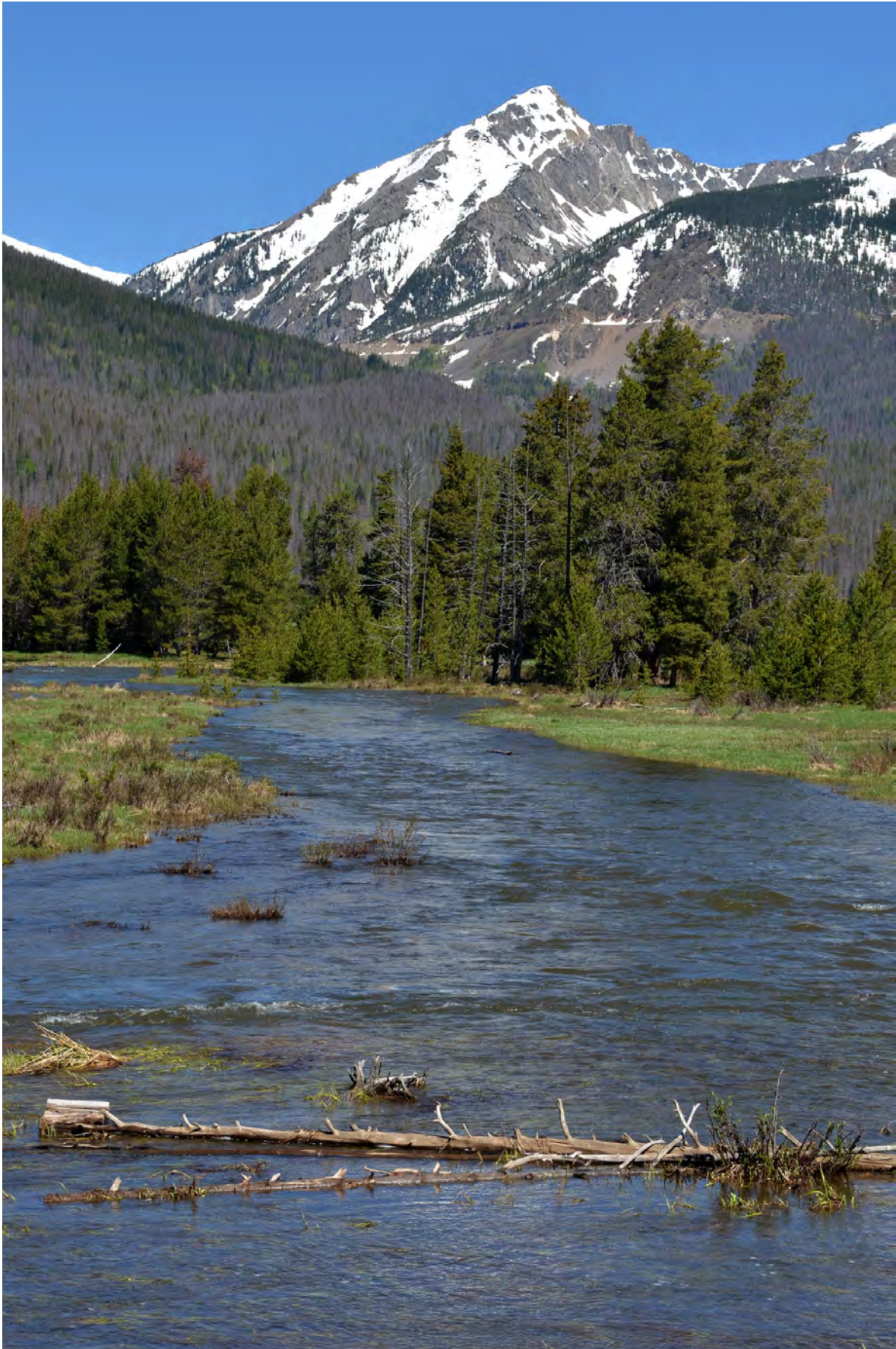
Years ended September 30,
Unaudited

Property Tax Levies (millions)



Year	Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years ⁽¹⁾	Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 13,190,541	\$ 12,956,920	98.3%	\$ 11,812	\$ 12,968,732	98.3%
2009	13,432,999	13,098,300	97.5	17,937	13,116,237	97.6
2010	14,395,216	14,076,445	97.8	39,951	14,116,396	98.1
2011	13,637,263	13,442,895	98.6	73,798	13,516,693	99.1
2012	13,768,657	13,675,941	99.3	18,387	13,694,328	99.5
2013	14,313,566	14,217,057	99.3	14,671	14,231,728	99.4
2014	14,554,204	14,508,847	99.7	18,643	14,527,490	99.8
2015	15,066,441	15,004,109	99.6	35,695	15,039,804	99.8
2016	17,949,405	17,844,139	99.4	10,536	17,854,675	99.5
2017	17,645,466	17,521,665	99.3	12,735	17,534,400	99.4

⁽¹⁾ Does not include delinquent tax interest or tax refunds.



Headwaters of the Colorado River in Rocky Mountain National Park

Assessed and Estimated Actual Value of Taxable Properties (2008 - 2017)

District Enterprise Fund

Years ended September 30,
Unaudited (thousands)

	2017	2016	2015	2014
Assessed value				
Residential	\$ 7,866,349	\$ 7,693,115	\$ 6,281,199	\$ 6,099,667
Commercial	4,790,744	4,776,337	4,156,831	4,099,919
Industrial	1,009,321	911,830	827,148	778,650
Agricultural	125,283	105,901	91,905	101,879
Oil/Gas Natural Resources	2,560,357	3,182,430	2,565,815	2,193,319
Other	1,293,412	1,279,792	1,143,542	1,280,770
Assessed value of properties ⁽¹⁾	\$ 17,645,466	\$ 17,949,405	\$ 15,066,440	\$ 14,554,204
Estimated actual taxable value ⁽²⁾	\$132,544,573	\$ 132,013,690	\$ 109,203,469	\$ 105,782,558
Assessed value as a percentage of actual value	13.3%	13.6%	13.8%	13.7%

Sources: Abstract of Assessment and Summary of Levies from various County Assessor's offices and County CAFRs.

⁽¹⁾ The counties assess residential property at approximately 7.96 percent of actual value and all other properties at 29 percent. Estimated actual taxable value was calculated by dividing assessed value by those percentages. Tax exempt properties are included in each property classification. Apparent differences between these amounts and those shown on Largest Corporate Taxpayers by Assessed Valuation on page 65 are due to averaging in the above assessed valuation calculations.

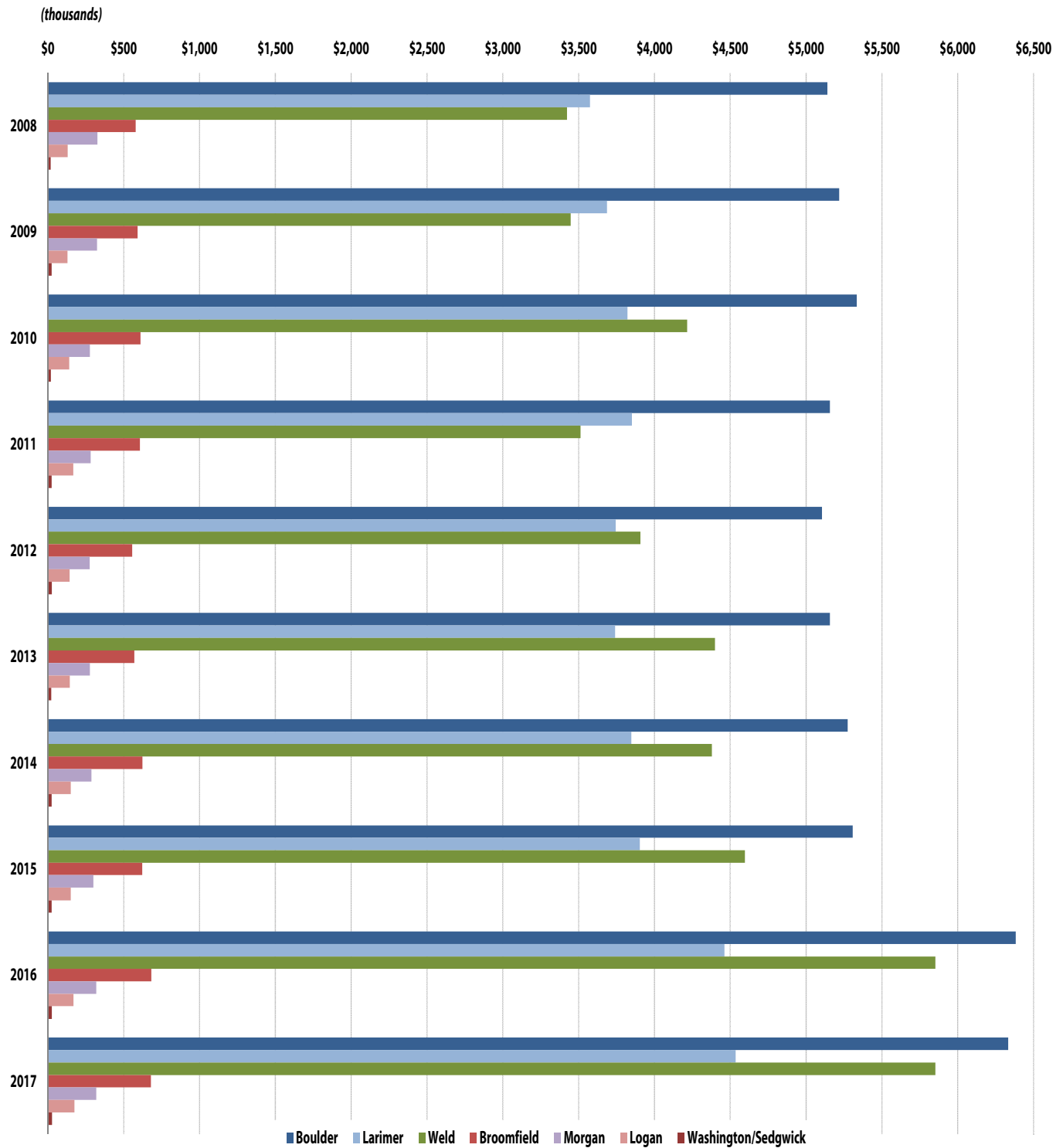
⁽²⁾ Tax rate at a maximum of 1.00 millage.

2013	2012	2011	2010	2009	2008
\$ 6,074,677	\$ 5,909,508	\$ 5,929,482	\$ 6,086,297	\$ 5,996,491	\$ 5,437,141
3,980,603	3,952,981	4,052,995	3,980,277	3,746,463	2,730,442
774,364	771,045	823,691	905,459	840,906	957,633
93,038	100,511	98,188	89,250	96,718	369,335
2,062,585	1,699,052	1,343,270	1,931,838	1,374,196	1,466,788
1,328,299	1,335,560	1,389,637	1,402,095	1,378,225	2,229,202
\$ 14,313,566	\$ 13,768,657	\$ 13,637,263	\$ 14,395,216	\$ 13,432,999	\$ 13,190,541
\$ 104,724,999	\$ 101,340,564	\$ 101,069,535	\$ 105,112,464	\$ 100,975,932	\$ 95,041,653
13.7%	13.6%	13.5%	13.7%	13.3%	13.9%

Property Tax Collections by County (2008 - 2017)

District Enterprise Fund

Years ended September 30,
Unaudited



Largest Corporate Taxpayers by Taxable Assessed Valuation (2008 and 2017)

District Enterprise Fund

Years ended September 30,
Unaudited

Taxpayer	Rank	2017		Rank	2008 ⁽¹⁾	
		Taxable Assessed Valuation	Percent		Taxable Assessed Valuation	Percent
Kerr-McGee Oil & Gas Onshore LP	1	\$ 1,584,580,240	9.0%	-	\$ -	- %
Noble Energy, Inc.	2	1,097,651,870	6.2	-	-	-
Encana Oil & Gas On Shore LP	3	414,785,300	2.4	-	-	-
PDC Energy, Inc.	4	355,983,010	2.0	-	-	-
Xcel Energy (Public Service Company of Colorado)	5	288,112,700	1.6	1	189,085,090	1.4
Bonanza Creek Energy, Inc.	6	275,021,570	1.6	-	-	-
Extraction Oil & Gas	7	238,401,360	1.4	-	-	-
DCP Midstream, LP	8	195,420,250	1.1	-	-	-
Kerr McGee Gathering, LLC.	9	186,704,400	1.1	-	-	-
Whiting Oil & Gas	10	184,679,510	0.9	-	-	-
Qwest Corporation	-	-	-	2	104,327,860	0.8
Anheuser Busch, Inc.	-	-	-	3	94,892,600	0.7
Flatiron Holding, LLC.	-	-	-	4	77,057,930	0.6
Sun Microsystems, Inc.	-	-	-	5	48,129,500	0.4
Amgen	-	-	-	6	46,580,140	0.4
Owens-Bruckway Glass Container, Inc.	-	-	-	7	45,830,490	0.3
IBM Corporation	-	-	-	8	36,418,010	0.3
Level 3 Communications	-	-	-	9	32,674,400	0.2
Seagate Technology, LLC.	-	-	-	10	25,634,960	0.2
Taxable assessed value of ten largest taxpayers		4,821,340,210	27.3		700,630,980	5.3
Taxable assessed value of other taxpayers		12,824,125,790	72.7		12,489,910,020	94.7
Taxable assessed value of all taxpayers		\$ 17,645,466,000	100.0%		\$13,190,541,000	100.0%

Source: Data taken from the counties' most recent CAFRs unless otherwise indicated. Only a portion of the counties are within Northern Water boundaries.

⁽¹⁾ Data taken from the Northern Water 2008 CAFR.

Statistics of Outstanding Debt by Type (2008 - 2017)
District and Hydropower Enterprise Funds

September 30,
 Unaudited

	2017	2016	2015	2014
District				
Certificates of Participation ⁽¹⁾	\$ 4,670,000	\$ 5,740,000	\$ 6,780,000	\$ 7,790,000
Unamortized premium ⁽²⁾	<u>376,219</u>	<u>466,126</u>	<u>554,433</u>	<u>641,169</u>
Certificates of Participation	5,046,219	6,206,126	7,334,433	8,431,169
Contracts Payable to Reclamation				
Horsetooth Safety of Dams	3,450,282	3,568,509	3,680,307	3,786,026
Pole Hill Canal	<u>275,042</u>	<u>360,802</u>	<u>443,762</u>	<u>524,014</u>
District	8,771,543	10,135,437	11,458,502	12,741,209
Hydropower				
Colorado Water Resources and Power Development Authority	1,571,637	1,660,736	1,748,088	1,833,727
Colorado Water Conservation Board	<u>5,008,601</u>	5,135,183	2,033,958	-
Hydropower	6,580,238	6,795,919	3,782,046	1,833,727
Outstanding debt	\$ 15,351,781	\$ 16,931,356	\$ 15,240,548	\$ 14,574,936
District Outstanding Debt				
Per capita ⁽³⁾	\$ 9	\$ 11	\$ 13	\$ 15
Percentage of personal income ⁽⁴⁾	N/A	N/A	.03%	.04%
District Contracts Payable to Reclamation				
Per capita ⁽⁵⁾	\$ 4	\$ 4	\$ 5	\$ 5
Percentage of estimated actual value of taxable properties ⁽⁶⁾	-	-	-	-

⁽¹⁾ In 2013, balances reflect Series 2012. Prior to 2013, balances reflect Series 2002.

⁽²⁾ 2014 balances revised to reflect deferred gain on refunding as a deferred inflow of resources in accordance with GASB 65.

⁽³⁾ Computed by dividing total District debt by estimated population in Northern Water boundaries as shown on page 68.

⁽⁴⁾ Statistical information not available for certain years. Computed by dividing total District debt by total personal income as shown on page 68.

⁽⁵⁾ Computed by dividing District debt payable to Reclamation by estimated population in Northern Water boundaries as shown on page 68.

⁽⁶⁾ Computed by dividing District debt payable to Reclamation by Estimated Actual Taxable Value as shown on page 62.

2013	2012	2011	2010	2009	2008
\$ 8,770,000 753,450	\$ 13,380,000 86,074	\$ 14,275,000 93,520	\$ 15,135,000 100,614	\$ 15,960,000 107,371	\$ 16,750,000 113,808
9,523,450	13,466,074	14,368,500	15,235,614	16,067,371	16,863,808
3,885,997 601,646	3,980,532 676,744	4,069,927 749,389	4,154,461 -	4,234,399 -	4,678,318 -
14,011,093	18,123,350	19,187,816	19,390,075	20,301,770	21,542,126
1,917,687 -	2,000,000 -	1,082,825 -	- -	- -	- -
1,917,687	2,000,000	1,082,825	-	-	-
\$ 15,928,780	\$ 20,123,350	\$ 20,270,641	\$ -	\$ -	\$ -
\$ 16 .04%	\$ 21 .06%	\$ 23 .06%	\$ 23 .07%	\$ 24 .07%	\$ 27 .08%
\$ 5 -	\$ 5 -	\$ 6 -	\$ 5 -	\$ 5 -	\$ 6 -

Northern Water Population and Economic Statistics (2008 - 2017)⁽¹⁾

September 30,
Unaudited

	2017	2016	2015	2014
Population in Northern Water Boundaries⁽²⁾	959,455	922,233	893,145	878,100
Per Capita Personal Income⁽³⁾				
Boulder County	\$ 60,220	\$ 58,627	\$ 58,552	\$ 56,940
Larimer County	52,059	50,410	48,730	46,610
Weld County	42,787	27,047	31,657	29,986
Personal Income (000s)⁽³⁾				
Boulder County	\$ 19,232,516	\$ 18,369,741	\$ 17,042,764	\$ 16,417,561
Larimer County	17,699,696	16,830,336	15,823,069	14,756,959
Weld County	10,600,000	10,740,000	8,350,000	8,350,000
Unemployment Rate⁽³⁾				
Boulder County	2.2%	2.9%	3.7%	4.4%
Larimer County	2.8	3.4	4.3	5.8
Weld County	3.8	3.8	3.9	6.7

⁽¹⁾ The population in Boulder, Larimer and Weld Counties represents 93% of the total estimated population within Northern Water boundaries.

⁽²⁾ Data calculated from ESRI Population Demographics that are developed from U.S. Census and other data sources.

⁽³⁾ Data from 2009 to present taken from the counties' CAFRs. Prior to that time, per capita and personal income data taken from the Bureau of Economic Analysis and the unemployment rates from the U.S. Department of Labor, Bureau of Labor Statistics.

2013	2012	2011	2010	2009	2008
859,913	858,565	842,494	842,447	828,350	794,616
\$ 51,893 45,775 25,233	\$ 53,352 44,179 27,186	\$ 50,095 38,546 28,503	\$ 49,543 37,655 27,788	\$ 53,533 39,746 27,238	\$ 51,436 38,929 26,280
\$ 15,535,659 14,234,423 7,760,000	\$ 15,758,416 13,486,391 6,930,000	\$ 14,786,545 11,583,959 7,070,000	\$ 14,525,373 11,235,574 7,380,000	\$ 15,570,648 11,641,166 6,660,000	\$ 14,784,185 11,169,781 6,230,000
5.4% 6.6 8.7	6.1% 7.1 9.1	6.7% 7.6 9.8	5.7% 6.3 8.2	4.2% 4.2 6.3	3.8% 3.4 4.6

Largest Employers by Principal Municipalities Served by Northern Water (2008 and 2017)

September 30,

Unaudited

Boulder, City of⁽¹⁾

Employers	2017			2008 ⁽²⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment
University of Colorado at Boulder	1	6,652	3.8%	1	6,902	4.3%
St. Vrain Valley School District ⁽³⁾	2	4,661	2.6	4	3,392	2.1
Boulder Valley School District	3	4,381	2.5	2	4,144	2.6
Boulder County	4	1,957	1.1	10	1,684	1.0
IBM Corporation	5	1,800	1.0	3	3,400	2.1
Boulder Community Hospital	6	1,796	1.0	8	2,380	1.5
Medtronic Surgical Technologies	7	1,700	1.0	-	-	-
Ball Corporation	8	1,616	0.9	7	3,000	1.9
Boulder, City of	9	1,400	0.8	-	-	-
National Center for Atmospheric Research (NCAR)	10	1,226	0.8	-	-	-
Oracle Corporation (formerly Sun Microsystems, Inc.)	-	-	-	5	3,387	2.1
Colorado, State of	-	-	-	6	3,048	1.9
Level 3 Communications, Inc.	-	-	-	9	2,000	1.2
Top ten principal employers		27,189	15.5%		33,337	20.7%
Employees ⁽⁴⁾		175,413			161,048	

Broomfield, City and County of⁽⁵⁾

Employers	2017			2008 ⁽²⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment ⁽⁶⁾
Level 3 Communications, Inc.	1	2,360	6.3%	3	2,305	-
Oracle Corporation (formerly Sun Microsystems, Inc.)	2	2,000	5.4	1	3,380	-
Urban Lending Solutions	3	740	2.0	-	-	-
SCL Health System	4	920	2.5	-	-	-
Hunter Douglas	5	910	2.4	4	967	-
Broomfield, City and County of	6	779	2.1	6	564	-
Staples Advantage (formerly Corporate Express)	7	700	1.9	5	599	-
Ball Corporation	7	700	1.9	2	3,000	-
Vail Resorts	9	680	1.8	-	-	-
TransFirst Holdings	10	660	1.8	-	-	-
Sandoz, Inc. (Geneva Pharmaceuticals)	-	-	-	7	544	-
Whitewave Foods	-	-	-	8	403	-
MWH Global	-	-	-	9	276	-
Bestop	-	-	-	10	269	-
Top ten principal employers		10,449	28.1%		12,307	-
Employees ⁽⁴⁾		37,190			_(6)	

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. Effective 2017, Broomfield County, as an employer, has been excluded.

⁽²⁾ Data taken from the Northern Water 2008 CAFR.

⁽³⁾ The St. Vrain Valley School District spans 13 different communities including Eastern Boulder. Also reported under the City of Longmont.

⁽⁴⁾ Calculated based on number of employees for largest employers and percentage employment.

⁽⁵⁾ Data provided for the entire City and County of Broomfield, only a portion of which is within Northern Water boundaries.

⁽⁶⁾ Data not available.

Fort Collins, City of

Employers	2017			2008⁽²⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment
Colorado State University	1	7,525	9.2%	1	6,948	8.5%
Poudre R-1 School District	2	4,297	5.3	4	3,014	3.7
UC Health Poudre Valley Hospital	3	3,801	4.7	3	3,020	3.7
Fort Collins, City of	4	2,006	2.5	6	1,864	2.3
Larimer County	5	1,838	2.3	7	1,467	1.8
Woodward, Inc.	6	1,232	1.5	-	-	-
Broadcom (Avago)	7	1,084	1.3	-	-	-
U.S. Department of Agriculture	8	1,078	1.3	-	-	-
Otterbox	9	864	1.1	-	-	-
Employment Solutions Personnel	10	850	1.0	-	-	-
Hewlett Packard	-	-	-	2	3,182	3.9
Agilent Technologies	-	-	-	5	2,800	3.4
Wal-Mart SuperCenter	-	-	-	8	909	1.1
Advanced Energy	-	-	-	9	825	1.0
Anheuser-Busch	-	-	-	10	760	0.9
Top ten principal employers		24,575	30.2%		24,789	30.3%
Employees		81,374			81,812	

Greeley, City of

Employers	2017			2008⁽²⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment⁽⁶⁾
JBS Swift & Company	1	4,620	9.7%	1	3,650	-
Banner Health Care (formerly North Colorado Medical Center)	2	3,450	7.2	2	2,700	-
University of Northern Colorado	3	1,623	3.4	3	2,559	-
Weld County	4	1,615	3.4	5	1,490	-
Greeley/Evans School District Six	5	1,609	3.4	4	2,307	-
State Farm Insurance Companies	6	1,400	2.9	6	1,322	-
Greeley, City of	7	1,002	2.1	7	1,306	-
TeleTech Services	8	830	1.8	-	-	-
Noble Energy	9	500	1.0	-	-	-
Xerox Commerical Solutions	9	500	1.0	-	-	-
StarTek, Inc.	-	-	-	8	906	-
Wal-Mart Supercenter	-	-	-	9	856	-
Corestream Health, Inc.	-	-	-	10	800	-
Top ten principal employers		17,149	35.9%		17,896	
Employees⁽⁴⁾		47,764			-(6)	

Largest Employers by Principal Municipalities Served by Northern Water (2008 and 2017) (continued)

September 30,
Unaudited

Longmont, City of

Employers	2017			2008 ⁽¹⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment
St. Vrain Valley School District	1	4,727	9.6%	1	4,143	9.4%
Seagate Technology	2	1,539	3.1	2	1,605	3.6
Longmont United Hospital	3	1,273	2.6	3	1,297	2.9
Longmont, City of	4	818	1.7	5	816	1.9
West Safety Services Division	5	746	1.5	-	-	-
Circle Graphics, Inc.	6	631	1.3	-	-	-
DigitalGlobe	7	514	1.0	-	-	-
Federal Aviation Administration	8	445	0.9	9	428	1.0
McLane Western	9	433	0.9	8	545	1.2
Cross	10	351	0.7	-	-	-
Butterball, LLC	-	-	-	4	920	2.1
Amgen	-	-	-	6	809	1.8
Intrado	-	-	-	7	693	1.6
Xilinx	-	-	-	10	400	0.9
Top ten principal employers		11,477	23.3%		11,656	26.4%
Employees ⁽²⁾		49,258			44,152	

Loveland, City of

Employers	2017			2008 ⁽¹⁾		
	Rank	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment
Thompson School District R2-J	1	2,115	5.1%	1	2,232	6.8%
Wal-Mart Distribution Center	2	1,250	3.0	2	1,225	3.7
U.S. Bank	3	1,000	2.4	-	-	-
Agrium/Crop Production Services	4	900	2.2	-	-	-
Hach Company	5	800	1.9	3	1,100	3.4
Loveland, City of	6	772	1.9	6	814	2.5
McKee Medical Center	7	577	1.4	4	950	2.9
Woodward Governor	8	360	0.9	-	-	-
Good Samaritan Society-Loveland	9	225	0.6	-	-	-
North Shore Health and Rehab Center	10	195	0.5	-	-	-
Medical Center of the Rockies ⁽²⁾	-	-	-	4	950	2.9
Agilent Technologies	-	-	-	7	550	1.7
Kroll Factual Data	-	-	-	8	354	1.1
Group Publishing	-	-	-	9	324	1.0
Big Thompson Medical Group P.C.	-	-	-	10	250	0.7
Top ten principal employers		8,194	19.9%		8,749	26.7%
Employees ⁽³⁾		41,128			32,768	

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

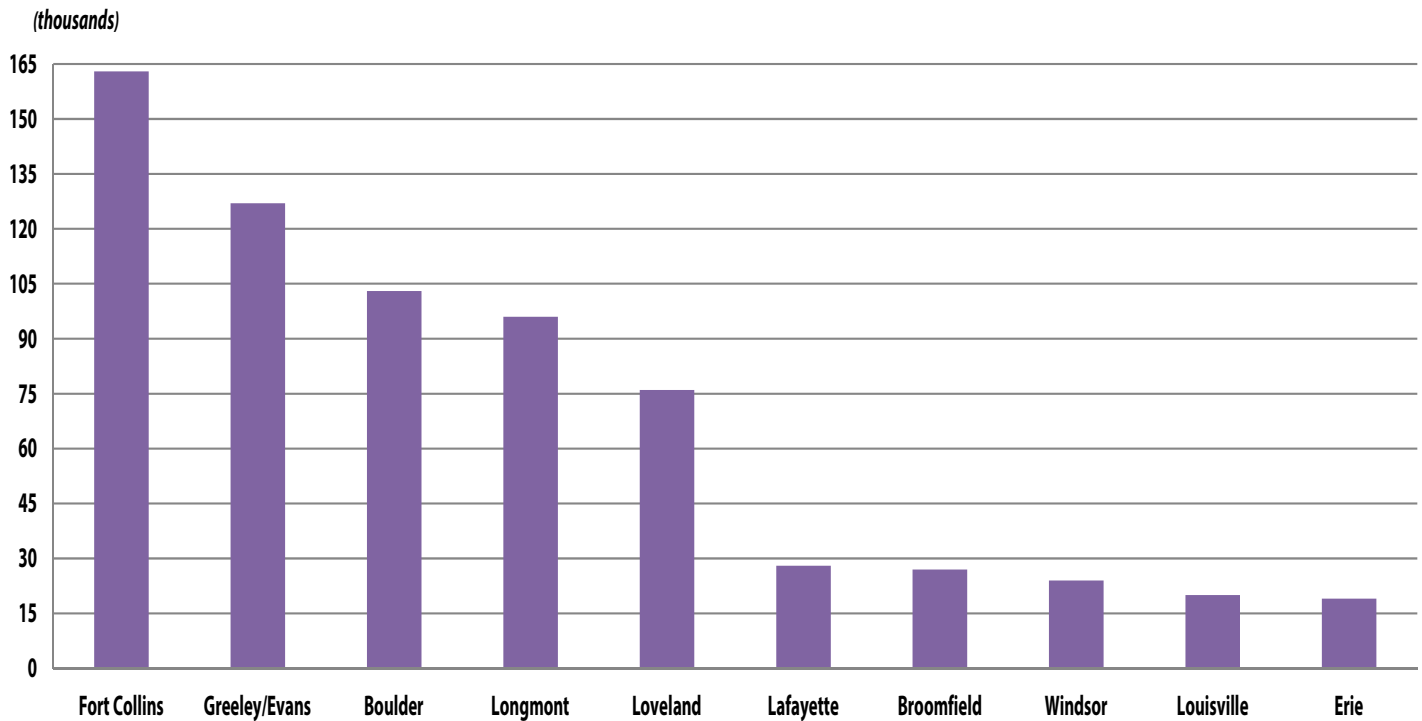
⁽¹⁾ Data taken from the Northern Water 2008 CAFR.

⁽²⁾ Calculated based on number of employees for largest employers and percentage employment.

⁽³⁾ No longer included in City data source.

Population of Ten Largest Municipalities in Northern Water Boundaries (2008 and 2017)⁽¹⁾

September 30, 2017
Unaudited



Municipalities	2017		2008	
	Population ⁽²⁾	Percentage	Population ⁽³⁾	Percentage
Fort Collins, City of	163,076	17.0%	134,169	16.9%
Greeley/Evans, Cities of	126,735	13.2	110,195	13.9
Boulder, City of	103,313	10.8	99,140	12.5
Longmont, City of	95,734	10.0	85,039	10.7
Loveland, City of	75,905	7.9	64,166	8.1
Lafayette, City of	27,556	2.9	25,026	3.1
Broomfield, City and County of	27,084	2.8	53,691	6.7
Windsor, Town of	24,451	2.5	14,393	1.8
Louisville, City of	19,990	2.1	18,890	2.4
Erie, Town of	19,297	2.0	14,189	1.8
Population of ten largest municipalities in Northern Water boundaries	683,141	71.2	618,898	77.9
Other municipalities and unincorporated areas	276,314	28.8	175,718	22.1
Estimated population within Northern Water boundaries	959,455	100.0%	794,616	100.0%

⁽¹⁾ Population data represent the estimated portion of municipal population located within Northern Water boundaries and, therefore, may differ from population statistics reported in the municipalities' CAFRs.

⁽²⁾ Data calculated from ESRI Population Demographics that are developed from U.S. Census and other data sources.

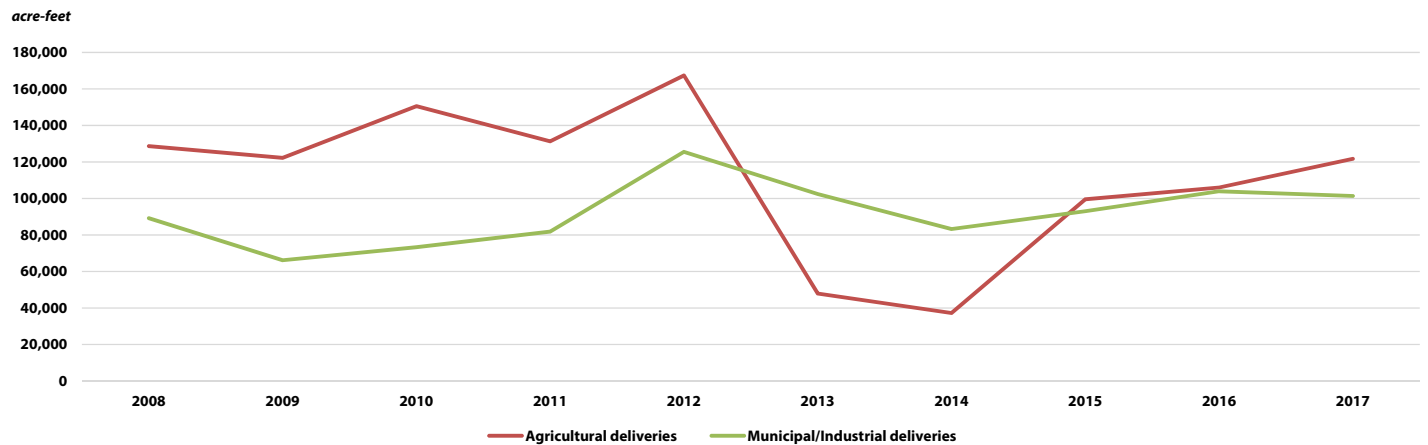
⁽³⁾ Data calculated from Colorado Demographers office statistics.

C-BT Project Water Deliveries (2008 - 2017)⁽¹⁾

District Enterprise Fund

Years ended September 30,

Unaudited



Year	Agricultural		Municipal/Industrial		Water Deliveries
	Deliveries	Percentage	Deliveries	Percentage	
2008	128,676	59.1	89,206	40.9	217,882
2009	122,216	64.9	66,146	35.1	188,362
2010	150,534	67.2	73,331	32.8	223,865
2011	131,334	61.6	81,836	38.4	213,170
2012	167,375	57.1	125,534	42.9	292,909
2013	47,907	31.9	102,447	68.1	150,354
2014	37,248	30.9	83,255	69.1	120,503
2015	99,571	51.7	92,985	48.3	192,556
2016	106,036	50.5	103,940	49.5	209,976
2017	121,727	54.6	101,381	45.4	223,108
Historical average from 1954	164,671	77.6%	47,581	22.4%	212,252

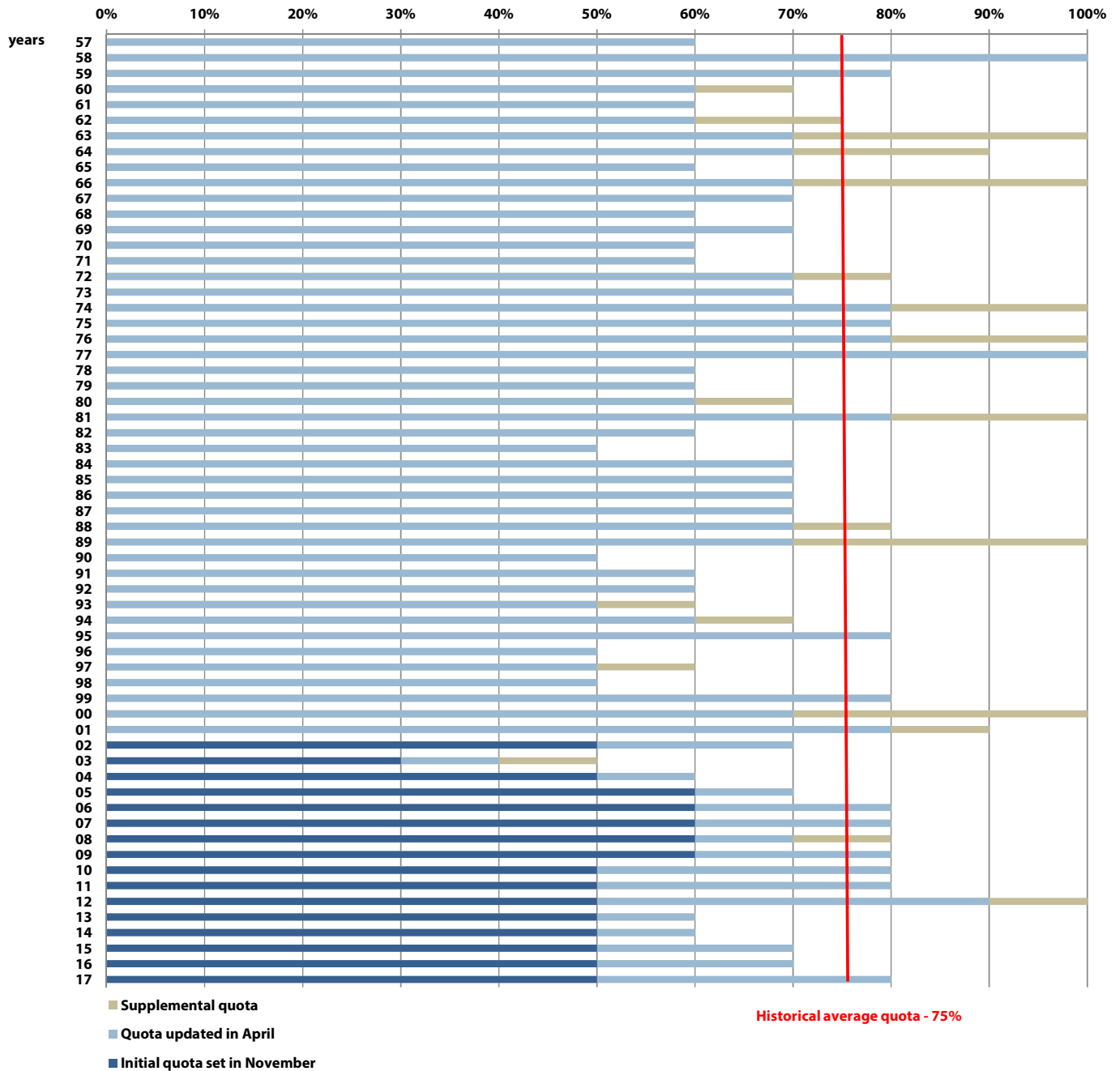
⁽¹⁾ Includes C-BT Project quota, carryover, non-charge, operations and Regional Pool water.

C-BT Project Water Delivery Quotas (Historical)⁽¹⁾

District Enterprise Fund

Years ended September 30,

Unaudited



⁽¹⁾ In 2002 the Board began issuing an initial quota for the water year (November 1 - October 31).

Capital Assets by Northern Water Enterprise Funds (2008 - 2017)

September 30,
Unaudited

District	2017	2016	2015	2014
District				
Non-depreciable capital assets				
Land, easements and water rights	\$ 81,911,417	\$ 81,996,315	\$ 81,997,293	\$ 82,027,587
Construction in progress	2,701,458	2,668,200	2,031,625	283,363
Depreciable capital assets				
Buildings and improvements	19,428,994	19,340,433	18,654,537	18,594,598
Operations equipment	5,472,775	5,370,649	5,440,607	5,371,761
Computer and office equipment	10,055,588	9,382,832	8,555,986	8,172,229
Capital assets	<u>119,570,232</u>	<u>118,758,429</u>	<u>116,680,048</u>	<u>114,449,538</u>
Less accumulated depreciation				
Buildings and improvements	(10,622,714)	(9,865,172)	(9,123,419)	(8,396,388)
Operations equipment	(5,030,052)	(5,033,544)	(5,094,729)	(5,079,024)
Computer and office equipment	(5,113,699)	(4,694,811)	(4,240,138)	(3,605,688)
Accumulated depreciation	<u>(20,766,465)</u>	<u>(19,593,527)</u>	<u>(18,458,286)</u>	<u>(17,081,100)</u>
District capital assets, net	<u>98,803,767</u>	<u>99,164,902</u>	<u>98,221,762</u>	<u>97,368,438</u>
Southern Water Supply Project				
Non-depreciable capital assets				
Land, easements and water rights ⁽¹⁾	5,232,983	5,232,983	5,232,983	5,232,983
Construction in progress	3,857,236	2,189,374	1,750,024	1,607,625
Depreciable capital assets				
Water pipeline and equipment	69,983,333	69,983,357	70,003,210	69,526,213
Capital assets	<u>79,073,552</u>	<u>77,405,714</u>	<u>76,986,217</u>	<u>76,366,821</u>
Less accumulated depreciation				
Water pipeline and equipment	(36,117,443)	(34,461,533)	(32,824,079)	(31,164,625)
SWSP capital assets, net	<u>42,956,109</u>	<u>42,944,181</u>	<u>44,162,138</u>	<u>45,202,196</u>
Pleasant Valley Pipeline				
Non-depreciable capital assets				
Land and easements	934,330	934,330	934,330	934,330
Depreciable assets				
Water pipeline and equipment	29,732,205	29,732,205	29,732,205	29,732,205
Capital assets	<u>30,666,535</u>	<u>30,666,535</u>	<u>30,666,535</u>	<u>30,666,535</u>
Less accumulated depreciation				
Water pipeline and equipment	(9,662,966)	(8,919,661)	(8,176,356)	(7,433,051)
PVP capital assets, net	<u>21,003,569</u>	<u>21,746,874</u>	<u>22,490,179</u>	<u>23,233,484</u>
Northern Integrated Supply Project				
Non-depreciable capital assets				
Construction in progress	24,134,570	20,139,477	16,737,711	14,490,801
Hydropower⁽²⁾				
Non-depreciable capital assets				
Construction in progress	-	-	2,830,289	-
Depreciable capital assets				
Hydropower plants	11,489,074	11,489,074	6,278,945	6,278,945
Capital assets	<u>11,489,074</u>	<u>11,489,074</u>	<u>9,109,234</u>	<u>6,278,945</u>
Less accumulated depreciation				
Hydropower plants	(965,578)	(678,352)	(521,378)	(364,405)
Hydropower capital assets, net	<u>10,523,496</u>	<u>10,810,722</u>	<u>8,587,856</u>	<u>5,914,540</u>
Capital assets, net	<u>\$197,421,511</u>	<u>\$ 194,806,156</u>	<u>\$ 190,199,646</u>	<u>\$ 186,209,459</u>

⁽¹⁾ Included with water pipeline and equipment prior to 2013.

⁽²⁾ Trout and Granby Hydropower facilities became operational 2012 and 2016, respectively.

2013	2012	2011	2010	2009	2008
\$ 81,829,055	\$ 78,931,481	\$ 69,311,486	\$ 66,458,165	\$ 65,761,333	\$ 53,782,601
54,526	3,140,242	1,547,231	1,598,488	1,091,613	11,270,607
18,732,858	18,732,858	18,721,544	18,721,544	18,378,384	18,164,932
5,419,499	5,343,262	5,234,578	5,097,270	5,143,814	5,271,870
8,040,845	3,055,626	3,421,254	3,208,332	2,855,266	2,844,942
<u>114,076,783</u>	<u>109,203,469</u>	<u>98,236,093</u>	<u>95,083,799</u>	<u>93,230,410</u>	<u>91,334,952</u>
(7,790,187)	(6,977,380)	(6,122,579)	(5,265,105)	(4,473,323)	(3,750,182)
(5,071,837)	(5,001,649)	(4,912,530)	(4,814,833)	(4,752,321)	(4,683,622)
(2,973,089)	(2,707,585)	(3,027,395)	(2,674,394)	(2,360,386)	(2,390,477)
(15,835,113)	(14,686,614)	(14,062,504)	(12,754,332)	(11,586,030)	(10,824,281)
<u>98,241,670</u>	<u>94,516,855</u>	<u>84,173,589</u>	<u>82,329,467</u>	<u>81,644,380</u>	<u>80,510,671</u>
5,232,983	-	-	-	-	-
1,113,518	850,649	811,089	680,473	543,420	491,539
69,499,494	74,732,477	74,742,404	74,735,178	74,730,114	74,730,114
<u>75,845,995</u>	<u>75,583,126</u>	<u>75,553,493</u>	<u>75,415,651</u>	<u>75,273,534</u>	<u>75,221,653</u>
(29,519,078)	(27,871,845)	(26,013,426)	(24,141,257)	(22,282,770)	(20,393,734)
<u>46,326,917</u>	<u>47,711,281</u>	<u>49,540,067</u>	<u>51,274,394</u>	<u>52,990,764</u>	<u>54,827,919</u>
934,330	934,330	934,330	934,330	934,330	934,330
29,739,846	29,732,205	29,732,205	29,732,205	29,732,205	29,732,205
<u>30,674,176</u>	<u>30,666,535</u>	<u>30,666,535</u>	<u>30,666,535</u>	<u>30,666,535</u>	<u>30,666,535</u>
(6,690,510)	(5,946,441)	(5,203,136)	(4,459,831)	(3,716,525)	(2,973,220)
<u>23,983,666</u>	<u>24,720,094</u>	<u>25,463,399</u>	<u>26,206,704</u>	<u>26,950,010</u>	<u>27,693,315</u>
12,733,803	11,326,978	10,159,460	9,029,413	7,859,047	6,436,492
-	-	2,255,182	-	-	-
6,278,945	6,219,195	-	-	-	-
<u>6,278,945</u>	<u>6,219,195</u>	<u>2,255,182</u>	<u>-</u>	<u>-</u>	<u>-</u>
(207,431)	(51,827)	-	-	-	-
<u>6,071,514</u>	<u>6,167,368</u>	<u>2,255,182</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 187,357,570</u>	<u>\$ 184,442,576</u>	<u>\$ 171,591,697</u>	<u>\$ 168,839,978</u>	<u>\$ 169,444,201</u>	<u>\$ 169,468,397</u>

C-BT Project Water Conveyance, Storage Reservoirs and Pump Stations⁽¹⁾
District Enterprise Fund

September 30, 2017

Unaudited

Water Conveyance	Capacity (cfs)	Length (miles)
Alva B. Adams Tunnel		13.1
East Slope Power Conduit System		18.5
Canals, West Slope		6.3
Canals, East Slope		
St. Vrain Supply	625	9.8
Boulder Feeder	200	13.2
Boulder Creek Supply	200	2.5
South Platte Supply	230	32.2
Charles Hansen Feeder	550	13.2
Charles Hansen Supply	1,500	5.6
North Poudre Supply	250	12.5
Dixon Feeder	8	3.0
Water conveyance		<u>129.9</u>

Storage Reservoirs	Shoreline (miles)	Capacity (acre-feet)	
		Active⁽²⁾	Total
West Slope			
Grand Lake ⁽³⁾	4.5	N/A	68,600
Green Mountain	19	146,779	154,645
Lake Granby	40	465,568	539,758
Willow Creek	7	3,329	10,553
Shadow Mountain	8	1,839	17,354
East Slope			
Mary's Lake	1	N/A	927
Lake Estes	4	N/A	3,068
Pinewood	3	N/A	2,181
Flatiron	2	N/A	760
Carter Lake	12	108,924	112,230
Boulder	4	11,970	13,270
Horsetooth	25	149,732	156,735
Storage reservoirs	<u>125</u>	<u>888,141</u>	<u>1,080,081</u>

Pump Stations	Pump Station Capacity (cfs)	Rated Lift (feet)	Installed Capacity (horsepower)
Farr	600	186	18,000
Willow Creek	400	175	10,000
Flatiron Reservoir	370	240	13,000
Pump stations	<u>1,370</u>	<u>601</u>	<u>41,000</u>

⁽¹⁾ The capacity information for the C-BT Project has remained the same since the inception of the project in 1957.

⁽²⁾ Active capacity is the amount of water that can be stored and later released for beneficial purposes. In most reservoirs, some amount of the stored water cannot be evacuated due to the placement of outlet works. The water that cannot be evacuated is sometimes called "dead storage."

⁽³⁾ Natural lake.

Northern Water Employees by Division (2008 - 2017)⁽¹⁾

September 30,
Unaudited

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Management	4	4	5	5	5	5	5	5	5	5
Operations Division										
Collections	15	15	17	18	18	19	19	19	18	19
Distribution ⁽²⁾	16	19	19	18	18	17	17	17	17	17
Facilities and Equipment	10	9	9	9	10	10	10	10	10	10
Information Technology ⁽³⁾	9	9	10	11	11	11	11	11	8	7
Instrumentation Control and Electrical Engineering ⁽⁴⁾	5	5	5	5	5	5	5	7	6	6
Water Records and Accounting	1	1	1	-	-	-	-	-	-	-
Safety	1	1	1	-	-	-	-	-	-	-
Operations Division	57	59	62	61	62	62	62	64	59	59
Engineering Division										
Project Management	7	5	5	4	4	3	3	3	3	3
Water Resources	4	4	4	4	4	4	4	4	4	4
GIS ⁽²⁾	-	-	-	-	-	-	-	-	4	4
Civil Support ⁽²⁾	-	-	-	-	-	1	1	1	1	1
Water Quality	5	4	3	3	3	3	3	2	2	1
Field Services	8	7	6	6	6	5	5	5	4	3
Emergency and Security/Real Estate ⁽⁴⁾⁽⁵⁾	2	2	2	1	1	2	2	2	2	2
South Platte Special Projects	1	1	1	1	1	1	1	1	1	1
Irrigation Management	6	6	6	6	6	6	6	6	5	5
Engineering Division	33	29	27	25	25	25	25	24	26	24
Administrative Division										
Human Resources and Administrative Services	7	7	7	8	8	8	8	8	8	7
Communications and Records	7	6	7	8	8	9	9	9	9	8
Financial Services	6	6	6	6	6	5	5	5	5	5
Administrative Division	20	19	20	22	22	22	22	22	22	20
Full-time regular employees	114	111	114	113	114	114	114	115	112	108

⁽¹⁾ In January, 2018, the Board approved certain changes in Northern Water's organizational structure and reporting hierarchy. The Management group increased from 4 to 5 employees, Information Technology transferred to Administration, Human Resources and Administration Services has been separated into three departments - Administration Services, Allotment Contracts and Inclusions, and Human Resources - and the Irrigation Management department has been replaced by Water Efficiency.

⁽²⁾ Distribution included Civil Support effective 2013.

⁽³⁾ Information Technology included GIS effective 2010.

⁽⁴⁾ Instrumentation Control and Electrical Engineering was divided into two departments in 2008 - Instrumentation Control and Electrical Engineering and Emergency and Security.

⁽⁵⁾ Emergency and Security was combined with Real Estate in 2013.

Northern Water Organizational and Contact Information

September 30, 2017
Unaudited

Authority	Water Conservancy Act
Date of Formation	September 20, 1937
Governing Body	Northern Water 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 Northern Water boundaries.
Organization	Northern Water is a public body political and corporate, a quasi-municipal entity and a political subdivision of the State of Colorado.
Purpose	Northern Water was organized to acquire water; to obtain rights-of-way for certain water works; to provide construction for water facilities; to incur contractual or bond indebtedness; to administer, operate and maintain physical works; to conserve, control, allocate and distribute water supplies; and to derive the revenues needed to accomplish its purposes.

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