

**Comprehensive Annual Financial Report  
Year ended September 30, 2018**



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



# **Comprehensive Annual Financial Report**

Year ended September 30, 2018

**Northern Colorado Water Conservancy District**

Berthoud, Colorado



*Prepared by: Financial Services Department*

# Comprehensive Annual Financial Report

September 30, 2018

## Table of Contents

|   | <u>Page</u> |
|---|-------------|
| <b>INTRODUCTORY</b>   |             |
| <b>Transmittal Letter</b>   | i           |
| <b>Board of Directors</b>   | iv          |
| <b>Organizational Chart and Management</b>  | v           |
| <b>Certificate of Achievement</b>   | vi          |
| <b>FINANCIAL</b>  |             |
| <b>Independent Auditors' Report</b>   | 1           |
| <b>Management's Discussion and Analysis</b>   | 4           |
| <b>Basic Financial Statements</b>   |             |
| Northern Water Proprietary Funds Financial Statements   |             |
| Statement of Net Position   | 10          |
| Statement of Revenues, Expenses and Changes in Net Position   | 13          |
| Statement of Cash Flows   | 14          |
| Northern Water Fiduciary Fund Pension Trust Fund Financial Statements   |             |
| Statement of Fiduciary Net Position   | 16          |
| Statement of Changes in Fiduciary Net Position  | 17          |
| Notes to Financial Statements   | 18          |
| <b>Required Supplementary Information</b>   |             |
| Northern Water Fiduciary Fund Pension Trust Fund  |             |
| Schedule of Changes in Net Pension Liability and Related Ratios   | 36          |
| Schedule of Employer Contributions  | 37          |
| <b>Supplementary Information</b>  |             |
| Northern Water Enterprise Funds, Schedules of Revenues and Expenses, Budget to Actual   |             |
| District Enterprise Fund  | 40          |
| Southern Water Supply Project   | 41          |
| Pleasant Valley Pipeline Project  | 42          |
| Northern Integrated Supply Project  | 43          |
| Hydropower  | 44          |
| <b>STATISTICAL INFORMATION</b>  |             |
| This part of Northern Water's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, required supplementary information and supplementary information says about Northern Water's overall financial health. Unless otherwise noted, the statistical information is derived from the CAFRs, underlying accounting, allotment and operational information of Northern Water. |             |
| <b>Northern Water Facilities, Colorado-Big Thompson Project Facilities and Northern Water Boundaries</b>  | 46          |
| <b>Financial Trends</b>   |             |
| These schedules contain trend information to help the reader understand how Northern Water's financial performance has changed over time.   |             |
| Statement of Changes in Net Position (2009 - 2018) - All Northern Water Enterprise Funds  | 48          |
| Statement of Net Position by Component (2009 - 2018) - All Northern Water Enterprise Funds  | 50          |
| Schedule of C-BT Project Joint Operations and Maintenance Costs (Historical) - District Enterprise Fund   | 53          |
| <b>Revenue Capacity</b>   |             |
| These schedules on assessments, charges for services and property taxes contain information to help the reader assess Northern Water's primary revenue sources. Since Northern Water is a regional water organization, it does not present overlapping information on property tax rates.   |             |
| Assessments   |             |
| Water Assessments and Ownership by Water Allotment Contract Class and Rate (2009 - 2018) - District Enterprise Fund   | 54          |

---

|  | <u>Page</u> |
|--|-------------|
| Largest Water Allotment Contract Holders (2009 and 2018) - District Enterprise Fund  |             |
| By Acre-foot Units   | 56          |
| By Water Assessment  | 57          |
| Open-Rate Water Assessment Charges (Historical) - District Enterprise Fund   | 58          |
| Market Prices per Acre-Foot Unit (Historical) - District Enterprise Fund   | 59          |
| Charges for Services and Energy Revenue (2009 - 2018) - District and Hydropower Enterprise Funds   | 60          |
| Property Taxes - District Enterprise Fund  |             |
| Property Tax Levies and Collections (2009 - 2018)  | 63          |
| Assessed and Estimated Actual Value of Taxable Properties (2009 - 2018)  | 64          |
| Property Tax Collections by County (2009 - 2018)   | 66          |
| Largest Corporate Taxpayers by Taxable Assessed Valuation (2009 and 2018)  | 67          |
| <b>Debt Capacity</b>   |             |
| This schedule presents information to help the reader assess the affordability of Northern Water's current level of outstanding debt.  |             |
| Statistics of Outstanding Debt by Type (2009 - 2018) - District and Hydropower Enterprise Funds  | 68          |
| <b>Demographic and Economic Information</b>  |             |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which Northern Water's financial activities take place.   |             |
| Northern Water Population and Economic Statistics (2009 - 2018)  | 70          |
| Largest Employers by Principal Municipalities Served by Northern Water (2009 and 2018)   | 72          |
| Population of Ten Largest Municipalities in Northern Water Boundaries (2009 and 2018)  | 75          |
| <b>Operating Information</b>   |             |
| These schedules contain information about Northern Water's operations and resources to help the reader understand how Northern Water's financial information relates to the services it provides and the activities it performs. |             |
| C-BT Project Water Deliveries (Historical and 2009 - 2018) - District Enterprise Fund  | 76          |
| C-BT Project Water Delivery Quotas (Historical) - District Enterprise Fund   | 77          |
| Capital Assets by Northern Water Enterprise Fund (2009 - 2018)   | 78          |
| Project Capacity Statistics by Northern Water Enterprise Fund  | 80          |
| Northern Water Employees by Division (2009 - 2018)   | 83          |
| <b>General Information</b>   |             |
| Northern Water Organizational and Contact Information  | 84          |





February 25, 2019

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, 2018, 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, 2018. The independent auditors' report is located on page 1.

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

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 is a public agency created in 1937 to partner with the U.S. Bureau of Reclamation (Reclamation) in the construction and operation of the Colorado-Big Thompson (C-BT) Project. The C-BT Project diverts, stores and regulates water from the Colorado River on the West Slope of the Continental Divide to the East Slope of the Rocky Mountains. C-BT Project water provides supplemental irrigation for nearly 640,000 acres of farm and rangeland and supplements the water needs of nearly one million people in the eight northern Colorado counties within the Northern Water boundaries. The C-BT Project became fully operational in 1957 and today delivers on average more than 212,000 acre-feet of water annually.

Northern Water meets its C-BT Project responsibilities within a framework of four organizational objectives:

- Delivering water
- Conserving and protecting water supplies
- Meeting future regional water needs
- Cultivating organizational excellence through a mindset of service to the common good, or stewardship

The following values are adhered to as Northern Water works toward those objectives:

- Service to the public and to Northern Water customers
- Collaborative problem-solving
- Transparency and accountability
- Safety
- Environmental stewardship
- Sustainability and resilience

Northern Water's financial structure is defined by the terms and conditions of Colorado's Water Conservancy Act and its Repayment Contract with Reclamation. Northern Water establishes water assessment rates in accordance with terms of perpetual allotment contracts with water users for delivery of wholesale C-BT Project water for use within Northern Water boundaries. Water users are charged based on allotment units held, independent of actual water deliveries. In addition, Northern Water collects a voter-approved 1 mill levy property tax on real property located within its boundaries in accordance with a Repayment Contract with Reclamation. Northern Water charges for administration, engineering and operations services provided to the Northern Water enterprise funds, the Municipal Subdistrict of the Northern Colorado Water Conservancy District (Subdistrict) and others such as Reclamation.

Northern Water owns the following water activity enterprises, which are government-owned businesses within the meaning of Article X, Section 20 of the Colorado Constitution: the Southern Water Supply Project Water Activity Enterprise created in 1993, the Pleasant Valley Pipeline Project Water Activity Enterprise created in 1999, the Northern Integrated Supply Project Water Activity Enterprise created in 2003 and the Hydropower Water Activity Enterprise created in 2010. In addition, Northern Water has a Pension Trust fund, which was closed to new participants as of 2003.

### **Northern Water**

Northern Water, with Reclamation, jointly operates and maintains the C-BT Project, a large and complex natural resource development consisting of over 100 structures integrated into a transmountain diversion, storage and delivery system. The project includes dams, dikes, reservoirs, powerplants, pumping plants, pipelines, tunnels, transmission lines, substations and other associated structures. These structures are single purpose water distribution, single purpose power

generation or multipurpose serving or benefitting both water supply and power generation. Northern Water bears the cost of single purpose water distribution features. Reclamation bears the cost of single purpose power generation features. Northern Water and Reclamation share evenly the cost of multipurpose water and power generation works.

In addition to the C-BT Project, Northern Water activities include monitoring weather data, conducting water quality studies, and tracking and forecasting streamflows. Northern Water strives to promote effective water management through its 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.

#### ***Southern Water Supply Project Enterprise Fund (SWSP)***

SWSP was developed to convey C-BT Project and Windy Gap Project water supplies to areas located within Northern Water and Subdistrict boundaries through 113 miles of pipeline. Construction costs were funded from participant contributions. The project is operated and maintained by Northern Water for the benefit of project participants who provide all ongoing cash requirements.

Construction of a second SWSP pipeline, known as SWSP Pipeline II, began in 2018 to provide a secure, year-round water supply to the four SWSP Pipeline II project participants. See further discussion below.

#### ***Pleasant Valley Pipeline Project Enterprise Fund (PVP)***

The PVP project was put into operation in 2004. This project increases water reliability and flexibility for project participants on the East Slope using an 8.5-mile reversible flow pipeline. The project is operated and maintained by Northern Water for the benefit of project participants who fully funded construction costs and provide all ongoing cash requirements.

#### ***Northern Integrated Supply Project Enterprise Fund (NISP)***

NISP is a collaborative effort to develop a new water storage and distribution system that will supply water to 15 participants located in Northern Water boundaries. See further discussion below.

#### ***Hydropower Enterprise Fund (Hydropower)***

Hydropower was established to construct and operate small hydropower facilities. Hydropower currently owns and operates the Robert V. Trout Hydropower Plant at Carter Lake and the Granby Hydropower Plant at Lake Granby. The two facilities became operational in 2012 and 2016, respectively, and, combined, generate approximately 12 million kwh of energy annually. Energy is sold to local energy delivery systems. Construction was funded through debt and interfund financing. Revenue from energy sales provides all operating and debt service requirements.

### **Major Activities and Initiatives**

#### ***Northern Water***

In late 2018, Bradley D. Wind succeeded Eric W. Wilkinson as General Manager of Northern Water. Wilkinson retired after 30 years with Northern Water, 24 years of which he served as General Manager. The change in management has led to a period of organizational transition as Northern Water strategically prepares itself for the challenges and opportunities of the future. Those organizational changes have included evolving Water Quality, Water Efficiency and Field Services

departments into an Environmental Services Division, realigning departmental reporting through a Stewardship Team management structure and increasing staff levels.

A sustained drought in the Colorado River basin is depleting the basin's water supplies to historically low levels. Northern Water is committed to actively engaging in working collaboratively and maintaining critical relationships with other water users, governing bodies and stakeholders to promote proactive solutions.

#### ***Southern Water Supply Project Enterprise Fund***

In 2018, construction began on the SWSP Pipeline II project, a 20-mile pipeline 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. Project participants are fully funding the estimated \$42 million project cost. It is anticipated the project will be operational in 2020.

#### ***Northern Integrated Supply Project Enterprise Fund***

NISP will add 40,000 acre-feet of new water supply annually and more than 200,000 acre-feet of storage capacity with the construction of Glade and Galeton reservoirs, pump stations and related conveyance pipelines.

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 impacts identified in the Environmental Impact Statement and improve the aquatic and riparian habitat of the Poudre River, regional wildlife habitat and recreational opportunities.

In 2018, the U.S. Army Corps of Engineers released its final Environmental Impact Statement. It is anticipated that final permitting and a Record of Decision for the project will follow in 2019. Final design will commence in 2019.

NISP participants are responsible for funding the entire project, which is presently forecast to cost \$1.2 billion.

#### **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, providing many opportunities due to its broad mix of industries and educated workforce. 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 2018 by the Colorado Office of State Planning and Budgeting reports that Colorado's economic expansion continued at a healthy pace in 2018. Employment growth was strong, while wage growth outpaced inflation. Oil and gas production continued to set record highs.

Overall, job growth in Front Range metro areas was positive in 2018, though moderating from 2017 rates. Greeley experienced the most job growth, increasing 4.2 percent as compared to the state average of 2.3 percent, reflecting continued growth in the energy industry. Increases in oil production are forecast to continue. Unemployment statewide rose slightly from 2.7 percent to 3.2 percent as the size of the

---

labor force grew faster than employment. Unemployment for the state is expected to increase slowly over the next few years to 3.5 percent in 2020. Unemployment rates for the Front Range averaged just under 3 percent in 2018. Population growth is expected to remain steady at around 1.3 percent in coming years, reaching 5.8 million in 2020. This compares to a national average population growth of 0.7 percent.

Personal income in Colorado increased by 5.4 percent in 2018 and is expected to continue to increase by just under 5 percent in 2019 and 2020 as economic growth moderates. Colorado per-capita income grew to an estimated \$57,000 in 2018 with the forecast predicting growth of 3.5 percent and 3.6 percent in 2019 and 2020, respectively.

Housing permits in Colorado increased 7.1 percent in 2018, driven by continued demand for new housing construction. This growth rate is expected to decline slightly in 2019 before returning to a growth rate of 5 percent in 2020. U.S. housing permits grew 4.1 percent in 2018 and are expected to slow to 1.5 percent in 2019 and 2020. Colorado nonresidential construction value grew 24.4 percent in 2018, but the growth is expected to moderate in 2019 and 2020.

The Front Range CPI grew faster than the national average at 2.7 percent in 2018. The rate of increase is expected to lower to 2.5 percent and 2.4 percent in 2019 and 2020, respectively, slightly above national averages.

#### **Water Year**

The 2018 water year began with C-BT Project storage levels 20 percent above the long-term average. Snow accumulations and runoffs, however, were below average. The drier than average conditions prompted the Northern Water Board to issue an 80 percent quota allocation. In addition, the Board approved an allocation of 15,000 acre-feet of C-BT Project water to Regional Pool, a program whereby water supplies allocated but not taken by allottees may be leased to other water users for irrigation and municipal purposes. All 15,000 acre-feet were fully awarded through public auction.

Spring and summer conditions were warm and very dry, leading to an expansion of the drought conditions around the state. State-wide temperatures were the third warmest on record and precipitation levels the fourth driest on record. The dry conditions were reflected in water delivery demands. Deliveries of C-BT Project water were nearly 230,000 acre-feet, the highest since 2012. Despite the dry conditions and increased deliveries, the C-BT Project storage finished the year at slightly above normal levels to start the 2019 water year.

#### **Water Assessments**

Northern Water annually updates its financial projections to determine adjustments to water assessment rates 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 projections, Northern Water increased its open-rate assessments by four percent for 2019 and passed a forward guidance resolution to provide an estimated range of assessments for fiscal years 2020 and 2021.

#### **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, 2017. 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, 2018, continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility.

The preparation of this report would not have been possible without the efficient and dedicated services of staff throughout Northern Water. In particular we would like to recognize the outstanding efforts of the Financial Services Department personnel:

John Budde, CPA  
Mary Krakow  
Judy Skram, CPA

Colleen Krabbenhoft  
Bernice Rupp

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/ Gerald A. Gibbens*

Gerald A. Gibbens, P.E.  
Treasurer,  
Northern Colorado Water Conservancy District

## Board of Directors<sup>(1)</sup>

---

**Mike Applegate, President and Board Chairman**

*Engineer, Larimer County*

Term September 28, 1991 - September 28, 2019

Committees: 1,2,3

**John Rusch, Vice President and Board Vice Chairman**

*Water Resources Consultant, Morgan/Washington Counties*

Term May 10, 2002 - September 28, 2021

Committee: 3

**Sue Ellen Harrison**

*Attorney, Boulder County*

Term September 28, 2009 - September 28, 2022

Committee: 3

**Todd Williams**

*Water Resources Engineer, Boulder County*

Term September 28, 2017 - September 28, 2021

Committees: 1,2,3

**Dennis Yanchunas**

*Retired Securities Broker, Boulder County*

Term August 20, 2010 - September 28, 2020

Committees: 1,2

**Bill Emslie**

*Retired Electrical Engineer and Farmer, Larimer County*

Term September 28, 2005 - September 28, 2021

Committees: 1,2,3

**Committees**

1 Audit, 2 Finance and Benefits, 3 Legal and Legislative

**William Fischer**

*Attorney, Larimer County*

Term September 28, 2016 - September 28, 2020

Committee: 3

**Don Magnuson**

*Retired Ditch Company General Manager and*

*Agricultural Enterprises, Weld County*

Term September 28, 2004 - September 28, 2020

Committee: 3

**Dale Trowbridge**

*Ditch Company General Manager, Weld County*

Term August 15, 2014 - September 28, 2019

Committees: 1,2,3

**David Nettles<sup>(2)</sup>**

*Water Engineer, Weld County*

Term expires September 28, 2022

**Gene Manuello**

*Irrigation District President, Logan County*

Term September 28, 2018 - September 28, 2022

Committee: 3

**Rob McClary**

*Farmer, Sedgwick County*

Term September 28, 2011 - September 28, 2019

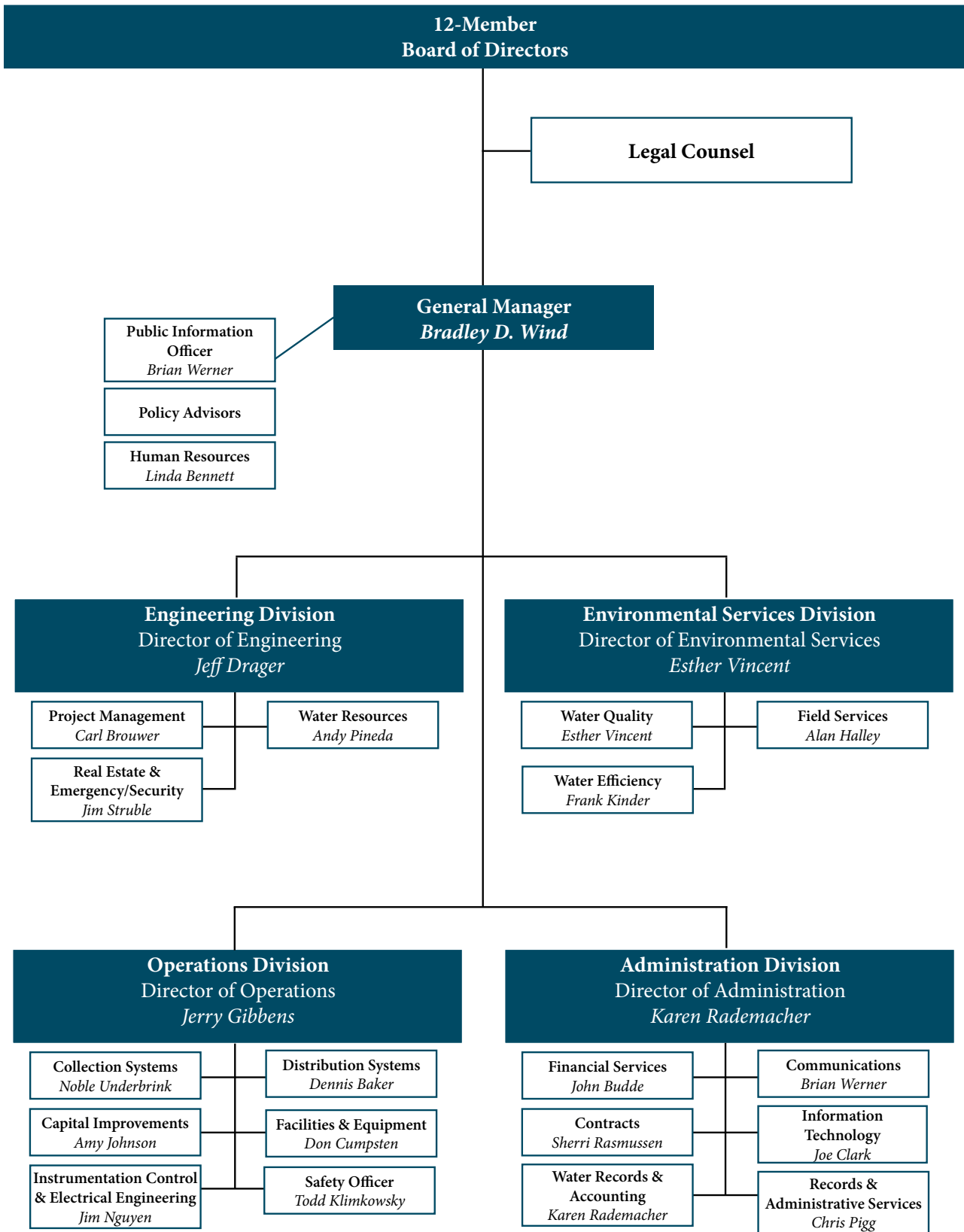
Committees: 1,2,3

---

<sup>(1)</sup> Effective October 1, 2018

<sup>(2)</sup> Appointed effective November 8, 2018

**Organizational Chart and Management<sup>(1)</sup>**



(1) Effective October 1, 2018.



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, 2017**

*Christopher P. Morill*

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, 2018, 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, 2018, 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, 2018 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, 2018, 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, 2018. 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, 2018.

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, 2017, and have issued our report thereon dated February 23, 2018, 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, 2017, 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 2017 financial statements. The budgetary schedules have been subjected to the auditing procedures applied in the audit of the 2017 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, 2017.

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 25, 2019

## Management's Discussion and Analysis

Management's Discussion and Analysis presents a narrative overview of the financial activities of Northern Water for the fiscal year ended September 30, 2018. 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 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 Northern Water defined benefit Group Pension Plan (Pension Plan), and accompanying Notes to Financial Statements. The 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 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 to 11).

**Statement of Revenues, Expenses and Changes in Net Position** - reports Northern Water's operating and nonoperating revenues and expenses by major classifications, 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 to 15).

**Statements of Fiduciary Net Position and Changes in Fiduciary Net Position** - report the net position restricted for pensions and the increase in net position for the year (pages 16 to 17). The net position of the Pension Plan is not reflected as part of the 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 36 to 37).

**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 to 34).

### HIGHLIGHTS

- In May 2018, Standard and Poor's Global Ratings raised its long-term rating on Northern Water's Building Corporation's **Certificates of Participation, Series 2012**, from AA- to AA.
- The Army Corps of Engineers released a Final Environmental Impact Statement for the **Northern Integrated Supply Project**. NISP will now pursue its final federal permitting and water quality certification. Preliminary design for this estimated \$1.2 billion project is ongoing.
- Construction started on the **Southern Water Supply Project Pipeline II Project** with participants advance funding the costs of the pipeline. The pipeline is expected to be operational in 2020. Total project costs are estimated at \$42 million.
- Supplemental pension contributions and positive investment returns worked to bring the Northern Water **Pension Plan** to 95 percent funded and reduce the net pension liability to just under \$2 million. The Pension Plan has been closed to new participants since January 1, 2003.
- **Property tax** revenue from the 1.00 mill levy increased by 13 percent.
- Northern Water open-rate **water assessment rates** increased 3.1 percent for municipal/industrial and 3.2 percent for agricultural users in 2018. A forward guidance resolution was approved for future estimated rate increases.
- **Bradley D. Wind** succeeded Eric W. Wilkinson as General Manager of Northern Water.

## FINANCIAL ANALYSIS

### STATEMENT OF NET POSITION<sup>(1)</sup>

(condensed)

September 30,

|   | <i>\$000's</i>    |                   | <b>Increase<br/>(Decrease) in<br/>Net Position</b> | <b>Percentage<br/>Change</b> |
|---|-------------------|-------------------|--|------------------------------|
|   | <b>2018</b>       | <b>2017</b>       |  |                              |
| <b>Assets</b>   |                   |                   |  |                              |
| Current assets  |                   |                   |  |                              |
| Cash, cash equivalents and investments, unrestricted          | \$ 78,963         | \$ 66,074         | \$ 12,889  | 19.5%                        |
| Cash equivalents, restricted                                  | 34,962            | -                 | 34,962   | -                            |
| Receivables   | 14,365            | 5,750             | 8,615  | 149.8%                       |
| Other current assets  | 1,327             | 783               | 544  | 69.5%                        |
| Noncurrent restricted cash equivalents and investments        | 5,128             | 2,562             | 2,566  | 100.2%                       |
| Interfund loan receivable                                     | 3,480             | 3,693             | ( 213)   | ( 5.8%)                      |
| Capital assets, net of accumulated depreciation               | 206,894           | 197,422           | 9,472  | 4.8%                         |
| <b>Assets</b>   | <b>345,119</b>    | <b>276,284</b>    | <b>68,835</b>                                      | <b>24.9%</b>                 |
| <b>Deferred outflows of resources related to Pension Plan</b> | <b>3,547</b>      | <b>5,045</b>      | <b>( 1,498)</b>                                    | <b>( 29.7%)</b>              |
| <b>Liabilities</b>  |                   |                   |  |                              |
| Accounts payable and accrued liabilities                      | 9,851             | 1,939             | 7,912  | 408.0%                       |
| Unearned revenue  | 38,466            | -                 | 38,466   | -                            |
| Other current liabilities                                     | 3,682             | 2,973             | 709  | 23.8%                        |
| Long-term debt, net of current maturities                     | 12,128            | 13,818            | ( 1,690)   | ( 12.2%)                     |
| Interfund loan payable, net of current maturity               | 3,480             | 3,693             | ( 213)   | ( 5.8%)                      |
| Net pension liability   | 1,997             | 6,610             | ( 4,613)   | ( 69.8%)                     |
| <b>Liabilities</b>  | <b>69,604</b>     | <b>29,033</b>     | <b>40,571</b>                                      | <b>139.7%</b>                |
| <b>Deferred inflows of resources</b>                          | <b>2,448</b>      | <b>38</b>         | <b>2,410</b>                                       | <b>6,342.1%</b>              |
| <b>Net Position</b>   | <b>\$ 276,614</b> | <b>\$ 252,258</b> | <b>\$ 24,356</b>                                   | <b>9.6%</b>                  |

At September 30, 2018, Northern Water assets consisted primarily of its capital assets, cash and investments for the various enterprise funds.

### SWSP

In 2018, construction began on the SWSP Pipeline II project, having a significant effect on the Northern Water financial statements. Current and noncurrent restricted cash balances increased by \$35 million and \$2.5 million, respectively, due to participant advance funding of construction costs. Funding amounts obligated under the allotment agreements, but not yet paid, of \$7.8 million were included in receivables. Accounts payable and accrued liabilities increased primarily due to construction activity. Capital contributions are recognized ratably as the project progresses, with funding received in advance of construction requirements reflected as unearned revenue. Under the allotment agreements, payments of \$2.6 million are being held for change orders and cost overruns. Those amounts were included in accounts payable and accrued liabilities.

### Pension Plan

Northern Water's net pension liability decreased \$4.6 million primarily reflecting the 2018 increases in the Pension Plan fiduciary net position. Net position increased due to actuarially-determined and supplemental employer contributions totaling \$2.6 million for the plan year and investment income of \$4.6 million, offset by benefit payments of \$3.1 million. Significant changes also occurred in deferred outflows and inflows of resources related to the Pension Plan. Outflows decreased by \$1.5 million reflecting the current year amortization of prior deferred amounts. Deferred inflows of resources increased \$2.4 million due to changes in actuarial assumptions related to mortality tables and retirement age (Note 14).

<sup>(1)</sup> Balances reflect all Northern Water enterprise funds combined.

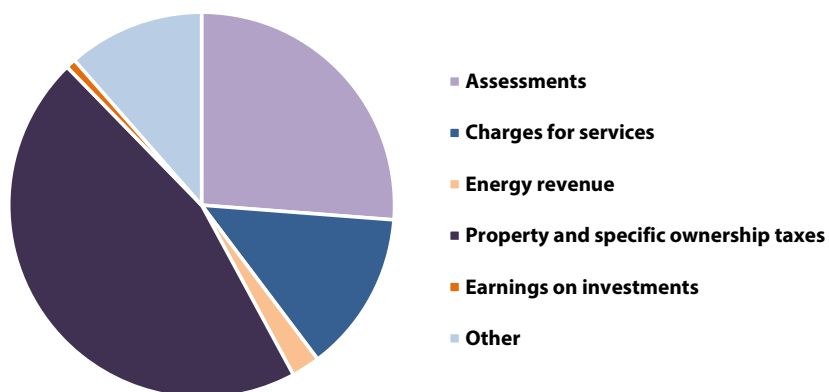
## Management's Discussion and Analysis

### REVENUES<sup>(1)</sup>

Years ended September 30,

|   | \$000's   |           | Increase<br>(Decrease) | Percentage<br>Change |
|---|-----------|-----------|------------------------|----------------------|
|   | 2018      | 2017      |                        |                      |
| <b>Operating revenues</b>                   |           |           |                        |                      |
| Assessments                                 | \$ 12,239 | \$ 11,496 | \$ 743                 | 6.5%                 |
| Charges for services                        | 6,308     | 5,784     | 524                    | 9.0%                 |
| Energy revenue                              | 1,113     | 1,110     | 3                      | 0.3%                 |
| Other operating revenues                    | 2,374     | 1,916     | 458                    | 23.9%                |
| Operating revenues                          | 22,034    | 20,306    | 1,728                  | 8.5%                 |
| <b>Nonoperating revenues</b>                |           |           |                        |                      |
| Property and specific ownership taxes       | 21,283    | 18,807    | 2,476                  | 13.2%                |
| Interest income and earnings on investments | 390       | 315       | 75                     | 23.8%                |
| Intergovernmental grants                    | 253       | 83        | 170                    | 203.6%               |
| Use of water outlet facility                | 782       | -         | 782                    | -                    |
| Other nonoperating revenues                 | 1,941     | 391       | 1,550                  | 396.9%               |
| Nonoperating revenues                       | 24,649    | 19,596    | 5,053                  | 25.8%                |
| Revenues                                    | \$ 46,683 | \$ 39,902 | \$ 6,781               | 17.0%                |

2018 Revenues



### REVENUES

Northern Water assessments were from Northern Water allotment contract holders of the 310,000 acre-foot units of C-BT Project water and from SWSP and PVP project participants. Water assessments are based on units held and are independent of actual water deliveries. The 2018 water assessment open rates increased 3.1 percent and 3.2 percent for municipal/industrial and agricultural users, respectively, in 2018, as a result of updated financial projections.

Northern Water collects a voter-approved 1.00 mill levy tax on real property located within its boundaries. Property taxes increased by \$2.5 million as a result of property reappraisals in 2017 collected in 2018. Other nonoperating revenue in 2018 included \$1.5 million from the sale of forfeited units of C-BT project water.

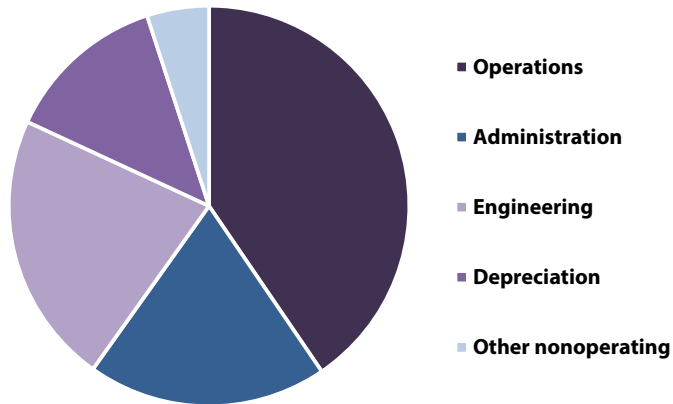
"Use of water outlet facility" as shown above and "participant gain on use of water outlet facility" as reflected as a nonoperating expense on page 6 represent the results of an agreement whereby SWSP Pipeline II participants will compensate the original SWSP participants for the use of a water outlet facility. To date, the original participants have not yet been paid.

<sup>(1)</sup> Balances reflect all Northern Water enterprise funds combined.

**EXPENSES<sup>(1)</sup>**

Years ended September 30,

|  | <i>\$000's</i>   |                  | <b>Increase<br/>(Decrease)</b> | <b>Percentage<br/>Change</b> |
|--|------------------|------------------|--------------------------------|------------------------------|
|  | <b>2018</b>      | <b>2017</b>      |                                |                              |
| <b>Operating expenses</b>                        |                  |                  |                                |                              |
| Operations                                       | \$ 14,118        | \$ 13,223        | \$ 895                         | 6.8%                         |
| Administration                                   | 6,755            | 6,807            | ( 52)                          | ( 0.8%)                      |
| Engineering                                      | 7,695            | 7,102            | 593                            | 8.3%                         |
| Depreciation                                     | 4,564            | 4,384            | 180                            | 4.1%                         |
| Operating expenses                               | <u>33,132</u>    | <u>31,516</u>    | <u>1,616</u>                   | 5.1%                         |
| <b>Nonoperating expenses</b>                     |                  |                  |                                |                              |
| Participant gain on use of water outlet facility | 782              | -                | 782                            | -                            |
| Return of contributed capital                    | 372              | -                | 372                            | -                            |
| Interest expense                                 | 476              | 531              | ( 55)                          | ( 10.4%)                     |
| Intergovernmental subgrantee payments            | 118              | 113              | 5                              | 4.4%                         |
| Nonoperating expenses                            | <u>1,748</u>     | <u>644</u>       | <u>1,104</u>                   | 171.4%                       |
| Expenses   | <u>\$ 34,880</u> | <u>\$ 32,160</u> | <u>\$ 2,720</u>                | 8.5%                         |

**2018 Operating and Nonoperating Expenses**

## Management's Discussion and Analysis

### NET POSITION<sup>(1)</sup>

Years ended September 30,

|                                  | <i>\$000's</i> |            | Increase  | Percentage Change |
|----------------------------------|----------------|------------|-----------|-------------------|
|                                  | 2018           | 2017       |           |                   |
| <b>Changes in net position</b>   |                |            |           |                   |
| Income before contributions      | \$ 11,803      | \$ 7,742   | \$ 4,061  | 52.4%             |
| Capital contributions            | 12,553         | 6,529      | 6,024     | 92.3%             |
| Increases in net position        | 24,356         | 14,271     | 10,085    | 70.7%             |
| Net position, beginning of year  | 252,258        | 237,987    | 14,271    | 6.0%              |
| Net position, end of year        | \$ 276,614     | \$ 252,258 | \$ 24,356 | 9.6%              |
| <b>Net position</b>              |                |            |           |                   |
| Net investment in capital assets | \$ 193,163     | \$ 182,062 |           |                   |
| Restricted net position          | 4,565          | 4,943      |           |                   |
| Unrestricted net position        | 78,886         | 65,253     |           |                   |
| Net position                     | \$ 276,614     | \$ 252,258 | \$ 24,356 | 9.0%              |

Capital contributions recognized from SWSP and NISP participants increased \$6 million in 2018, due to funding required for the SWSP Pipeline II construction and increased costs of NISP final certification and preliminary design.

### CAPITAL ASSETS, NET<sup>(1)</sup>

September 30,

|                                     | <i>\$000's</i> |            | Increase<br>(Decrease) | Percentage Change |
|-------------------------------------|----------------|------------|------------------------|-------------------|
|                                     | 2018           | 2017       |                        |                   |
| Land, easements and water rights    | \$ 90,420      | \$ 88,079  | \$ 2,341               | 2.7%              |
| Construction in progress            | 40,405         | 30,693     | 9,712                  | 31.6%             |
| Water pipelines and equipment       | 100,375        | 99,715     | 660                    | 0.7%              |
| Hydropower facilities               | 11,489         | 11,489     | -                      | -                 |
| Operations equipment                | 5,476          | 5,473      | 3                      | -                 |
| Buildings and improvements          | 19,796         | 19,429     | 367                    | 1.9%              |
| Computer and office equipment       | 9,699          | 10,056     | ( 357)                 | ( 3.6%)           |
| Capital assets                      | 277,660        | 264,934    | 12,726                 | 4.8%              |
| Less accumulated depreciation       | ( 70,766)      | ( 67,512)  | 3,254                  | 4.8%              |
| Capital assets, net of depreciation | \$ 206,894     | \$ 197,422 | \$ 9,472               | 4.8%              |

The 2018 increase of \$12.7 million in capital assets was due largely to the \$5.8 million and \$6.7 million increases in SWSP and NISP construction in progress, respectively. As noted above, the SWSP Pipeline II construction started in 2018. NISP costs increased as the project moved towards final federal permitting and preliminary design work continued. These expenditures were offset by current year depreciation expense on operating assets.

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

<sup>(1)</sup> Balances reflect all Northern Water enterprise funds combined.

---

**DEBT ADMINISTRATION<sup>(1)</sup>**

September 30,

|  | <i>\$000's</i> |             |                 | <b>Percentage<br/>Change</b> |
|--|----------------|-------------|-----------------|------------------------------|
|  | <b>2018</b>    | <b>2017</b> | <b>Decrease</b> |                              |
| <b>District Enterprise Fund</b>                              |                |             |                 |                              |
| Certificates of Participation Series 2012                    | \$ 3,855       | \$ 5,046    | \$              |                              |
| Horsetooth Safety of Dams                                    | 3,325          | 3,450       |                 |                              |
| Pole Hill Canal  | 186            | 275         |                 |                              |
| <b>Hydropower</b>  |                |             |                 |                              |
| Colorado Water Resources and Power Development Authority     | 1,481          | 1,572       |                 |                              |
| Colorado Water Conservation Board                            | 4,879          | 5,009       |                 |                              |
| Long-term debt outstanding                                   | 13,726         | 15,352      |                 |                              |
| Less current maturities of long-term debt                    | ( 1,598)       | ( 1,534)    |                 |                              |
| Long-term debt, net of current maturities                    | \$ 12,128      | \$ 13,818   | (\$ 1,690)      | ( 12.2%)                     |
| Interfund loan receivable/payable                            | \$ 3,693       | \$ 3,902    |                 |                              |
| Less current maturities of interfund loan receivable/payable | ( 213)         | ( 209)      |                 |                              |
| Interfund loan receivable/payable, net of current maturities | \$ 3,480       | \$ 3,693    | (\$ 213)        | ( 5.8%)                      |

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

See additional information relating to long-term debt and the District Enterprise Fund/Hydropower 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, 2018

**Business-type Activity Enterprise Funds**

|   | <b>District<br/>Enterprise Fund</b> | <b>Southern Water<br/>Supply Project</b> | <b>Pleasant Valley<br/>Pipeline</b> | <b>Northern<br/>Integrated<br/>Supply Project</b> | <b>Hydropower</b>    | <b>Total</b>          |
|---|-------------------------------------|--|-------------------------------------|---|----------------------|-----------------------|
| <b>ASSETS</b>   |                                     |  |                                     |   |                      |                       |
| <b>Current assets</b>   |                                     |  |                                     |   |                      |                       |
| Cash and cash equivalents   |                                     |  |                                     |   |                      |                       |
| Unrestricted  | \$ 41,800,268                       | \$ 1,174,353                             | \$ 88,232                           | \$ 3,760,112                                      | \$ 995,008           | \$ 47,817,973         |
| Restricted  | 38,629                              | 34,923,192                               | -                                   | -   | -                    | 34,961,821            |
| Investments, unrestricted   | 31,145,101                          | -  | -                                   | -   | -                    | 31,145,101            |
| Receivables   | 6,027,634                           | 8,164,610                                | -                                   | -   | 172,780              | 14,365,024            |
| Due from other funds  | 739,319                             | -  | -                                   | -   | -                    | 739,319               |
| Advances  | 147,333                             | -  | -                                   | -   | 9,835                | 157,168               |
| Other current assets  | 216,495                             | -  | -                                   | -   | -                    | 216,495               |
| Current maturity of interfund<br>loan receivable                  | 213,569                             | -  | -                                   | -   | -                    | 213,569               |
| Current assets  | <u>80,328,348</u>                   | <u>44,262,155</u>                        | <u>88,232</u>                       | <u>3,760,112</u>                                  | <u>1,177,623</u>     | <u>129,616,470</u>    |
| <b>Noncurrent assets</b>  |                                     |  |                                     |   |                      |                       |
| Cash equivalents, restricted                                      | <u>493,094</u>                      | <u>2,571,043</u>                         | <u>-</u>                            | <u>-</u>  | <u>483,771</u>       | <u>3,547,908</u>      |
| Investments, restricted   | <u>1,580,539</u>                    | <u>-</u>                                 | <u>-</u>                            | <u>-</u>  | <u>-</u>             | <u>1,580,539</u>      |
| Interfund loan receivable   | <u>3,479,779</u>                    | <u>-</u>                                 | <u>-</u>                            | <u>-</u>  | <u>-</u>             | <u>3,479,779</u>      |
| Capital assets  | 119,745,790                         | 84,875,251                               | 30,666,535                          | 30,883,491  | 11,489,074           | 277,660,141           |
| Less accumulated depreciation                                     | ( 21,329,702)                       | ( 37,777,246)                            | ( 10,406,271)                       | -   | ( 1,252,804)         | ( 70,766,023)         |
| Capital assets, net of<br>accumulated depreciation                | <u>98,416,088</u>                   | <u>47,098,005</u>                        | <u>20,260,264</u>                   | <u>30,883,491</u>                                 | <u>10,236,270</u>    | <u>206,894,118</u>    |
| Noncurrent assets   | <u>103,969,500</u>                  | <u>49,669,048</u>                        | <u>20,260,264</u>                   | <u>30,883,491</u>                                 | <u>10,720,041</u>    | <u>215,502,344</u>    |
| Assets  | <u>\$ 184,297,848</u>               | <u>\$ 93,931,203</u>                     | <u>\$ 20,348,496</u>                | <u>\$ 34,643,603</u>                              | <u>\$ 11,897,664</u> | <u>\$ 345,118,814</u> |
| <b>DEFERRED OUTFLOWS OF<br/>RESOURCES</b>                         |                                     |  |                                     |   |                      |                       |
| <b>Deferred outflows of resources<br/>related to Pension Plan</b> | <u>\$ 3,546,973</u>                 | <u>\$ -</u>                              | <u>\$ -</u>                         | <u>\$ -</u>                                       | <u>\$ -</u>          | <u>\$ 3,546,973</u>   |

See accompanying Notes to Financial Statements.

**Business-type Activity Enterprise Funds**

|   | <b>District<br/>Enterprise Fund</b> | <b>Southern Water<br/>Supply Project</b> | <b>Pleasant Valley<br/>Pipeline</b> | <b>Northern<br/>Integrated<br/>Supply Project</b> | <b>Hydropower</b>    | <b>Total</b>          |
|---|-------------------------------------|--|-------------------------------------|---|----------------------|-----------------------|
| <b>LIABILITIES</b>                              |                                     |  |                                     |   |                      |                       |
| <b>Current liabilities</b>                      |                                     |  |                                     |   |                      |                       |
| Accounts payable and accrued liabilities        | \$ 1,985,627                        | \$ 6,286,643                             | \$ 496                              | \$ 1,574,467                                      | \$ 3,733             | \$ 9,850,966          |
| Due to other funds                              | -                                   | 663,433                                  | 238                                 | 47,846  | 27,802               | 739,319               |
| Interest payable                                | 180,845                             | -  | -                                   | -   | 48,635               | 229,480               |
| Unearned revenue                                | -                                   | 38,466,498                               | -                                   | -   | -                    | 38,466,498            |
| Compensated absences                            | 900,393                             | -  | -                                   | -   | -                    | 900,393               |
| Current maturities of long-term debt            | 1,373,860                           | -  | -                                   | -   | 224,394              | 1,598,254             |
| Current maturity of interfund loan payable      | -                                   | -  | -                                   | -   | 213,569              | 213,569               |
| <b>Current liabilities</b>                      | <b>4,440,725</b>                    | <b>45,416,574</b>                        | <b>734</b>                          | <b>1,622,313</b>                                  | <b>518,133</b>       | <b>51,998,479</b>     |
| <b>Noncurrent liabilities</b>                   |                                     |  |                                     |   |                      |                       |
| Long-term debt, net of current maturities       | 5,992,468                           | -  | -                                   | -   | 6,135,850            | 12,128,318            |
| Interfund loan payable, net of current maturity | -                                   | -  | -                                   | -   | 3,479,779            | 3,479,779             |
| Net pension liability                           | 1,997,328                           | -  | -                                   | -   | -                    | 1,997,328             |
| <b>Noncurrent liabilities</b>                   | <b>7,989,796</b>                    | <b>-</b>                                 | <b>-</b>                            | <b>-</b>  | <b>9,615,629</b>     | <b>17,605,425</b>     |
| <b>Liabilities</b>                              | <b>\$ 12,430,521</b>                | <b>\$ 45,416,574</b>                     | <b>\$ 734</b>                       | <b>\$ 1,622,313</b>                               | <b>\$ 10,133,762</b> | <b>\$ 69,603,904</b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                                     |  |                                     |   |                      |                       |
| <b>Deferred inflows of resources</b>            | <b>\$ 2,447,830</b>                 | <b>\$ -</b>                              | <b>\$ -</b>                         | <b>\$ -</b>                                       | <b>\$ -</b>          | <b>\$ 2,447,830</b>   |
| <b>NET POSITION</b>                             |                                     |  |                                     |   |                      |                       |
| <b>Net investment in capital assets</b>         | <b>\$ 91,045,191</b>                | <b>\$ 47,098,005</b>                     | <b>\$ 20,260,264</b>                | <b>\$ 30,883,491</b>                              | <b>\$ 3,876,024</b>  | <b>\$ 193,162,975</b> |
| <b>Restricted net position</b>                  |                                     |  |                                     |   |                      |                       |
| Major repairs                                   | 1,970,697                           | -  | -                                   | -   | -                    | 1,970,697             |
| Capital projects                                | -                                   | 282,269                                  | -                                   | 2,137,799   | -                    | 2,420,068             |
| Debt service                                    | -                                   | -  | -                                   | -   | 174,967              | 174,967               |
| <b>Unrestricted net position (deficit)</b>      | <b>79,950,582</b>                   | <b>1,134,355</b>                         | <b>87,498</b>                       | <b>-</b>  | <b>( 2,287,089)</b>  | <b>78,885,346</b>     |
| <b>Net position</b>                             | <b>\$ 172,966,470</b>               | <b>\$ 48,514,629</b>                     | <b>\$ 20,347,762</b>                | <b>\$ 33,021,290</b>                              | <b>\$ 1,763,902</b>  | <b>\$ 276,614,053</b> |



*Carter Lake Outlet*

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

Year ended September 30, 2018

**Business-type Activity Enterprise Funds**

|  | <b>District<br/>Enterprise Fund</b> | <b>Southern Water<br/>Supply Project</b> | <b>Pleasant Valley<br/>Pipeline</b> | <b>Northern<br/>Integrated<br/>Supply Project</b> | <b>Hydropower</b> | <b>Total</b>   |
|--|-------------------------------------|--|-------------------------------------|---|-------------------|----------------|
| <b>Operating revenues</b>                        |                                     |  |                                     |   |                   |                |
| Assessments                                      | \$ 10,907,539                       | \$ 1,288,125                             | \$ 43,486                           | \$ -  | \$ -              | \$ 12,239,150  |
| Charges for services                             | 6,307,644                           | -  | -                                   | -   | -                 | 6,307,644      |
| Energy revenue                                   | -                                   | -  | -                                   | -   | 1,112,541         | 1,112,541      |
| Other operating revenues                         | 2,374,919                           | -  | -                                   | -   | -                 | 2,374,919      |
| Operating revenues                               | 19,590,102                          | 1,288,125                                | 43,486                              | -   | 1,112,541         | 22,034,254     |
| <b>Operating expenses</b>                        |                                     |  |                                     |   |                   |                |
| Operations                                       | 12,834,822                          | 926,614                                  | 55,314                              | -   | 301,190           | 14,117,940     |
| Administration                                   | 6,704,492                           | 36,313                                   | 4,009                               | -   | 10,283            | 6,755,097      |
| Engineering                                      | 7,523,972                           | 160,777                                  | 10,432                              | -   | 90                | 7,695,271      |
| Depreciation                                     | 1,873,285                           | 1,659,803                                | 743,305                             | -   | 287,226           | 4,563,619      |
| Operating expenses                               | 28,936,571                          | 2,783,507                                | 813,060                             | -   | 598,789           | 33,131,927     |
| Operating income (loss)                          | ( 9,346,469)                        | ( 1,495,382)                             | ( 769,574)                          | -   | 513,752           | ( 11,097,673)  |
| <b>Nonoperating revenues (expenses)</b>          |                                     |  |                                     |   |                   |                |
| Property and specific ownership taxes            | 21,282,930                          | -  | -                                   | -   | -                 | 21,282,930     |
| Interest income and earnings on investments      | 350,824                             | 19,707                                   | 1,699                               | -   | 17,828            | 390,058        |
| Interest expense                                 | ( 269,177)                          | -  | -                                   | -   | ( 206,891)        | ( 476,068)     |
| Intergovernmental grants                         | 132,023                             | 1,675                                    | -                                   | -   | 119,635           | 253,333        |
| Intergovernmental subgrantee payments            | ( 118,398)                          | -  | -                                   | -   | -                 | ( 118,398)     |
| Use of water outlet facility                     | -                                   | 782,263                                  | -                                   | -   | -                 | 782,263        |
| Participant gain on use of water outlet facility | -                                   | ( 782,263)                               | -                                   | -   | -                 | ( 782,263)     |
| Return of contributed capital                    | -                                   | ( 371,803)                               | -                                   | -   | -                 | ( 371,803)     |
| Other nonoperating, net                          | 1,932,869                           | 8,246                                    | -                                   | -   | -                 | 1,941,115      |
| Nonoperating revenues (expenses), net            | 23,311,071                          | ( 342,175)                               | 1,699                               | -   | ( 69,428)         | 22,901,167     |
| Income (loss) before contributions               | 13,964,602                          | ( 1,837,557)                             | ( 767,875)                          | -   | 444,324           | 11,803,494     |
| <b>Capital contributions</b>                     | -                                   | 4,504,155                                | -                                   | 8,048,519   | -                 | 12,552,674     |
| Increase (decrease) in net position              | 13,964,602                          | 2,666,598                                | ( 767,875)                          | 8,048,519   | 444,324           | 24,356,168     |
| <b>Net position, beginning of year</b>           | 159,001,868                         | 45,848,031                               | 21,115,637                          | 24,972,771  | 1,319,578         | 252,257,885    |
| <b>Net position, end of year</b>                 | \$ 172,966,470                      | \$ 48,514,629                            | \$ 20,347,762                       | \$ 33,021,290                                     | \$ 1,763,902      | \$ 276,614,053 |

See accompanying Notes to Financial Statements.

**Statement of Cash Flows**  
**Proprietary Funds**

Year ended September 30, 2018

**Business-type Activity Enterprise Funds**

|   | <b>District<br/>Enterprise Fund</b> | <b>Southern Water<br/>Supply Project</b> | <b>Pleasant Valley<br/>Pipeline</b> | <b>Northern<br/>Integrated<br/>Supply Project</b> | <b>Hydropower</b> | <b>Total</b>  |
|---|-------------------------------------|--|-------------------------------------|---|-------------------|---------------|
| <b>Cash flows from operating activities</b>                             |                                     |  |                                     |   |                   |               |
| Receipts from customers   | \$ 19,103,867                       | \$ 1,288,125                             | \$ 43,486                           | \$ -  | \$ 1,138,733      | \$ 21,574,211 |
| Payments to suppliers   | ( 11,248,493)                       | ( 512,434)                               | ( 22,277)                           | -   | ( 184,916)        | ( 11,968,120) |
| Payments to employees   | ( 16,163,321)                       | ( 603,982)                               | ( 48,574)                           | -   | ( 104,032)        | ( 16,919,909) |
| Other receipts  | 1,742,801                           | -  | -                                   | -   | 119,635           | 1,862,436     |
| Net cash provided by (used in) operating activities                     | ( 6,565,146)                        | 171,709                                  | ( 27,365)                           | -   | 969,420           | ( 5,451,382)  |
| <b>Cash flows from noncapital financing activities</b>                  |                                     |  |                                     |   |                   |               |
| Property and specific ownership tax receipts                            | 21,213,734                          | -  | -                                   | -   | -                 | 21,213,734    |
| Intergovernmental grants  | 132,023                             | 1,675                                    | -                                   | -   | -                 | 133,698       |
| Intergovernmental subgrantee payments                                   | ( 118,398)                          | -  | -                                   | -   | -                 | ( 118,398)    |
| Net cash provided by noncapital financing activities                    | 21,227,359                          | 1,675                                    | -                                   | -   | -                 | 21,229,034    |
| <b>Cash flows from capital and related financing activities</b>         |                                     |  |                                     |   |                   |               |
| Capital contributions <sup>(1)</sup>                                    | -                                   | 34,806,043                               | -                                   | 8,048,519   | -                 | 42,854,562    |
| Acquisition and construction of capital assets                          | ( 1,499,362)                        | ( 2,866,064)                             | -                                   | ( 5,638,370)                                      | -                 | ( 10,003,796) |
| Principal paid on capital debt  | ( 1,313,678)                        | -  | -                                   | -   | ( 429,376)        | ( 1,743,054)  |
| Interest paid on capital debt   | ( 382,575)                          | -  | -                                   | -   | ( 209,659)        | ( 592,234)    |
| Principal receipts from interfund loan                                  | 209,382                             | -  | -                                   | -   | -                 | 209,382       |
| Interest receipts from interfund loan                                   | 75,437                              | -  | -                                   | -   | -                 | 75,437        |
| Proceeds from use of water outlet facility                              | -                                   | 782,263                                  | -                                   | -   | -                 | 782,263       |
| Proceeds from capital escrow funding                                    | -                                   | 2,625,995                                | -                                   | -   | -                 | 2,625,995     |
| Proceeds from sale of capital assets                                    | 190,069                             | 8,246                                    | -                                   | -   | -                 | 198,315       |
| Net cash provided by (used in) capital and related financing activities | ( 2,720,727)                        | 35,356,483                               | -                                   | 2,410,149   | ( 639,035)        | 34,406,870    |
| <b>Cash flows from investing activities</b>                             |                                     |  |                                     |   |                   |               |
| Investment purchases  | ( 34,307,236)                       | -  | -                                   | -   | -                 | ( 34,307,236) |
| Investment sales  | 16,046,952                          | -  | -                                   | -   | -                 | 16,046,952    |
| Proceeds from earnings on investments                                   | 640,613                             | 19,707                                   | 1,699                               | -   | 17,586            | 679,605       |
| Net cash provided (used) by investing activities                        | ( 17,619,671)                       | 19,707                                   | 1,699                               | -   | 17,586            | ( 17,580,679) |
| Net increase (decrease) in cash and cash equivalents                    | ( 5,678,185)                        | 35,549,574                               | ( 25,666)                           | 2,410,149   | 347,971           | 32,603,843    |
| <b>Cash and cash equivalents, beginning of year</b>                     |                                     |  |                                     |   |                   |               |
|   | 48,010,176                          | 3,119,014                                | 113,898                             | 1,349,963   | 1,130,808         | 53,723,859    |
| <b>Cash and cash equivalents, end of year</b>                           |                                     |  |                                     |   |                   |               |
|   | \$ 42,331,991                       | \$ 38,668,588                            | \$ 88,232                           | \$ 3,760,112                                      | \$ 1,478,779      | \$ 86,327,702 |

See accompanying Notes to Financial Statements.

|   | Business-type Activity Enterprise Funds |                               |                          |                                    |            | Total           |
|---|---|-------------------------------|--------------------------|------------------------------------|------------|-----------------|
|   | District Enterprise Fund                | Southern Water Supply Project | Pleasant Valley Pipeline | Northern Integrated Supply Project | Hydropower |                 |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b> |   |                               |                          |                                    |            |                 |
| Operating income (loss)   | (\$ 9,346,469)                          | (\$ 1,495,382)                | (\$ 769,574)             | \$ -                               | \$ 513,752 | (\$ 11,097,673) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities |   |                               |                          |                                    |            |                 |
| Depreciation  | 1,873,285                               | 1,659,803                     | 743,305                  | -                                  | 287,226    | 4,563,619       |
| Nonoperating  | 1,772,838                               | 9,281                         | -                        | -                                  | 119,635    | 1,901,754       |
| (Increase) decrease in current assets   |   |                               |                          |                                    |            |                 |
| Receivables   | ( 337,226)                              | 11,624                        | -                        | -                                  | 26,193     | ( 299,409)      |
| Due from other funds  | ( 606,774)                              | -                             | -                        | -                                  | -          | ( 606,774)      |
| Advances  | ( 31,620)                               | -                             | -                        | -                                  | -          | ( 31,620)       |
| Other current assets  | 99,711                                  | -                             | -                        | -                                  | -          | 99,711          |
| Increase (decrease) in current liabilities  |   |                               |                          |                                    |            |                 |
| Accounts payable and accrued liabilities  | 658,887                                 | -                             | ( 46)                    | -                                  | 2,542      | 661,383         |
| Due to other funds  | -                                       | ( 13,617)                     | ( 1,050)                 | -                                  | 20,072     | 5,405           |
| Compensated absences  | 53,383                                  | -                             | -                        | -                                  | -          | 53,383          |
| Increase (decrease) in Pension Plan-related items   |   |                               |                          |                                    |            |                 |
| Net pension liability   | ( 4,612,742)                            | -                             | -                        | -                                  | -          | ( 4,612,742)    |
| Deferred outflows of resources  | 1,498,330                               | -                             | -                        | -                                  | -          | 1,498,330       |
| Deferred inflows of resources   | 2,413,251                               | -                             | -                        | -                                  | -          | 2,413,251       |
| Adjustments   | 2,781,323                               | 1,667,091                     | 742,209                  | -                                  | 455,668    | 5,646,291       |
| Net cash provided by (used in) operating activities   | (\$ 6,565,146)                          | \$ 171,709                    | (\$ 27,365)              | \$ -                               | \$ 969,420 | (\$ 5,451,382)  |
| <b>Non-cash activities</b>  |   |                               |                          |                                    |            |                 |
| Change in value of investments  | \$ 447,269                              | \$ -                          | \$ -                     | \$ -                               | \$ -       | \$ 447,269      |

<sup>(1)</sup> Southern Water Supply Project cash flows from capital contributions of \$34,806,043 reflect capital contributions of \$4,504,155 recognized for fiscal year 2018 plus \$38,466,498 in unearned revenue less \$8,164,610 in accounts receivable at September 30, 2018.

**Statement of Fiduciary Net Position**  
**Fiduciary Fund Pension Trust Fund**

---

September 30, 2018

|                                     | <b>Pension<br/>Plan</b> |
|-------------------------------------|-------------------------|
| <b>Assets</b>                       |                         |
| Cash and cash equivalents           | \$ 1,757,687            |
| Investments                         |                         |
| Domestic equities                   | 11,341,248              |
| Mutual funds                        |                         |
| Fixed income                        | 14,746,773              |
| International equities              | 4,737,457               |
| Liquid low correlated hedge         | 3,997,639               |
| Emerging markets equities           | 1,723,070               |
| Investments                         | 36,546,187              |
| Due from Northern Water             | 62,561                  |
| Assets                              | 38,366,435              |
| <b>Liabilities</b>                  | -                       |
| Net position restricted for pension | \$ 38,366,435           |

See accompanying Notes to Financial Statements.

---

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

---

Year ended September 30, 2018

|  | <b>Pension<br/>Plan</b> |
|--|-------------------------|
| <b>Additions</b>                                 |                         |
| Employer contributions                           | \$ 2,390,592            |
| Investment earnings                              |                         |
| Net appreciation in fair value<br>of investments | 498,298                 |
| Interest and dividends                           | 1,444,540               |
| Investment earnings                              | 1,942,838               |
| Investment expenses                              | ( 88,826)               |
| Investment earnings, net of expenses             | 1,854,012               |
| Additions to Plan assets                         | 4,244,604               |
| <b>Deductions</b>                                |                         |
| Benefits payments                                | ( 3,396,155)            |
| Increase in net position                         | 848,449                 |
| <b>Net position, beginning of year</b>           | 37,517,986              |
| <b>Net position, end of year</b>                 | \$ 38,366,435           |

See accompanying Notes to Financial Statements.

## Notes to Financial Statements

September 30, 2018

### 1 Summary of Significant Accounting Policies

#### Financial Reporting Entity

Northern Water was organized September 20, 1937, as a quasi-municipal entity and political subdivision of the State of Colorado. 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. 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 Enterprise Fund. The Building Corporation is a legally separate entity but is, in substance, part of the District Enterprise Fund'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 Fund, 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, 2018,

with the exception of the Pleasant Valley Pipeline Project Enterprise Fund. Northern Water management has elected to report this fund as a major fund.

Northern Water, pursuant to a perpetual contract with the U.S. Department of the Interior and in conjunction with Reclamation, operates and maintains a portion of the 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 Fund accounts for the operating activities of the C-BT Project, engineering programs, environmental services and administrative support services.
- Southern Water Supply Project Enterprise Fund accounts for the activities of the SWSP pipeline and pump station system and the SWSP Pipeline II project which is under construction.
- The Pleasant Valley Pipeline Project Enterprise Fund accounts for the activities of the PVP project.
- The Northern Integrated Supply Project Enterprise Fund accounts for the project activities of NISP. The project is in the permitting and design stage.
- The Hydropower Enterprise Fund accounts for the activities of the Robert V. Trout (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 Group 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 reports net position restricted for pensions and, therefore, not available to support Northern Water operations. The reporting focus of the Pension Plan 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 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, engineering and administrative 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 deposits 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. The State Securities Commissioner administers and enforces State statutes governing the CSIP. 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 contractual obligations or debt covenants (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 enterprise funds that incorporates those objectives and establishes investment scope. The investment policy allows for the following investments:

- U.S. Treasury Obligations guaranteed by the U.S. Government
- Federal Agency and 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 (LGIPS) authorized under Colorado state statute

- Money Market Mutual 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 Enterprise Fund provides certain administrative, engineering and operational 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 Enterprise Fund and operating expenses by the enterprises receiving the services.

**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. Expenditures relating to the C-BT Project multipurpose facilities which are additions to the original C-BT Project are capitalized as an increase in the value of water rights. These water rights are considered intangible, have an indefinite useful life and are not depreciated or amortized. Other C-BT Project-related expenditures are expensed as maintenance and repairs.

All costs incurred for the construction or acquisition of infrastructure assets, not related to the C-BT Project, including labor and legal charges, are capitalized. 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 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.

## Notes to Financial Statements

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            |

### **Estimated Liability for Medical Claims**

Northern Water self insures its specific individual medical claims and has assigned funds as a 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.

### **Unearned Revenue**

In 2018, SWSP received participant funding for the SWSP Pipeline II construction project. This funding is being recognized as capital contributions ratably as project costs are incurred.

### **Compensated Absences**

Northern Water accrues annual and compensatory leave benefits when earned by employees 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.

### **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 Costs**

Reclamation reimburses Northern Water 50 percent of the operations costs incurred by Northern Water for multipurpose features. Similarly, Northern Water reimburses Reclamation 50 percent of the operations costs incurred by Reclamation on those multipurpose project features not maintained by Northern Water. In accordance with Northern Water's contract with Reclamation, Northern Water makes estimated advance payments to Reclamation for its share of operations costs as described above. 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, 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 property lien 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**

Northern Water acts as a fiscal agent of the Colorado Department of Natural Resources Wildfire Risk Reduction Grant Program. Funds received from the government agency and paid to subgrantees are reflected as intergovernmental grants and subgrantee payments, respectively.

In 2018, Hydropower received an incentive payment from the U.S. Department of Energy based on energy production from the Trout hydropower facility. This amount has been reflected as intergovernmental grant revenue.

### **Use of and Participant Gain on Use of Water Outlet Facility**

The SWSP Pipeline II participants entered into agreements to compensate the original SWSP participants for the right to use a water outlet facility. The amounts received from the SWSP Pipeline II participants and to be paid to the SWSP participants is shown as use of water outlet facility and participant gain on use of water outlet facility, respectively.

### **Capital Contributions**

Capital contributions are received in cash from project participants. No non-cash items are included as capital contributions. In 2018, capital contributions received from SWSP Pipeline II project participants for design and preconstruction costs in excess of actual amounts incurred were refunded to participants and shown as return of capital.

## **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 Project Water Activity Enterprise, Northern Integrated Supply Project Water Activity Enterprise and the 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 Enterprise Fund 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.
- Depreciation is not budgeted.
- Capital expenditures are treated as nonoperating expense uses and are not reduced by retainage.
- Interfund loan principal payments are budgeted by the District Enterprise Fund and Hydropower as nonoperating revenue sources and expense uses, respectively.
- Pension Plan expense is budgeted as contributions rather than the actuarially-determined expense.
- Supplemental Pension Plan contributions are budgeted on an amortized basis over eight years.
- Capital project funding is budgeted in the year amounts are due and are not reduced by amounts recognized as accrued liabilities for GAAP.
- Year end payroll accruals are 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 session.
- The Board holds a public hearing during the August Planning 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. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. Material purchase orders that would result in an overrun of available funds are not released until additional appropriations are made available. Management is authorized to transfer 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. The overall objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board.

## Notes to Financial Statements

### 3 Cash, Cash Equivalents and Investments

As of September 30, 2018, 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 and Cash Equivalents, Restricted | Investments, Restricted |  |
|   | Unrestricted              | Restricted    |                           |                                       |                         |  |
| <b>District Enterprise Fund</b>                     |                           |               |                           |                                       |                         |  |
| Deposits  | \$ 39,305,409             | \$ -          | \$ -                      | \$ -                                  | \$ -                    | \$ 39,305,409                          |
| Local Government Investment Pool/Money Market Funds | 2,494,859                 | 38,629        | -                         | 493,094                               | -                       | 3,026,582                              |
| U.S. Government Securities                          | -                         | -             | 16,937,239                | -                                     | 1,580,539               | 18,517,778                             |
| Federal Agency Securities                           | -                         | -             | 4,638,581                 | -                                     | -                       | 4,638,581                              |
| Federal Agency Collateralized Mortgage Obligations  | -                         | -             | 878,184                   | -                                     | -                       | 878,184                                |
| Negotiable Certificates of Deposit                  | -                         | -             | 2,424,932                 | -                                     | -                       | 2,424,932                              |
| Supranationals                                      | -                         | -             | 2,004,677                 | -                                     | -                       | 2,004,677                              |
| Municipal Obligations                               | -                         | -             | 662,448                   | -                                     | -                       | 662,448                                |
| Corporate Notes                                     | -                         | -             | 3,599,040                 | -                                     | -                       | 3,599,040                              |
| <b>Southern Water Supply Project</b>                |                           |               |                           |                                       |                         |  |
| Local Government Investment Pool/Money Market Funds | 1,174,353                 | 34,923,192    | -                         | 2,571,043                             | -                       | 38,668,588                             |
| <b>Pleasant Valley Pipeline Project</b>             |                           |               |                           |                                       |                         |  |
| Local Government Investment Pool/Money Market Funds | 88,232                    | -             | -                         | -                                     | -                       | 88,232                                 |
| <b>Northern Integrated Supply Project</b>           |                           |               |                           |                                       |                         |  |
| Local Government Investment Pool/Money Market Funds | 3,760,112                 | -             | -                         | -                                     | -                       | 3,760,112                              |
| <b>Hydropower</b>                                   |                           |               |                           |                                       |                         |  |
| Deposits  | 104,513                   | -             | -                         | -                                     | -                       | 104,513                                |
| Local Government Investment Pool/Money Market Funds | 890,495                   | -             | -                         | 483,771                               | -                       | 1,374,266                              |
| Cash, cash equivalents and investments              | \$ 47,817,973             | \$ 34,961,821 | \$ 31,145,101             | \$ 3,547,908                          | \$ 1,580,539            | \$ 119,053,342                         |

Cash, cash equivalents and investment balances at September 30, 2018, by fair value hierarchy were as follows:

| <b>Investment Type</b>   | <b>Fair Value</b> | <b>Level 1</b> | <b>Level 2</b> |
|--|-------------------|----------------|----------------|
| U.S. Government Securities   | \$ 18,517,778     | \$ 18,517,778  | \$ -           |
| Federal Agency Securities  | 4,638,581         | -              | 4,638,581      |
| Federal Agency Collateralized Mortgage Obligations                                   | 878,184           | -              | 878,184        |
| Negotiable Certificates of Deposit   | 2,424,932         | -              | 2,424,932      |
| Supranationals   | 2,004,677         | -              | 2,004,677      |
| Municipal Obligations  | 662,448           | -              | 662,448        |
| Corporate Notes  | 3,599,040         | -              | 3,599,040      |
| Investments  | 32,725,640        | \$ 18,517,778  | \$ 14,207,862  |
| Deposits   | 39,409,922        |                |                |
| Local Government Investment Pool/<br>Money Market Funds (measured at amortized cost) | 46,917,780        |                |                |
| Cash, cash equivalents and investments   | \$ 119,053,342    |                |                |

There is no significant difference between the valuation of Local Government Investment Pools and 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:

| <b>Investment Type</b>                        | <b>Maximum Portfolio Percentage</b> | <b>Maximum Issuer Percentage</b> | <b>Rating Restrictions</b>         | <b>Maximum Maturity Restrictions</b> |
|---|-------------------------------------|----------------------------------|------------------------------------|--------------------------------------|
| U.S. Treasury Obligations                     | 100%                                | 100%                             | N/A                                | 5 years                              |
| Federal Agency and Instrumentality Securities | 85%                                 | 35%                              | AA <sup>-(1)</sup>                 | 5 years                              |
| Negotiable Certificates of Deposit            | 35%                                 | 5%                               | <sup>-(1)(2)</sup>                 | 3 years                              |
| Time Certificates of Deposit                  | 5%                                  | 1%                               | N/A                                | 1 year                               |
| Corporate Bonds                               | 35%                                 | 5%                               | AA <sup>-(1)</sup>                 | 3 years                              |
| Municipal Bonds                               |                                     |                                  |                                    |                                      |
| Colorado Issuer                               | 35%                                 | 5%                               | A <sup>-(1)</sup>                  | 5 years                              |
| Non-Colorado Issuer                           | 35%                                 | 5%                               | AA <sup>-(1)</sup>                 | 5 years                              |
| School District Certificates of Participation | 35%                                 | 5%                               | A <sup>(1)</sup>                   | 5 years                              |
| Commercial Paper                              | 35%                                 | 5%                               | A-1 <sup>(1)(3)</sup>              | 270 days                             |
| Bankers Acceptances                           | 35%                                 | 5%                               | A-1 <sup>(1)(3)</sup>              | 180 days                             |
| Repurchase Agreements                         | 100%                                | 25%                              | <sup>-(4)</sup>                    | 180 days                             |
| Local Government Investment Pools             | 100%                                | 100%                             | AAA <sup>m</sup> /AAA <sup>f</sup> | N/A                                  |
| Money Market Funds <sup>(5)</sup>             | 100%                                | 100%                             | AAA <sup>m</sup>                   | 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.

<sup>(1)</sup> Rating by two nationally-recognized statistical rating organizations.

<sup>(2)</sup> Long-term rating of at least AA- or the equivalent, short-term rating of at least A-1 or the equivalent.

<sup>(3)</sup> If senior debt outstanding, senior debt must be rated A or the equivalent. Issuer's commercial paper program size shall exceed \$200 million.

<sup>(4)</sup> Collateralized by U.S. Treasury Obligations and Federal Agency Instrumentality Securities with collateral maturity not exceeding 10 years. Long-term credit rating of at least A or the equivalent; short-term rating of at least A-1 or the equivalent.

<sup>(5)</sup> No load; constant net asset value per share of \$1.00.

## Notes to Financial Statements

As of September 30, 2018, Northern Water had cash, cash equivalents and investments with the following maturities:

| Investment Type                                     | Cash, Cash Equivalents and Investments | Investment Maturities |               |               |             |              |
|---|--|-----------------------|---------------|---------------|-------------|--------------|
|   |  | Less than 1 year      | 1 - 2 years   | 2 - 3 years   | 3 - 4 years | 4 - 5 years  |
| Deposits  | \$ 39,409,922                          | \$ 39,409,922         | \$ -          | \$ -          | \$ -        | \$ -         |
| U.S. Government Securities                          | 18,517,778                             | 3,125,488             | 8,557,813     | 5,253,938     | -           | 1,580,539    |
| Federal Agency Securities                           | 4,638,581                              | 1,623,694             | 1,003,326     | 2,011,561     | -           | -            |
| Federal Agency Collateralized Mortgage Obligations  | 878,184                                | 24,924                | 173,820       | 530,542       | 148,898     | -            |
| Negotiable Certificates of Deposit                  | 2,424,932                              | 605,140               | 1,226,699     | 593,093       | -           | -            |
| Supranationals                                      | 2,004,677                              | -                     | -             | 2,004,677     | -           | -            |
| Municipal Obligations                               | 662,448                                | -                     | 83,690        | 578,758       | -           | -            |
| Corporate Notes                                     | 3,599,040                              | 471,788               | 1,200,330     | 1,926,922     | -           | -            |
| Local Government Investment Pool/Money Market Funds | 46,917,780                             | 46,917,780            | -             | -             | -           | -            |
| Cash, cash equivalents and investments              | \$ 119,053,342                         | \$ 92,178,736         | \$ 12,245,678 | \$ 12,899,491 | \$ 148,898  | \$ 1,580,539 |

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.

### 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, 2018, no investments were greater than 5 percent with any one issuer.

As of September 30, 2018, Northern Water had cash, cash equivalents and investments with the following Standard and Poor's ratings:

| Summary by Rating                      | Cash, Cash Equivalents and Investments | Percentage |
|--|--|------------|
| A+                                     | \$ 929,646                             | 0.8%       |
| AA-                                    | 2,867,605                              | 2.4        |
| AA                                     | 734,792                                | 0.6        |
| AA+                                    | 25,210,650                             | 21.2       |
| AAA                                    | 2,377,807                              | 2.0        |
| AAAm/AAAf                              | 46,917,780                             | 39.4       |
| Not rated                              | 40,015,062                             | 33.6       |
| Cash, cash equivalents and investments | \$ 119,053,342                         | 100.0%     |

| <b>Investment Type</b>                                  | <b>Cash, Cash<br/>Equivalents<br/>and<br/>Investments</b> | <b>Percentage</b> | <b>Rating</b> |
|---|---|-------------------|---------------|
| U.S. Government Securities                              | \$ 18,517,778   | 15.6%             | AA+           |
| Federal Agency Securities                               | 4,638,581   | 3.9               | AA+           |
| Federal Agency Collateralized Mortgage<br>Obligations   | 878,184   | 0.7               | AA+           |
| Supranationals  | 2,004,677   | 1.7               | AAA           |
| Negotiable Certificates of Deposit                      | 605,140   | 0.5               | Not rated     |
| Negotiable Certificates of Deposit                      | 624,198   | 0.5               | A+            |
| Negotiable Certificates of Deposit                      | 1,195,594   | 1.0               | AA-           |
| Municipal Obligations                                   | 363,788   | 0.3               | AA-           |
| Municipal Obligations                                   | 214,970   | 0.2               | AA            |
| Municipal Obligations                                   | 83,690  | 0.1               | AAA           |
| Corporate Notes   | 305,448   | 0.3               | A+            |
| Corporate Notes   | 1,308,223   | 1.1               | AA-           |
| Corporate Notes   | 519,822   | 0.4               | AA            |
| Corporate Notes   | 1,176,107   | 1.0               | AA+           |
| Corporate Notes   | 289,440   | 0.2               | AAA           |
| Deposits  | 39,409,922  | 33.1              | Not rated     |
| Local Government Investment Pool/<br>Money Market Funds | 46,917,780  | 39.4              | AAAm/AAAf     |
| Cash, cash equivalents and investments                  | <u>\$ 119,053,342</u>                                     | <u>100.0%</u>     |               |

## 4 Receivables

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

|                                    | <b>2018</b>          |
|------------------------------------|----------------------|
| Capital contributions              | \$ 8,164,610         |
| Charges for services               | 3,215,311            |
| Water assessment and power revenue | 2,492,834            |
| Other                              | 492,269              |
| Receivables                        | <u>\$ 14,365,024</u> |

## 5 Due To/From Other Funds

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

|                                    | <b>2018</b>       |
|------------------------------------|-------------------|
| Southern Water Supply Project      | \$ 663,433        |
| Pleasant Valley Pipeline Project   | 238               |
| Northern Integrated Supply Project | 47,846            |
| Hydropower                         | 27,802            |
| Due to District Enterprise Fund    | <u>\$ 739,319</u> |

District Enterprise Fund balance due to the Pension Plan of \$62,561 is included in accounts payable and accrued liabilities.

## 6 Other Current Assets

Other current assets at September 30 included the following:

|                      | <b>2018</b>       |
|----------------------|-------------------|
| Prepaid expenses     | \$ 121,922        |
| Inventory            | 86,516            |
| Other                | 8,057             |
| Other current assets | <u>\$ 216,495</u> |

## Notes to Financial Statements

### 7 Cash Equivalents and Investments, Restricted

Restricted 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>2018</u>          |
|---|----------------------|
| <b>Current cash equivalents, restricted</b>   |                      |
| <b>District Enterprise Fund</b>               |                      |
| Certificates of Participation, Base Rental    | \$ 38,629            |
| <b>SWSP</b>                                   |                      |
| East Pump Station                             | 479,419              |
| SWSP Pipeline II                              | <u>34,443,773</u>    |
| Current cash and cash equivalents, restricted | <u>\$ 34,961,821</u> |

### Noncurrent cash equivalents and investments, restricted

|   | <u>2018</u>         |
|---|---------------------|
| <b>District Enterprise Fund</b>                                       |                     |
| Fund I Single Purpose (Reclamation)                                   | \$ 628,766          |
| Fund II Multipurpose (Reclamation)                                    | 865,698             |
| Fund IV Contingency (Reclamation)                                     | 103,787             |
| Emergency Reserve   | 372,446             |
| Hydropower Facility Removal   | <u>102,936</u>      |
| District Enterprise Fund  | <u>2,073,633</u>    |
| <b>SWSP</b>   |                     |
| SWSP Pipeline II Escrow and Change Orders                             | <u>2,571,043</u>    |
| <b>Hydropower</b>   |                     |
| Colorado Water Resources and Power Development Authority Debt Service | 128,667             |
| Interfund Loan Payable Debt Service                                   | 308,804             |
| Colorado Water Conservation Board                                     | <u>46,300</u>       |
| Hydropower  | <u>483,771</u>      |
| Noncurrent cash equivalents and investments, restricted               | <u>\$ 5,128,447</u> |

#### District Enterprise Fund

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

**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.

#### SWSP

**East Pump Station** - Reserve for construction costs of the pump station facility.

**SWSP Pipeline II Construction** - Reserve for construction costs.

**SWSP Pipeline II Escrow and Change Orders** - Reserves for change orders relating to the pipeline construction project.

#### Hydropower

**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** - Debt service reserve requirement.

## Notes to Financial Statements

### 8 Capital Assets

Capital asset activity for the Northern Water enterprise funds for the year ended September 30, 2018, was as follows:

|  | 2017                  | Additions            | Retirements/<br>Other | 2018                  |
|--|-----------------------|----------------------|-----------------------|-----------------------|
| <b>District Enterprise Fund</b>                      |                       |                      |                       |                       |
| Non-depreciable capital assets                       |                       |                      |                       |                       |
| Construction in progress                             | \$ 2,701,458          | \$ 496,780           | (\$ 2,675,683)        | \$ 522,555            |
| Land, easements and water rights                     | 81,911,417            | 2,340,963            | -                     | 84,252,380            |
| Depreciable capital assets                           |                       |                      |                       |                       |
| Buildings and improvements                           | 19,428,994            | 367,466              | -                     | 19,796,460            |
| Operations equipment                                 | 5,472,775             | 758,630              | ( 755,298)            | 5,476,107             |
| Computer and office equipment                        | 10,055,588            | 197,450              | ( 554,751)            | 9,698,287             |
| Capital assets                                       | <u>119,570,232</u>    | <u>4,161,289</u>     | <u>( 3,985,732)</u>   | <u>119,745,789</u>    |
| Less accumulated depreciation                        |                       |                      |                       |                       |
| Buildings and improvements                           | ( 10,622,714)         | ( 758,246)           | -                     | ( 11,380,960)         |
| Operations equipment                                 | ( 5,030,052)          | ( 254,970)           | 755,298               | ( 4,529,724)          |
| Computer and office equipment                        | ( 5,113,699)          | ( 860,069)           | 554,751               | ( 5,419,017)          |
| Accumulated depreciation                             | <u>( 20,766,465)</u>  | <u>( 1,873,285)</u>  | <u>1,310,049</u>      | <u>( 21,329,701)</u>  |
| District Enterprise Fund capital assets, net         | <u>98,803,767</u>     | <u>2,288,004</u>     | <u>( 2,675,683)</u>   | <u>98,416,088</u>     |
| <b>Southern Water Supply Project</b>                 |                       |                      |                       |                       |
| Non-depreciable capital assets                       |                       |                      |                       |                       |
| Construction in progress                             | 3,857,236             | 5,802,431            | ( 660,473)            | 8,999,194             |
| Land and easements                                   | 5,232,983             | -                    | -                     | 5,232,983             |
| Depreciable capital assets                           |                       |                      |                       |                       |
| Water pipeline and equipment                         | 69,983,333            | 659,741              | -                     | 70,643,074            |
| Capital assets                                       | <u>79,073,552</u>     | <u>6,462,172</u>     | <u>( 660,473)</u>     | <u>84,875,251</u>     |
| Less accumulated depreciation                        |                       |                      |                       |                       |
| Water pipeline and equipment                         | ( 36,117,443)         | ( 1,659,803)         | -                     | ( 37,777,246)         |
| Southern Water Supply Project capital assets, net    | <u>42,956,109</u>     | <u>4,802,369</u>     | <u>( 660,473)</u>     | <u>47,098,005</u>     |
| <b>Pleasant Valley Pipeline Project</b>              |                       |                      |                       |                       |
| 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                         | ( 9,662,966)          | ( 743,305)           | -                     | ( 10,406,271)         |
| Pleasant Valley Pipeline Project capital assets, net | <u>21,003,569</u>     | <u>( 743,305)</u>    | <u>-</u>              | <u>20,260,264</u>     |
| <b>Northern Integrated Supply Project</b>            |                       |                      |                       |                       |
| Non-depreciable capital asset                        |                       |                      |                       |                       |
| Construction in progress                             | 24,134,570            | 6,748,921            | -                     | 30,883,491            |
| <b>Hydropower</b>                                    |                       |                      |                       |                       |
| Hydropower plants                                    | 11,489,074            | -                    | -                     | 11,489,074            |
| Less accumulated depreciation                        |                       |                      |                       |                       |
| Hydropower plants                                    | ( 965,578)            | ( 287,226)           | -                     | ( 1,252,804)          |
| Hydropower capital assets, net                       | <u>10,523,496</u>     | <u>( 287,226)</u>    | <u>-</u>              | <u>10,236,270</u>     |
| Capital assets, net                                  | <u>\$ 197,421,511</u> | <u>\$ 12,808,763</u> | <u>(\$ 3,336,156)</u> | <u>\$ 206,894,118</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:

|                             | 2018              | 2017              |
|-----------------------------|-------------------|-------------------|
| Claims incurred             | \$ 1,069,966      | \$ 1,073,469      |
| Claims paid                 | ( 1,069,966)      | ( 1,073,469)      |
| Adjustment to IBNR estimate | 511               | 41                |
| IBNR, beginning of year     | 146,197           | 146,156           |
|                             | <u>\$ 146,708</u> | <u>\$ 146,197</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:

|   | 2018              | 2017              |
|---|-------------------|-------------------|
| Absences accrued                        | \$ 1,003,316      | \$ 909,153        |
| Absences taken                          | ( 949,933)        | ( 922,252)        |
| Compensated absences, beginning of year | 847,010           | 860,109           |
|   | <u>\$ 900,393</u> | <u>\$ 847,010</u> |

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

### District Enterprise Fund

#### 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 \$91,537 for the year ended September 30, 2018, 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.

### Net Pension Liability

The District Enterprise Fund has an unfunded liability for its Pension Plan (Note 14).

### Hydropower

#### Colorado Water Resources and Power Development Authority (CWRPDA)

Hydropower has a 20-year loan agreement with CWRPDA for 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 CWRPDA as described above was financed 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 CWRPDA. 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) for 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 has been established (Note 7). The reserve is increased annually by one-tenth of the annual debt service 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.

Long-term debt, interfund loan receivable/payable and net pension liability activity for the year ended September 30, 2018, was as follows:

|   | 2017          | Additions   | Reductions     | 2018          | Amounts Due<br>Within One<br>Year |
|---|---------------|-------------|----------------|---------------|-----------------------------------|
| <b>District Enterprise Fund</b>                                 |               |             |                |               |                                   |
| Certificates of Participation Series 2012                       | \$ 4,670,000  | \$ -        | (\$ 1,100,000) | \$ 3,570,000  | \$ 1,150,000                      |
| Unamortized premium   | 376,219       | -           | ( 91,537)      | 284,682       | -                                 |
| Certificates of Participation                                   | 5,046,219     | -           | ( 1,191,537)   | 3,854,682     | 1,150,000                         |
| Contracts Payable to Reclamation                                |               |             |                |               |                                   |
| Horsetooth Safety of Dams                                       | 3,450,282     | -           | ( 125,024)     | 3,325,258     | 132,213                           |
| Pole Hill Canal   | 275,042       | -           | ( 88,654)      | 186,388       | 91,647                            |
| District Enterprise Fund  | 8,771,543     | -           | ( 1,405,215)   | 7,366,328     | 1,373,860                         |
| <b>Hydropower</b>   |               |             |                |               |                                   |
| Colorado Water Resources and<br>Power Development Authority     | 1,571,637     | -           | ( 90,881)      | 1,480,756     | 92,698                            |
| Colorado Water Conservation Board                               | 5,008,601     | -           | ( 129,113)     | 4,879,488     | 131,696                           |
| Hydropower  | 6,580,238     | -           | ( 219,994)     | 6,360,244     | 224,394                           |
| Long-term debt outstanding                                      | 15,351,781    | -           | ( 1,625,209)   | 13,726,572    | \$ 1,598,254                      |
| Less: current maturities of long-term debt                      | ( 1,533,673)  | ( 64,581)   | -              | ( 1,598,254)  |                                   |
| Long-term debt, net of current maturities                       | \$ 13,818,108 | (\$ 64,581) | (\$ 1,625,209) | \$ 12,128,318 |                                   |
| <b>Hydropower</b>   |               |             |                |               |                                   |
| Interfund loan receivable/payable                               | \$ 3,902,730  | \$ -        | (\$ 209,382)   | \$ 3,693,348  | \$ 213,569                        |
| Less: current maturity of interfund loan<br>receivable/payable  | ( 209,382)    | ( 4,187)    | -              | ( 213,569)    |                                   |
| Interfund loan receivable/payable, net of<br>current maturities | \$ 3,693,348  | (\$ 4,187)  | (\$ 209,382)   | \$ 3,479,779  |                                   |
| <b>District Enterprise Fund</b>                                 |               |             |                |               |                                   |
| Net pension liability   | \$ 6,610,070  | \$ -        | (\$ 4,612,742) | \$ 1,997,328  |                                   |

## 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<br>September 30, | Certificates of Participation<br>Series 2012 |            | Contracts Payable to<br>Reclamation <sup>(1)</sup> |              | Hydropower <sup>(2)</sup> |              | Annual Debt<br>Service |
|-------------------------------|--|------------|--|--------------|---------------------------|--------------|------------------------|
|                               | Principal                                    | Interest   | Principal  | Interest     | Principal                 | Interest     |                        |
| 2019                          | \$ 1,150,000                                 | \$ 130,900 | \$ 223,860   | \$ 197,493   | \$ 437,963                | \$ 201,072   | \$ 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                          | -  | -          | 165,347  | 158,068      | 474,066                   | 164,970      | 962,451                |
| 2024-2028                     | -  | -          | 980,763  | 636,315      | 2,516,400                 | 678,778      | 4,812,256              |
| 2029-2033                     | -  | -          | 1,297,078  | 320,001      | 2,655,995                 | 416,869      | 4,689,943              |
| 2034-2038                     | -  | -          | 305,832  | 17,585       | 922,391                   | 224,037      | 1,469,845              |
| 2039-2043                     | -  | -          | -  | -            | 1,018,394                 | 128,033      | 1,146,427              |
| 2044-2048                     | -  | -          | -  | -            | 661,233                   | 26,623       | 687,856                |
| Debt service                  | \$ 3,570,000                                 | \$ 265,000 | \$ 3,511,646                                       | \$ 1,858,881 | \$ 10,053,592             | \$ 2,390,337 | \$ 21,649,456          |

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<br>September 30, | Principal     | Interest     | Total         |
|-------------------------------|---------------|--------------|---------------|
| 2019                          | \$ 1,811,823  | \$ 529,464   | \$ 2,341,287  |
| 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                          | 639,413       | 323,038      | 962,451       |
| 2024-2028                     | 3,497,163     | 1,315,093    | 4,812,256     |
| 2029-2033                     | 3,953,073     | 736,870      | 4,689,943     |
| 2034-2038                     | 1,228,222     | 241,622      | 1,469,844     |
| 2039-2043                     | 1,018,394     | 128,033      | 1,146,427     |
| 2044-2048                     | 661,234       | 26,624       | 687,858       |
| Debt service                  | \$ 17,135,238 | \$ 4,514,218 | \$ 21,649,456 |

<sup>(1)</sup> Includes Horsetooth Safety of Dams and Pole Hill Canal contracts payable.

<sup>(2)</sup> Includes CWCB, Power Authority and the interfund loan payable.

## 12 Deferred Outflows and Inflows of Resources

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

|  | <u>2018</u>           |
|--|-----------------------|
| <b>Deferred Outflows</b>   |                       |
| Pension Plan contributions subsequent to December 31, 2017, measurement date | \$ 1,058,022          |
| Pension Plan investment gains/losses   | 1,536,464             |
| Pension Plan effect of assumption changes                                    | 669,896               |
| Pension Plan economic/demographic gains/losses                               | <u>282,591</u>        |
| Deferred outflows of resources   | <u>\$ 3,546,973</u>   |
| <b>Deferred Inflows</b>  |                       |
| Pension Plan economic/demographic gains/losses                               | (\$ 18,895)           |
| Pension Plan investment gains/losses   | ( 2,007,877)          |
| Pension Plan effect of assumption changes                                    | ( 416,489)            |
| Certificates of Participation refunding                                      | <u>( 4,569)</u>       |
| Deferred inflows of resources  | <u>(\$ 2,447,830)</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, 2018, there were 90 Money Purchase Plan participants. The participants are neither permitted nor required to make contributions to the Money Purchase Plan. Plan administrative 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, 2018, was \$346,137.

## 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, 2018. The Measurement Date, the date as of which the net pension liability was determined, was December 31, 2017. The

Pension Plan does not issue a stand-alone financial report.

Under the terms of the Pension Plan, at normal retirement age eligible participants may elect to receive one of the following retirement benefit options:

- A monthly benefit equal to two percent of their average monthly compensation multiplied by their years of credited service
- An actuarially-determined lump sum benefit based on this same formula
- A benefit reflecting a combination of a monthly benefit and a lump sum benefit in three specified proportions

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, 2018, Pension Plan participants included 18 retirees receiving benefits, 47 active plan members and 5 former employees entitled to benefits but not yet eligible to receive them for a total of 70 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. For the fiscal year ended September 30, 2018, Northern Water contributions to the Pension Plan amounted to \$2,390,592, which included the annual actuarially-determined contribution and a supplemental contribution of \$982,000. These contributions represented 40.8 percent of covered payroll.

### Investment Portfolio

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

| <u>Investment Type</u>            | <u>Concentration</u> |
|-----------------------------------|----------------------|
| Domestic equities                 | 27%                  |
| Fixed income                      | 40                   |
| International equities            | 15                   |
| Liquid low correlated hedge funds | 10                   |
| Emerging markets                  | <u>5</u>             |
| Investments                       | 97%                  |
| Cash                              | 3                    |
| Total                             | <u>100%</u>          |

GAAP has established a fair value hierarchy that prioritizes the inputs to cash and investments fair value 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, 2018, the Pension Plan had the following investments:

| Investment Type                   | Fair Value<br>September 30,<br>2018 | Level 1              |
|-----------------------------------|-------------------------------------|----------------------|
| Domestic equities                 | \$ 11,341,248                       | \$ 11,341,248        |
| Fixed income                      | 14,746,773                          | 14,746,773           |
| International equities            | 4,737,457                           | 4,737,457            |
| Liquid low correlated hedge funds | 367,117                             | 367,117              |
| Emerging markets                  | 1,723,070                           | 1,723,070            |
| Investments at fair value         | 32,915,665                          | <u>\$ 32,915,665</u> |
| Investments measured at NAV       |                                     |                      |
| Equity long/short hedge fund      | 1,825,683                           |                      |
| Multi-strategy hedge fund         | 1,804,839                           |                      |
| Investments                       | <u>\$ 36,546,187</u>                |                      |

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 or market neutral equity strategy that primarily relies on fundamental security analysis for the purchase or sale of individual securities. Redemptions are permitted monthly with a 90 days' notice or quarterly with a 60 days' notice. There is no lock-up; however, a 2 percent fee may be charged for redemptions within the first 12 months. As of December 31, 2017, the date of the most recent audited financial statements of the fund, the fund's total net assets were \$391 million.

The multi-strategy hedge fund invests in approximately 25 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, 2018, the date of the fund's most recent audited financial statements, the next available redemption date ranged from May 31 to December 31, 2018. Liquidity, representing the available frequency of redemption without a redemption fee, ranged from monthly to annually. At April 30, 2018, the fund had total net assets of \$1.2 billion.

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, 2017, assuming a 20-year time horizon.

| Asset Class                       | Target<br>Allocation | Long-Term<br>Expected<br>Geometric Real<br>Rate of Return |
|-----------------------------------|----------------------|---|
| Cash                              | 3.0%                 | 0.1%  |
| Fixed income                      | 33.0                 | 1.6   |
| Leveraged loans                   | 7.0                  | 2.3   |
| U.S. equities - large cap         | 19.0                 | 3.1   |
| U.S. equities - small and midcap  | 8.0                  | 3.6   |
| Foreign developed equities        | 15.0                 | 3.9   |
| Emerging market equities          | 5.0                  | 4.6   |
| Liquid low correlated hedge funds | 10.0                 | 1.7   |
| Total                             | <u>100.0%</u>        |   |

For the Pension Plan year ended December 31, 2017, the annual money-weighted rate of return was 13.2 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<br>September 30,<br>2018 | Weighted<br>Average<br>Maturity |
|----------------------------|-------------------------------------|---------------------------------|
| Eaton Vance Floating Rate  | \$ 2,735,748                        | 5.4 years                       |
| Metropolitan West          | 6,000,235                           | 5.1 years                       |
| Schroder Fixed Income Fund | 6,010,790                           | 5.7 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, 2018, 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, 2018, 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, 2018, using the following actuarial assumptions:

- **Inflation** - 2.5 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
- **Cost of Living Adjustments** - 1.25 percent

## Notes to Financial Statements

- **Mortality** - RP-2000 Healthy Mortality Table for annuitants and non-annuitants, with generational projection (prior valuation assumed static projection to 2025) using Scale BB
- **Investment Rate of Return** - 6.0 percent
- **Valuation Timing** - January 1
- **Actuarial Cost Method** - Aggregate
- **Retirement Age** - Participants are assumed to retire at age 65 (prior valuation assumed participants 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, 2017, Measurement Date, calculated based on a discount rate and long-term expected rate of return of 6.0 percent. Changes in pension liability for the Pension Plan year ended December 31, 2017, were as follows:

|   | <b>Total<br/>Pension<br/>Liability</b> | <b>Fiduciary<br/>Net Position</b> | <b>Net Pension<br/>Liability</b> |
|---|--|-----------------------------------|----------------------------------|
| Balances, December 31, 2016                 | \$ 42,298,176                          | \$ 35,688,106                     | \$ 6,610,070                     |
| Changes for the year:                       |  |                                   |                                  |
| Service cost                                | 593,304                                | -                                 | 593,304                          |
| Interest on total pension liability         | 2,481,636                              | -                                 | 2,481,636                        |
| Effect of economic/demographic gains/losses | 90,073                                 | -                                 | 90,073                           |
| Effect of assumptions changes               | ( 529,054)                             | -                                 | ( 529,054)                       |
| Benefit payments                            | ( 3,107,012)                           | ( 3,107,012)                      | -                                |
| Employer contributions                      | -                                      | 2,612,183                         | ( 2,612,183)                     |
| Net investment income                       | -                                      | 4,636,518                         | ( 4,636,518)                     |
| Net changes                                 | ( 471,053)                             | 4,141,689                         | ( 4,612,742)                     |
| Balances, December 31, 2017                 | \$ 41,827,123                          | \$ 39,829,795                     | \$ 1,997,328                     |

Fiduciary net position as a percentage of total pension liability

Covered payroll

Net pension liability as a percentage of covered payroll

95.2%

\$ 5,752,756

34.7%

### Sensitivity Analysis

The following presents the net pension liability as of December 31, 2017, 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.

|                         | <b>1 Percentage<br/>Point Decrease<br/>(5.0%)</b> | <b>Current<br/>Discount Rate<br/>(6.0%)</b> | <b>1 Percentage<br/>Point Increase<br/>(7.0%)</b> |
|-------------------------|---|---|---|
| Total pension liability | \$ 45,416,336                                     | <b>\$ 41,827,123</b>                        | \$ 38,687,435                                     |
| Fiduciary net position  | 39,829,795  | <b>39,829,795</b>                           | 39,829,795  |
| Net pension liability   | \$ 5,586,541                                      | <b>\$ 1,997,328</b>                         | (\$ 1,142,360)                                    |

### Pension Expense

For the fiscal year ended September 30, 2018, Northern Water recognized pension expense of \$1,689,446.

### Pension Plan Deferred Inflows and Outflows of Resources

As of the December 31, 2017, Measurement Date deferred inflows and outflows of resources relating to the Pension Plan were as follows:

|   | <b>Deferred<br/>Inflows of<br/>Resources</b> | <b>Deferred<br/>Outflows of<br/>Resources</b> |
|---|--|---|
| Economic/demographic gains/losses   | (\$ 18,895)                                  | \$ 282,591                                    |
| Effect of assumption changes  | ( 416,489)                                   | 669,896                                       |
| Investment gains/losses   | ( 2,007,877)                                 | 1,536,464                                     |
| Northern Water contributions made subsequent to the December 31, 2017, Measurement Date | -  | 1,058,022                                     |
| Deferred inflows and outflows of resources  | (\$ 2,443,261)                               | \$ 3,546,973                                  |

Deferred outflows of resources resulting from Northern Water contributions subsequent to the December 31, 2017, Measurement Date will be recognized as a reduction in net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as deferred inflows and outflows of resources related to the Pension Plan will be recognized in pension expense as follows:

| <b>Years ending September 30,</b> | <b>Amounts<br/>Recognized in<br/>Pension<br/>Expense</b> |
|-----------------------------------|--|
| 2019                              | \$ 741,164   |
| 2020                              | 372,258  |
| 2021                              | ( 500,385)   |
| 2022                              | ( 567,347)   |
| Total                             | \$ 45,690  |

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). Revenue from charges for services and other operating revenues on the accompanying financial statement included charges to the Subdistrict totalling \$2,879,731 for the year ended September 30, 2018, of which carriage costs amounted to \$1,238,881. Outstanding charges of \$1,636,968 were included in receivables at September 30, 2018.

## 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<sup>(1)</sup>

### Required Supplementary Information

#### Fiduciary Fund Pension Trust Fund

Years ended January 1,

|   | 2018         | 2017         | 2016         | 2015         |
|---|--------------|--------------|--------------|--------------|
| <b>Total pension liability</b>                              |              |              |              |              |
| Service cost  | \$ 593,304   | \$ 629,104   | \$ 767,076   | \$ 746,409   |
| Interest on total pension liability                         | 2,481,636    | 2,533,835    | 2,479,704    | 2,360,109    |
| Effect of economic/demographic gains/losses                 | 90,073       | 98,744       | 459,807      | ( 63,355)    |
| Effect of assumption changes                                | ( 529,054)   | 120,176      | 727,550      | 1,178,636    |
| Benefit payments  | ( 3,107,012) | ( 1,962,149) | ( 1,846,706) | ( 293,103)   |
| Net change in pension liability                             | ( 471,053)   | 1,419,710    | 2,587,431    | 3,928,696    |
| Total pension liability, beginning of year                  | 42,298,176   | 40,878,466   | 38,291,035   | 34,362,339   |
| Total pension liability, end of year                        | 41,827,123   | 42,298,176   | 40,878,466   | 38,291,035   |
| <b>Fiduciary net position</b>                               |              |              |              |              |
| Employer contributions                                      | 2,612,183    | 3,315,464    | 1,511,622    | 631,338      |
| Net investment income                                       | 4,636,518    | 1,611,802    | ( 421,624)   | 1,091,271    |
| Benefit payments  | ( 3,107,012) | ( 1,962,149) | ( 1,846,706) | ( 293,103)   |
| Change in fiduciary net position                            | 4,141,689    | 2,965,117    | ( 756,708)   | 1,429,506    |
| Fiduciary net position, beginning of year                   | 35,688,106   | 32,722,989   | 33,479,697   | 32,050,191   |
| Fiduciary net position, end of year                         | 39,829,795   | 35,688,106   | 32,722,989   | 33,479,697   |
| Net pension liability, end of year                          | \$ 1,997,328 | \$ 6,610,070 | \$ 8,155,477 | \$ 4,811,338 |
| Fiduciary net position as a percentage of pension liability | 95.2%        | 84.4%        | 80.0%        | 87.4%        |
| Covered payroll   | \$ 5,752,756 | \$ 6,150,893 | \$ 6,212,513 | \$ 6,306,166 |
| Net pension liability as a percentage of covered payroll    | 34.7%        | 107.5%       | 131.3%       | 76.3%        |

<sup>(1)</sup> Information for years prior to 2015 not disclosed as data was not available.

**Schedule of Employer Contributions<sup>(1)</sup>**  
**Required Supplementary Information**  
**Fiduciary Fund Pension Trust Fund**

---

| <b>Northern Water<br/>Fiscal Year<br/>Ended<br/>September 30</b> | <b>Actual<br/>Employer<br/>Contribution</b> | <b>Actuarially-<br/>Determined<br/>Contribution</b> | <b>Employer<br/>Contribution<br/>Over<br/>Actuarially-<br/>Determined<br/>Contribution</b> | <b>Covered<br/>Payroll</b> | <b>Actual<br/>Employer<br/>Contribution as<br/>a Percentage<br/>of Covered<br/>Payroll</b> |
|--|---|---|--|----------------------------|--|
| 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   |
| <b>2018</b>  | <b>2,390,592</b>                            | <b>1,390,081</b>                                    | <b>1,000,511</b>   | <b>5,852,290</b>           | <b>40.8</b>  |

<sup>(1)</sup> 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, 2018 |                      |              | Year ended<br>September 30,<br>2017 |
|---|-------------------------------|----------------------|--------------|-------------------------------------|
|   | Budget                        | Actual               | Variance     | Actual                              |
| <b>Operating revenue sources</b>  |                               |                      |              |                                     |
| Water assessments   | \$ 10,364,415                 | <b>\$ 10,907,539</b> | \$ 543,124   | \$ 10,342,519                       |
| Charges for services  | 7,114,199                     | <b>6,307,644</b>     | ( 806,555)   | 5,783,834                           |
| Other operating revenues  | 2,239,600                     | <b>2,374,919</b>     | 135,319      | 1,916,281                           |
| Operating revenue sources   | 19,718,214                    | <b>19,590,102</b>    | ( 128,112)   | 18,042,634                          |
| <b>Operating expense uses</b>   | ( 28,561,243)                 | <b>( 24,581,372)</b> | 3,979,871    | ( 23,264,191)                       |
| Operating revenue sources under expense uses  | ( 8,843,029)                  | <b>( 4,991,270)</b>  | 3,851,759    | ( 5,221,557)                        |
| <b>Nonoperating revenue sources</b>   |                               |                      |              |                                     |
| Property and specific ownership taxes   | 21,241,567                    | <b>21,282,930</b>    | 41,363       | 18,807,149                          |
| Interest income and earnings on investments   | 368,754                       | <b>350,824</b>       | ( 17,930)    | 300,063                             |
| Intergovernmental grants  | 119,750                       | <b>132,023</b>       | 12,273       | 83,449                              |
| Other nonoperating revenues   | 262,500                       | <b>1,934,800</b>     | 1,672,300    | 379,231                             |
| Interfund loan receivable receipts  | 209,382                       | <b>209,382</b>       | -            | 205,276                             |
| Nonoperating revenue sources  | 22,201,953                    | <b>23,909,959</b>    | 1,708,006    | 19,775,168                          |
| <b>Nonoperating expense uses</b>  |                               |                      |              |                                     |
| Debt service  |                               |                      |              |                                     |
| Principal   | ( 1,313,679)                  | <b>( 1,313,678)</b>  | -            | ( 1,273,987)                        |
| Interest  | ( 382,574)                    | <b>( 363,939)</b>    | 18,636       | ( 421,248)                          |
| Intergovernmental subgrantee payments   | ( 293,270)                    | <b>( 118,398)</b>    | 174,872      | ( 113,800)                          |
| Capital purchases and project expenditures  | ( 4,984,450)                  | <b>( 1,516,288)</b>  | 3,468,162    | ( 1,471,304)                        |
| Other capital project expenditures  | ( 1,979,500)                  | <b>( 2,368,517)</b>  | ( 389,017)   | ( 1,950,400)                        |
| Supplemental Pension Plan contribution  | ( 875,000)                    | <b>( 659,250)</b>    | 215,750      | ( 1,400,000)                        |
| Nonoperating expense uses   | ( 9,828,473)                  | <b>( 6,340,070)</b>  | 3,488,403    | ( 6,630,739)                        |
| Nonoperating revenue sources over expense uses  | 12,373,480                    | <b>17,569,889</b>    | 5,196,409    | 13,144,429                          |
| Revenue sources over expense uses   | \$ 3,530,451                  | <b>12,578,619</b>    | \$ 9,048,168 | 7,922,872                           |
| <b>Adjustments to reconcile budgetary basis to GAAP basis</b>                         |                               |                      |              |                                     |
| Interfund loan receivable principal receipts  |                               | ( 209,382)           |              | ( 205,276)                          |
| Debt principal payments and bond-related amortization                                 |                               | <b>1,408,440</b>     |              | 1,367,808                           |
| Capital outlay  |                               | <b>1,516,288</b>     |              | 1,471,304                           |
| Payroll-related year end accruals   |                               | ( 115,965)           |              | -                                   |
| Excess of Pension Plan contributions over actuarially-determined pension plan expense |                               | <b>701,161</b>       |              | 888,604                             |
| Other   |                               | ( 41,274)            |              | ( 23,980)                           |
| Depreciation  |                               | <b>( 1,873,285)</b>  |              | ( 1,697,898)                        |
| Increases in net position   |                               | <b>\$ 13,964,602</b> |              | \$ 9,723,434                        |

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

Non-GAAP Budgetary Basis

|   | Year ended September 30, 2018 |               |               | Year ended<br>September 30,<br>2017 |
|---|-------------------------------|---------------|---------------|-------------------------------------|
|   | Budget                        | Actual        | Variance      | Actual                              |
| <b>Operating revenue sources</b>                              |                               |               |               |                                     |
| Assessments   | \$ 1,294,945                  | \$ 1,288,125  | (\$ 6,820)    | \$ 1,112,252                        |
| <b>Operating expense uses</b>                                 | ( 1,294,945)                  | ( 1,105,868)  | 189,077       | ( 1,015,661)                        |
| Operating revenue sources over expense uses                   | -                             | 182,257       | 182,257       | 96,591                              |
| <b>Nonoperating revenue sources</b>                           |                               |               |               |                                     |
| Earnings on investments                                       | -                             | 19,707        | 19,707        | 7,248                               |
| Use of water outlet facility                                  | -                             | 782,263       | 782,263       | -                                   |
| Other nonoperating revenues                                   | -                             | 8,246         | 8,246         | -                                   |
| Capital contributions   | 20,854,929                    | 45,226,520    | 24,371,591    | 2,526,877                           |
| Nonoperating revenue sources                                  | 20,854,929                    | 46,036,736    | 25,181,807    | 2,534,125                           |
| <b>Nonoperating expense uses</b>                              |                               |               |               |                                     |
| Participant gain on use of water outlet facility              | -                             | ( 782,263)    | ( 782,263)    | -                                   |
| Capital expenditures  | ( 20,854,929)                 | ( 5,810,980)  | 15,043,949    | ( 1,667,839)                        |
| Retainage   | -                             | 137,031       | 137,031       | -                                   |
| Other capital expenditures                                    | -                             | ( 8,556)      | ( 8,556)      | ( 10,784)                           |
| Nonoperating expense uses                                     | ( 20,854,929)                 | ( 6,464,768)  | 14,390,161    | ( 1,678,623)                        |
| Nonoperating revenue sources over expense uses                | -                             | 39,571,968    | 39,571,968    | 855,502                             |
| Revenue sources over expense uses                             | \$ -                          | 39,754,225    | \$ 39,754,225 | 952,093                             |
| <b>Adjustments to reconcile budgetary basis to GAAP basis</b> |                               |               |               |                                     |
| Capital contributions reflected as unearned revenue           |                               | ( 38,466,498) |               | -                                   |
| Participant escrow funding held as accrued liabilities        |                               | ( 2,625,995)  |               | -                                   |
| Retainage   |                               | ( 137,031)    |               | -                                   |
| Capital expenditures  |                               | 5,810,980     |               | 1,667,839                           |
| Depreciation  |                               | ( 1,659,803)  |               | ( 1,655,910)                        |
| Other   |                               | ( 9,280)      |               | -                                   |
| Increases in net position                                     |                               | \$ 2,666,598  |               | \$ 964,022                          |

**Schedule of Revenues and Expenses, Budget to Actual**  
**Pleasant Valley Pipeline Project Enterprise Fund**

*Non-GAAP Budgetary Basis*

|  | Year ended September 30, 2018 |              |             | Year ended<br>September 30,<br>2017 |
|--|-------------------------------|--------------|-------------|-------------------------------------|
|  | Budget                        | Actual       | Variance    | Actual                              |
| <b>Operating revenue sources</b>                             |                               |              |             |                                     |
| Assessments  | \$ 133,070                    | \$ 43,486    | (\$ 89,584) | \$ 41,568                           |
| <b>Operating expense uses</b>                                | ( 133,070)                    | ( 69,755)    | 63,315      | ( 28,771)                           |
| Operating revenue sources over (under) expense uses          | -                             | ( 26,269)    | ( 26,269)   | 12,797                              |
| <b>Nonoperating revenue sources</b>                          |                               |              |             |                                     |
| Earnings on investments                                      | -                             | 1,699        | 1,699       | 674                                 |
| Revenue sources over (under) expense uses                    | \$ -                          | ( 24,570)    | (\$ 24,570) | 13,471                              |
| <b>Adjustment to reconcile budgetary basis to GAAP basis</b> |                               |              |             |                                     |
| Depreciation   |                               | ( 743,305)   |             | ( 743,305)                          |
| Decreases in net position                                    |                               | (\$ 767,875) |             | (\$ 729,834)                        |

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

*Non-GAAP Budgetary Basis*

|  | <u>Year ended September 30, 2018</u> |                      |                 | <u>Year ended</u>    |
|--|--------------------------------------|----------------------|-----------------|----------------------|
|  | <u>Budget</u>                        | <u>Actual</u>        | <u>Variance</u> | <u>September 30,</u> |
|  |                                      |                      |                 | <u>2017</u>          |
|  |                                      |                      |                 | <u>Actual</u>        |
| <b>Nonoperating revenue sources</b>                          |                                      |                      |                 |                      |
| Capital contributions  | \$ 8,000,000                         | \$ <b>8,048,519</b>  | \$ 48,519       | \$ 4,013,093         |
| <b>Nonoperating expense uses</b>                             |                                      |                      |                 |                      |
| Capital expenditures   | ( 8,000,000)                         | ( <b>6,748,921</b> ) | 1,251,079       | ( 3,995,093)         |
| Nonoperating revenue sources over expense uses               | \$ -                                 | <b>1,299,598</b>     | \$ 1,299,598    | 18,000               |
| <b>Adjustment to reconcile budgetary basis to GAAP basis</b> |                                      |                      |                 |                      |
| Capital outlay   |                                      | <b>6,748,921</b>     |                 | 3,995,093            |
| Increases in net position                                    |                                      | <b>\$ 8,048,519</b>  |                 | \$ 4,013,093         |

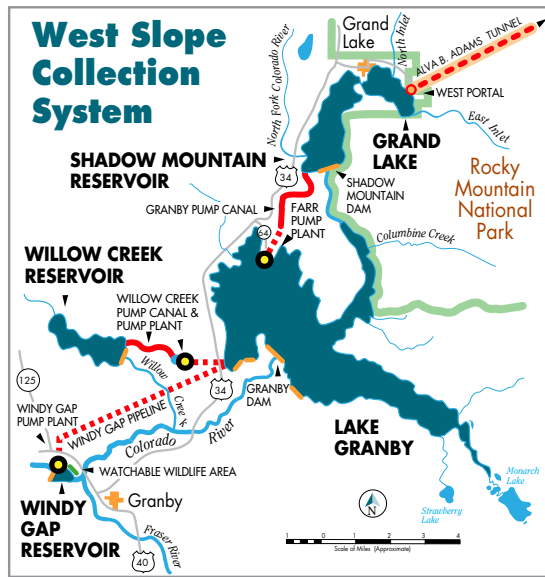
## Schedule of Revenues and Expenses, Budget to Actual Hydropower Enterprise Fund

Non-GAAP Budgetary Basis

|   | Year ended September 30, 2018 |              |            | Year ended<br>September 30,<br>2017 |
|---|-------------------------------|--------------|------------|-------------------------------------|
|   | Budget                        | Actual       | Variance   | Actual                              |
| <b>Operating revenue sources</b>                              |                               |              |            |                                     |
| Energy revenue  | \$ 1,076,957                  | \$ 1,112,541 | \$ 35,584  | \$ 1,110,090                        |
| <b>Operating expense uses</b>                                 | ( 409,046)                    | ( 311,563)   | 97,483     | ( 314,624)                          |
| Operating revenue sources over expense uses                   | 667,911                       | 800,978      | 133,067    | 795,466                             |
| <b>Nonoperating revenue sources</b>                           |                               |              |            |                                     |
| Earnings on investments                                       | -                             | 17,828       | 17,828     | 6,971                               |
| Intergovernmental grant                                       | -                             | 119,635      | 119,635    | -                                   |
| Nonoperating revenue sources                                  | -                             | 137,463      | 137,463    | 6,971                               |
| <b>Nonoperating expense uses</b>                              |                               |              |            |                                     |
| Debt service payments   |                               |              |            |                                     |
| Principal   | ( 452,305)                    | ( 429,376)   | 22,929     | ( 420,957)                          |
| Interest  | ( 209,660)                    | ( 206,891)   | 2,769      | ( 215,364)                          |
| Nonoperating expense uses                                     | ( 661,965)                    | ( 636,267)   | 25,698     | ( 636,321)                          |
| Nonoperating revenue sources under expense uses               | ( 661,965)                    | ( 498,804)   | 163,161    | ( 629,350)                          |
| Revenue sources over expense uses                             | \$ 5,946                      | 302,174      | \$ 296,228 | 166,116                             |
| <b>Adjustments to reconcile budgetary basis to GAAP basis</b> |                               |              |            |                                     |
| Debt principal payments                                       |                               | 429,376      |            | 420,957                             |
| Depreciation  |                               | ( 287,226)   |            | ( 287,226)                          |
| Increases in net position                                     |                               | \$ 444,324   |            | \$ 299,847                          |

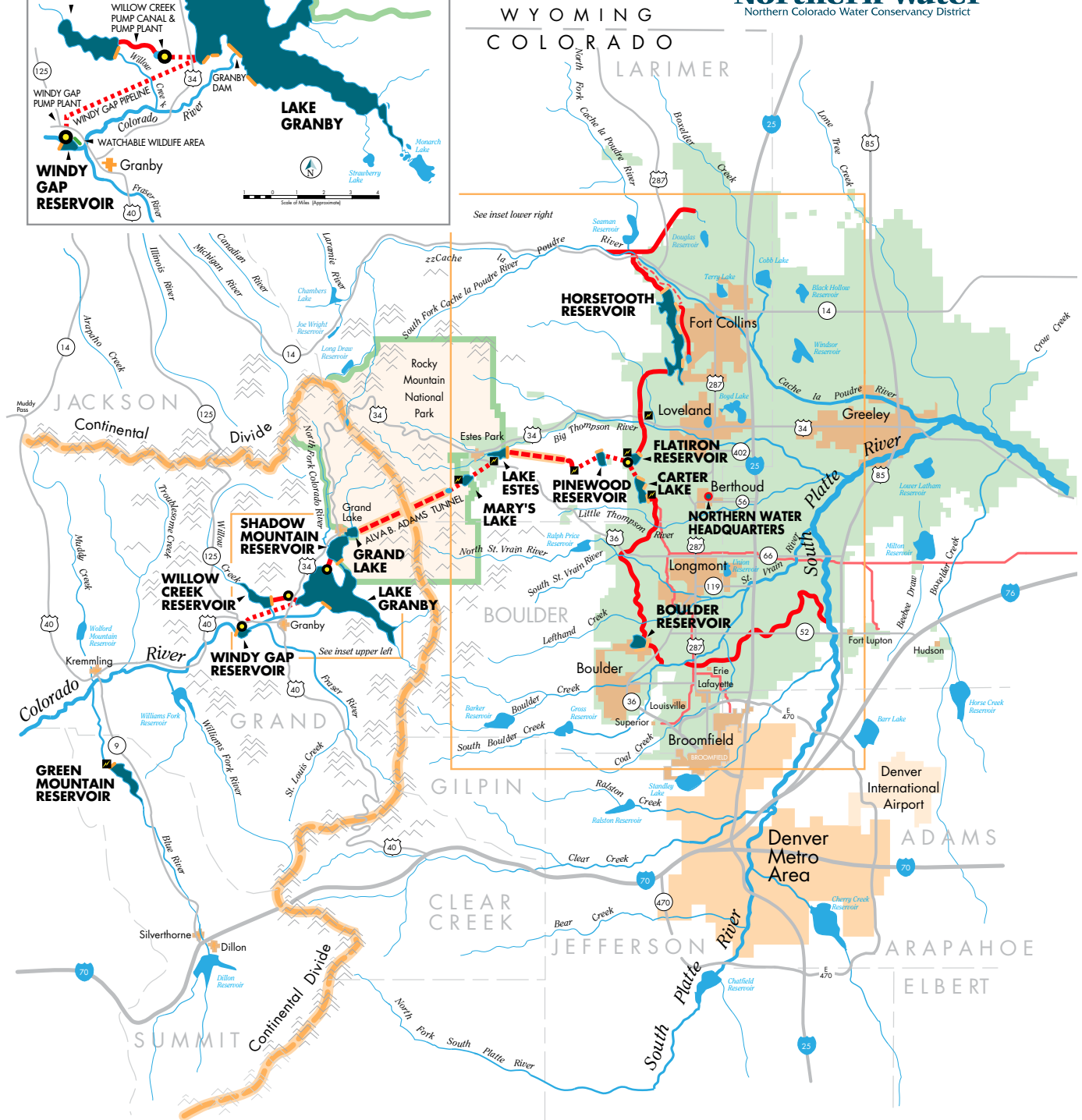


*North Fork Colorado River above Shadow Mountain Reservoir*



# Northern Water

## Colorado-Big Thompson Project Facilities and Northern Water Boundaries

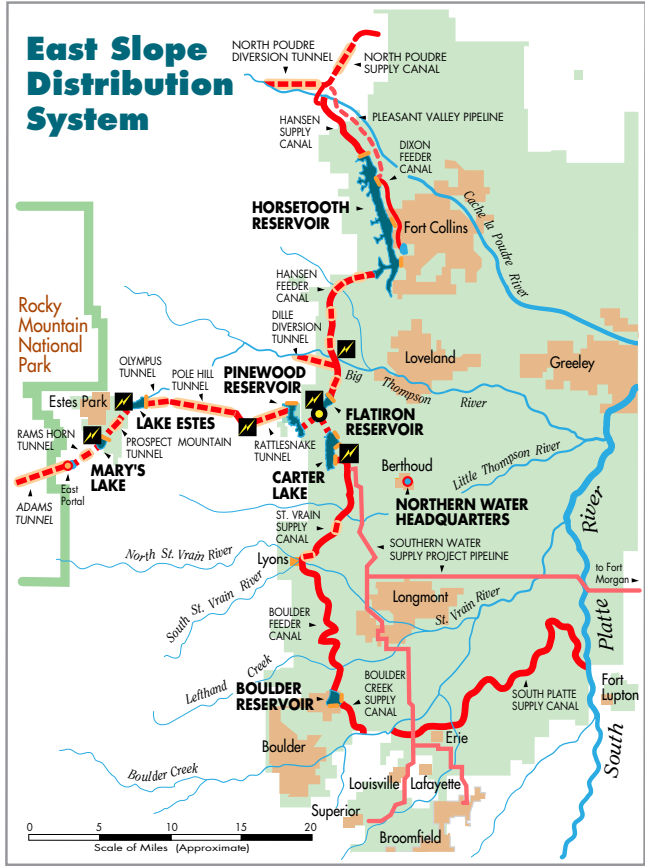
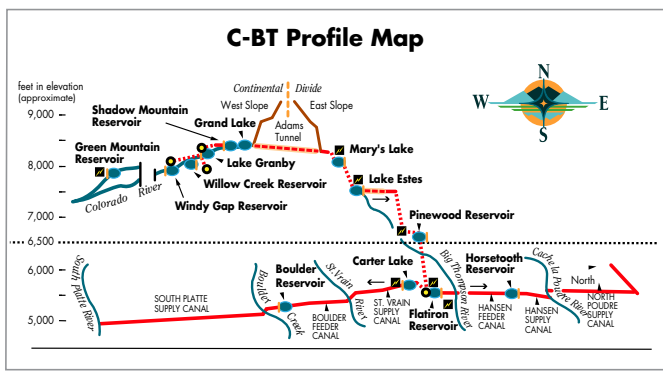
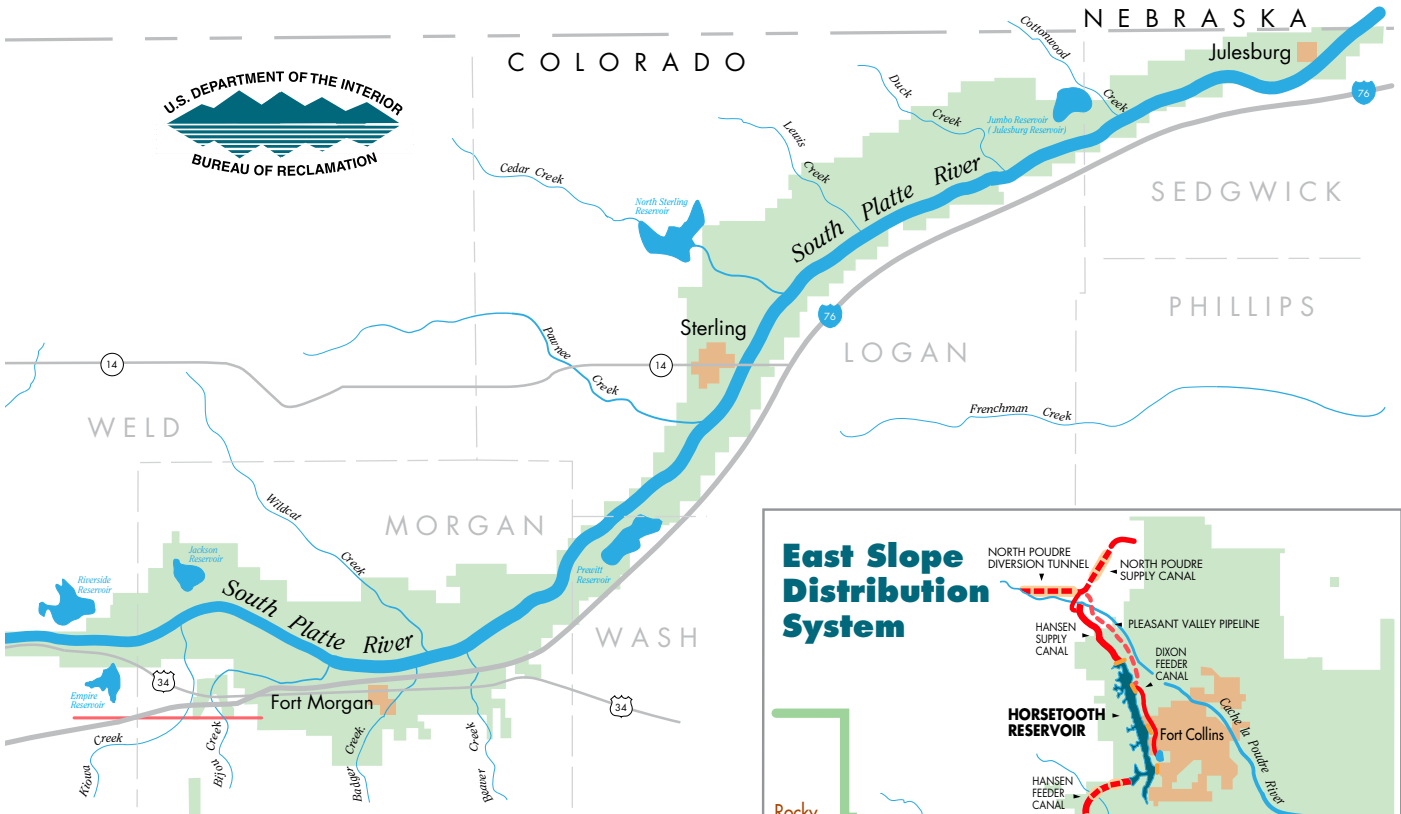
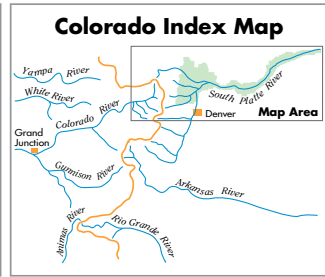
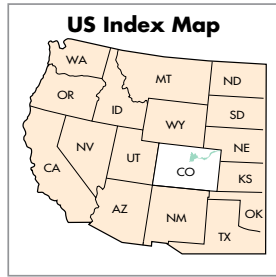


### Legend

- 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 (2009 - 2018)<sup>(1)</sup>

Years ended September 30,  
Unaudited

|  | 2018                 | %          | 2017           | %   | 2016           | %   | 2015           | %   |
|--|----------------------|------------|----------------|-----|----------------|-----|----------------|-----|
| <b>Revenues</b>                                      |                      |            |                |     |                |     |                |     |
| Operating revenues                                   |                      |            |                |     |                |     |                |     |
| Assessments  | \$ 12,239,150        | 26         | \$ 11,496,339  | 29  | \$ 10,113,724  | 27  | \$ 8,110,867   | 24  |
| Charges for services <sup>(2)</sup>                  | 6,307,644            | 14         | 5,783,834      | 14  | 4,701,786      | 12  | 4,541,473      | 13  |
| Energy revenue <sup>(3)</sup>                        | 1,112,541            | 2          | 1,110,090      | 3   | 936,746        | 3   | 606,827        | 2   |
| Other operating revenues                             | 2,374,919            | 5          | 1,916,281      | 5   | 1,644,774      | 4   | 2,592,305      | 8   |
| Operating revenues                                   | <b>22,034,254</b>    | <b>47</b>  | 20,306,544     | 51  | 17,397,030     | 46  | 15,851,472     | 47  |
| Nonoperating revenues                                |                      |            |                |     |                |     |                |     |
| Property and specific ownership taxes                | 21,282,930           | 46         | 18,807,149     | 47  | 19,027,007     | 51  | 15,997,115     | 47  |
| Earnings on investments                              | 390,058              | 1          | 314,956        | 1   | 344,096        | 1   | 313,207        | 1   |
| Intergovernmental grants                             | 253,333              | -          | 83,449         | -   | 536,777        | 1   | 1,397,620      | 4   |
| Other nonoperating revenues, net                     | 1,941,115            | 4          | 390,855        | 1   | 262,128        | 1   | 487,930        | 1   |
| Use of facilities <sup>(4)</sup>                     | 782,263              | 2          | -              | -   | -              | -   | -              | -   |
| Gain (loss) on disposition of assets <sup>(5)</sup>  | -                    | -          | -              | -   | -              | -   | -              | -   |
| Nonoperating revenues                                | <b>24,649,699</b>    | <b>53</b>  | 19,596,409     | 49  | 20,170,008     | 54  | 18,195,872     | 53  |
| Revenues   | <b>46,683,953</b>    | <b>100</b> | 39,902,953     | 100 | 37,567,038     | 100 | 34,047,344     | 100 |
| <b>Expenses</b>                                      |                      |            |                |     |                |     |                |     |
| Operating expenses                                   |                      |            |                |     |                |     |                |     |
| Operations   | 14,117,940           | 30         | 13,223,118     | 33  | 12,736,200     | 34  | 12,787,288     | 38  |
| Administration                                       | 6,755,097            | 15         | 6,806,674      | 17  | 6,289,010      | 17  | 4,934,313      | 14  |
| Engineering  | 7,695,271            | 16         | 7,102,192      | 18  | 5,435,991      | 14  | 5,497,912      | 16  |
| Depreciation   | 4,563,619            | 10         | 4,384,339      | 11  | 4,169,073      | 11  | 4,102,074      | 12  |
| Operating expenses                                   | <b>33,131,927</b>    | <b>71</b>  | 31,516,323     | 79  | 28,630,274     | 76  | 27,321,587     | 80  |
| Nonoperating expenses                                |                      |            |                |     |                |     |                |     |
| Interest expense                                     | 476,068              | 1          | 530,614        | 2   | 475,720        | 2   | 522,045        | 2   |
| Intergovernmental subgrantee payments                | 118,398              | -          | 113,800        | -   | 454,589        | 1   | 1,191,100      | 3   |
| Participant gain on use of facilities <sup>(4)</sup> | 782,263              | 2          | -              | -   | -              | -   | -              | -   |
| Refund of contributed capital                        | 371,803              | 1          | -              | -   | 59,672         | -   | -              | -   |
| Nonoperating expenses                                | <b>1,748,532</b>     | <b>4</b>   | 644,414        | 2   | 989,981        | 3   | 1,713,145      | 5   |
| Expenses   | <b>34,880,459</b>    | <b>75</b>  | 32,160,737     | 81  | 29,620,255     | 79  | 29,034,732     | 85  |
| Income (loss) before contributions                   | <b>11,803,494</b>    | <b>25</b>  | 7,742,216      | 19  | 7,946,783      | 21  | 5,012,612      | 15  |
| <b>Capital contributions</b>                         | <b>12,552,674</b>    |            | 6,528,346      |     | 4,400,000      |     | 3,542,024      |     |
| Changes in net position                              | <b>24,356,168</b>    |            | 14,270,562     |     | 12,346,783     |     | 8,554,636      |     |
| Net position, beginning of year                      | <b>252,257,885</b>   |            | 237,987,323    |     | 225,640,540    |     | 217,085,904    |     |
| Restatement <sup>(6)</sup>                           | -                    |            | -              |     | -              |     | -              |     |
| Net position, end of year                            | <b>\$276,614,053</b> |            | \$ 252,257,885 |     | \$ 237,987,323 |     | \$ 225,640,540 |     |

<sup>(1)</sup> Balances reflect all Northern Water enterprise funds combined.

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

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

<sup>(4)</sup> Balances in 2018 and 2013 are the result of SWSP Pipeline II facilities and right-of-way transactions, respectively.

<sup>(5)</sup> Included in other nonoperating revenues from 2013 forward.

<sup>(6)</sup> 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.

| <b>2014</b>           | <b>%</b>   | <b>2013</b>           | <b>%</b>   | <b>2012</b>           | <b>%</b>   | <b>2011</b>           | <b>%</b>   | <b>2010</b>           | <b>%</b>   | <b>2009</b>           | <b>%</b>   |
|-----------------------|------------|-----------------------|------------|-----------------------|------------|-----------------------|------------|-----------------------|------------|-----------------------|------------|
| \$ 7,875,949          | 23         | \$ 7,343,449          | 18         | \$ 6,739,612          | 23         | \$ 6,336,897          | 22         | \$ 6,142,790          | 21         | \$ 6,279,168          | 22         |
| 4,658,426             | 14         | 5,133,403             | 13         | 6,197,883             | 21         | 6,400,517             | 22         | 6,070,393             | 20         | 5,756,767             | 20         |
| 480,309               | 1          | 625,371               | 2          | 484,632               | 1          | -                     | -          | -                     | -          | -                     | -          |
| 1,836,432             | 6          | 10,622,677            | 26         | 1,273,387             | 4          | 1,174,792             | 4          | 1,636,640             | 6          | 1,195,266             | 4          |
| <u>14,851,116</u>     | <u>44</u>  | <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>  |
| 15,569,049            | 46         | 15,217,883            | 38         | 14,614,826            | 49         | 14,427,014            | 50         | 15,242,950            | 51         | 14,373,355            | 49         |
| 208,444               | 1          | 196,413               | -          | 91,339                | -          | 150,191               | 1          | 203,801               | 1          | 1,073,183             | 4          |
| 1,962,262             | 6          | -                     | -          | -                     | -          | -                     | -          | -                     | -          | -                     | -          |
| 1,028,181             | 3          | 235,503               | 1          | 285,265               | 2          | 281,631               | 1          | 315,364               | 1          | 335,733               | 1          |
| -                     | -          | 906,507               | 2          | -                     | -          | -                     | -          | -                     | -          | -                     | -          |
| -                     | -          | -                     | -          | 35,879                | -          | 34,053                | -          | ( 20)                 | -          | 28,922                | -          |
| <u>18,767,936</u>     | <u>56</u>  | <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>33,619,052</u>     | <u>100</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> |
| 13,358,066            | 40         | 13,533,921            | 33         | 12,054,637            | 40         | 11,639,603            | 40         | 10,746,757            | 36         | 12,044,474            | 41         |
| 6,238,623             | 18         | 5,485,132             | 14         | 9,216,199             | 32         | 9,315,195             | 32         | 8,721,734             | 29         | 7,992,889             | 28         |
| 5,090,341             | 15         | 4,645,297             | 11         | 4,970,541             | 17         | 4,679,940             | 17         | 4,808,126             | 16         | 4,336,697             | 15         |
| 4,149,642             | 12         | 3,841,086             | 10         | 3,997,207             | 13         | 4,019,615             | 14         | 3,983,907             | 14         | 3,989,476             | 14         |
| <u>28,836,672</u>     | <u>85</u>  | <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>  |
| 566,912               | 2          | 783,119               | 2          | 980,401               | 3          | 1,019,611             | 4          | 1,045,104             | 4          | 1,025,320             | 3          |
| 1,259,635             | 4          | -                     | -          | -                     | -          | -                     | -          | -                     | -          | -                     | -          |
| -                     | -          | 702,165               | 2          | -                     | -          | -                     | -          | -                     | -          | -                     | -          |
| -                     | -          | 204,342               | -          | -                     | -          | -                     | -          | -                     | -          | -                     | -          |
| <u>1,826,547</u>      | <u>6</u>   | <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>30,663,219</u>     | <u>91</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> |
| 2,955,833             | 9          | 11,086,144            | 28         | ( 1,496,162)          | (5)        | ( 1,868,869)          | (7)        | 306,290               | 1          | ( 346,462)            | (1)        |
| 1,890,000             |            | 1,799,304             |            | 1,003,100             |            | 1,500,000             |            | 1,630,000             |            | 1,501,385             |            |
| 4,845,833             |            | 12,885,448            |            | ( 493,062)            |            | ( 368,869)            |            | 1,936,290             |            | 1,154,923             |            |
| 215,054,729           |            | 202,378,483           |            | 202,871,545           |            | 203,240,414           |            | 201,304,124           |            | 200,149,201           |            |
| ( 2,814,658)          |            | ( 209,202)            |            | -                     |            | -                     |            | -                     |            | -                     |            |
| <u>\$ 217,085,904</u> |            | <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> |            |

## Statement of Net Position by Component (2009 - 2018)<sup>(1)</sup>

September 30,  
Unaudited

|                                  | 2018                 | 2017           | 2016           | 2015           |
|----------------------------------|----------------------|----------------|----------------|----------------|
| <b>Net position</b>              |                      |                |                |                |
| Net investment in capital assets | <b>\$193,162,975</b> | \$ 182,061,936 | \$ 177,863,092 | \$ 174,959,097 |
| Restricted net position          |                      |                |                |                |
| Debt service                     | <b>174,967</b>       | 149,684        | 126,010        | 125,505        |
| Major repairs                    | <b>1,970,697</b>     | 2,007,139      | 1,993,343      | 1,989,621      |
| Capital projects                 | <b>2,420,068</b>     | 2,786,161      | 1,959,697      | 1,381,990      |
| Unrestricted net position        | <b>78,885,346</b>    | 65,252,965     | 56,045,181     | 47,184,327     |
| Net position                     | <b>\$276,614,053</b> | \$ 252,257,885 | \$ 237,987,323 | \$ 225,640,540 |

<sup>(1)</sup> Balances reflect all Northern Water enterprise funds combined.

<sup>(2)</sup> 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.

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

---

| <b>2014<sup>(2)</sup></b> | <b>2013<sup>(3)</sup></b> | <b>2012</b>    | <b>2011</b>    | <b>2010</b>    | <b>2009</b>    |
|---------------------------|---------------------------|----------------|----------------|----------------|----------------|
| \$ 171,634,522            | \$ 171,455,879            | \$ 167,267,534 | \$ 154,229,495 | \$ 150,796,408 | \$ 151,016,881 |
| 125,363                   | 425,806                   | -              | -              | -              | -              |
| 1,989,049                 | 1,988,522                 | 1,987,672      | 1,987,256      | 1,985,832      | 1,978,579      |
| 840,935                   | 1,326,539                 | 949,872        | 1,148,136      | 907,677        | 585,293        |
| 42,496,035                | 39,857,983                | 32,173,405     | 45,506,658     | 49,550,497     | 47,723,371     |
| \$ 217,085,904            | \$ 215,054,729            | \$ 202,378,483 | \$ 202,871,545 | \$ 203,240,414 | \$ 201,304,124 |



*Horsetooth Reservoir*

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

### District Enterprise Fund

Years ended September 30,  
Unaudited

| Year                | Reclamation <sup>(1)</sup> | WAPA Colorado River <sup>(2)</sup> | Lower Boulder Ditch Company <sup>(3)</sup> | Coal Ridge Ditch Company <sup>(3)</sup> | Reclamation Power Interference <sup>(4)</sup> | 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 <sup>(5)</sup> | 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                             |
| <b>2018</b>         | <b>1,821,433</b>           | <b>211,291</b>                     | <b>275,053</b>                             | <b>81,732</b>                           | <b>97,879</b>                                 | <b>2,427,388</b>                      |

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

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

## Water Assessments and Ownership by Water Allotment Contract Class and Rate (2009 - 2018)

### District Enterprise Fund

Years ended September 30,

Unaudited

|  | 2018                | %          | 2017                 | %          | 2016                | %          | 2015                | %          |
|--|---------------------|------------|----------------------|------------|---------------------|------------|---------------------|------------|
| <b>Water Assessments</b>   |                     |            |                      |            |                     |            |                     |            |
| Class B, municipal   | \$ 4,875,560        | 45         | \$ 4,689,355         | 46         | \$ 4,371,754        | 48         | \$ 3,529,939        | 50         |
| Class C  |                     |            |                      |            |                     |            |                     |            |
| Domestic   | 2,259,151           | 21         | 2,163,133            | 21         | 1,795,448           | 20         | 1,442,564           | 20         |
| Industrial   | 532,861             | 5          | 524,355              | 5          | 440,908             | 5          | 376,939             | 5          |
| Irrigation   | 478,708             | 4          | 464,719              | 4          | 343,280             | 4          | 262,962             | 4          |
| Multi-purpose  | 12,832              | -          | 22,998               | -          | 17,053              | -          | 14,487              | -          |
| Class D, irrigation  | 691,788             | 6          | 660,774              | 6          | 506,851             | 6          | 318,641             | 4          |
| Carryover  | 2,056,639           | 19         | 1,817,185            | 18         | 1,545,158           | 17         | 1,224,416           | 17         |
|  | <b>\$10,907,539</b> | <b>100</b> | <b>\$ 10,342,519</b> | <b>100</b> | <b>\$ 9,020,452</b> | <b>100</b> | <b>\$ 7,169,948</b> | <b>100</b> |
| <b>Ownership by Water Allotment Contract Class (acre-foot units)</b> |                     |            |                      |            |                     |            |                     |            |
| Class B, municipal   | 152,429             | 49         | 151,517              | 49         | 151,063             | 49         | 150,161             | 48         |
| Class C  |                     |            |                      |            |                     |            |                     |            |
| Irrigation   | 56,754              | 18         | 56,490               | 18         | 56,615              | 18         | 56,417              | 18         |
| Domestic/Industrial/Multi-purpose                                    | 66,006              | 21         | 65,894               | 21         | 64,587              | 21         | 63,878              | 21         |
| Class D, Irrigation <sup>(1)</sup>                                   | 34,811              | 12         | 36,099               | 12         | 37,735              | 12         | 39,544              | 13         |
|  | <b>310,000</b>      | <b>100</b> | <b>310,000</b>       | <b>100</b> | <b>310,000</b>      | <b>100</b> | <b>310,000</b>      | <b>100</b> |
| <b>Ownership by Water Allotment Contract Rate (acre-foot units)</b>  |                     |            |                      |            |                     |            |                     |            |
| Fixed rate   | 96,289              | 31         | 97,401               | 31         | 98,263              | 32         | 99,311              | 32         |
| Open rate  | 213,711             | 69         | 212,599              | 69         | 211,737             | 68         | 210,689             | 68         |
|  | <b>310,000</b>      | <b>100</b> | <b>310,000</b>       | <b>100</b> | <b>310,000</b>      | <b>100</b> | <b>310,000</b>      | <b>100</b> |

<sup>(1)</sup> Includes inactive units.

|    | <b>2014</b> | <b>%</b> | <b>2013</b>  | <b>%</b> | <b>2012</b>  | <b>%</b> | <b>2011</b>  | <b>%</b> | <b>2010</b>  | <b>%</b> | <b>2009</b>  | <b>%</b> |
|----|-------------|----------|--------------|----------|--------------|----------|--------------|----------|--------------|----------|--------------|----------|
| \$ | 3,181,025   | 46       | \$ 2,950,799 | 48       | \$ 2,805,799 | 48       | \$ 2,676,564 | 50       | \$ 2,652,230 | 48       | \$ 2,650,888 | 48       |
|    | 1,308,281   | 19       | 1,222,250    | 20       | 1,165,155    | 20       | 1,136,715    | 20       | 1,156,327    | 21       | 1,126,025    | 20       |
|    | 318,286     | 5        | 272,712      | 4        | 262,864      | 5        | 258,328      | 5        | 258,328      | 5        | 250,701      | 5        |
|    | 249,332     | 4        | 249,426      | 4        | 245,675      | 4        | 251,139      | 5        | 237,551      | 4        | 235,235      | 4        |
|    | 19,797      | -        | 18,693       | -        | 18,028       | -        | 17,717       | -        | 17,717       | -        | 17,194       | -        |
|    | 310,360     | 4        | 315,163      | 5        | 301,179      | 5        | 306,431      | 6        | 312,300      | 6        | 307,135      | 6        |
|    | 1,528,117   | 22       | 1,209,928    | 19       | 968,104      | 18       | 744,912      | 14       | 869,130      | 16       | 925,975      | 17       |
| \$ | 6,915,198   | 100      | \$ 6,238,971 | 100      | \$ 5,766,804 | 100      | \$ 5,391,806 | 100      | \$ 5,503,583 | 100      | \$ 5,513,153 | 100      |
|    | 149,879     | 48       | 149,568      | 48       | 148,891      | 48       | 148,241      | 48       | 146,828      | 47       | 146,023      | 47       |
|    | 60,122      | 20       | 60,505       | 20       | 60,660       | 20       | 59,696       | 19       | 60,322       | 20       | 60,589       | 20       |
|    | 58,999      | 19       | 57,414       | 18       | 56,871       | 18       | 57,569       | 18       | 57,273       | 18       | 57,380       | 18       |
|    | 41,000      | 13       | 42,513       | 14       | 43,578       | 14       | 44,494       | 15       | 45,577       | 15       | 46,008       | 15       |
|    | 310,000     | 100      | 310,000      | 100      | 310,000      | 100      | 310,000      | 100      | 310,000      | 100      | 310,000      | 100      |
|    | 99,862      | 32       | 100,406      | 32       | 101,286      | 33       | 101,497      | 33       | 101,810      | 33       | 102,070      | 33       |
|    | 210,138     | 68       | 209,594      | 68       | 208,714      | 67       | 208,503      | 67       | 208,190      | 67       | 207,930      | 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 (2009 and 2018)

### District Enterprise Fund

September 30,

Unaudited

| Entity   | 2018            |            | 2009            |            |
|--|-----------------|------------|-----------------|------------|
|  | Acre-Foot Units | Percentage | Acre-Foot Units | Percentage |
| North Poudre Irrigation Company                  | 40,000          | 12.9%      | 40,000          | 12.9%      |
| Greeley, City of                                 | 22,812          | 7.4        | 22,539          | 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        | 12,849          | 4.1        |
| Fort Collins-Loveland Water District             | 13,089          | 4.2        | 11,564          | 3.7        |
| Longmont, City of                                | 12,713          | 4.1        | 12,710          | 4.1        |
| Loveland, City of                                | 12,190          | 3.9        | 10,864          | 3.5        |
| Little Thompson Water District                   | 10,290          | 3.3        | 9,742           | 3.1        |
| Xcel Energy (Public Service Company of Colorado) | 10,007          | 3.2        | 9,997           | 3.2        |
| Ten largest allottees by acre-foot units         | 174,918         | 56.4       | 170,384         | 54.9       |
| Other allottees                                  | 135,082         | 43.6       | 139,616         | 45.1       |
| Acre-foot units                                  | 310,000         | 100.0%     | 310,000         | 100.0%     |

## Largest Water Allotment Contract Holders by Water Assessment (2009 and 2018)

### District Enterprise Fund

Years ended September 30,

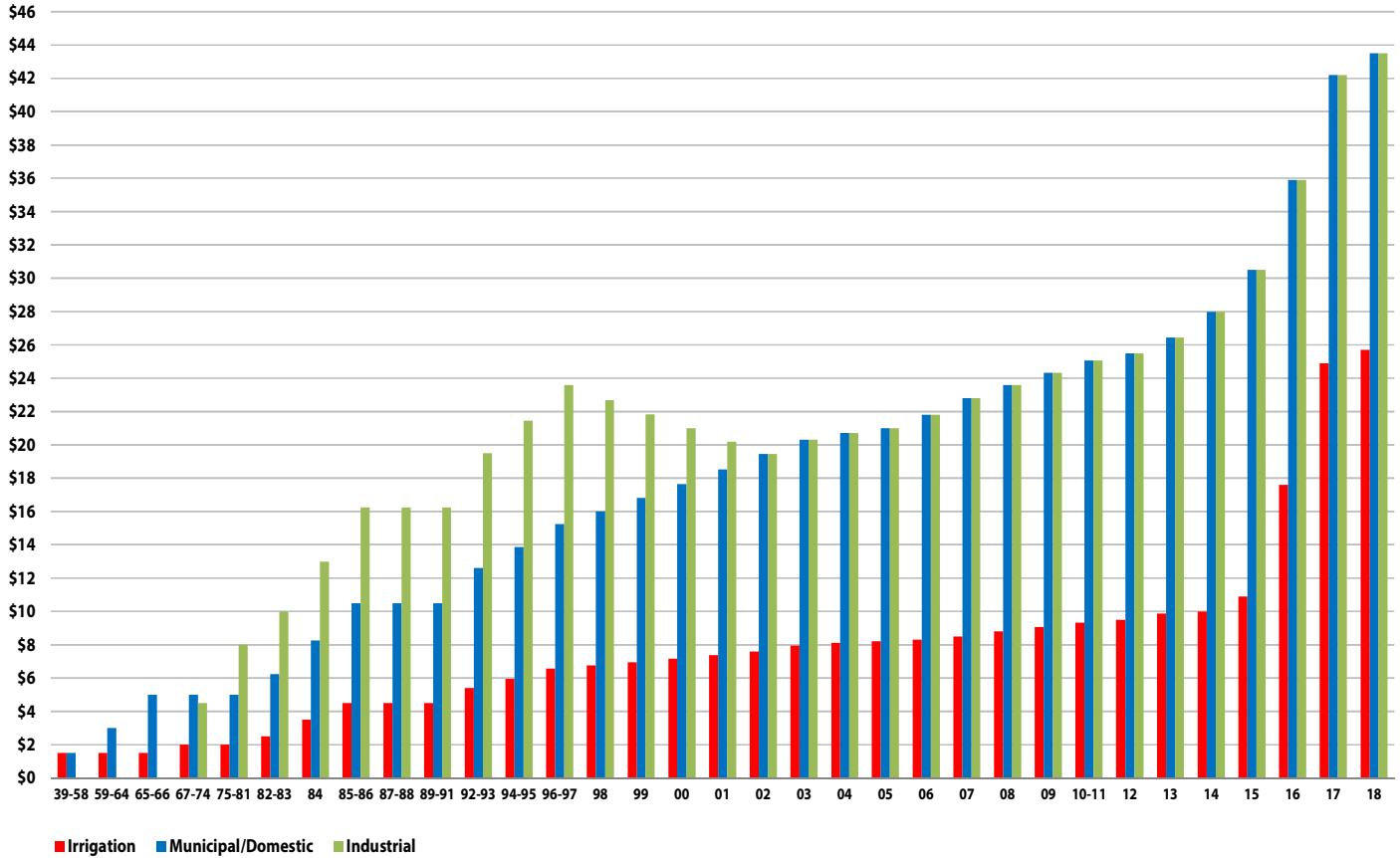
Unaudited

| Entity   | 2018 <sup>(1)</sup> |               |            | 2009 |              |            |
|--|---------------------|---------------|------------|------|--------------|------------|
|  | Rank                | Assessment    | Percentage | Rank | Assessment   | Percentage |
| <b>Water Assessments</b>                         |                     |               |            |      |              |            |
| Broomfield, City and County of                   | 1                   | \$ 619,150    | 5.7%       | 2    | \$ 385,858   | 6.2%       |
| Fort Collins-Loveland Water District             | 2                   | 569,371       | 5.2        | 5    | 278,780      | 4.4        |
| Fort Collins, City of                            | 3                   | 567,583       | 5.2        | 1    | 406,213      | 6.5        |
| Little Thompson Water District                   | 4                   | 447,615       | 4.1        | 7    | 244,552      | 3.9        |
| Xcel Energy (Public Service Company of Colorado) | 5                   | 435,304       | 4.0        | 4    | 291,952      | 4.6        |
| Boulder, City of                                 | 6                   | 411,594       | 3.8        | 8    | 238,313      | 3.8        |
| Greeley, City of                                 | 7                   | 362,025       | 3.3        | 3    | 325,258      | 5.2        |
| Longmont, City of                                | 8                   | 348,093       | 3.2        | 6    | 260,515      | 4.1        |
| Loveland, City of                                | 9                   | 318,718       | 2.9        | 9    | 219,711      | 3.5        |
| Left Hand Water District                         | 10                  | 315,291       | 2.9        | -    | -            | -          |
| Central Weld County Water District               | -                   | -             | -          | 10   | 219,104      | 3.5        |
| Water assessments for ten largest allottees      |                     | 4,394,744     | 40.3       |      | 2,870,256    | 45.7       |
| Other allottees                                  |                     | 6,512,795     | 59.7       |      | 2,642,897    | 54.3       |
| Water assessments                                |                     | \$ 10,907,539 | 100.0%     |      | \$ 5,513,153 | 100.0%     |

<sup>(1)</sup> Total water assessments of \$10,907,539 includes all Northern Water allottee water assessments, including carryover, whereas the individual water assessments by allottee listed above include only the water assessment charge.

**Open-Rate Water Assessment Charges (Historical)<sup>(1)</sup>**  
**District Enterprise Fund**

September 30,  
 Unaudited



**2018 Open-Rate Water Assessments**

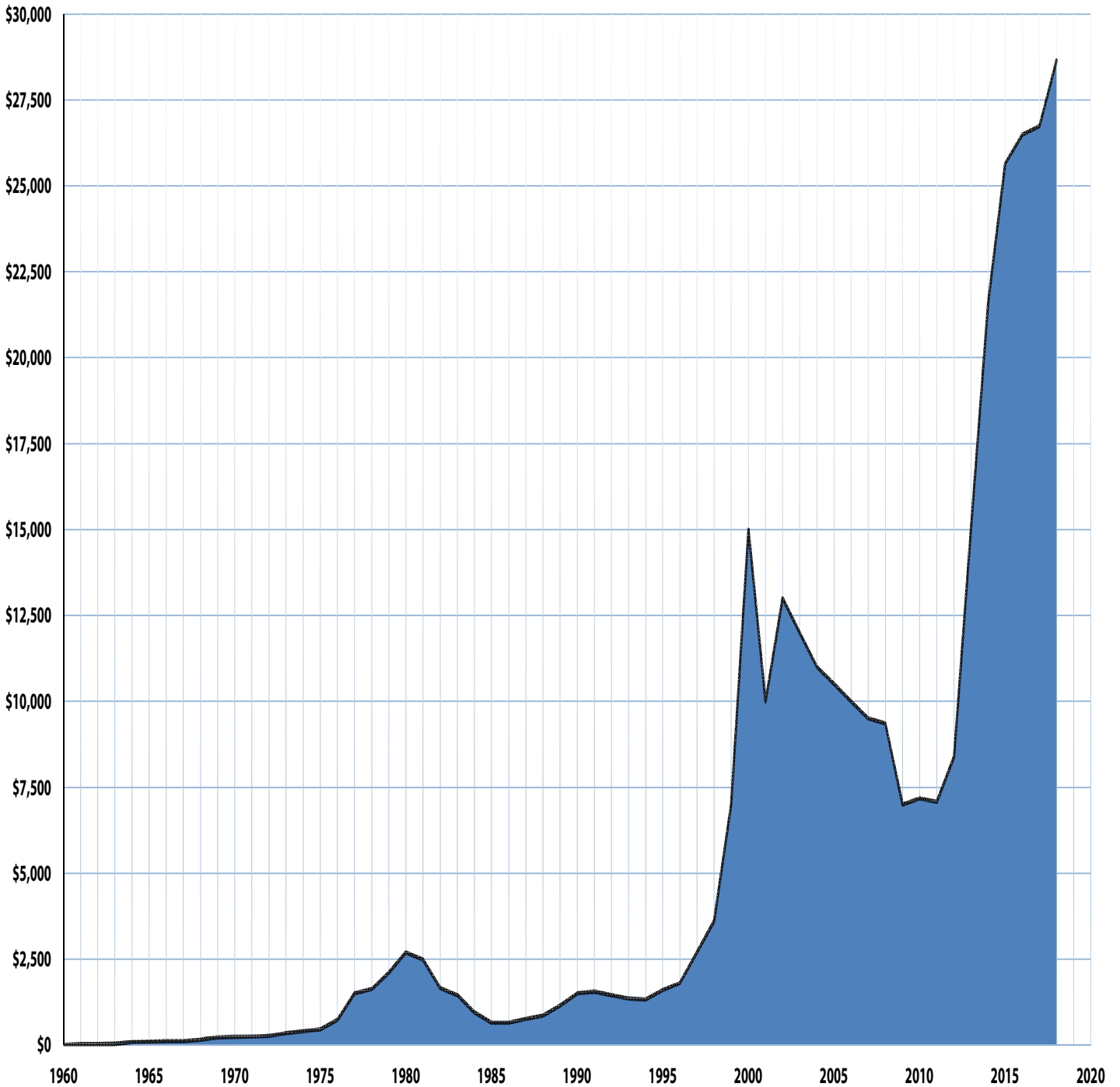
|                               | Per Acre-Foot Unit |       |
|-------------------------------|--------------------|-------|
| Irrigation                    | \$                 | 25.70 |
| Municipal/Domestic/Industrial | \$                 | 43.50 |

<sup>(1)</sup> 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)<sup>(1)</sup>

## District Enterprise Fund

Years ended September 30,  
Unaudited



<sup>(1)</sup> Northern Water 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 (2009 - 2018)**  
**District and Hydropower Enterprise Funds**

Years ended September 30,  
 Unaudited

|  | 2018                | %          | 2017         | %   | 2016         | %   | 2015         | %   |
|--|---------------------|------------|--------------|-----|--------------|-----|--------------|-----|
| <b>District Enterprise Fund Charges for Services<sup>(1)</sup></b> |                     |            |              |     |              |     |              |     |
| Reclamation  | \$ 2,736,656        | 43         | \$ 2,796,752 | 48  | \$ 2,162,973 | 46  | \$ 2,243,156 | 49  |
| Labor, overhead and supplies                                       | 3,570,988           | 57         | 2,987,082    | 52  | 2,538,813    | 54  | 2,298,317    | 51  |
| Charges for services   | <b>\$ 6,307,644</b> | <b>100</b> | \$ 5,783,834 | 100 | \$ 4,701,786 | 100 | \$ 4,541,473 | 100 |
| <b>Hydropower Energy Revenue<sup>(2)</sup></b>                     |                     |            |              |     |              |     |              |     |
| Trout  | \$ 760,873          | 68         | \$ 798,799   | 72  | \$ 750,251   | 80  | \$ 606,827   | 100 |
| Granby   | 351,668             | 32         | 311,291      | 28  | 186,495      | 20  | -            | -   |
| Hydropower energy revenue  | <b>\$ 1,112,541</b> | <b>100</b> | \$ 1,110,090 | 100 | \$ 936,746   | 100 | \$ 606,827   | 100 |
| <b>Hydropower Energy Output (KWh)<sup>(2)</sup></b>                |                     |            |              |     |              |     |              |     |
| Trout  | 8,213,000           | 61         | 9,039,000    | 65  | 8,078,000    | 73  | 6,585,000    | 100 |
| Granby   | 5,338,000           | 39         | 4,921,000    | 35  | 2,954,000    | 27  | -            | -   |
| Hydropower energy output   | <b>13,551,000</b>   | <b>100</b> | 13,960,000   | 100 | 11,032,000   | 100 | 6,585,000    | 100 |

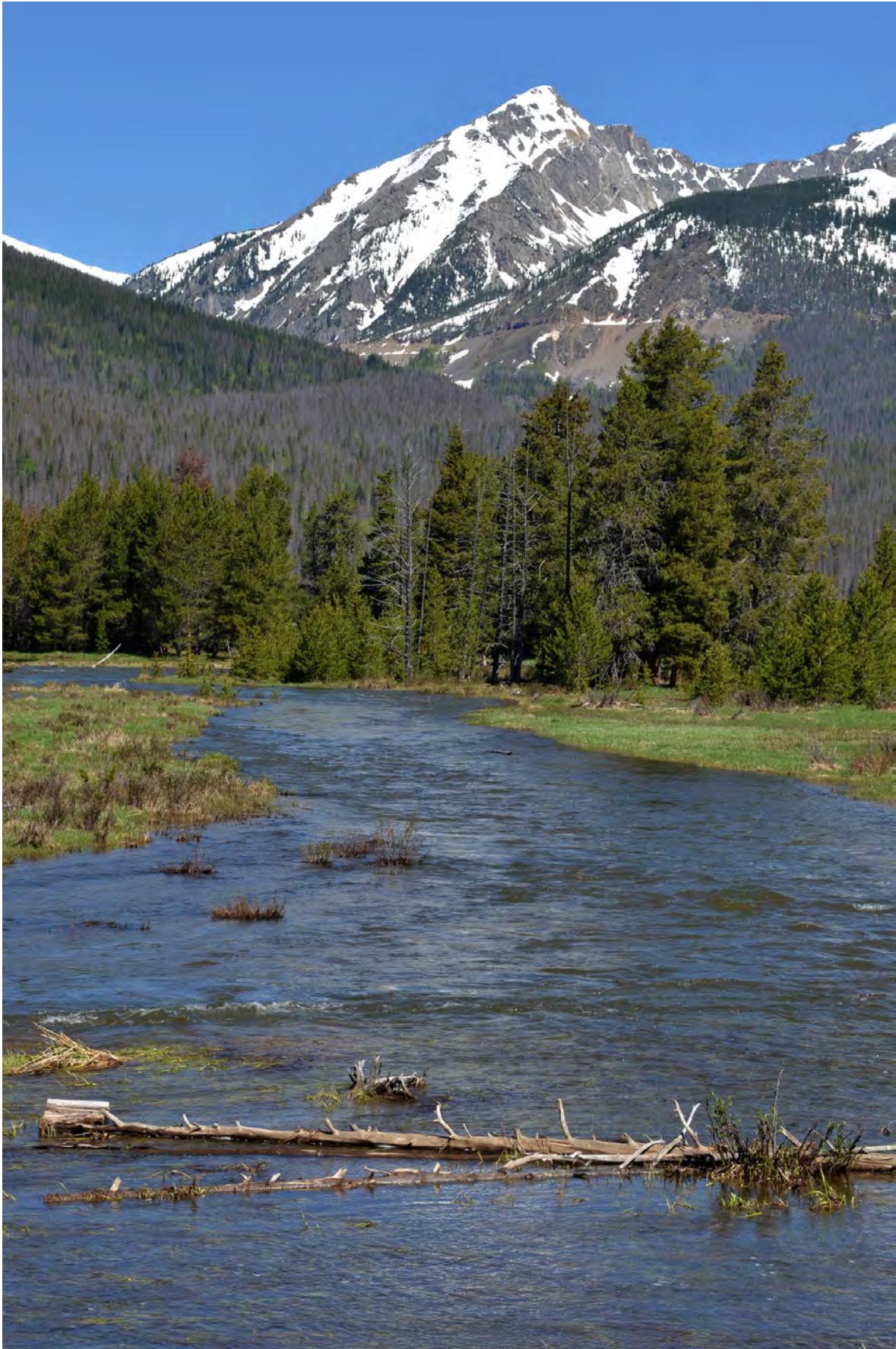
<sup>(1)</sup> Charges for services above do not reflect charges for services as shown on the Statement of Changes in Net Position (2009 - 2018) (page 48) prior to 2013, as prior to 2013 the amounts included a Northern Water Interdistrict Fund.

<sup>(2)</sup> The Trout and Granby hydropower facilities became operational in 2012 and 2016, respectively.

---

| <b>2014</b>  | <b>%</b> | <b>2013</b>  | <b>%</b> | <b>2012</b>  | <b>%</b> | <b>2011</b>  | <b>%</b> | <b>2010</b>  | <b>%</b> | <b>2009</b>  | <b>%</b> |
|--------------|----------|--------------|----------|--------------|----------|--------------|----------|--------------|----------|--------------|----------|
| \$ 2,645,274 | 57       | \$ 2,666,441 | 52       | \$ 2,803,614 | 49       | \$ 3,079,495 | 52       | \$ 2,302,935 | 42       | \$ 2,319,168 | 44       |
| 2,013,152    | 43       | 2,466,962    | 48       | 2,962,499    | 51       | 2,878,260    | 48       | 3,231,119    | 58       | 2,925,971    | 56       |
| \$ 4,658,426 | 100      | 5,133,403    | 100      | 5,766,113    | 100      | \$ 5,957,755 | 100      | \$ 5,534,054 | 100      | \$ 5,245,139 | 100      |
| \$ 480,309   | 100      | \$ 625,371   | 100      | \$ 484,632   | 100      | \$ -         | -        | \$ -         | -        | \$ -         | -        |
| -            | -        | -            | -        | -            | -        | -            | -        | -            | -        | -            | -        |
| \$ 480,309   | 100      | \$ 625,371   | 100      | \$ 484,632   | 100      | \$ -         | -        | \$ -         | -        | \$ -         | -        |
| 5,425,000    | 100      | 7,303,000    | 100      | 3,671,000    | 100      | -            | -        | -            | -        | -            | -        |
| -            | -        | -            | -        | -            | -        | -            | -        | -            | -        | -            | -        |
| 5,425,000    | 100      | 7,303,000    | 100      | 3,671,000    | 100      | -            | -        | -            | -        | -            | -        |

---



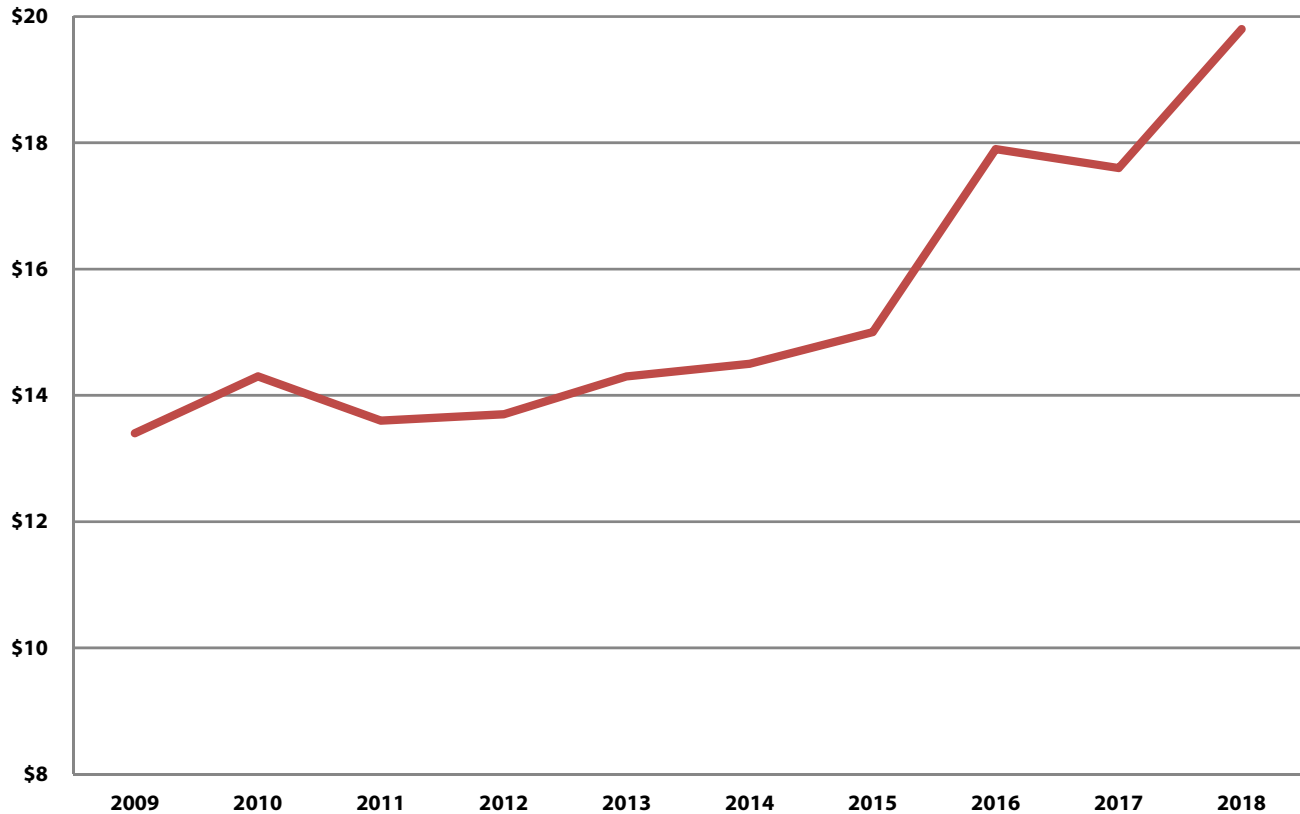
*Headwaters of the Colorado River in Rocky Mountain National Park*

## Property Tax Levies and Collections (2009 - 2018)

### 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 <sup>(1)</sup> | Collections to Date |                    |
|-------------|--------------------------|--|--------------------|--|---------------------|--------------------|
|             |                          | Amount   | Percentage of Levy |  | Amount              | Percentage of Levy |
| 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               |
| <b>2018</b> | <b>19,872,029</b>        | <b>19,735,132</b>                              | <b>99.3</b>        | <b>44,785</b>                                  | <b>19,779,917</b>   | <b>99.5</b>        |

<sup>(1)</sup> Does not include delinquent tax interest or tax refunds.

## Assessed and Estimated Actual Value of Taxable Properties (2009 - 2018)

### District Enterprise Fund

Years ended September 30,  
Unaudited (thousands)

|  | 2018                 | 2017           | 2016           | 2015           |
|--|----------------------|----------------|----------------|----------------|
| <b>Assessed value</b>                          |                      |                |                |                |
| Residential                                    | \$ 9,075,556         | \$ 7,866,349   | \$ 7,693,115   | \$ 6,281,199   |
| Commercial                                     | 5,520,450            | 4,790,744      | 4,776,337      | 4,156,831      |
| Industrial                                     | 1,134,693            | 1,009,321      | 911,830        | 827,148        |
| Agricultural                                   | 147,053              | 125,283        | 105,901        | 91,905         |
| Oil/Gas Natural Resources                      | 2,615,159            | 2,560,357      | 3,182,430      | 2,565,815      |
| Other  | 1,379,118            | 1,293,412      | 1,279,792      | 1,143,542      |
| Assessed value of properties <sup>(1)</sup>    | <b>\$ 19,872,029</b> | \$ 17,645,466  | \$ 17,949,405  | \$ 15,066,440  |
| Estimated actual taxable value <sup>(2)</sup>  | <b>\$151,243,740</b> | \$ 132,544,573 | \$ 132,013,690 | \$ 109,203,469 |
| Assessed value as a percentage of actual value | <b>13.1%</b>         | 13.3%          | 13.6%          | 13.8%          |

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

<sup>(1)</sup> 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 67 are due to averaging in the above assessed valuation calculations.

<sup>(2)</sup> Tax rate at a maximum of 1.00 millage.

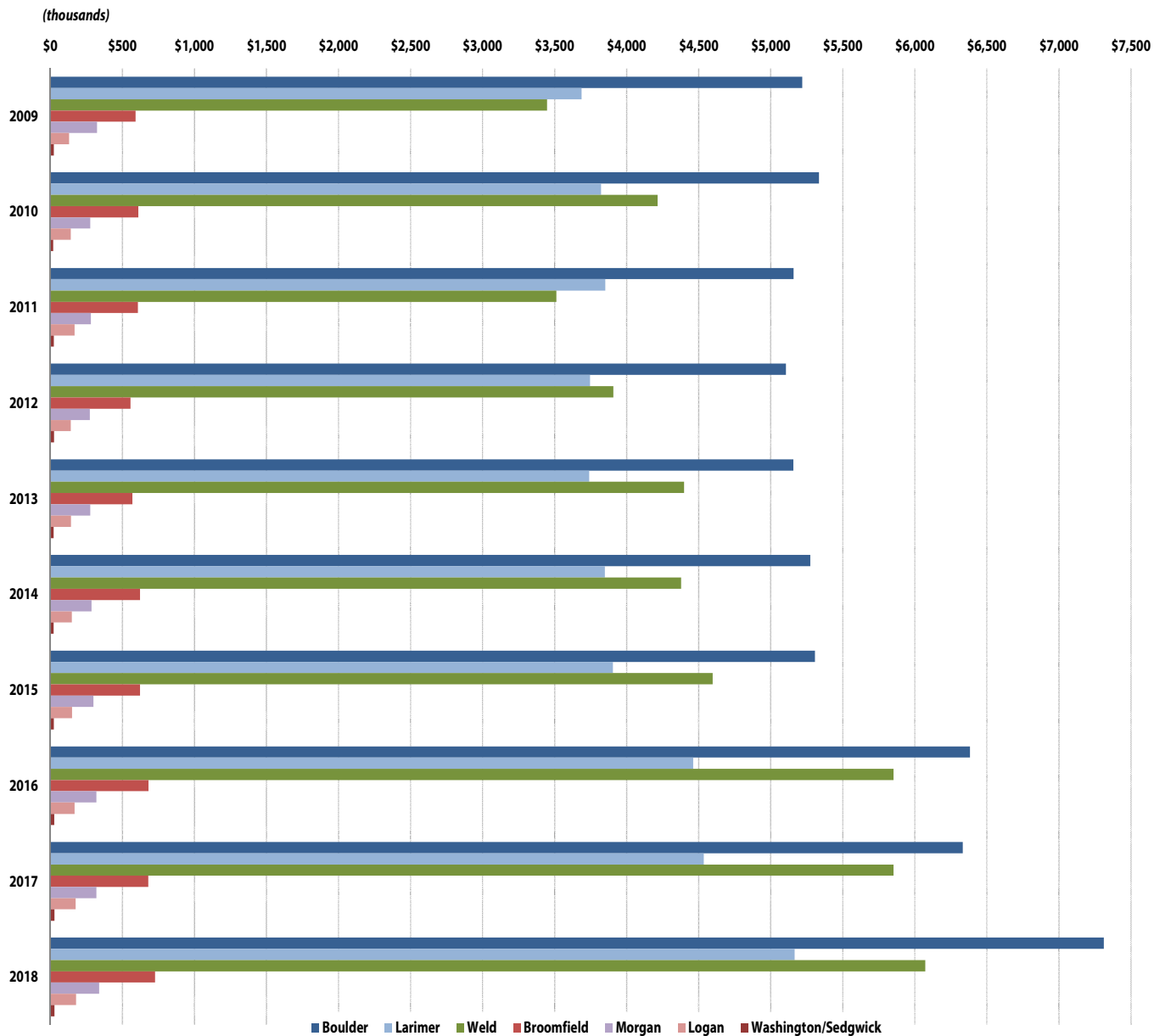
---

|    | <b>2014</b> | <b>2013</b>    | <b>2012</b>    | <b>2011</b>    | <b>2010</b>    | <b>2009</b>    |
|----|-------------|----------------|----------------|----------------|----------------|----------------|
| \$ | 6,099,667   | \$ 6,074,677   | \$ 5,909,508   | \$ 5,929,482   | \$ 6,086,297   | \$ 5,996,491   |
|    | 4,099,919   | 3,980,603      | 3,952,981      | 4,052,995      | 3,980,277      | 3,746,463      |
|    | 778,650     | 774,364        | 771,045        | 823,691        | 905,459        | 840,906        |
|    | 101,879     | 93,038         | 100,511        | 98,188         | 89,250         | 96,718         |
|    | 2,193,319   | 2,062,585      | 1,699,052      | 1,343,270      | 1,931,838      | 1,374,196      |
|    | 1,280,770   | 1,328,299      | 1,335,560      | 1,389,637      | 1,402,095      | 1,378,225      |
| \$ | 14,554,204  | \$ 14,313,566  | \$ 13,768,657  | \$ 13,637,263  | \$ 14,395,216  | \$ 13,432,999  |
| \$ | 105,782,558 | \$ 104,724,999 | \$ 101,340,564 | \$ 101,069,535 | \$ 105,112,464 | \$ 100,975,932 |
|    | 13.7%       | 13.7%          | 13.6%          | 13.5%          | 13.7%          | 13.3%          |

# Property Tax Collections by County (2009 - 2018)

## District Enterprise Fund

Years ended September 30,  
Unaudited



## Largest Corporate Taxpayers by Taxable Assessed Valuation (2009 and 2018)

### District Enterprise Fund

Years ended September 30,  
Unaudited

| Taxpayer   | Rank | 2018                       |         | Rank | 2009 <sup>(1)</sup>        |         |
|--|------|----------------------------|---------|------|----------------------------|---------|
|  |      | Taxable Assessed Valuation | Percent |      | Taxable Assessed Valuation | Percent |
| Kerr-McGee Oil & Gas Onshore LP                  | 1    | \$ 1,390,449,324           | 7.0%    | -    | \$ -                       | - %     |
| Noble Energy, Inc.                               | 2    | 1,049,012,990              | 5.3     | -    | -                          | -       |
| PDC Energy, Inc.                                 | 3    | 550,342,390                | 2.8     | -    | -                          | -       |
| Xcel Energy (Public Service Company of Colorado) | 4    | 430,219,100                | 2.2     | 1    | 143,375,550                | 1.1     |
| Extraction Oil & Gas                             | 5    | 350,298,070                | 1.8     | -    | -                          | -       |
| Crestone Peak Resources                          | 6    | 249,019,010                | 1.3     | -    | -                          | -       |
| DCP Midstream, LP                                | 7    | 198,818,400                | 1.0     | -    | -                          | -       |
| Kerr McGee Gathering, LLC.                       | 8    | 184,293,500                | 0.9     | -    | -                          | -       |
| Bonanza Creek Energy, Inc.                       | 9    | 183,544,240                | 0.9     | -    | -                          | -       |
| DCP Lucerne 2 Plant, LLC.                        | 10   | 163,321,640                | 0.7     | -    | -                          | -       |
| Qwest Corporation                                | -    | -                          | -       | 2    | 97,073,180                 | 0.7     |
| Anheuser Busch, Inc.                             | -    | -                          | -       | 3    | 95,155,150                 | 0.7     |
| Amgen  | -    | -                          | -       | 4    | 48,281,100                 | 0.4     |
| Flatiron Holding, LLC.                           | -    | -                          | -       | 5    | 45,240,320                 | 0.3     |
| Sun Microsystems, Inc.                           | -    | -                          | -       | 6    | 40,980,330                 | 0.3     |
| IBM Corporation                                  | -    | -                          | -       | 7    | 37,931,250                 | 0.3     |
| Level 3 Communications                           | -    | -                          | -       | 8    | 33,315,200                 | 0.2     |
| Macherich Twenty Ninth Street, LLC.              | -    | -                          | -       | 9    | 25,850,260                 | 0.2     |
| Roche Colorado Corporation                       | -    | -                          | -       | 10   | 23,690,560                 | 0.2     |
| Taxable assessed value of ten largest taxpayers  |      | 4,749,318,664              | 23.9    |      | 590,892,900                | 4.4     |
| Taxable assessed value of other taxpayers        |      | 15,122,710,336             | 76.1    |      | 12,842,106,100             | 95.6    |
| Taxable assessed value of all taxpayers          |      | \$ 19,872,029,000          | 100.0%  |      | \$13,432,999,000           | 100.0%  |

Source: This data taken from the counties' most recent CAFRs and reflects the taxable assessed valuation for entire counties, a portion of which are within Northern Water boundaries. Therefore, the statistics reflected above are greater than what would be reported for assessed valuation within Northern Water boundaries.

<sup>(1)</sup> Data taken from the Northern Water 2009 CAFR.

**Statistics of Outstanding Debt by Type (2009 - 2018)**  
**District and Hydropower Enterprise Funds**

September 30,  
 Unaudited

|   | <b>2018</b>          | <b>2017</b>      | <b>2016</b>      | <b>2015</b>      |
|---|----------------------|------------------|------------------|------------------|
| <b>District Enterprise Fund</b>   |                      |                  |                  |                  |
| Certificates of Participation <sup>(1)</sup>                              | \$ 3,570,000         | \$ 4,670,000     | \$ 5,740,000     | \$ 6,780,000     |
| Unamortized premium <sup>(2)</sup>  | <u>284,682</u>       | <u>376,219</u>   | <u>466,126</u>   | <u>554,433</u>   |
| Certificates of Participation   | <b>3,854,682</b>     | 5,046,219        | 6,206,126        | 7,334,433        |
| Contracts Payable to Reclamation  |                      |                  |                  |                  |
| Horsetooth Safety of Dams   | <b>3,325,258</b>     | 3,450,282        | 3,568,509        | 3,680,307        |
| Pole Hill Canal   | <u>186,388</u>       | <u>275,042</u>   | <u>360,802</u>   | <u>443,762</u>   |
| District Enterprise Fund  | <b>7,366,328</b>     | 8,771,543        | 10,135,437       | 11,458,502       |
| <b>Hydropower</b>   |                      |                  |                  |                  |
| Colorado Water Resources and Power Development Authority                  | <b>1,480,756</b>     | 1,571,637        | 1,660,736        | 1,748,088        |
| Colorado Water Conservation Board   | <u>4,879,488</u>     | <u>5,008,601</u> | <u>5,135,183</u> | <u>2,033,958</u> |
| Hydropower  | <b>6,360,244</b>     | 6,580,238        | 6,795,919        | 3,782,046        |
| Outstanding debt  | <b>\$ 13,726,572</b> | \$ 15,351,781    | \$ 16,931,356    | \$ 15,240,548    |
| <b>District Enterprise Fund Outstanding Debt</b>                          |                      |                  |                  |                  |
| Per capita <sup>(3)</sup>   | \$ 7                 | \$ 9             | \$ 11            | \$ 13            |
| Percentage of personal income <sup>(4)</sup>                              | .01                  | .02              | .02              | .03%             |
| <b>District Enterprise Fund Contracts Payable to Reclamation</b>          |                      |                  |                  |                  |
| Per capita <sup>(5)</sup>   | \$ 4                 | \$ 4             | \$ 4             | \$ 5             |
| Percentage of estimated actual value of taxable properties <sup>(6)</sup> | -                    | -                | -                | -                |

<sup>(1)</sup> In 2013, balances reflect Series 2012. Prior to 2013, balances reflect Series 2002.

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

<sup>(3)</sup> Computed by dividing total District Enterprise Fund debt by estimated population in Northern Water boundaries as shown on page 70.

<sup>(4)</sup> Computed by dividing total District Enterprise Fund debt by total personal income as shown on page 70.

<sup>(5)</sup> Computed by dividing District Enterprise Fund debt payable to Reclamation by estimated population in Northern Water boundaries as shown on page 70.

<sup>(6)</sup> Computed by dividing District Enterprise Fund debt payable to Reclamation by Estimated Actual Taxable Value as shown on page 64.

| <b>2014</b>       | <b>2013</b>       | <b>2012</b>       | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 7,790,000      | \$ 8,770,000      | \$ 13,380,000     | \$ 14,275,000     | \$ 15,135,000     | \$ 15,960,000     |
| <u>641,169</u>    | <u>753,450</u>    | <u>86,074</u>     | <u>93,520</u>     | <u>100,614</u>    | <u>107,371</u>    |
| 8,431,169         | 9,523,450         | 13,466,074        | 14,368,500        | 15,235,614        | 16,067,371        |
| 3,786,026         | 3,885,997         | 3,980,532         | 4,069,927         | 4,154,461         | 4,234,399         |
| <u>524,014</u>    | <u>601,646</u>    | <u>676,744</u>    | <u>749,389</u>    | <u>-</u>          | <u>-</u>          |
| <u>12,741,209</u> | <u>14,011,093</u> | <u>18,123,350</u> | <u>19,187,816</u> | <u>19,390,075</u> | <u>20,301,770</u> |
| 1,833,727         | 1,917,687         | 2,000,000         | 1,082,825         | -                 | -                 |
| <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| <u>1,833,727</u>  | <u>1,917,687</u>  | <u>2,000,000</u>  | <u>1,082,825</u>  | <u>-</u>          | <u>-</u>          |
| \$ 14,574,936     | \$ 15,928,780     | \$ 20,123,350     | \$ 20,270,641     | \$ -              | \$ -              |
| \$ 15             | \$ 16             | \$ 21             | \$ 23             | \$ 23             | \$ 24             |
| .04%              | .04%              | .06%              | .06%              | .07%              | .07%              |
| \$ 5              | \$ 5              | \$ 5              | \$ 6              | \$ 5              | \$ 5              |
| -                 | -                 | -                 | -                 | -                 | -                 |

## Northern Water Population and Economic Statistics (2009 - 2018)<sup>(1)</sup>

September 30,  
Unaudited

|  | 2018           | 2017          | 2016          | 2015          |
|--|----------------|---------------|---------------|---------------|
| <b>Population in Northern Water Boundaries<sup>(2)</sup></b> | <b>982,678</b> | 959,455       | 922,233       | 893,145       |
| <b>Per Capita Personal Income<sup>(3)</sup></b>              |                |               |               |               |
| Boulder County   | \$ 72,282      | \$ 60,220     | \$ 58,627     | \$ 58,552     |
| Larimer County   | 53,497         | 52,059        | 50,410        | 48,730        |
| Weld County  | 42,701         | 42,787        | 27,047        | 31,657        |
| <b>Personal Income (000s)<sup>(3)</sup></b>                  |                |               |               |               |
| Boulder County   | \$ 20,528,122  | \$ 19,232,516 | \$ 18,369,741 | \$ 17,042,764 |
| Larimer County   | 18,401,684     | 17,699,696    | 16,830,336    | 15,823,069    |
| Weld County  | 11,200,000     | 10,600,000    | 10,740,000    | 8,350,000     |
| <b>Unemployment Rate<sup>(3)</sup></b>                       |                |               |               |               |
| Boulder County   | 2.6%           | 2.2%          | 2.9%          | 3.7%          |
| Larimer County   | 2.3            | 2.8           | 3.4           | 4.3           |
| Weld County  | 3.4            | 3.8           | 3.8           | 3.9           |

<sup>(1)</sup> The population in Boulder, Larimer and Weld Counties represents more than 90 percent of the total estimated population within Northern Water boundaries.

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

<sup>(3)</sup> Data taken from the counties' most recent CAFRs.

---

| <b>2014</b>   | <b>2013</b>   | <b>2012</b>   | <b>2011</b>   | <b>2010</b>   | <b>2009</b>   |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 878,100       | 859,913       | 858,565       | 842,494       | 842,447       | 828,350       |
| \$ 56,940     | \$ 51,893     | \$ 53,352     | \$ 50,095     | \$ 49,543     | \$ 53,533     |
| 46,610        | 45,775        | 44,179        | 38,546        | 37,655        | 39,746        |
| 29,986        | 25,233        | 27,186        | 28,503        | 27,788        | 27,238        |
| \$ 16,417,561 | \$ 15,535,659 | \$ 15,758,416 | \$ 14,786,545 | \$ 14,525,373 | \$ 15,570,648 |
| 14,756,959    | 14,234,423    | 13,486,391    | 11,583,959    | 11,235,574    | 11,641,166    |
| 8,350,000     | 7,760,000     | 6,930,000     | 7,070,000     | 7,380,000     | 6,660,000     |
| 4.4%          | 5.4%          | 6.1%          | 6.7%          | 5.7%          | 4.2%          |
| 5.8           | 6.6           | 7.1           | 7.6           | 6.3           | 4.2           |
| 6.7           | 8.7           | 9.1           | 9.8           | 8.2           | 6.3           |

## Largest Employers by Principal Municipalities Served by Northern Water (2009 and 2018) (continued)

September 30,

Unaudited

### Boulder, City of<sup>(1)</sup>

| Employers                                       | 2018 |                     |                          | 2009 <sup>(2)</sup> |                     |                          |
|---|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|   | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| University of Colorado at Boulder               | 1    | 7,531               | 4.1%                     | 1                   | 6,900               | 11.2%                    |
| St. Vrain Valley School District <sup>(3)</sup> | 2    | 4,661               | 2.6                      | -                   | -                   | 2.1                      |
| Boulder Valley School District                  | 3    | 4,381               | 2.4                      | 2                   | 4,300               | 7.0                      |
| Boulder County                                  | 4    | 2,008               | 1.1                      | 7                   | 1,700               | 2.7                      |
| IBM Corporation                                 | 5    | 1,800               | 1.0                      | 4                   | 2,800               | 4.5                      |
| Ball Corporation                                | 6    | 1,616               | 0.9                      | 3                   | 3,100               | 5.0                      |
| Boulder Community Hospital                      | 7    | 1,543               | 0.9                      | 5                   | 2,300               | 3.7                      |
| Boulder, City of                                | 8    | 1,400               | 0.8                      | 9                   | 1,100               | 1.8                      |
| Seagate Technology, LLC.                        | 9    | 1,300               | 0.7                      | -                   | -                   | -                        |
| National Center for Atmospheric Research (NCAR) | 10   | 1,187               | 0.6                      | -                   | -                   | -                        |
| Covidien  | -    | -                   | -                        | 6                   | 1,750               | 2.8                      |
| University Corporation for Atmospheric Research | -    | -                   | -                        | 8                   | 1,350               | 2.2                      |
| InfoPrint Solutions                             | -    | -                   | -                        | 10                  | 765                 | 1.3                      |
| Top ten principal employers                     |      | 27,427              | 15.1%                    |                     | 26,065              | 42.2%                    |
| Employees <sup>(4)</sup>                        |      | 181,636             |                          |                     | 61,798              |                          |

### Broomfield, City and County of<sup>(5)</sup>

| Employers                               | 2018 |                     |                          | 2009 <sup>(2)</sup> |                     |                          |
|---|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|   | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| CenturyLink                             | 1    | 2,360               | 6.3%                     | 3                   | 2,000               | 6.7                      |
| Oracle America                          | 2    | 2,000               | 5.4                      | 2                   | 2,900               | 9.7                      |
| SCL Health Care                         | 3    | 1,200               | 3.2                      | -                   | -                   | -                        |
| Hunter Douglas Window Fashions Division | 4    | 950                 | 2.6                      | 4                   | 776                 | 2.6                      |
| Broomfield, City and County of          | 5    | 795                 | 2.1                      | 5                   | 564                 | 1.9                      |
| Vail Resorts                            | 6    | 740                 | 2.0                      | -                   | -                   | -                        |
| TransFirst Holdings                     | 7    | 580                 | 1.6                      | -                   | -                   | -                        |
| Danone Wave Foods                       | 8    | 570                 | 1.5                      | 8                   | 385                 | 1.3                      |
| Sandoz, Inc.                            | 9    | 550                 | 1.5                      | 6                   | 550                 | 1.8                      |
| Brocade Communications Systems          | 10   | 500                 | 1.3                      | -                   | -                   | -                        |
| Ball Corporation                        | -    | -                   | -                        | 1                   | 3,352               | 11.2                     |
| MWH Global                              | -    | -                   | -                        | 7                   | 430                 | 1.4                      |
| Staple Advantage                        | -    | -                   | -                        | 9                   | 300                 | 1.1                      |
| Bestop                                  | -    | -                   | -                        | 10                  | 269                 | 1.0                      |
| Top ten principal employers             |      | 10,245              | 27.5%                    |                     | 11,526              | 38.7                     |
| Employees <sup>(4)</sup>                |      | 37,190              |                          |                     | 29,786              | -                        |

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

<sup>(1)</sup> 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.

<sup>(2)</sup> Data taken from the Northern Water 2009 CAFR.

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

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

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

**Fort Collins, City of**

| Employers                        | 2018 |                     |                          | 2009 <sup>(2)</sup> |                     |                          |
|----------------------------------|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|                                  | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| Colorado State University        | 1    | 7,829               | 8.0%                     | 1                   | 7,945               | 9.6%                     |
| Poudre R-1 School District       | 2    | 4,394               | 4.5                      | 4                   | 3,325               | 4.0                      |
| UC Health Poudre Valley Hospital | 3    | 4,288               | 4.4                      | 3                   | 3,488               | 4.2                      |
| Fort Collins, City of            | 4    | 1,992               | 2.0                      | 6                   | 1,864               | 2.3                      |
| Larimer County                   | 5    | 1,855               | 1.9                      | 7                   | 1,500               | 1.8                      |
| Broadcom (Avago)                 | 6    | 1,244               | 1.3                      | -                   | -                   | -                        |
| Woodward, Inc.                   | 7    | 1,201               | 1.2                      | 8                   | 1,200               | 1.4                      |
| Employment Solutions Personnel   | 8    | 868                 | 0.9                      | -                   | -                   | -                        |
| Otter Products, LLC.             | 9    | 826                 | 0.8                      | -                   | -                   | -                        |
| U.S. Department of Agriculture   | 10   | 789                 | 0.8                      | -                   | -                   | -                        |
| Hewlett Packard                  | -    | -                   | -                        | 2                   | 3,250               | 3.9                      |
| Agilent Technologies             | -    | -                   | -                        | 5                   | 2,800               | 3.4                      |
| Wal-Mart SuperCenter             | -    | -                   | -                        | 9                   | 909                 | 1.2                      |
| Advanced Energy                  | -    | -                   | -                        | 10                  | 825                 | 1.0                      |
| Top ten principal employers      |      | 25,286              | 25.8%                    |                     | 27,106              | 32.8%                    |
| Employees <sup>(4)</sup>         |      | 98,008              |                          |                     | 82,604              |                          |

**Greeley, City of**

| Employers   | 2018 |                     |                          | 2009 <sup>(2)</sup> |                     |                          |
|---|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|   | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| JBS Swift & Company   | 1    | 4,520               | 9.5%                     | 1                   | 3,650               | 97.5%                    |
| Banner Health Care (formerly North Colorado Medical Center) | 2    | 3,600               | 7.6                      | 2                   | 2,700               | 5.6                      |
| Greeley/Evans School District Six                           | 3    | 1,923               | 4.1                      | 3                   | 2,400               | 5.0                      |
| University of Northern Colorado                             | 4    | 1,623               | 3.4                      | 4                   | 1,701               | 3.5                      |
| Weld County   | 5    | 1,615               | 3.4                      | 5                   | 1,490               | 3.1                      |
| State Farm Insurance Companies                              | 6    | 1,300               | 2.7                      | 6                   | 1,310               | 2.7                      |
| Greeley, City of  | 7    | 812                 | 1.7                      | 7                   | 1,160               | 2.4                      |
| TeleTech Services   | 8    | 780                 | 1.6                      | -                   | -                   | -                        |
| Noble Energy  | 9    | 500                 | 1.1                      | -                   | -                   | -                        |
| Leprino Foods   | 10   | 450                 | 1.0                      | -                   | -                   | -                        |
| StarTek, Inc.   | -    | -                   | -                        | 8                   | 1,134               | 2.3                      |
| Aims Community College                                      | -    | -                   | -                        | 9                   | 874                 | 1.8                      |
| Wal-Mart Supercenter  | -    | -                   | -                        | 10                  | 856                 | 1.7                      |
| Top ten principal employers                                 |      | 17,123              | 36.1%                    |                     | 17,275              | 35.6%                    |
| Employees <sup>(4)</sup>                                    |      | 47,448              |                          |                     | 48,518              |                          |

## Largest Employers by Principal Municipalities Served by Northern Water (2009 and 2018) (continued)

September 30,  
Unaudited

### Longmont, City of

| Employers                        | 2018 |                     |                          | 2009 <sup>(1)</sup> |                     |                          |
|----------------------------------|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|                                  | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| St. Vrain Valley School District | 1    | 3,543               | 6.8%                     | 1                   | 3,020               | 7.0%                     |
| Longmont, City of                | 2    | 1,625               | 3.1                      | 4                   | 828                 | 1.9                      |
| Seagate Technology               | 3    | 1,379               | 2.7                      | 3                   | 1,276               | 2.9                      |
| Longmont United Hospital         | 4    | 862                 | 1.7                      | 2                   | 1,324               | 3.1                      |
| West Safety Services Division    | 5    | 674                 | 1.3                      | -                   | -                   | -                        |
| UC Health Longs Peak Hospital    | 6    | 618                 | 1.2                      | -                   | -                   | -                        |
| Circle Graphics, Inc.            | 7    | 560                 | 1.1                      | -                   | -                   | -                        |
| McLane Western                   | 8    | 446                 | 0.9                      | 9                   | 425                 | 1.0                      |
| Federal Aviation Administration  | 9    | 444                 | 0.9                      | 7                   | 540                 | 1.3                      |
| Crocs                            | 10   | 375                 | 0.6                      | -                   | -                   | -                        |
| Intrado                          | -    | -                   | -                        | 5                   | 762                 | 1.8                      |
| Amgen                            | -    | -                   | -                        | 6                   | 650                 | 1.5                      |
| DigitalGlobe                     | -    | -                   | -                        | 8                   | 450                 | 1.0                      |
| Butterball, LLC                  | -    | -                   | -                        | 10                  | 400                 | 0.8                      |
| Top ten principal employers      |      | 10,526              | 20.3%                    |                     | 9,675               | 22.3%                    |
| Employees <sup>(2)</sup>         |      | 51,852              |                          |                     | 43,345              |                          |

### Loveland, City of

| Employers                        | 2018 |                     |                          | 2009 <sup>(1)</sup> |                     |                          |
|----------------------------------|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|                                  | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| Thompson School District R2-J    | 1    | 2,322               | 4.9%                     | 2                   | 2,113               | 6.4%                     |
| Medical Center of the Rockies    | 2    | 1,548               | 3.3                      | -                   | -                   | -                        |
| Wal-Mart Distribution Center     | 3    | 1,226               | 2.6                      | 6                   | 1,050               | 3.2                      |
| Nutrein/Crop Production Services | 4    | 900                 | 1.9                      | -                   | -                   | -                        |
| Loveland, City of                | 5    | 807                 | 1.7                      | 8                   | 692                 | 2.1                      |
| Hach Company                     | 6    | 750                 | 1.6                      | 5                   | 1,200               | 3.6                      |
| McKee Medical Center             | 7    | 646                 | 1.4                      | 7                   | 950                 | 2.9                      |
| U.S. Bank                        | 8    | 500                 | 1.1                      | -                   | -                   | -                        |
| Associates in Family Medicine    | 9    | 320                 | 0.6                      | -                   | -                   | -                        |
| Woodward Governor                | 10   | 320                 | 0.6                      | -                   | -                   | -                        |
| Poudre Valley Health System      | -    | -                   | -                        | 1                   | 4,224               | 12.8                     |
| Promenade Shops at Centerra      | -    | -                   | -                        | 3                   | 1,927               | 5.8                      |
| Larimer County                   | -    | -                   | -                        | 4                   | 1,500               | 4.5                      |
| Wal-Mart Supercenter             | -    | -                   | -                        | 9                   | 607                 | 1.8                      |
| Kroll Factual Data               | -    | -                   | -                        | 10                  | 262                 | 0.8                      |
| Top ten principal employers      |      | 9,339               | 19.7%                    |                     | 14,525              | 43.9%                    |
| Employees <sup>(2)</sup>         |      | 47,263              |                          |                     | 33,084              |                          |

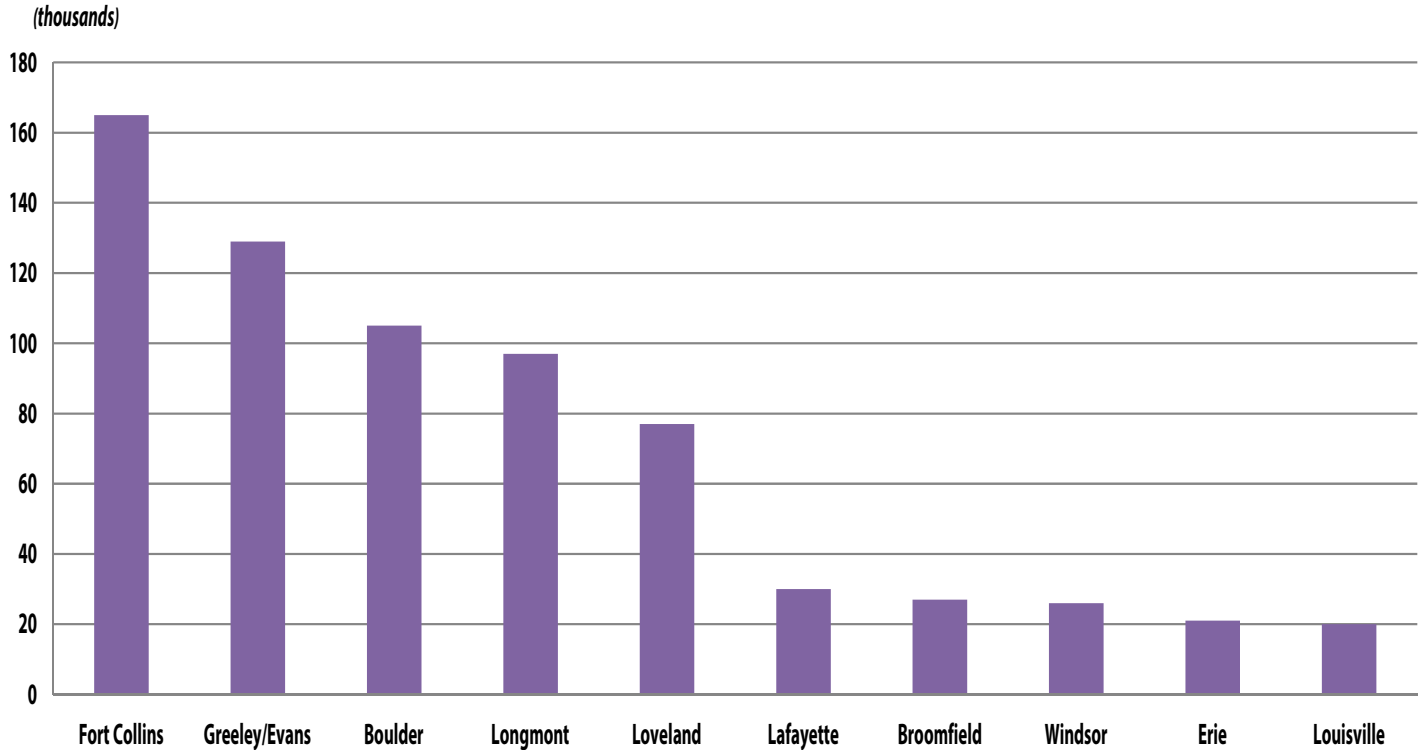
Source: Data taken or calculated from the cities' most recent CAFRs unless otherwise indicated.

<sup>(1)</sup> Data taken from the Northern Water 2009 CAFR.

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

## Population of Ten Largest Municipalities in Northern Water Boundaries (2009 and 2018)

September 30, 2018  
Unaudited



| Municipalities <sup>(1)</sup>   | 2018                      |            | 2009 <sup>(3)</sup> |            |
|---|---------------------------|------------|---------------------|------------|
|   | Population <sup>(2)</sup> | Percentage | Population          | Percentage |
| Fort Collins, City of   | 165,028                   | 16.8%      | 136,427             | 16.5%      |
| Greeley/Evans, Cities of  | 129,722                   | 13.2       | 112,462             | 13.6       |
| Boulder, City of  | 105,460                   | 10.7       | 100,418             | 12.1       |
| Longmont, City of   | 96,754                    | 9.8        | 86,016              | 10.4       |
| Loveland, City of   | 77,145                    | 7.9        | 65,824              | 8.0        |
| Lafayette, City of  | 29,748                    | 3.0        | 25,258              | 3.1        |
| Broomfield, City and County of  | 27,943                    | 2.8        | 23,572              | 2.9        |
| Windsor, Town of  | 26,662                    | 2.7        | 15,103              | 1.8        |
| Erie, Town of   | 20,928                    | 2.2        | 14,958              | 1.7        |
| Louisville, City of   | 20,610                    | 2.1        | 19,237              | 2.3        |
| Population of ten largest municipalities in Northern Water boundaries | 700,000                   | 71.2       | 599,275             | 72.4       |
| Other municipalities and unincorporated areas                         | 282,678                   | 28.8       | 229,075             | 27.6       |
| Estimated population within Northern Water boundaries                 | 982,678                   | 100.0%     | 828,350             | 100.0%     |

<sup>(1)</sup> 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.

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

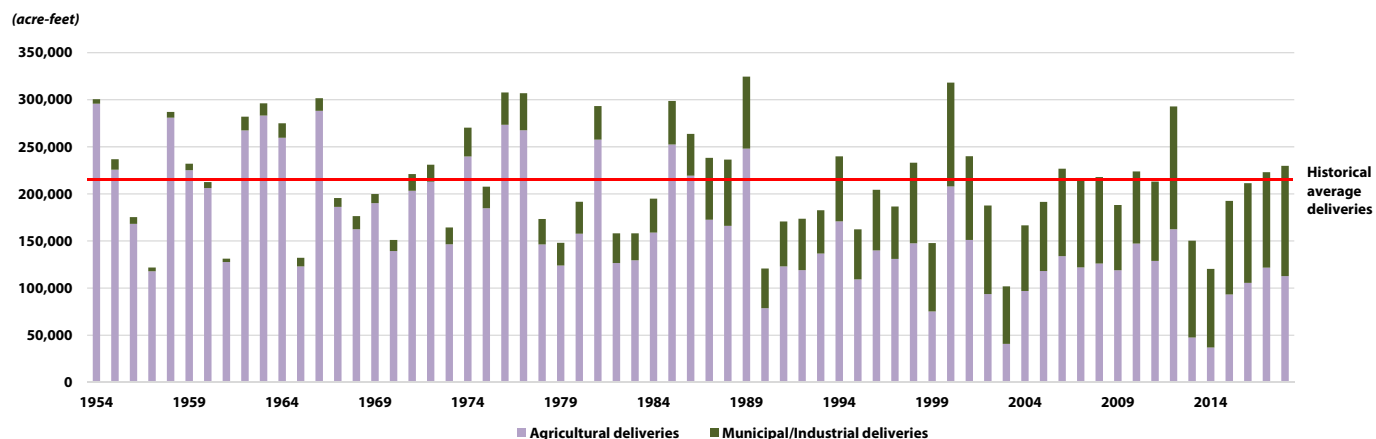
<sup>(3)</sup> Data taken from the Northern Water 2009 CAFR.

# C-BT Project Water Deliveries (Historical and 2009 - 2018)<sup>(1)</sup>

## District Enterprise Fund

Years ended September 30,

Unaudited



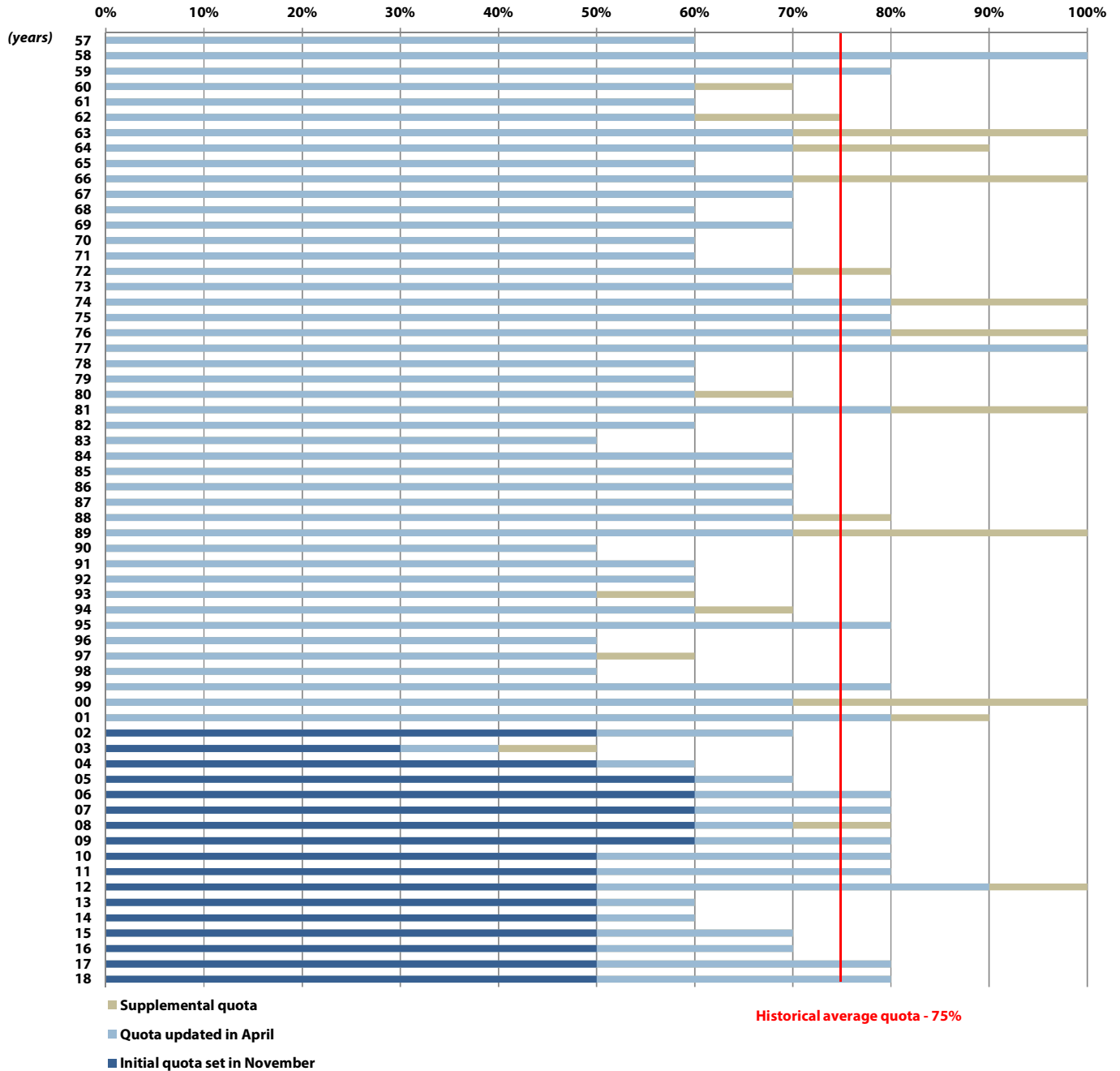
| Year                                | Agricultural   |             | Municipal/Industrial |             | Water Deliveries |
|-------------------------------------|----------------|-------------|----------------------|-------------|------------------|
|                                     | Deliveries     | Percentage  | Deliveries           | Percentage  |                  |
| 2009                                | 118,986        | 63.2        | 69,345               | 36.8        | 188,331          |
| 2010                                | 147,223        | 65.8        | 76,641               | 34.2        | 223,864          |
| 2011                                | 128,912        | 60.5        | 84,265               | 39.5        | 213,177          |
| 2012                                | 162,554        | 55.5        | 130,361              | 44.5        | 292,915          |
| 2013                                | 47,646         | 31.7        | 102,708              | 68.3        | 150,354          |
| 2014                                | 36,991         | 30.7        | 83,512               | 69.3        | 120,503          |
| 2015                                | 93,211         | 48.4        | 99,345               | 51.6        | 192,556          |
| 2016                                | 105,576        | 49.9        | 105,854              | 50.1        | 211,428          |
| 2017                                | 121,802        | 54.6        | 101,307              | 45.4        | 223,108          |
| <b>2018</b>                         | <b>112,785</b> | <b>49.1</b> | <b>116,984</b>       | <b>50.9</b> | <b>229,770</b>   |
| <b>Historical average from 1954</b> | 163,604        | 76.9%       | 49,116               | 23.1%       | 212,731          |

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

# C-BT Project Water Delivery Quotas (Historical)<sup>(1)</sup>

## District Enterprise Fund

Years ended September 30,  
Unaudited



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

## Capital Assets by Northern Water Enterprise Funds (2009 - 2018)

September 30,  
Unaudited

|   | 2018                 | 2017                  | 2016                  | 2015                  |
|---|----------------------|-----------------------|-----------------------|-----------------------|
| <b>District Enterprise Fund</b>                 |                      |                       |                       |                       |
| Non-depreciable capital assets                  |                      |                       |                       |                       |
| Land, easements and water rights                | \$ 84,252,380        | \$ 81,911,417         | \$ 81,996,315         | \$ 81,997,293         |
| Construction in progress                        | 522,555              | 2,701,458             | 2,668,200             | 2,031,625             |
| Depreciable capital assets                      |                      |                       |                       |                       |
| Buildings and improvements                      | 19,796,460           | 19,428,994            | 19,340,433            | 18,654,537            |
| Operations equipment                            | 5,476,107            | 5,472,775             | 5,370,649             | 5,440,607             |
| Computer and office equipment                   | 9,698,287            | 10,055,588            | 9,382,832             | 8,555,986             |
| Capital assets                                  | <u>119,745,789</u>   | <u>119,570,232</u>    | <u>118,758,429</u>    | <u>116,680,048</u>    |
| Less accumulated depreciation                   |                      |                       |                       |                       |
| Buildings and improvements                      | ( 11,380,960)        | ( 10,622,714)         | ( 9,865,172)          | ( 9,123,419)          |
| Operations equipment                            | ( 4,529,724)         | ( 5,030,052)          | ( 5,033,544)          | ( 5,094,729)          |
| Computer and office equipment                   | ( 5,419,017)         | ( 5,113,699)          | ( 4,694,811)          | ( 4,240,138)          |
| Accumulated depreciation                        | <u>( 21,329,701)</u> | <u>( 20,766,465)</u>  | <u>( 19,593,527)</u>  | <u>( 18,458,286)</u>  |
| District Enterprise Fund capital assets, net    | <u>98,416,088</u>    | <u>98,803,767</u>     | <u>99,164,902</u>     | <u>98,221,762</u>     |
| <b>Southern Water Supply Project</b>            |                      |                       |                       |                       |
| Non-depreciable capital assets                  |                      |                       |                       |                       |
| Land, easements and water rights <sup>(1)</sup> | 5,232,983            | 5,232,983             | 5,232,983             | 5,232,983             |
| Construction in progress                        | 8,999,194            | 3,857,236             | 2,189,374             | 1,750,024             |
| Depreciable capital assets                      |                      |                       |                       |                       |
| Water pipeline and equipment                    | 70,643,074           | 69,983,333            | 69,983,357            | 70,003,210            |
| Capital assets                                  | <u>84,875,251</u>    | <u>79,073,552</u>     | <u>77,405,714</u>     | <u>76,986,217</u>     |
| Less accumulated depreciation                   |                      |                       |                       |                       |
| Water pipeline and equipment                    | ( 37,777,246)        | ( 36,117,443)         | ( 34,461,533)         | ( 32,824,079)         |
| SWSP capital assets, net                        | <u>47,098,005</u>    | <u>42,956,109</u>     | <u>42,944,181</u>     | <u>44,162,138</u>     |
| <b>Pleasant Valley Pipeline Project</b>         |                      |                       |                       |                       |
| 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                    | ( 10,406,271)        | ( 9,662,966)          | ( 8,919,661)          | ( 8,176,356)          |
| PVP capital assets, net                         | <u>20,260,264</u>    | <u>21,003,569</u>     | <u>21,746,874</u>     | <u>22,490,179</u>     |
| <b>Northern Integrated Supply Project</b>       |                      |                       |                       |                       |
| Non-depreciable capital asset                   |                      |                       |                       |                       |
| Construction in progress                        | 30,883,491           | 24,134,570            | 20,139,477            | 16,737,711            |
| <b>Hydropower<sup>(2)</sup></b>                 |                      |                       |                       |                       |
| Non-depreciable capital assets                  |                      |                       |                       |                       |
| Construction in progress                        | -                    | -                     | -                     | 2,830,289             |
| Depreciable capital assets                      |                      |                       |                       |                       |
| Hydropower plants                               | 11,489,074           | 11,489,074            | 11,489,074            | 6,278,945             |
| Capital assets                                  | <u>11,489,074</u>    | <u>11,489,074</u>     | <u>11,489,074</u>     | <u>9,109,234</u>      |
| Less accumulated depreciation                   |                      |                       |                       |                       |
| Hydropower plants                               | ( 1,252,804)         | ( 965,578)            | ( 678,352)            | ( 521,378)            |
| Hydropower capital assets, net                  | <u>10,236,270</u>    | <u>10,523,496</u>     | <u>10,810,722</u>     | <u>8,587,856</u>      |
| Capital assets, net                             | <u>\$206,894,118</u> | <u>\$ 197,421,511</u> | <u>\$ 194,806,156</u> | <u>\$ 190,199,646</u> |

<sup>(1)</sup> Included with water pipeline and equipment prior to 2013.

<sup>(2)</sup> Trout and Granby Hydropower facilities became operational 2012 and 2016, respectively.

| 2014                  | 2013                  | 2012                  | 2011                  | 2010                  | 2009                  |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 82,027,587         | \$ 81,829,055         | \$ 78,931,481         | \$ 69,311,486         | \$ 66,458,165         | \$ 65,761,333         |
| 283,363               | 54,526                | 3,140,242             | 1,547,231             | 1,598,488             | 1,091,613             |
| 18,594,598            | 18,732,858            | 18,732,858            | 18,721,544            | 18,721,544            | 18,378,384            |
| 5,371,761             | 5,419,499             | 5,343,262             | 5,234,578             | 5,097,270             | 5,143,814             |
| 8,172,229             | 8,040,845             | 3,055,626             | 3,421,254             | 3,208,332             | 2,855,266             |
| <u>114,449,538</u>    | <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>     |
| ( 8,396,388)          | ( 7,790,187)          | ( 6,977,380)          | ( 6,122,579)          | ( 5,265,105)          | ( 4,473,323)          |
| ( 5,079,024)          | ( 5,071,837)          | ( 5,001,649)          | ( 4,912,530)          | ( 4,814,833)          | ( 4,752,321)          |
| ( 3,605,688)          | ( 2,973,089)          | ( 2,707,585)          | ( 3,027,395)          | ( 2,674,394)          | ( 2,360,386)          |
| ( 17,081,100)         | ( 15,835,113)         | ( 14,686,614)         | ( 14,062,504)         | ( 12,754,332)         | ( 11,586,030)         |
| <u>97,368,438</u>     | <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>     |
| 5,232,983             | 5,232,983             | -                     | -                     | -                     | -                     |
| 1,607,625             | 1,113,518             | 850,649               | 811,089               | 680,473               | 543,420               |
| 69,526,213            | 69,499,494            | 74,732,477            | 74,742,404            | 74,735,178            | 74,730,114            |
| <u>76,366,821</u>     | <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>     |
| ( 31,164,625)         | ( 29,519,078)         | ( 27,871,845)         | ( 26,013,426)         | ( 24,141,257)         | ( 22,282,770)         |
| <u>45,202,196</u>     | <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>     |
| 934,330               | 934,330               | 934,330               | 934,330               | 934,330               | 934,330               |
| 29,732,205            | 29,739,846            | 29,732,205            | 29,732,205            | 29,732,205            | 29,732,205            |
| <u>30,666,535</u>     | <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>     |
| ( 7,433,051)          | ( 6,690,510)          | ( 5,946,441)          | ( 5,203,136)          | ( 4,459,831)          | ( 3,716,525)          |
| <u>23,233,484</u>     | <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>     |
| 14,490,801            | 12,733,803            | 11,326,978            | 10,159,460            | 9,029,413             | 7,859,047             |
| -                     | -                     | -                     | 2,255,182             | -                     | -                     |
| 6,278,945             | 6,278,945             | 6,219,195             | -                     | -                     | -                     |
| <u>6,278,945</u>      | <u>6,278,945</u>      | <u>6,219,195</u>      | <u>2,255,182</u>      | <u>-</u>              | <u>-</u>              |
| ( 364,405)            | ( 207,431)            | ( 51,827)             | -                     | -                     | -                     |
| <u>5,914,540</u>      | <u>6,071,514</u>      | <u>6,167,368</u>      | <u>2,255,182</u>      | <u>-</u>              | <u>-</u>              |
| <u>\$ 186,209,459</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> |

## Project Capacity Statistics by Northern Water Enterprise Fund (continued)

September 30, 2018

Unaudited

### Northern Water

The C-BT Project<sup>(1)</sup> consists of the following:

- 130 miles of water conveyance
- 12 storage reservoirs
- 6 hydro electric power plants<sup>(2)</sup>
- 700 miles of transmission lines

| 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 <sup>(3)</sup> | Total            |
| <b>West Slope</b>             |                   |                       |                  |
| Grand Lake <sup>(4)</sup>     | 4.5               | N/A                   | 68,600           |
| Green Mountain <sup>(2)</sup> | 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           |
| <b>East Slope</b>             |                   |                       |                  |
| 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> |

| Power Plants   | Capacity (kw)  | Generators |
|----------------|----------------|------------|
| Green Mountain | 26,000         | 2          |
| Mary's Lake    | 8,100          | 1          |
| Estes          | 45,000         | 3          |
| Pole Hill      | 38,238         | 1          |
| Flatiron       | 94,500         | 3          |
| Big Thompson   | 4,500          | 1          |
| Power plants   | <u>216,338</u> | <u>11</u>  |

In addition, Northern Water operates three pump stations:

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

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

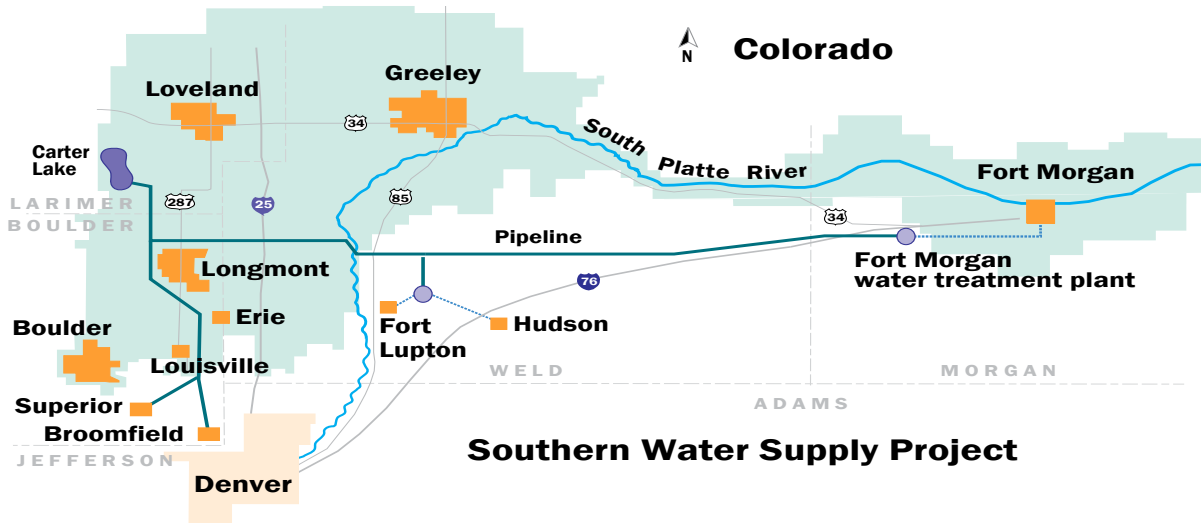
<sup>(2)</sup> Operated and maintained by Reclamation.

<sup>(3)</sup> 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."

<sup>(4)</sup> Natural lake.

**Southern Water Supply Project**

| <b>Water Conveyance</b> | <b>Capacity (cfs)</b> | <b>Length (miles)</b> | <b>Pump Stations</b> | <b>Capacity (cfs)</b> | <b>Rated Lift (feet)</b> | <b>Installed Capacity (horsepower)</b> |
|-------------------------|-----------------------|-----------------------|----------------------|-----------------------|--------------------------|--|
| Broomfield              | 93.1                  | 34                    | Broomfield           | 24                    | 110                      | 550                                    |
| Louisville/Superior     | 13.2                  | 8                     | West Longmont        | 41                    | 310                      | 2,000                                  |
| Fort Morgan             | 11.0                  | 42                    | Louisville/Superior  | 9                     | 340                      | 600                                    |
| Fort Lupton/Hudson      | 9.6                   | 29                    |                      |                       |                          |  |
| <b>Water conveyance</b> |                       | <b>113</b>            | <b>Pump stations</b> | <b>74</b>             | <b>760</b>               | <b>3,150</b>                           |



**Southern Water Supply Project**

**Southern Water Supply Project Pipeline II (under construction)**

| <b>Water Conveyance</b>                   | <b>Capacity (cfs)</b> | <b>Length (miles)</b> |
|---|-----------------------|-----------------------|
| Southern Water Supply Project Pipeline II | 50                    | 20.6                  |



SWSP II construction in Boulder County



## Project Capacity Statistics by Northern Water Enterprise Fund (continued)

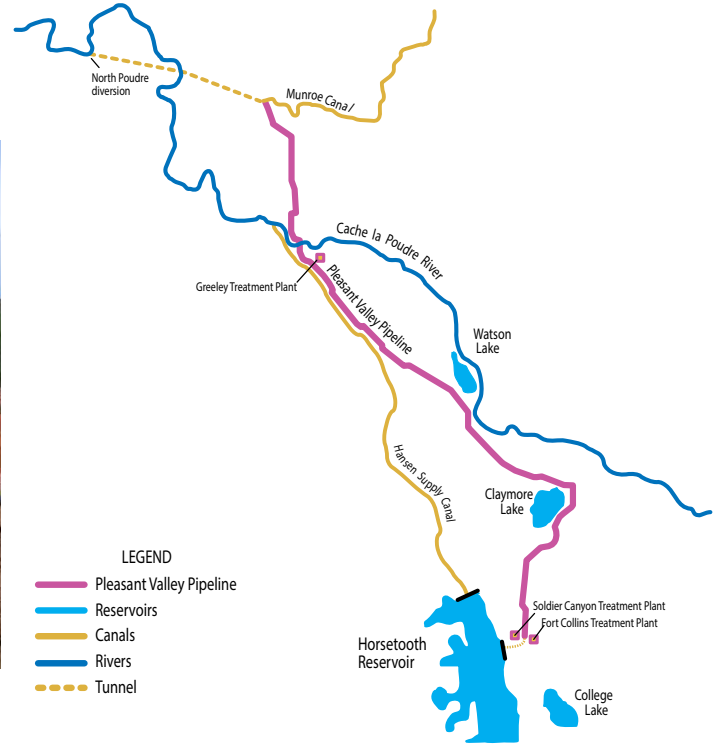
September 30, 2018  
Unaudited

### Pleasant Valley Pipeline Project

| Water Conveyance         | Capacity (cfs) | Length (miles) |
|--------------------------|----------------|----------------|
| Pleasant Valley Pipeline | 185            | 8.5            |



Construction of Pleasant Valley Pipeline



### Hydropower

| Hydropower Plants | Turbines    | Power Generation (KWh) |
|-------------------|-------------|------------------------|
| Robert V. Trout   | 2 - 1300 KW | 7 - 10 million         |
| Granby            | 2 - 600 KW  | 5 million              |
| Hydropower plants |             | <u>12 - 15 million</u> |



Robert V. Trout Hydropower Plant below Carter Lake in Larimer County



Granby Hydropower Plant below Lake Granby in Grand County

## Northern Water Employees by Division (2009 - 2018)<sup>(1)</sup>

September 30,

Unaudited

|  | 2018       | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|------------|------|------|------|------|------|------|------|------|------|
| <b>Management</b>                                    | <b>5</b>   | 4    | 4    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| <b>Public Information Officer<sup>(1)</sup></b>      | <b>1</b>   | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| <b>Human Resources<sup>(2)</sup></b>                 | <b>2</b>   | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| <b>Policy Advisors<sup>(3)</sup></b>                 | <b>4</b>   | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| <b>Operations Division</b>                           |            |      |      |      |      |      |      |      |      |      |
| Collection Systems                                   | 14         | 15   | 15   | 17   | 18   | 18   | 19   | 19   | 19   | 18   |
| Distribution Systems                                 | 15         | 16   | 19   | 19   | 18   | 18   | 17   | 17   | 17   | 17   |
| Facilities and Equipment                             | 11         | 10   | 9    | 9    | 9    | 10   | 10   | 10   | 10   | 10   |
| Capital Improvements <sup>(3)</sup>                  | 2          | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Instrumentation Control and Electrical Engineering   | 5          | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    | 5    |
| Safety Officer                                       | 1          | 1    | 1    | 1    | -    | -    | -    | -    | -    | -    |
| Operations Division                                  | <b>48</b>  | 47   | 49   | 51   | 50   | 51   | 51   | 51   | 51   | 50   |
| <b>Engineering Division</b>                          |            |      |      |      |      |      |      |      |      |      |
| Project Management                                   | 7          | 7    | 5    | 5    | 4    | 4    | 3    | 3    | 3    | 3    |
| Water Resources                                      | 7          | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    |
| Real Estate/Emergency and Security                   | 5          | 2    | 2    | 2    | 1    | 1    | 2    | 2    | 2    | 2    |
| Engineering Division                                 | <b>19</b>  | 13   | 11   | 11   | 9    | 9    | 9    | 9    | 9    | 9    |
| <b>Environmental Services Division<sup>(3)</sup></b> |            |      |      |      |      |      |      |      |      |      |
| Water Quality <sup>(4)</sup>                         | 6          | 5    | 4    | 3    | 3    | 3    | 3    | 3    | 2    | 2    |
| Water Efficiency <sup>(3)</sup>                      | 4          | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Field Services <sup>(4)</sup>                        | 8          | 8    | 7    | 6    | 6    | 6    | 5    | 5    | 5    | 4    |
| Environmental Services Division                      | <b>18</b>  | 13   | 11   | 9    | 9    | 9    | 8    | 8    | 7    | 6    |
| <b>Administration Division</b>                       |            |      |      |      |      |      |      |      |      |      |
| Financial Services                                   | 6          | 6    | 6    | 6    | 6    | 6    | 5    | 5    | 5    | 5    |
| Communications <sup>(5)</sup>                        | 4          | 7    | 6    | 7    | 8    | 8    | 9    | 9    | 9    | 9    |
| Contracts <sup>(3)</sup>                             | 3          | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Information Technology <sup>(6)</sup>                | 10         | 9    | 9    | 10   | 11   | 11   | 11   | 11   | 11   | 8    |
| Water Records and Accounting <sup>(6)</sup>          | 1          | 1    | 1    | 1    | 1    | -    | -    | -    | -    | -    |
| Records and Administrative Services <sup>(7)</sup>   | 6          | 7    | 7    | 7    | 8    | 8    | 8    | 8    | 8    | 8    |
| Administration Division                              | <b>30</b>  | 30   | 29   | 31   | 34   | 33   | 33   | 33   | 33   | 30   |
| Full-time regular employees                          | <b>127</b> | 107  | 104  | 107  | 107  | 107  | 106  | 106  | 105  | 100  |

<sup>(1)</sup> Formerly included in Communications and Records

<sup>(2)</sup> Formerly included in Human Resources and Administrative Services

<sup>(3)</sup> New in 2018

<sup>(4)</sup> Formerly under the Engineering Division

<sup>(5)</sup> Formerly combined with Records

<sup>(6)</sup> Formerly included under Operations Division

<sup>(7)</sup> Formerly combined with Communications and Human Resources and Administrative Services

## Northern Water Organizational and Contact Information

---

September 30, 2018  
Unaudited

|                          |  |
|--------------------------|--|
| <b>Authority</b>         | Water Conservancy Act  |
| <b>Date of Formation</b> | September 20, 1937   |
| <b>Governing Body</b>    | 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.   |
| <b>Organization</b>      | Northern Water is a public body political and corporate, a quasi-municipal entity and a political subdivision of the State of Colorado.  |
| <b>Purpose</b>           | 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. |

### Offices

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

### Independent Auditors

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

### General Counsel

Trout Raley Montaño Freeman Sinor Thompson, P.C.  
1120 Lincoln Street, Suite 1600  
Denver, Colorado 80203-2141  
(303) 861-1963

### Bond Counsel

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



Audit Committee and Board of Directors  
Northern Colorado Water Conservancy District  
Berthoud, Colorado

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Northern Colorado Water Conservancy District (Northern Water) as of and for the year ended September 30, 2018, and have issued our report thereon dated February 25, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Northern Water are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2018.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation is based on the estimated useful life of the asset from the date it is placed in service.
- Management's estimate of the net pension liability and associated deferred outflows and inflows of resources and pension expense are based on an actuarial analysis over the defined benefit Group Pension Plan.
- Management's estimate of medical claims incurred but not reported is based on an estimated two month delay in the processing of claims.

We evaluated the key factors and assumptions used to develop the above significant accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

***Financial statement disclosures***

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Corrected misstatements***

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the attached management representation letter dated February 25, 2019.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying

the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the budgetary schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated February 25, 2019.

The introductory and statistical sections accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and are not a required part of the financial statements. Such information were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on them.

In connection with Northern Water's Comprehensive Annual Financial Report, we did not perform any procedures or corroborate other information included in the annual report. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report.

We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. However, as required by professional standards, we read management's discussion and analysis of financial conditions and results of operations and considered whether the information or the manner in which it was presented was materially inconsistent with information or the manner of presentation of the financial statements. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

\* \* \*

This communication is intended solely for the information and use of the Audit Committee, Board of Directors and management of the Northern Colorado Water Conservancy District and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
February 25, 2019



February 25, 2019

CliftonLarsonAllen LLP  
8390 E. Crescent Parkway, Suite 300  
Greenwood Village, CO 80111

This representation letter is provided in connection with your audit of the financial statements of the Northern Colorado Water Conservancy District (Northern Water), which comprise the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of February 25, 2019, the following representations made to you during your audit of the financial statements as of and for the year ended September 30, 2018.

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 8, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
8. We have not identified or been notified of any uncorrected financial statement misstatements.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Arrangements with financial institutions involving restrictions on cash balances have been properly recorded or disclosed in the financial statements.
11. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. We believe that all material expenditures that have been deferred to future periods will be recoverable.
14. We believe that the actuarial assumptions and methods used to measure the pension liability and costs for financial accounting purposes are appropriate.
15. We do not plan to make frequent amendments to our defined benefit pension plan.


**Information Provided**

1. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within Northern Water from whom you determined it necessary to obtain audit evidence.

- d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
    - e. Access to all audit or relevant monitoring reports, if any, received from funding sources.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects Northern Water and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting Northern Water's financial statements communicated by employees, former employees, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
9. We have disclosed to you the identity of Northern Water's related parties and all the related party relationships and transactions of which we are aware.
10. Northern Water has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Northern Water, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

12. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
13. Northern Water has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
14. We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
15. We have followed all applicable laws and regulations in adopting, approving and amending budgets.
16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
17. The financial statements properly classify all funds and activities.
18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
20. Investments are properly valued.
21. Provisions for uncollectible receivables have been properly identified and recorded.
22. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
23. Deposits and investment securities are properly classified as to risk and are properly valued and disclosed.
24. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
25. We have appropriately disclosed Northern Water's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

26. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
27. We acknowledge our responsibility for presenting the supplementary information on a budgetary basis which is a basis other than U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with the budgetary basis. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
28. Northern Water believes it is in compliance with Article X, Section 20, of the Colorado Constitution.
29. Northern Water has informed all banking, savings and loan institutions that Northern Water's deposits are subject to the Public Deposit Protection Act and has provided those banking institutions with the Northern Water assigned number.
30. We agree with the specialists in evaluating the actuarial evaluation and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialist with respect to the values or amounts derived in an attempt to bias their work and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
31. We acknowledge our responsibility for the calculations and disclosures related to the Governmental Accounting Standards Board (GASB) Statement No. 68. The net pension liability and related components are measured and presented within prescribed guidelines. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of this information.

Signature:  Title: Financial Services Department Manager  
John Budde, CPA

Signature:  Title: Treasurer  
Gerald A. Gibbens

2018

# Municipal Subdistrict



Municipal Subdistrict  
Northern Colorado Water Conservancy District  
Comprehensive Annual Financial Report  
*Year ended September 30, 2018*



# **Comprehensive Annual Financial Report**

Year ended September 30, 2018

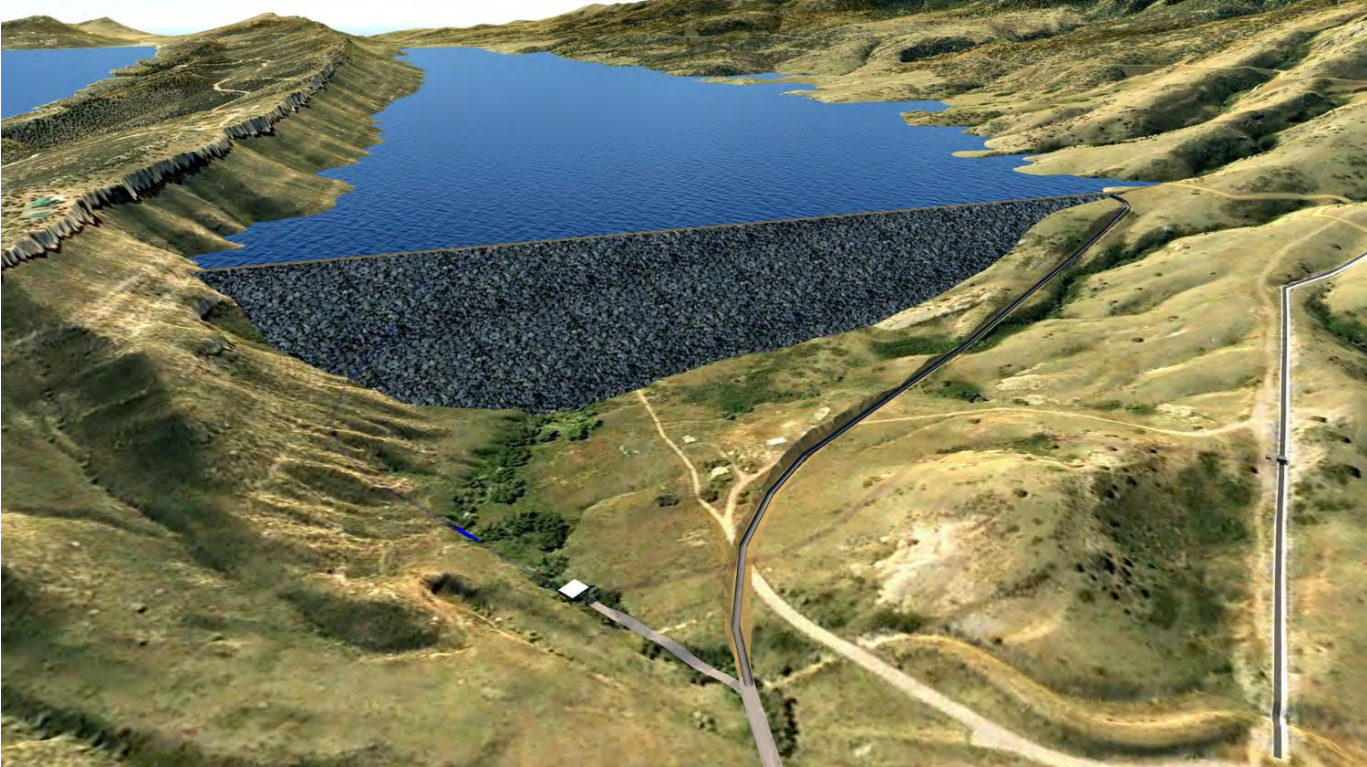
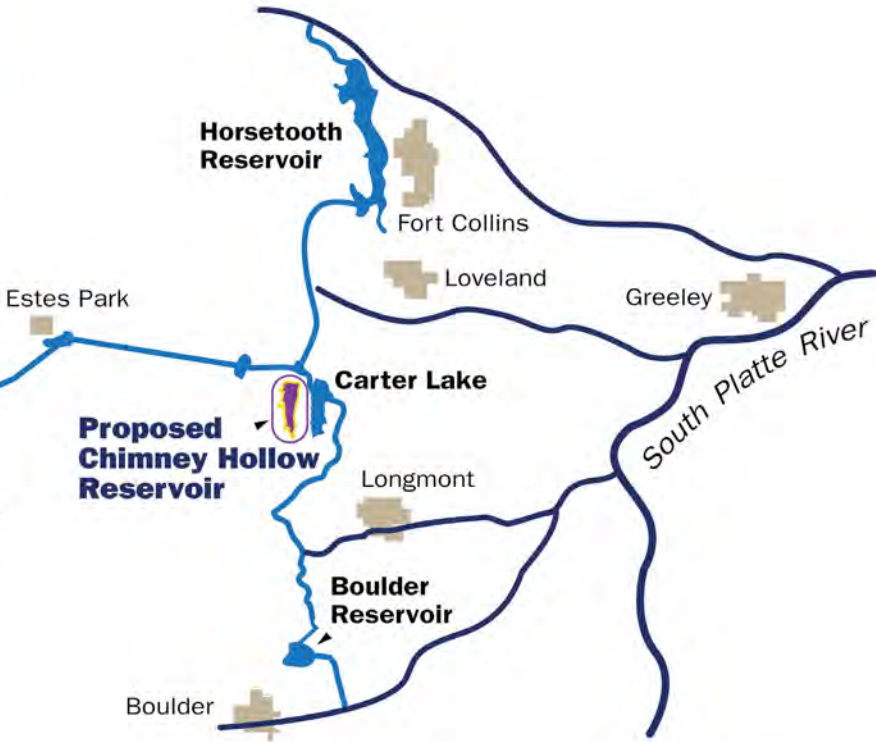
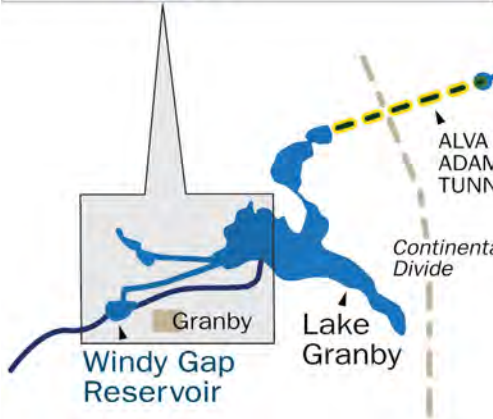
**Municipal Subdistrict,  
Northern Colorado Water Conservancy District  
Berthoud, Colorado**



*Issued by:*

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

# Windy Gap Project and Proposed Windy Gap Firing Project



3D rendering of Chimney Hollow Reservoir

# Comprehensive Annual Financial Report

Year ended September 30, 2018

## Table of Contents

|   | <u>Page</u> |
|---|-------------|
| <b>INTRODUCTORY</b>   |             |
| Letter of Transmittal   | i           |
| Board of Directors  | iv          |
| Organizational Chart  | v           |
| Certificate of Achievement  | vi          |
| <b>FINANCIAL</b>  |             |
| <b>Independent Auditors' Report</b>   | 1           |
| <b>Management's Discussion and Analysis</b>   | 4           |
| <b>Basic Financial Statements</b>   |             |
| Statement of Net Position   | 7           |
| Statement of Revenues, Expenses and Changes in Net Position   | 8           |
| Statement of Cash Flows   | 9           |
| Notes to Financial Statements   | 10          |
| <b>Supplementary Information</b>  |             |
| Schedule of Revenues and Expenses, Budget to Actual   |             |
| Windy Gap   | 18          |
| Windy Gap Firming Project   | 19          |
| <b>STATISTICAL INFORMATION</b>  |             |
| <b>Subdistrict Boundaries</b>   | 21          |
| <b>Financial Trends</b>   |             |
| This schedule contains trend information to help the reader understand how the Subdistrict's financial performance and well-being have changed over time.   |             |
| Statement of Revenues, Expenses and Changes in Net Position and Net Position by Component (2009 - 2018)   | 22          |
| <b>Revenue Sources</b>  |             |
| These schedules contain information to help the reader assess the Subdistrict's primary revenue source.   |             |
| Schedule of Windy Gap Assessments by Participant (2009 - 2018)  | 24          |
| Statement of Windy Gap Participant Units  | 26          |
| Windy Gap Carriage, Energy and Wheeling Charges (2009 - 2018)   | 28          |
| <b>Demographic and Economic Statistics</b>  |             |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the Subdistrict's financial activities take place.   |             |
| Population and Economic Statistics by Principal Cities Served by the Subdistrict (2009 - 2018)  | 30          |
| Largest Employers by Principal Cities Served by the Subdistrict (2009 and 2018)   | 32          |
| <b>Operating Information</b>  |             |
| These schedules contain information about the Subdistrict's operations and infrastructure to help the reader understand how the Subdistrict's financial information relates to the services it provides and the activities it performs. |             |
| Schedule of Windy Gap Project Water Pumped and Delivered (Historical)   | 36          |
| Subdistrict Capital Assets (2009 - 2018)  | 38          |
| Windy Gap Reservoir, Dam, Pump Station Capacity and Pipeline  | 40          |
| <b>General Information</b>  |             |
| Subdistrict Organizational and Contact Information  | 41          |





February 25, 2019

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

The Comprehensive Annual Financial Report of the Municipal Subdistrict, Northern Colorado Water Conservancy District (Subdistrict) for the fiscal year ended September 30, 2018, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the Subdistrict. All disclosures necessary to enable the reader to gain an understanding of the Subdistrict's financial activities have been included.

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

CliftonLarsonAllen LLP, a certified public accounting and consulting firm, has issued unmodified opinions on the Subdistrict's financial statements as of and for the year ended September 30, 2018. Their independent auditors' report is located on pages 1 to 3 of the Financial Section of this report. State statutes require that an annual audit of the books of account, financial records and transactions of the Subdistrict be performed in accordance with generally accepted auditing standards by independent certified public accountants selected by the Board of Directors. These requirements have been met.

Management's Discussion and Analysis (MD&A), located on pages 4 to 6, provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements, and should be read in conjunction, with the letter.

#### **Profile of the Subdistrict**

The Subdistrict was organized in 1970 as a subdistrict of the Northern Colorado Water Conservancy District (Northern Water) pursuant to the Water Conservancy Act. Under the Water Conservancy Act, a subdistrict has the same powers and legal standing as its parent district and is an independent political subdivision of the State of Colorado. It has the authority to undertake projects separate from those undertaken by its parent district.

The Board of the Subdistrict is, by statute, the same as the Board of Northern Water. However, the Subdistrict elects different officers from those chosen by Northern Water. Northern Water does not approve

or modify the Subdistrict budget, hold title to any of the Subdistrict's water rights or authorize issuance of Subdistrict bonds. The Subdistrict is not under the control of Northern Water and, therefore, is not included in Northern Water's financial statements. The Subdistrict maintains third-party insurance coverage for all of its potential losses; it is not self insured.

The Subdistrict was established to develop a water supply for six Northern Colorado Front Range communities through the Windy Gap Project. The Subdistrict has a Carriage Contract with the U.S. Bureau of Reclamation (Reclamation) and Northern Water defining the terms for the introduction, storage, conveyance, exchange, substitution and delivery of water for the Subdistrict through the Colorado-Big Thompson (C-BT) Project. The Subdistrict has entered into water allotment contracts with each of its participants. Under the allotment contracts the Windy Gap participants annually receive their proportional share of Windy Gap Project water. Participants are required to make annual assessment payments equal to their corresponding share of the Subdistrict costs related to the acquisition of water rights, operations of the Windy Gap Project, and carriage charges to Northern Water and Reclamation for use of the C-BT Project.

The Subdistrict owns the following water activity enterprises, which are government-owned businesses within the meaning of Article X, Section 20 of the Colorado Constitution: the Windy Gap Water Activity Enterprise created August 1993 and the Windy Gap Firming Project Water Activity Enterprise created November 1999.

The Subdistrict includes the following enterprise funds:

#### ***Windy Gap Enterprise Fund (Windy Gap)***

Windy Gap accounts for the wholesale water operations of the Subdistrict and is self-supporting through water assessments. Windy Gap owns, operates and maintains the Windy Gap Project. The Windy Gap Project consists of a diversion dam on the Colorado River, a pumping plant and a pipeline to pump and transport diverted Windy Gap Project water to Lake Granby, a water storage feature of the C-BT Project. The water is then conveyed through the C-BT Projects' Adams Tunnel for distribution to the Windy Gap participants on the East Slope. The Windy Gap Project has no dedicated storage; it relies on available capacity in the C-BT Project. When such C-BT Project storage is fully needed for C-BT Project water, the Windy Gap Project water must either be delivered to participants or spilled out of Lake Granby. The Windy Gap Project became operational in 1985 and began making water deliveries shortly thereafter.

#### ***Windy Gap Firming Project Enterprise Fund (WGFP)***

WGFP is a collaboration between Front Range water providers to improve the reliability of (i.e. "firm") water supplies from the Windy Gap Project. This reliability will be established by development of the Chimney Hollow Reservoir and related appurtenances, providing dedicated storage capacity for Windy Gap Project water.

---

## Local Economy

The Subdistrict 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, providing many opportunities due to its broad mix of industries and educated workforce. 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 2018 by the Colorado Office of State Planning and Budgeting reports that Colorado's economic expansion continued at a healthy pace in 2018. Employment growth was strong, while wage growth outpaced inflation. Oil and gas production continued to set record highs.

Overall, job growth in Front Range metro areas, including Denver, was positive in 2018, though moderating from 2017 rates. Greeley experienced the most job growth, increasing 4.2 percent as compared to the state average of 2.3 percent, reflecting continued growth in the energy industry. Increases in oil production are forecast to continue. Unemployment statewide rose slightly from 2.7 percent to 3.2 percent as the size of the labor force grew faster than employment. Unemployment for the state is expected to increase slowly over the next few years to 3.5 percent in 2020. Unemployment rates for the Front Range averaged just under 3 percent in 2018. Population growth is expected to remain steady at around 1.3 percent in coming years, reaching 5.8 million in 2020. This compares to a national average population growth of 0.7 percent.

Personal income in Colorado increased by 5.4 percent in 2018 and is expected to continue to increase by just under 5 percent in 2019 and 2020 as economic growth moderates. Colorado per-capita income grew to an estimated \$57,000 in 2018 with the forecast predicting growth of 3.5 percent and 3.6 percent in 2019 and 2020, respectively.

Housing permits in Colorado increased 7.1 percent in 2018, driven by continued demand for new housing construction. This growth rate is expected to decline slightly in 2019 before returning to a growth rate of 5 percent in 2020. U.S. housing permits grew 4.1 percent in 2018 and are expected to slow to 1.5 percent in 2019 and 2020. Colorado nonresidential construction value grew 24.4 percent in 2018 but the growth is expected to moderate in 2019 and 2020.

The Front Range CPI grew faster than the national average at 2.7 percent in 2018. The rate of increase is expected to lower to 2.5 percent and 2.4 percent in 2019 and 2020, respectively, slightly above national averages.

## Major Initiatives and Long-Term Financial Planning

### *Windy Gap*

The Subdistrict is seeking permitting for the Colorado River Headwaters Connectivity Project, which consists of constructing a channel that will connect the Colorado River above and below the Windy Gap Reservoir and will allow for a more natural aquatic habitat. The project will be completed by the Subdistrict, which owns the Windy Gap Reservoir, in support of the mitigation requirements for WGFP and the Subdistrict's Carriage Contract with Reclamation and Northern Water.

The project is expected to cost \$15 million and is being partially funded through the U.S. Department of Agriculture Natural Resources

Conservation Service (NRCS) Regional Conservation Partnership Program. Under the program, the Subdistrict is the sponsoring lead organization and a subgrantee of Trout Unlimited, the lead partner and coordinator of the project. Other entities providing funding include the Colorado Water Conservation Board (CWCB), Grand County, Colorado Parks and Wildlife and other stakeholders. Current funding commitments are approximately \$12 million with fundraising underway for the remaining \$3 million of required funds. Permitting for the project has been initiated under the NRCS Watershed Plan Environmental Assessment program.

### *Windy Gap Firing Project*

The WGFP permitting process culminated in May 2017 with a 404 permit from the U.S. Army Corps of Engineers after WGFP received Reclamation's Record of Decision in 2014 and state Water Quality Control certification in 2016.

Final design of the project, which will consist of Chimney Hollow Reservoir and related appurtenances, is expected to be completed in 2019. The project, including the reservoir, appurtenances, owner's cost and all mitigation and enhancements, is expected to cost approximately \$611 million. Funding to date has been provided by participant contributions. Future funding for construction is expected to be provided from a combination of sources: WGFP participant contributions, a CWCB loan approved in 2018 and revenue bonds to be issued by WGFP.

As part of the permitting process and Colorado's mitigation requirements, the Subdistrict has agreed to fund environmental mitigation and enhancement measures that will work toward improving aquatic habitat and flow conditions on the Colorado River and supporting endangered species. These measures include approximately \$25 million in project costs, in addition to granting water and water storage that can be used for environmental purposes valued at approximately \$40 million.

### **Financial Policies**

All financial principles and policies have been consistently applied in the preparation of the Subdistrict financial statements including the basis of accounting and valuation of fund assets. These policies 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 the Subdistrict for its Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2017. The Subdistrict has received this award every year since 1987.

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

A Certificate of Achievement is valid for a period of one year only. We believe the Subdistrict CAFR for the year ended September 30, 2018, continues to meet the Certificate of Achievement Program's

---

requirements, and the Subdistrict will be submitting it to GFOA to determine its eligibility for another certification.

In addition, the Subdistrict also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning October 1, 2017. In order to qualify for this award, the Subdistrict budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated service of Northern Water staff. In particular we would like to recognize the outstanding efforts of the Northern Water Financial Services Department personnel:

|                 |                     |
|-----------------|---------------------|
| John Budde, CPA | Colleen Krabbenhoft |
| Mary Krakow     | Bernice Rupp        |
| Judy Skram, CPA |                     |

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

Sincerely,

***/s/ Gerald A. Gibbens***

Gerald A. Gibbens, P.E.  
Treasurer  
Municipal Subdistrict,  
Northern Colorado Water Conservancy District

## Board of Directors<sup>(1)</sup>

---

**Dennis Yanchunas, President and Board Chairman**

*Retired Securities Broker, Boulder County*

Term August 20, 2010 - September 28, 2020

Committees: 1,2

**Bill Emslie, Vice President and Board Vice Chairman**

*Retired Electrical Engineer and Farmer, Larimer County*

Term September 28, 2005 - September 28, 2021

Committees: 1,2,3

**William Fischer**

*Attorney, Larimer County*

Term September 28, 2016 - September 28, 2020

Committee: 3

**David Nettles<sup>(2)</sup>**

*Retired Water Engineer, Weld County*

Term expires September 28, 2022

**Don Magnuson**

*Retired Ditch Company General Manager and*

*Agricultural Enterprises, Weld County*

Term September 28, 2004 - September 28, 2020

Committee: 3

**Dale Trowbridge**

*Ditch Company General Manager, Weld County*

Term August 15, 2014 - September 28, 2019

Committees: 1,2,3

**Mike Applegate**

*Engineer, Larimer County*

Term September 28, 1991 - September 28, 2019

Committees: 1,2,3

**Todd Williams**

*Water Resources Engineer, Boulder County*

Term September 28, 2017 - September 28, 2021

Committees: 1,2,3

**Sue Ellen Harrison**

*Attorney, Boulder County*

Term September 28, 2009 - September 28, 2022

Committee: 3

**John Rusch**

*Water Resource Consultant, Morgan/Washington Counties*

Term May 20, 2002 - September 28, 2021

Committee: 3

**Gene Manuello**

*Irrigation District President, Logan County*

Term September 28, 2018 - September 28, 2022

Committee: 3

**Rob McClary**

*Farmer, Sedgwick County*

Term September 28, 2011 - September 28, 2019

Committees: 1,2,3

**Committees**

1 Audit

2 Finance and Benefits

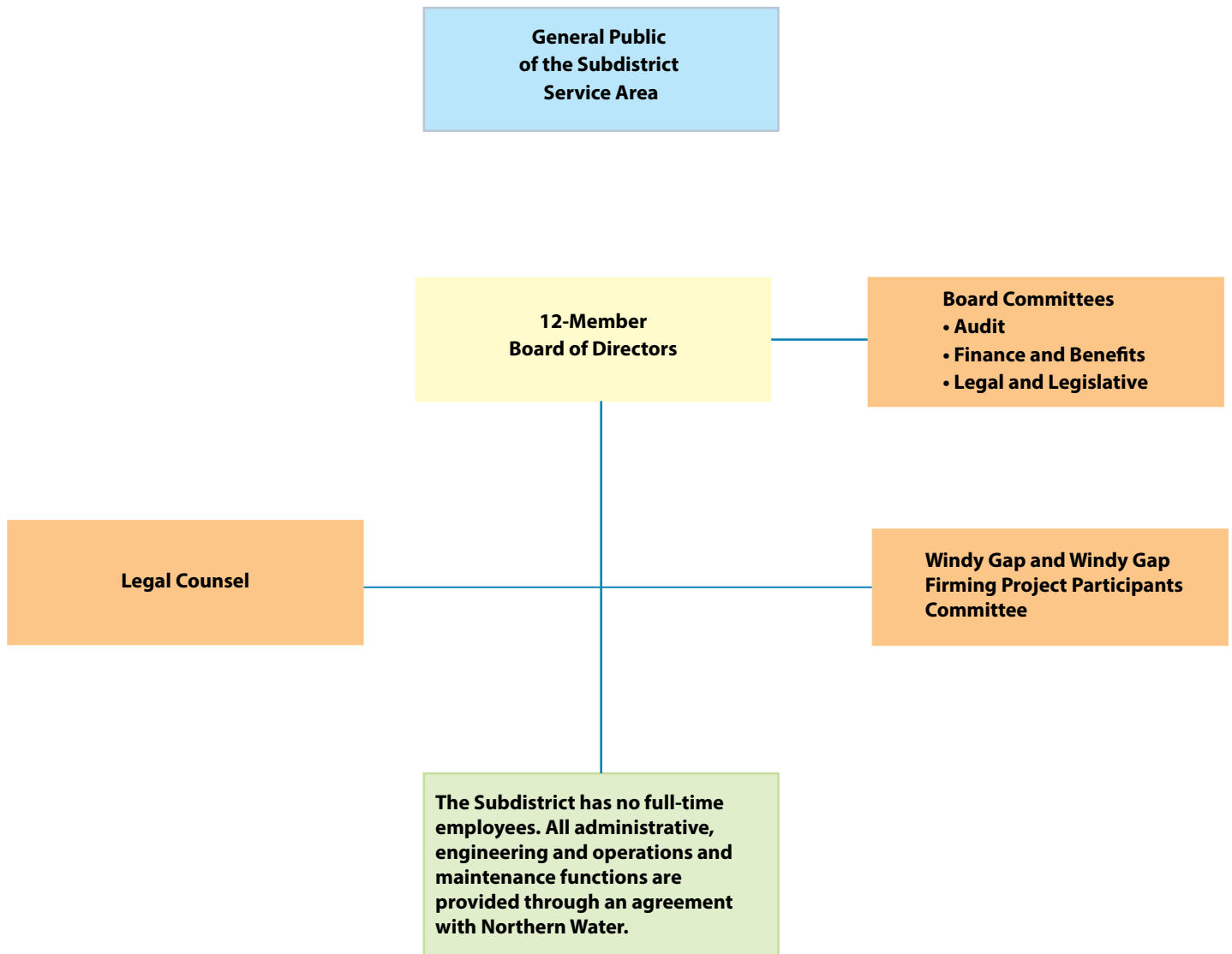
3 Legal and Legislative

<sup>(1)</sup> Effective October 1, 2018

<sup>(2)</sup> Appointed effective November 8, 2018

# Organizational Chart

---





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Municipal Subdistrict  
Northern Colorado  
Water Conservancy District**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morvill*

Executive Director/CEO



CliftonLarsonAllen LLP  
CLAconnect.com

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of the Municipal Subdistrict, Northern Colorado Water Conservancy District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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



### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Municipal Subdistrict, Northern Colorado Water Conservancy District as of September 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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, 2018, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipal Subdistrict, Northern Colorado Water Conservancy District's basic financial statements. The budgetary schedules listed in the table of contents for the year ended September 30, 2018 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, 2018. 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, 2018.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Municipal Subdistrict, Northern Colorado Water Conservancy District as of and for the year ended September 30, 2017, and have issued our report thereon dated February 23, 2018, which contained unmodified opinions on the respective financial statements of the business-type activities and each major fund.

---

Board of Directors  
Municipal Subdistrict, Northern Colorado Water Conservancy District

The budgetary schedules for the year ended September 30, 2017 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 2017 financial statements. The budgetary schedules have been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounts and 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, 2017.

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**

Greenwood Village, Colorado  
February 25, 2019

## Management's Discussion and Analysis

Management's Discussion and Analysis presents a narrative overview of the financial activities of the Subdistrict for the fiscal year ended September 30, 2018. It should be read in conjunction with the additional information furnished in the transmittal letter on page i of this report.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Subdistrict financial statements consist of the enterprise fund financial statements of Windy Gap and WGFP. These funds report business-type activities only. The report also includes other supplementary and statistical information. Comparative data is included on select schedules to enable the reader to review information against prior years.

The enterprise fund financial statements include the following:

- **Statement of Net Position** - Presents information as to the Subdistrict's current and noncurrent assets, capital assets and current obligations. The Subdistrict does not have any long-term liabilities at this time. The difference between assets and liabilities is reported as net position.
- **Statement of Revenues, Expenses and Changes in Net Position** - Reports the Subdistrict's operating and nonoperating revenues and expenses by major sources, capital contributions and changes in net position for the year.
- **Statement of Cash Flows** - Reports the Subdistrict's cash flows from operating, non-capital financing, capital and related financing, and investing activities.
- **Notes to Financial Statements** - Provide further explanation and details that are essential to a full understanding of the above statements.

### HIGHLIGHTS

- Over 26,000 acre-feet of **Windy Gap water** was pumped in 2018. Of this, approximately 15,000 acre-feet was delivered to Windy Gap participants and 9,000 acre-feet remained in inventory at year end.
- In 2018, a 30-year \$90 million loan with the Colorado Water Conservation Board to partially fund **Windy Gap FIRMING Project** construction costs was approved. Final design and preconstruction activities for the Chimney Hollow Reservoir and related appurtenances continued in 2018. Costs incurred to date have been fully funded by project participants.
- The Subdistrict began design of a \$15 million **Colorado River Headwaters Connectivity Project**. The project is in support of the WGFP mitigation and enhancement plan. Project costs are being partially funded through the NRCS Regional Conservation Partnership Program of which the Subdistrict is a subgrantee to a \$7.8 million grant with Trout Unlimited.



Windy Gap Reservoir

**FINANCIAL ANALYSIS**  
**STATEMENT OF NET POSITION**

(condensed)  
September 30,

|   | (\$000s)         |           | Change in Net Position | Percentage Change |
|---|------------------|-----------|------------------------|-------------------|
|   | 2018             | 2017      |                        |                   |
| <b>Assets</b>                               |                  |           |                        |                   |
| Current assets                              | \$ 20,780        | \$ 25,740 | (\$ 4,960)             | ( 19.3%)          |
| Noncurrent cash equivalents and investments | 7,450            | 7,470     | ( 20)                  | ( 0.2%)           |
| Capital assets, net of depreciation         | <b>64,861</b>    | 53,772    | 11,089                 | 20.6%             |
| Assets                                      | <b>\$ 93,091</b> | \$ 86,982 | \$ 6,109               | 7.0%              |
| <b>Liabilities</b>                          | <b>\$ 4,245</b>  | \$ 5,511  | (\$ 948)               | ( 17.2%)          |
| <b>Net position</b>                         |                  |           |                        |                   |
| Investment in capital assets                | \$ 64,861        | \$ 53,772 | \$ 11,089              |                   |
| Restricted net position for capital project | 5,217            | 9,155     | ( 3,938)               |                   |
| Unrestricted net position                   | <b>18,768</b>    | 18,544    | 224                    |                   |
| Net position                                | <b>\$ 88,846</b> | \$ 81,471 | \$ 7,375               | 9.0%              |

**CAPITAL ASSETS**

September 30,

|   | (\$000s)         |           | Increase  | Percentage Change |
|---|------------------|-----------|-----------|-------------------|
|   | 2018             | 2017      |           |                   |
| <b>Capital assets, net of depreciation</b>          |                  |           |           |                   |
| Land and water rights                               | \$ 2,517         | \$ 2,517  |           |                   |
| Water diversion project, equipment and improvements | 14,632           | 16,713    |           |                   |
| Construction in progress                            | <b>47,712</b>    | 34,542    |           |                   |
| Capital assets, net of depreciation                 | <b>\$ 64,861</b> | \$ 53,772 | \$ 11,089 | 20.6%             |

The Subdistrict assets at September 30, 2018, were made up primarily of its investment in capital assets, cash and investments of the two enterprise funds. Capital assets substantially consisted of the Windy Gap water diversion infrastructure and WGFP construction in progress. In 2018 capital assets increased by \$11 million reflecting the current year \$13 million capital investment in WGFP development costs offset by Windy Gap depreciation expense of \$2 million. All WGFP costs have been funded by participants in the project. In the event a participant's share of actual costs is less than contributions provided, the excess will be refunded. See additional information relating to capital assets at Note 4 to the financial statements.

The increase in capital assets offset by the decrease in restricted net position directly contributed to the \$7 million overall increase in net position. Restricted net position decreased reflecting lower year end cash balances due to capital project expenditures.

## Management's Discussion and Analysis

### REVENUES, EXPENSES AND CHANGES IN NET POSITION

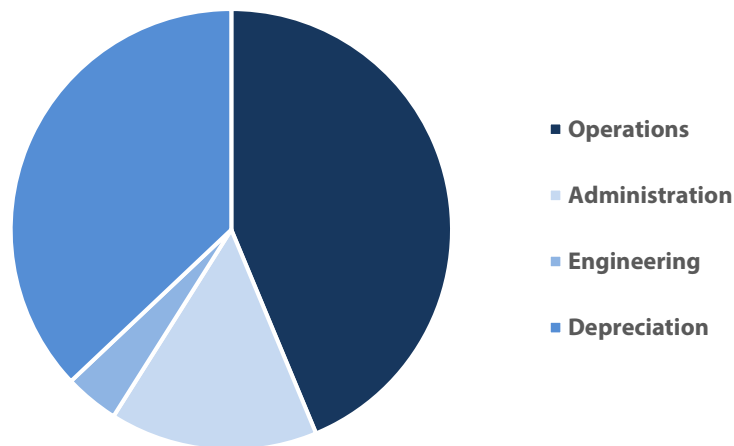
(condensed)

Years ended September 30,

|                                 | (\$000s)  |           | Changes in<br>Net Position | Percentage<br>Change |
|---------------------------------|-----------|-----------|----------------------------|----------------------|
|                                 | 2018      | 2017      |                            |                      |
| <b>Operating revenues</b>       | \$ 3,645  | \$ 2,960  | \$ 685                     | 23.1%                |
| <b>Operating expenses</b>       | 5,618     | 5,054     | 564                        | 11.1%                |
| Operating loss                  | ( 1,973)  | ( 2,094)  | 121                        | 5.8%                 |
| <b>Nonoperating revenues</b>    |           |           |                            |                      |
| Nonoperating revenues           | 166       | 203       | ( 37)                      | ( 18.2%)             |
| Nonoperating revenues           | 166       | 203       | ( 37)                      | ( 18.2%)             |
| Loss before contributions       | ( 1,807)  | ( 1,891)  | 84                         | 4.4%                 |
| <b>Capital contributions</b>    | 9,182     | 10,535    | ( 1,353)                   | ( 12.8%)             |
| Increase in net position        | 7,375     | 8,644     | ( 1,269)                   | ( 14.7%)             |
| Net position, beginning of year | 81,471    | 72,827    | 8,644                      | 11.9%                |
| Net position, end of year       | \$ 88,846 | \$ 81,471 | \$ 7,375                   | 9.0%                 |

Capital contributions consist of WGFP participant funding of current year anticipated project expenditures and funding for the Windy Gap Colorado River Headwaters Connectivity Project.

2018 Operating Expenses



### FINANCIAL CONTACT

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

**Statement of Net Position  
Proprietary Funds**

September 30, 2018

**Business-type Activity Enterprise Funds**

|   | <b>Business-type Activity Enterprise Funds</b> |                                      |                      |
|---|--|--------------------------------------|----------------------|
|   | <b>Windy Gap</b>                               | <b>Windy Gap<br/>Firming Project</b> | <b>Total</b>         |
| <b>ASSETS</b>                               |  |                                      |                      |
| <b>Current assets</b>                       |  |                                      |                      |
| Cash and cash equivalents, unrestricted     | \$ 13,213,159                                  | \$ 6,692,674                         | \$ 19,905,833        |
| Accounts receivable                         | 145,935  | 2,400                                | 148,335              |
| Accrued interest receivable                 | 37,055   | -                                    | 37,055               |
| Water inventory                             | 208,151  | -                                    | 208,151              |
| Prepaid carriage costs                      | 480,571  | -                                    | 480,571              |
|   | <u>14,084,871</u>                              | <u>6,695,074</u>                     | <u>20,779,945</u>    |
| <b>Noncurrent assets</b>                    |  |                                      |                      |
| Cash and cash equivalents, unrestricted     | 99,624   | -                                    | 99,624               |
| Investments, unrestricted                   | 7,350,524                                      | -                                    | 7,350,524            |
| Capital assets                              | 85,305,016                                     | 47,555,955                           | 132,860,971          |
| Less accumulated depreciation               | ( 68,000,119)                                  | -                                    | ( 68,000,119)        |
|   | <u>17,304,897</u>                              | <u>47,555,955</u>                    | <u>64,860,852</u>    |
| Capital assets, net of depreciation         | <u>17,304,897</u>                              | <u>47,555,955</u>                    | <u>64,860,852</u>    |
| Noncurrent assets                           | <u>24,755,045</u>                              | <u>47,555,955</u>                    | <u>72,311,000</u>    |
| Assets                                      | <u>\$ 38,839,916</u>                           | <u>\$ 54,251,029</u>                 | <u>\$ 93,090,945</u> |
| <b>LIABILITIES</b>                          |  |                                      |                      |
| <b>Current liabilities</b>                  |  |                                      |                      |
| Accounts payable and accrued liabilities    | \$ 1,807,359                                   | \$ 1,478,338                         | \$ 3,285,697         |
| Unearned revenue                            | 959,166  | -                                    | 959,166              |
|   | <u>2,766,525</u>                               | <u>1,478,338</u>                     | <u>4,244,863</u>     |
| Current liabilities                         | <u>2,766,525</u>                               | <u>1,478,338</u>                     | <u>4,244,863</u>     |
| Liabilities                                 | <u>\$ 2,766,525</u>                            | <u>\$ 1,478,338</u>                  | <u>\$ 4,244,863</u>  |
| <b>NET POSITION</b>                         |  |                                      |                      |
| Investment in capital assets                | \$ 17,304,897                                  | \$ 47,555,955                        | \$ 64,860,852        |
| Restricted net position for capital project | -  | 5,216,736                            | 5,216,736            |
| Unrestricted net position                   | 18,768,494                                     | -                                    | 18,768,494           |
|   | <u>\$ 36,073,391</u>                           | <u>\$ 52,772,691</u>                 | <u>\$ 88,846,082</u> |
| Net position                                | <u>\$ 36,073,391</u>                           | <u>\$ 52,772,691</u>                 | <u>\$ 88,846,082</u> |

See accompanying Notes to Financial Statements.

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

Year ended September 30, 2018

|                                     | <b>Business-type Activity Enterprise Funds</b> |                                      |                      |
|-------------------------------------|--|--------------------------------------|----------------------|
|                                     | <b>Windy Gap</b>                               | <b>Windy Gap<br/>Firming Project</b> | <b>Total</b>         |
| <b>Operating revenues</b>           |  |                                      |                      |
| Assessments                         | \$ 3,615,652                                   | \$ -                                 | \$ 3,615,652         |
| Other operating income              | 29,785   | -                                    | 29,785               |
| Operating revenue                   | <u>3,645,437</u>                               | <u>-</u>                             | <u>3,645,437</u>     |
| <b>Operating expenses</b>           |  |                                      |                      |
| Operations                          | 2,456,538                                      | -                                    | 2,456,538            |
| Administration                      | 856,587  | -                                    | 856,587              |
| Engineering                         | 224,081  | -                                    | 224,081              |
| Depreciation                        | 2,081,291                                      | -                                    | 2,081,291            |
| Operating expenses                  | <u>5,618,497</u>                               | <u>-</u>                             | <u>5,618,497</u>     |
| Operating loss                      | <u>( 1,973,060)</u>                            | <u>-</u>                             | <u>( 1,973,060)</u>  |
| <b>Nonoperating revenues</b>        |  |                                      |                      |
| Earnings on investments             | 120,867  | -                                    | 120,867              |
| Other nonoperating revenues         | 44,957   | -                                    | 44,957               |
| Nonoperating revenues               | <u>165,824</u>                                 | <u>-</u>                             | <u>165,824</u>       |
| Loss before contributions           | <u>( 1,807,236)</u>                            | <u>-</u>                             | <u>( 1,807,236)</u>  |
| <b>Capital contributions</b>        | <u>105,571</u>                                 | <u>9,076,343</u>                     | <u>9,181,914</u>     |
| Increase (decrease) in net position | <u>( 1,701,665)</u>                            | <u>9,076,343</u>                     | <u>7,374,678</u>     |
| Net position, beginning of year     | <u>37,775,056</u>                              | <u>43,696,348</u>                    | <u>81,471,404</u>    |
| Net position, end of year           | <u>\$ 36,073,391</u>                           | <u>\$ 52,772,691</u>                 | <u>\$ 88,846,082</u> |

See accompanying Notes to Financial Statements.

**Statement of Cash Flows**  
**Proprietary Funds**

Year ended September 30, 2018

|  | <b>Business-type Activity Enterprise Funds</b> |                                      |                |
|--|--|--------------------------------------|----------------|
|  | <b>Windy Gap</b>                               | <b>Windy Gap<br/>Firming Project</b> | <b>Total</b>   |
| <b>Cash flows from operating activities</b>  |  |                                      |                |
| Receipts from participants   | \$ 2,937,043                                   | \$ -                                 | \$ 2,937,043   |
| Payments to suppliers  | ( 2,574,626)                                   | -                                    | ( 2,574,626)   |
| Payments for labor charges   | ( 784,056)                                     | -                                    | ( 784,056)     |
| Other receipts   | 79,982   | -                                    | 79,982         |
| Net cash used by operating activities  | ( 341,657)                                     | -                                    | ( 341,657)     |
| <b>Cash flows from capital and related financing activities</b>                      |  |                                      |                |
| Acquisition and construction of capital assets                                       | ( 155,882)                                     | ( 13,861,654)                        | ( 14,017,536)  |
| Capital contributions <sup>(1)</sup>   | -  | 9,429,817                            | 9,429,817      |
| Net cash used by capital and related financing activities                            | ( 155,882)                                     | ( 4,431,837)                         | ( 4,587,719)   |
| <b>Cash flows from investing activities</b>  |  |                                      |                |
| Investment purchases   | ( 10,332,586)                                  | -                                    | ( 10,332,586)  |
| Investment sales   | 9,738,008                                      | -                                    | 9,738,008      |
| Interest received on investments   | 255,673  | -                                    | 255,673        |
| Net cash used by investing activities  | ( 338,905)                                     | -                                    | ( 338,905)     |
| Net decrease in cash and cash equivalents  | ( 836,444)                                     | ( 4,431,837)                         | ( 5,268,281)   |
| Cash and cash equivalents, beginning of year   | 14,149,227                                     | 11,124,511                           | 25,273,738     |
| Cash and cash equivalents, end of year   | \$ 13,312,783                                  | \$ 6,692,674                         | \$ 20,005,457  |
| <b>Reconciliation of operating loss to net cash used by operating activities</b>     |  |                                      |                |
| Operating loss   | (\$ 1,973,060)                                 | \$ -                                 | (\$ 1,973,060) |
| Adjustments to reconcile operating loss to net cash provided by operating activities |  |                                      |                |
| Depreciation   | 2,081,291                                      | -                                    | 2,081,291      |
| Nonoperating   | 74,510   | -                                    | 74,510         |
| Changes in current assets and current liabilities                                    |  |                                      |                |
| Accounts receivable  | ( 24,319)                                      | -                                    | ( 24,319)      |
| Water inventory  | ( 208,151)                                     | -                                    | ( 208,151)     |
| Prepaid carriage costs   | 132,181  | -                                    | 132,181        |
| Accounts payable and accrued liabilities   | 254,500  | -                                    | 254,500        |
| Unearned revenue   | ( 678,609)                                     | -                                    | ( 678,609)     |
| Adjustments  | 1,631,403                                      | -                                    | 1,631,403      |
| Net cash used by operating activities  | (\$ 341,657)                                   | \$ -                                 | (\$ 341,657)   |
| <b>Schedule of non-cash activities</b>   |  |                                      |                |
| Change in value of investments   | (\$ 144,316)                                   | \$ -                                 | (\$ 144,316)   |

<sup>(1)</sup> Capital contributions for Windy Gap of \$105,571 were included in accounts receivable at September 30, 2018. Cash flows from capital contributions for WGFP included fiscal year 2017 contributions collected in 2018.

See accompanying Notes to Financial Statements.

## Notes to Financial Statements

September 30, 2018

### 1 Summary of Significant Accounting Policies

#### Reporting Entity

The Subdistrict was established July 6, 1970, pursuant to the Water Conservancy Act. The Subdistrict is governed by a 12-member Board of Directors, which is appointed by the presiding district court judges of four of the five judicial districts located wholly or partially within Northern Water boundaries. The financial statements of the Subdistrict have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental entities and as promulgated by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

The Windy Gap Enterprise Fund accounts for the activities of the Windy Gap Project, which provides wholesale water supplies to participating Northern Colorado municipalities, water districts and a power authority. The Windy Gap Firming Project Enterprise Fund accounts for the project activities of WGFP aimed at making the water supplies of the Windy Gap Project more reliable.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. Both Windy Gap and WGFP met this criteria at September 30, 2018.

#### Assets, Liabilities and Net Position

##### Cash, Cash Equivalents and Investments, Unrestricted

Cash and cash equivalents are considered to be cash deposits 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. The State Securities Commissioner administers and enforces State statutes governing the CSIP. 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.

The Subdistrict's investments are reported at their fair value. The Subdistrict categorizes its fair value measurements within the fair value hierarchy established by GAAP, which prioritizes the inputs to valuation techniques. Investments categorized as Level 1 are valued using prices quoted in active markets for identical assets. Investments

categorized as Level 2 are valued using a matrix pricing technique from an independent securities pricing service based on the securities' relationship to quoted benchmark prices.

Colorado statutes require that the Subdistrict use eligible public depositories as defined by the Colorado Public Deposit Protection Act. Under the Act, amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the Act and allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

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

- U.S. Treasury Obligations guaranteed by the U.S. Government
- Federal Agency and 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 Instrumentality Securities
- Local Government Investment Pools authorized under Colorado state statute
- Money Market Mutual Funds registered under the Investment Company Act of 1940 and authorized under Colorado state statute

##### Accounts Receivable

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

### **Water Inventory**

The Subdistrict is permitted to use storage capacity in Lake Granby, a water storage feature of the C-BT Project, in accordance with its Carriage Contract with Reclamation and Northern Water. The agreement specifies that when Lake Granby's storage capacity is needed for storage of water under C-BT Project water rights, Windy Gap participants are required to take delivery of their stored water or that water must be spilled. Water inventory is valued on a specific identification basis using its pumping energy cost component.

### **Prepaid Carriage Costs and Unearned Revenue**

Windy Gap participants pay carriage costs representing water delivery charges for use of the C-BT Project conveyance and storage system and pumping energy charges based on estimates of water to be delivered during the coming water season. Prepaid balances represent estimated advance payments made to Reclamation. Estimates paid by participants over actual costs incurred represent unearned revenue.

### **Capital Assets**

Capital assets consist primarily of the Windy Gap water diversion project and WGFP construction in progress. In accordance with Subdistrict policy, costs incurred for infrastructure projects, including capitalized labor, environmental impact, engineering, feasibility and other studies, are capitalized at historical cost. When construction of a project is completed, accumulated costs are depreciated over the estimated useful life of the project. If a project does not become operational or does not benefit other projects, the accumulated costs are charged to expense in the period such determination is made.

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

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

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

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

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

### **Net Position**

The accompanying financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted net position for capital project and unrestricted net position. When both restricted and unrestricted resources are available for use, it is the Subdistrict's policy to use restricted resources for their specified purposes first, then unrestricted as needed.

### **Operating Revenues and Expenses**

Assessments represent revenues from Windy Gap participants. The participants must make certain assessment payments whether or not they take delivery of water.

Operating revenues and expenses for proprietary enterprise funds are those that result from providing services and delivering goods in connection with the funds' principal ongoing operations. Windy Gap operating revenues consist primarily of annual assessments. Operating expenses include operations, engineering, and administrative costs associated with providing untreated water and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. WGFP is not yet in operation and, therefore, has no operating revenues or expenses.

### **Capital Contributions**

Capital contributions are received in cash. 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 direct or indirect debt or other financial obligations. However, these limitations do not apply to "enterprises" as defined in the constitutional provision. The Subdistrict's Windy Gap Water Activity Enterprise and Windy Gap Firming Project Water Activity Enterprise have been established as "water activity enterprises" in accordance with Colorado statutes and, as "enterprises," are excluded from the application of these constitutional restrictions.

### **Budgetary Data**

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

- On or before June 1, all department managers submit working budgets to Budget Officers.
- Budget workshops are held with participants and the Board in July.
- Budget officers submit an overall budget to the Board prior to the August Planning Session.
- The Board holds a public hearing during the August Planning 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. No commitment is authorized, nor any expenditure incurred, until it is determined that adequate appropriation balances exist for that purpose. Material purchase orders that would result in an overrun of available funds are not released until additional appropriations are made available. Management is authorized to transfer budget amounts between departments; however, any revisions that exceed the appropriated balances must be approved

## Notes to Financial Statements

by the Board. Unused appropriations lapse at the end of each fiscal year. The overall objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board.

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

- Depreciation is not budgeted.
- Capital outlays are treated as nonoperating expense uses.

In 2018, the Board approved a contingent appropriation for WGFP amounting to \$5,200,000 for expenditures that could neither have been fully foreseen nor accurately estimated at the time of adoption of the original appropriation.

### 3 Cash, Cash Equivalents and Investments

All cash, cash equivalents and investments at September 30, 2018, were unrestricted. Balances by investment type were as follows:

| Investment Type  | Current                      | Noncurrent          |              | Cash, Cash                        |
|--|------------------------------|---------------------|--------------|-----------------------------------|
|  | Cash and Cash<br>Equivalents | Cash<br>Equivalents | Investments  | Equivalents<br>and<br>Investments |
| <b>Windy Gap</b>                                       |                              |                     |              |                                   |
| Deposits   | \$ 6,660,152                 | \$ -                | \$ -         | \$ 6,660,152                      |
| Local Government Investment<br>Pool/Money Market Funds | 6,553,007                    | 99,624              | -            | 6,652,631                         |
| U.S. Government Securities                             | -                            | -                   | 4,087,179    | 4,087,179                         |
| Federal Agency Securities                              | -                            | -                   | 574,608      | 574,608                           |
| Federal Agency Collateralized<br>Mortgage Obligations  | -                            | -                   | 171,731      | 171,731                           |
| Supranationals   | -                            | -                   | 577,526      | 577,526                           |
| Negotiable Certificates of Deposit                     | -                            | -                   | 919,519      | 919,519                           |
| Commercial Paper                                       | -                            | -                   | 148,946      | 148,946                           |
| Municipal Obligations                                  | -                            | -                   | 272,891      | 272,891                           |
| Corporate Notes  | -                            | -                   | 598,124      | 598,124                           |
| Windy Gap  | 13,213,159                   | 99,624              | 7,350,524    | 20,663,307                        |
| <b>Windy Gap Firing Project</b>                        |                              |                     |              |                                   |
| Deposits   | 6,692,674                    | -                   | -            | 6,692,674                         |
| Cash, cash equivalents and<br>investments              | \$ 19,905,833                | \$ 99,624           | \$ 7,350,524 | \$ 27,355,981                     |

Cash, cash equivalents and investment balances at September 30, 2018, by level hierarchy were as follows:

| Investment Type  | Fair Value    | Level 1      | Level 2      |
|--|---------------|--------------|--------------|
| U.S. Government Securities   | \$ 4,087,179  | \$ 4,087,179 | \$ -         |
| Federal Agency Securities  | 574,608       | -            | 574,608      |
| Federal Agency Collateralized Mortgage Obligations                               | 171,731       | -            | 171,731      |
| Supranationals   | 577,526       | -            | 577,526      |
| Negotiable Certificates of Deposit   | 919,519       | -            | 919,519      |
| Commercial Paper   | 148,946       | -            | 148,946      |
| Municipal Obligations  | 272,891       | -            | 272,891      |
| Corporate Notes  | 598,124       | -            | 598,124      |
| Investments  | 7,350,524     | \$ 4,087,179 | \$ 3,263,345 |
| Deposits   | 13,352,826    |              |              |
| Local Government Investment Pool/Money Market Funds (measured at amortized cost) | 6,652,631     |              |              |
| Cash, cash equivalents and investments   | \$ 27,355,981 |              |              |

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

| Investment Type                               | Maximum Portfolio Percentage | Maximum Issuer Percentage | Rating Restrictions   | Maximum Maturity Restrictions |
|---|------------------------------|---------------------------|-----------------------|-------------------------------|
| U.S. Treasury Obligations                     | 100%                         | 100%                      | N/A                   | 5 years                       |
| Federal Agency and Instrumentality Securities | 85%                          | 35%                       | AA <sup>-(1)</sup>    | 5 years                       |
| Negotiable Certificates of Deposit            | 35%                          | 5%                        | <sup>-(1)(2)</sup>    | 3 years                       |
| Time Certificates of Deposit                  | 5%                           | 1%                        | N/A                   | 1 year                        |
| Corporate Bonds                               | 35%                          | 5%                        | AA <sup>-(1)</sup>    | 3 years                       |
| Municipal Bonds                               |                              |                           |                       |                               |
| Colorado Issuer                               | 35%                          | 5%                        | A <sup>-(1)</sup>     | 5 years                       |
| Non-Colorado Issuer                           | 35%                          | 5%                        | AA <sup>-(1)</sup>    | 5 years                       |
| School District Certificates of Participation | 35%                          | 5%                        | A <sup>(1)</sup>      | 5 years                       |
| Commercial Paper                              | 35%                          | 5%                        | A-1 <sup>(1)(3)</sup> | 270 days                      |
| Bankers Acceptances                           | 35%                          | 5%                        | A-1 <sup>(1)(3)</sup> | 180 days                      |
| Repurchase Agreements                         | 100%                         | 25%                       | <sup>-(4)</sup>       | 180 days                      |
| Local Government Investment Pools             | 100%                         | 100%                      | AAAm/AAAf             | N/A                           |
| Money Market Funds <sup>(5)</sup>             | 100%                         | 100%                      | AAAm                  | N/A                           |

The investment portfolio is limited to an aggregate exposure of 50 percent for the following investment types: Certificates of Deposit, Negotiable 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.

<sup>(1)</sup> Rating required by two nationally-recognized statistical rating organizations.

<sup>(2)</sup> Long-term rating of at least AA- or the equivalent, short-term rating of at least A-1 or the equivalent.

<sup>(3)</sup> If senior debt outstanding, senior debt must be rated A or the equivalent. Issuer's commercial paper program size shall exceed \$200 million.

<sup>(4)</sup> Collateralized by U.S. Treasury Obligations and Federal Agency Instrumentality Securities with collateral maturity not exceeding 10 years. Long-term credit rating of at least A or the equivalent; short-term rating of at least A-1 or the equivalent.

<sup>(5)</sup> No load; constant net asset value per share of \$1.00.

## Notes to Financial Statements

At September 30, 2018, the Subdistrict had cash, cash equivalents and investments with the following ratings:

| Investment Type   | Cash, Cash<br>Equivalents<br>and<br>Investments | Percentage | Rating    |
|---|---|------------|-----------|
| U.S. Government Securities                              | \$ 4,087,179                                    | 14.9%      | AA+       |
| Federal Agency Securities                               | 574,608   | 2.1        | AA+       |
| Federal Agency Collateralized Mortgage<br>Obligations   | 171,731   | 0.6        | AA+       |
| Supranationals  | 577,526   | 2.1        | AAA       |
| Negotiable Certificates of Deposit                      | 458,274   | 1.7        | A-1       |
| Negotiable Certificates of Deposit                      | 174,775   | 0.6        | A+        |
| Negotiable Certificates of Deposit                      | 286,470   | 1.1        | AA-       |
| Commercial Paper  | 148,946   | 0.6        | A-1       |
| Municipal Obligations                                   | 89,701  | 0.3        | AA-       |
| Municipal Obligations                                   | 124,983   | 0.5        | AA        |
| Municipal Obligations                                   | 58,207  | 0.2        | AAA       |
| Corporate Notes   | 182,749   | 0.7        | AA-       |
| Corporate Notes   | 238,652   | 0.9        | AA        |
| Corporate Notes   | 147,330   | 0.5        | AA+       |
| Corporate Notes   | 29,393  | 0.1        | AAA       |
| Deposits  | 13,352,826                                      | 48.8       | Not rated |
| Local Government Investment Pool/<br>Money Market Funds | 6,652,631                                       | 24.3       | AAAm/AAAf |
| Cash, cash equivalents and investments                  | \$ 27,355,981                                   | 100.0%     |           |

| Summary by Rating                      | Cash, Cash<br>Equivalents<br>and<br>Investments | Percentage |
|--|---|------------|
| A-1                                    | \$ 607,220                                      | 2.3%       |
| A+                                     | 174,775   | 0.6        |
| AA-                                    | 558,920   | 2.1        |
| AA                                     | 363,635   | 1.3        |
| AA+                                    | 4,980,848                                       | 18.2       |
| AAA                                    | 665,126   | 2.4        |
| AAAm/AAAf                              | 6,652,631                                       | 24.3       |
| Not rated                              | 13,352,826                                      | 48.8       |
| Cash, cash equivalents and investments | \$ 27,355,981                                   | 100.0%     |

### Interest and Credit Risk

Credit risk is generally considered to be the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Such risk is measured by the assignment of a rating by a nationally-recognized statistical rating organization. Concentration of credit risk derives from investments being concentrated with a single issuer. Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of an investment. At September 30, 2018, no investments were greater than 5 percent with any one issuer.

At September 30, 2018, the Subdistrict had cash, cash equivalents and investments with the following maturities:

| Investment Type                                     | Cash, Cash Equivalents and Investments | Investment Maturities |                     |                     |                     |
|---|--|-----------------------|---------------------|---------------------|---------------------|
|   |  | Less than 1 year      | 1 - 2 years         | 2 - 3 years         | 3 +                 |
| Deposits  | \$ 13,352,826                          | \$ 13,352,826         | \$ -                | \$ -                | \$ -                |
| U.S. Government Securities                          | 4,087,179                              | -                     | 1,081,785           | 610,132             | 2,395,262           |
| Federal Agency Securities                           | 574,608                                | -                     | 43,960              | 530,648             | -                   |
| Federal Agency Collateralized Mortgage Obligations  | 171,731                                | -                     | -                   | 52,415              | 119,316             |
| Supranationals                                      | 577,526                                | -                     | -                   | 371,500             | 206,026             |
| Negotiable Certificates of Deposit                  | 919,519                                | 458,274               | 314,197             | 147,048             | -                   |
| Commercial Paper                                    | 148,946                                | 148,946               | -                   | -                   | -                   |
| Municipal Obligations                               | 272,891                                | -                     | -                   | 214,684             | 58,207              |
| Corporate Notes                                     | 598,124                                | -                     | 143,606             | 454,518             | -                   |
| Local Government Investment Pool/Money Market Funds | 6,652,631                              | 6,652,631             | -                   | -                   | -                   |
| Cash, cash equivalents and investments              | <u>\$ 27,355,981</u>                   | <u>\$ 20,612,677</u>  | <u>\$ 1,583,548</u> | <u>\$ 2,380,945</u> | <u>\$ 2,778,811</u> |

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

## 4 Capital Assets

Capital asset activity for the Subdistrict enterprise funds for the year ended September 30, 2018, was as follows:

|   | 2017                 | Additions            | Retirements      | 2018                 |
|---|----------------------|----------------------|------------------|----------------------|
| <b>Windy Gap</b>                                |                      |                      |                  |                      |
| Non-depreciable assets                          |                      |                      |                  |                      |
| Construction in progress                        | \$ -                 | \$ 155,883           | \$ -             | \$ 155,883           |
| Land  | 2,046,198            | -                    | -                | 2,046,198            |
| Water rights                                    | 470,921              | -                    | -                | 470,921              |
| Depreciable assets                              |                      |                      |                  |                      |
| Buildings, equipment and improvements           | 499,569              | -                    | ( 35,141)        | 464,428              |
| Water diversion project                         | 82,167,586           | -                    | -                | 82,167,586           |
| Capital assets                                  | <u>85,184,274</u>    | <u>155,883</u>       | <u>( 35,141)</u> | <u>85,305,016</u>    |
| Less accumulated depreciation                   |                      |                      |                  |                      |
| Buildings, equipment and improvements           | ( 477,419)           | ( 2,292)             | 35,141           | ( 444,570)           |
| Water diversion project                         | ( 65,476,550)        | ( 2,078,999)         | -                | ( 67,555,549)        |
| Accumulated depreciation                        | <u>( 65,953,969)</u> | <u>( 2,081,291)</u>  | <u>35,141</u>    | <u>( 68,000,119)</u> |
| Capital assets, net                             | 19,230,305           | ( 1,925,408)         | -                | 17,304,897           |
| <b>Windy Gap Firing Project</b>                 |                      |                      |                  |                      |
| Construction in progress                        | 34,541,551           | 13,014,404           | -                | 47,555,955           |
| Capital assets, net of accumulated depreciation | <u>\$ 53,771,856</u> | <u>\$ 11,088,996</u> | <u>\$ -</u>      | <u>\$ 64,860,852</u> |

## Notes to Financial Statements

### 5 Windy Gap Principal Participants

The following participants individually generated 5 percent or more of Windy Gap assessments for the year ended September 30:

|                                | <u>2018</u>  |
|--------------------------------|--------------|
| Platte River Power Authority   | 24.2%        |
| Broomfield, City and County of | 16.7         |
| Greeley, City of               | 15.9         |
| Longmont, City of              | 14.7         |
| Boulder, City of               | 6.3          |
| Fort Lupton, City of           | <u>5.0</u>   |
| Principal participants         | <u>82.8%</u> |

### 6 Risk Management

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

### 7 Intergovernmental Transactions

Total charges from Northern Water for carriage, operations, engineering and administrative services amounted to \$2,879,731 including carriage costs of \$1,238,881 for the year ended September 30, 2018, of which \$1,636,968 was payable at year end and was included in accounts payable on the accompanying financial statements.

### 8 Commitments and Contingencies

The Subdistrict has agreed to fund approximately \$25 million in environmental mitigation and enhancement measures. In addition the Subdistrict will provide water and water storage that can be used for environmental purposes valued at approximately \$40 million. In some cases, costs to be incurred reflect management's best estimates to achieve performance objectives. Committed funds are expected to be paid over the next several years; however, certain of these costs are contingent upon WGFP becoming operational.

To partially fund future construction costs, the Subdistrict received approval of a 30-year loan with the Colorado Water Conservation Board for an amount not to exceed \$90 million loan at 3.1 percent. The loan is subordinated to the payment of any revenue bonds to be issued in conjunction with construction of the WGFP project.

In addition, the Subdistrict has entered into a \$7.8 million subgrant agreement with Trout Unlimited under the NRCS Regional Conservation Partnership Program to partially fund development of the Colorado

River Headwaters Connectivity Project. Under the terms of the agreement, Trout Unlimited, as grantee of the program, will reimburse the Subdistrict for costs incurred for the project.

In accordance with the Carriage Contract with Reclamation and Northern Water, the Subdistrict will pay an additional charge of \$34 per acre foot based on water delivered to Subdistrict allottees, such rate to increase at 1.79 percent per year. The rate structure in the Carriage Contract becomes effective the earlier of December 2019 or the date that water is first stored in Chimney Hollow Reservoir.

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

**SUPPLEMENTARY INFORMATION**

## Schedule of Revenues and Expenses, Budget to Actual Windy Gap

Non-GAAP Budgetary Basis

|   | Year ended September 30, 2018 |                |                | Year ended<br>September 30,<br>2017 |
|---|-------------------------------|----------------|----------------|-------------------------------------|
|   | Budget                        | Actual         | Variance       | Actual                              |
| <b>Operating revenue sources</b>                              |                               |                |                |                                     |
| Assessments   | \$ 5,152,525                  | \$ 3,615,652   | (\$ 1,536,873) | \$ 2,959,905                        |
| Operating revenue, other                                      | -                             | 29,785         | 29,785         | -                                   |
| Operating revenue sources                                     | 5,152,525                     | 3,645,437      | ( 1,507,088)   | 2,959,905                           |
| <b>Operating expense uses</b>                                 |                               |                |                |                                     |
| Operations  | ( 3,980,908)                  | ( 2,411,520)   | 1,569,388      | ( 1,748,284)                        |
| Programs  | ( 1,305,144)                  | ( 1,116,106)   | 189,038        | ( 865,746)                          |
| Operating expense uses  | ( 5,286,052)                  | ( 3,527,626)   | 1,758,426      | ( 2,614,030)                        |
| Operating revenue sources over (under) expense uses           | ( 133,527)                    | 117,811        | 251,338        | 345,875                             |
| <b>Nonoperating revenue sources</b>                           |                               |                |                |                                     |
| Capital contributions   | 1,094,300                     | 105,571        | ( 988,729)     | -                                   |
| Earnings on investments                                       | 116,550                       | 120,867        | 4,317          | 129,556                             |
| Other nonoperating revenues                                   | 57,000                        | 44,957         | ( 12,043)      | 73,820                              |
| Nonoperating revenue sources                                  | 1,267,850                     | 271,395        | ( 996,455)     | 203,376                             |
| <b>Nonoperating expense uses</b>                              |                               |                |                |                                     |
| Capital purchases and project expenditures                    | ( 1,094,300)                  | ( 155,882)     | 938,418        | ( 22,920)                           |
| Other capital project expenditures                            | ( 64,380)                     | ( 9,580)       | 54,800         | ( 360,311)                          |
| Nonoperating expense uses                                     | ( 1,158,680)                  | ( 165,462)     | 993,218        | ( 383,231)                          |
| Nonoperating revenue sources over (under) expense uses        | 109,170                       | 105,933        | ( 3,237)       | ( 179,855)                          |
| Revenue sources over (under) expense uses                     | (\$ 24,357)                   | 223,744        | \$ 248,101     | 166,020                             |
| <b>Adjustments to reconcile budgetary basis to GAAP basis</b> |                               |                |                |                                     |
| Capital purchases and project expenditures under GAAP         |                               | 155,882        |                | 22,915                              |
| Depreciation  |                               | ( 2,081,291)   |                | ( 2,079,763)                        |
| Decreases in net position                                     |                               | (\$ 1,701,665) |                | (\$ 1,890,828)                      |

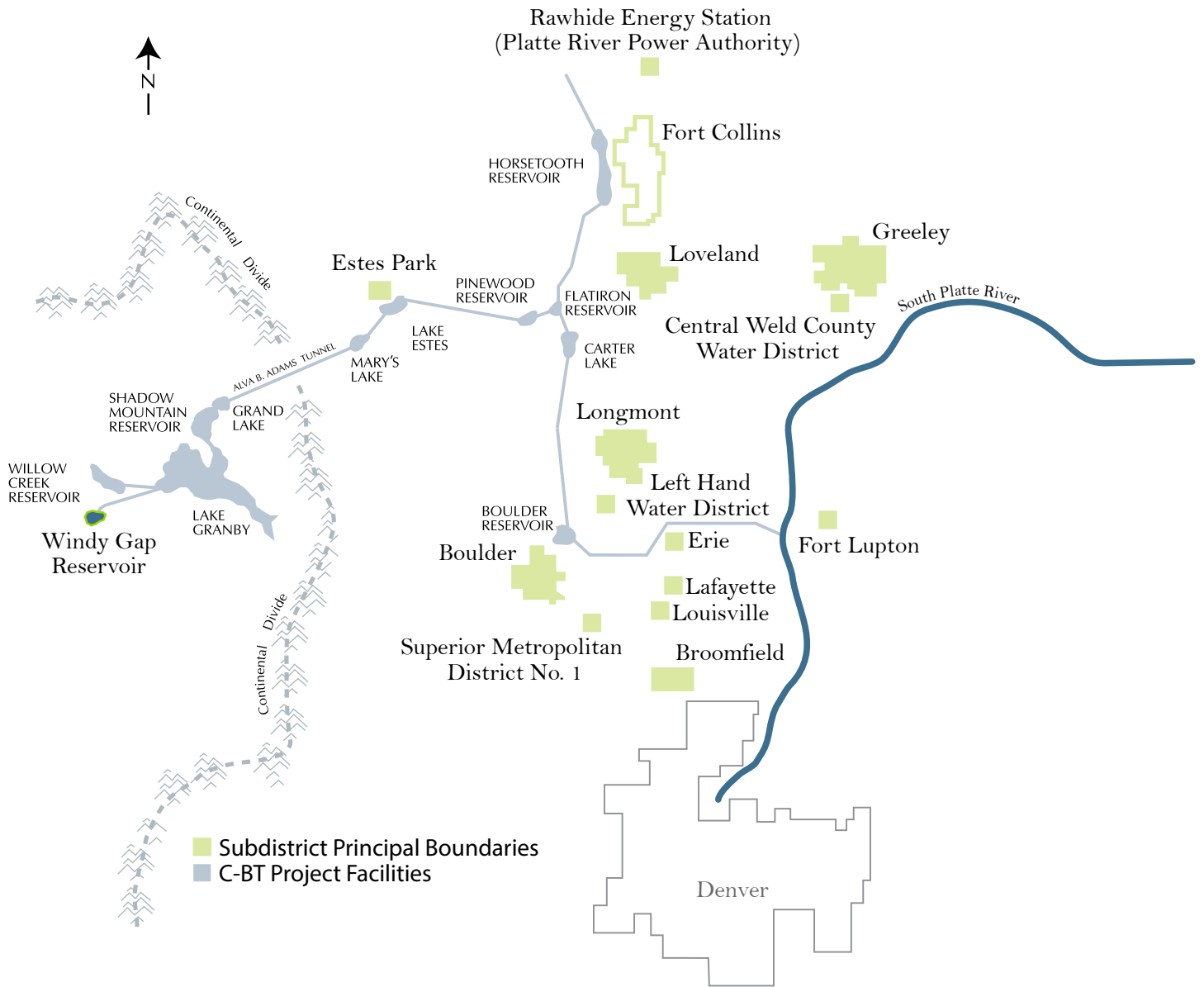
**Schedule of Revenues and Expenses, Budget to Actual**  
**Windy Gap FIRMING Project**

Non-GAAP Budgetary Basis

|  | Year ended September 30, 2018 |               |              | Year ended<br>September 30,<br>2017 |
|--|-------------------------------|---------------|--------------|-------------------------------------|
|  | Budget                        | Actual        | Variance     | Actual                              |
| <b>Nonoperating revenue sources</b>                          |                               |               |              |                                     |
| Capital contributions  |                               |               |              |                                     |
| Participant contributions                                    | \$ 7,500,000                  | \$ 9,002,701  | \$ 1,502,701 | \$ 10,534,897                       |
| Earnings on investments                                      | 20,000                        | 46,142        | 26,142       | -                                   |
| Other nonoperating revenues                                  | -                             | 27,500        | 27,500       | -                                   |
| Nonoperating revenue sources                                 | 7,520,000                     | 9,076,343     | 1,556,343    | 10,534,897                          |
| <b>Nonoperating expense uses</b>                             |                               |               |              |                                     |
| Capital project expenditures                                 | ( 16,001,889)                 | ( 13,014,404) | 2,987,485    | ( 13,935,802)                       |
| Nonoperating revenue sources under expense uses              | (\$ 8,481,889)                | ( 3,938,061)  | \$ 4,543,828 | ( 3,400,905)                        |
| <b>Adjustment to reconcile budgetary basis to GAAP basis</b> |                               |               |              |                                     |
| Capital project expenditures under GAAP                      |                               | 13,014,404    |              | 13,935,802                          |
| Increases in net position                                    |                               | \$ 9,076,343  |              | \$ 10,534,897                       |



# Subdistrict Boundaries



## Statement of Revenues, Expenses and Changes in Net Position and Net Position by Component (2009 - 2018)<sup>(1)</sup>

Years ended September 30,  
Unaudited

|   | 2018                 | 2017 <sup>(2)</sup>  | 2016                 | 2015                 |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Operating revenues</b>                   |                      |                      |                      |                      |
| Assessments                                 | \$ 3,615,652         | \$ 2,959,905         | \$ 12,873,962        | \$ 13,959,770        |
| Other operating income                      | 29,785               | -                    | -                    | -                    |
| Operating revenue                           | <u>3,645,437</u>     | <u>2,959,905</u>     | <u>12,873,962</u>    | <u>13,959,770</u>    |
| <b>Operating expenses</b>                   |                      |                      |                      |                      |
| Operations                                  | 2,456,538            | 1,813,030            | 1,514,945            | 2,878,863            |
| Administration                              | 856,587              | 894,621              | 604,070              | 539,622              |
| Engineering                                 | 224,081              | 266,694              | 175,590              | 117,402              |
| Depreciation                                | 2,081,291            | 2,079,764            | 2,078,999            | 2,078,999            |
| Operating expenses                          | <u>5,618,497</u>     | <u>5,054,109</u>     | <u>4,373,604</u>     | <u>5,614,886</u>     |
| Operating income (loss)                     | <u>( 1,973,060)</u>  | <u>( 2,094,204)</u>  | <u>8,500,358</u>     | <u>8,344,884</u>     |
| <b>Nonoperating revenues (expenses)</b>     |                      |                      |                      |                      |
| Earnings on investments                     | 120,867              | 129,556              | 166,206              | 180,024              |
| Interest expense                            | -                    | -                    | ( 638,455)           | ( 1,325,146)         |
| Loss on defeasance of water revenue bonds   | -                    | -                    | ( 864,629)           | -                    |
| Other nonoperating revenues (expenses), net | 44,957               | 73,820               | 342,442              | 55,695               |
| Nonoperating revenues (expenses), net       | <u>165,824</u>       | <u>203,376</u>       | <u>( 994,436)</u>    | <u>( 1,089,427)</u>  |
| Income (loss) before contributions          | <u>( 1,807,236)</u>  | <u>( 1,890,828)</u>  | <u>7,505,922</u>     | <u>7,255,457</u>     |
| <b>Capital contributions</b>                | <u>9,181,914</u>     | <u>10,534,897</u>    | <u>14,103,950</u>    | <u>1,469,333</u>     |
| Increases in net position                   | <u>\$ 7,374,678</u>  | <u>\$ 8,644,069</u>  | <u>\$ 21,609,872</u> | <u>\$ 8,724,790</u>  |
| <b>Net Position</b>                         |                      |                      |                      |                      |
| Investment in capital assets                | \$ 64,860,852        | \$ 53,771,856        | \$ 41,892,903        | \$ 29,565,993        |
| Restricted net position                     |                      |                      |                      |                      |
| Debt service                                | -                    | -                    | -                    | 12,616,627           |
| Capital project                             | 5,216,736            | 9,154,797            | 12,555,702           | 222,835              |
| Unrestricted net position                   | <u>18,768,494</u>    | <u>18,544,751</u>    | <u>18,378,730</u>    | <u>8,812,008</u>     |
| Net position                                | <u>\$ 88,846,082</u> | <u>\$ 81,471,404</u> | <u>\$ 72,827,335</u> | <u>\$ 51,217,463</u> |

<sup>(1)</sup> Amounts reflect the Subdistrict two enterprise funds combined.

<sup>(2)</sup> Lower assessments and operating loss in 2017 result from the extinguishment of Subdistrict water revenue bonds in 2016.

<sup>(3)</sup> Opening net position restated for GASB Statement No. 65.

| <b>2014</b>   | <b>2013<sup>(3)</sup></b> | <b>2012</b>   | <b>2011</b>   | <b>2010</b>    | <b>2009</b>    |
|---------------|---------------------------|---------------|---------------|----------------|----------------|
| \$ 13,524,172 | \$ 13,715,876             | \$ 13,292,546 | \$ 13,538,859 | \$ 13,464,062  | \$ 13,581,712  |
| -             | -                         | -             | -             | -              | -              |
| 13,524,172    | 13,715,876                | 13,292,546    | 13,538,859    | 13,464,062     | 13,581,712     |
| 2,788,801     | 3,374,057                 | 2,422,523     | 2,630,065     | 3,097,335      | 3,041,115      |
| 479,124       | 642,510                   | 832,077       | 805,951       | 1,049,366      | 1,011,348      |
| 160,445       | 223,415                   | 166,293       | 133,176       | 149,335        | 174,548        |
| 2,078,999     | 2,060,125                 | 2,041,474     | 2,047,112     | 2,046,020      | 2,044,000      |
| 5,507,369     | 6,300,107                 | 5,462,367     | 5,616,304     | 6,342,056      | 6,271,011      |
| 8,016,803     | 7,415,769                 | 7,830,179     | 7,922,555     | 7,122,006      | 7,310,701      |
| 124,093       | 117,006                   | 62,237        | 96,932        | 105,687        | 835,444        |
| ( 1,784,178)  | ( 2,214,668)              | ( 2,575,659)  | ( 3,001,470)  | ( 3,646,792)   | ( 4,042,116)   |
| -             | -                         | -             | -             | -              | -              |
| 44,107        | 275,177                   | 19,704        | 40,757        | 23,635         | 99,261         |
| ( 1,615,978)  | ( 1,822,485)              | ( 2,493,718)  | ( 2,863,781)  | ( 3,517,470)   | ( 3,107,411)   |
| 6,400,825     | 5,593,284                 | 5,336,461     | 5,058,774     | 3,604,536      | 4,203,290      |
| 2,336,001     | -                         | 1,999,998     | -             | 1,073,180      | 988,528        |
| \$ 8,736,826  | \$ 5,593,284              | \$ 7,336,459  | \$ 5,058,774  | \$ 4,677,716   | \$ 5,191,818   |
| \$ 21,741,075 | \$ 13,873,621             | \$ 7,923,924  | \$ 2,623,507  | (\$ 2,506,786) | (\$ 6,809,396) |
| 12,289,137    | 12,013,764                | 12,022,534    | 11,842,320    | 11,945,850     | 11,656,123     |
| 756,453       | 637,669                   | 1,088,872     | -             | 858,839        | 470,260        |
| 7,706,008     | 7,230,793                 | 7,734,372     | 6,967,416     | 6,076,566      | 6,379,766      |
| \$ 42,492,673 | \$ 33,755,847             | \$ 28,769,702 | \$ 21,433,243 | \$ 16,374,469  | \$ 11,696,753  |

## Schedule of Windy Gap Assessments by Participant (2009 - 2018)

Years ended September 30,  
Unaudited

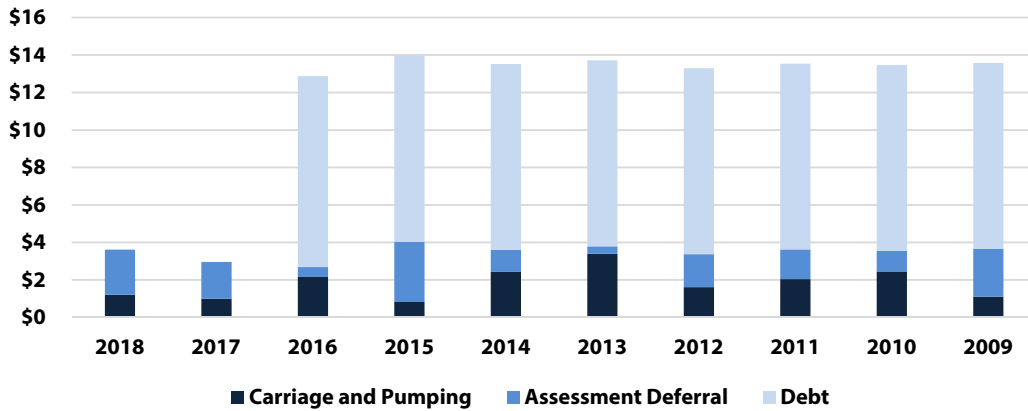
| Participant                          | 2018                    | 2017 <sup>(1)</sup> | 2016          | 2015          |
|--------------------------------------|-------------------------|---------------------|---------------|---------------|
| Platte River Power Authority         | \$ 764,404              | \$ 850,402          | \$ 4,918,223  | \$ 4,604,577  |
| Boulder, City of                     | 163,058                 | 148,469             | 910,645       | 956,179       |
| Longmont, City of                    | ( 3,661) <sup>(2)</sup> | 389,629             | 1,853,861     | 1,736,904     |
| Greeley, City of                     | 489,463                 | 302,637             | 1,628,167     | 1,360,400     |
| Loveland, City of                    | 184,120                 | 153,881             | 953,243       | 931,557       |
| Superior Metropolitan District No. 1 | 164,589                 | 142,135             | 542,502       | 501,778       |
| Broomfield, City and County of       | 588,366                 | 481,468             | 1,993,171     | 1,645,257     |
| Estes Park, Town of                  | 27,681                  | 20,440              | 79,046        | 77,521        |
| Erie, Town of                        | 271,237                 | 108,344             | 560,716       | 389,141       |
| Louisville, City of                  | 27,668                  | 22,732              | 143,911       | 103,659       |
| Central Weld County Water District   | 9,039                   | 12,130              | 39,239        | 30,276        |
| Fort Lupton, City of                 | 147,221                 | 35,136              | 120,724       | 121,213       |
| Lafayette, City of                   | 31,682                  | 3,701               | 23,897        | 23,285        |
| Little Thompson Water District       | 72,176                  | 51,954              | 302,120       | -             |
| Water rental                         | -                       | -                   | -             | -             |
| Unearned revenue adjustment          | 678,609                 | 236,847             | ( 1,195,503)  | 1,478,023     |
| Assessments                          | \$ 3,615,652            | \$ 2,959,905        | \$ 12,873,962 | \$ 13,959,770 |

<sup>(1)</sup> Lower assessment in 2017 result from the extinguishment of Subdistrict water revenue bonds in 2016.

<sup>(2)</sup> Negative assessment in 2018 reflects current year assessment less than prior year estimate to actual adjustment.

|    | 2014       | 2013          | 2012          | 2011          | 2010          | 2009          |
|----|------------|---------------|---------------|---------------|---------------|---------------|
| \$ | 4,575,200  | \$ 4,869,952  | \$ 4,327,875  | \$ 4,372,347  | \$ 4,466,818  | \$ 4,120,248  |
|    | 1,693,008  | 1,972,529     | 2,251,034     | 2,340,919     | 2,461,675     | 2,196,290     |
|    | 2,509,157  | 2,378,341     | 1,898,498     | 2,120,995     | 2,032,150     | 1,961,383     |
|    | 2,083,128  | 2,181,730     | 1,887,647     | 1,820,399     | 1,924,617     | 1,750,205     |
|    | 1,018,408  | 1,061,399     | 963,042       | 999,468       | 1,072,916     | 915,365       |
|    | 480,735    | 531,523       | 513,991       | 496,906       | 493,092       | 418,342       |
|    | 823,939    | 1,020,464     | 427,794       | 438,421       | 467,299       | 380,920       |
|    | 82,728     | 88,707        | 78,938        | 84,444        | 91,228        | 76,732        |
|    | 474,128    | 459,202       | 444,606       | 416,419       | 453,203       | 369,393       |
|    | 146,270    | 167,330       | 144,341       | 150,755       | 171,577       | 131,412       |
|    | 28,548     | 30,779        | 27,486        | 27,665        | 30,149        | 25,990        |
|    | 85,046     | 110,623       | 86,295        | 105,246       | 111,072       | 89,569        |
|    | 24,307     | 27,236        | 24,002        | 24,631        | 26,950        | 22,486        |
|    | -          | -             | -             | -             | -             | -             |
|    | -          | -             | -             | -             | 225,434       | 245,342       |
| (  | 500,430)   | ( 1,183,939)  | 216,997       | 140,244       | ( 564,118)    | 878,035       |
| \$ | 13,524,172 | \$ 13,715,876 | \$ 13,292,546 | \$ 13,538,859 | \$ 13,464,062 | \$ 13,581,712 |

**Annual Assessments**  
(millions)



## Statement of Windy Gap Participant Units

---

September 30, 2018  
Unaudited

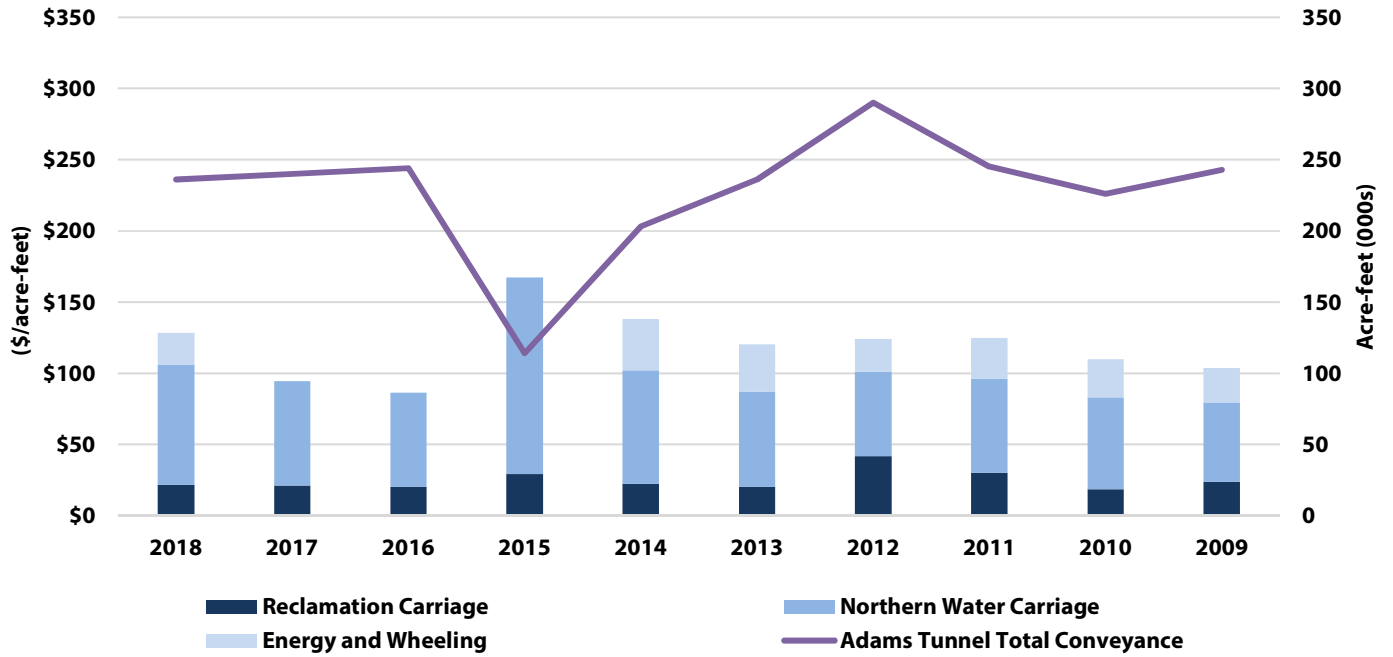
| <u>Participants</u>                  | <u>Units</u> | <u>Acre-Feet</u> | <u>Percentage</u> |
|--------------------------------------|--------------|------------------|-------------------|
| Platte River Power Authority         | 134          | 13,400           | 27.9%             |
| Longmont, City of                    | 80           | 8,000            | 16.7              |
| Broomfield, City and County of       | 56           | 5,600            | 11.7              |
| Greeley, City of                     | 49           | 4,900            | 10.2              |
| Loveland, City of                    | 40           | 4,000            | 8.4               |
| Boulder, City of                     | 37           | 3,700            | 7.7               |
| Erie, Town of                        | 20           | 2,000            | 4.2               |
| Little Thompson Water District       | 17           | 1,700            | 3.5               |
| Superior Metropolitan District No. 1 | 15           | 1,500            | 3.1               |
| Fort Lupton, City of                 | 13           | 1,300            | 2.7               |
| Louisville, City of                  | 9            | 900              | 1.9               |
| Estes Park, Town of                  | 3            | 300              | 0.6               |
| Lafayette, City of                   | 3            | 300              | 0.6               |
| Berthoud, Town of                    | 3            | 300              | 0.6               |
| Central Weld County Water District   | 1            | 100              | 0.2               |
| Total                                | <u>480</u>   | <u>48,000</u>    | <u>100.0%</u>     |



Lake Granby

## Windy Gap Carriage, Energy and Wheeling Charges (2009 - 2018)

Windy Gap Carriage, Energy and Wheeling Charges, and Adams Tunnel Total Conveyance



## Windy Gap Carriage, Energy and Wheeling Charges (2009 - 2018)

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

|   | 2018      | 2017     | 2016 <sup>(3)</sup> | 2015 <sup>(3)</sup> | 2014      | 2013      | 2012 <sup>(4)</sup> | 2011 <sup>(4)</sup> | 2010      | 2009 <sup>(4)</sup> |
|---|-----------|----------|---------------------|---------------------|-----------|-----------|---------------------|---------------------|-----------|---------------------|
| <b>Carriage charges<sup>(1)</sup></b>                       |           |          |                     |                     |           |           |                     |                     |           |                     |
| Reclamation <sup>(2)</sup>                                  |           |          |                     |                     |           |           |                     |                     |           |                     |
| 7(c) ii Farr Pumping Plant                                  | \$ 2.42   | \$ 2.88  | \$ 3.22             | \$ 3.07             | \$ 3.53   | \$ 3.92   | \$ 3.29             | \$ 3.14             | \$ 3.32   | \$ 3.13             |
| 7(c) iii Flatiron Pumping Plant                             | 5.22      | 6.10     | 6.89                | 7.25                | 6.60      | 6.63      | 6.52                | 6.03                | 6.84      | 5.94                |
| 7(d) Operations and maintenance                             | 11.00     | 9.18     | 7.12                | 16.05               | 9.34      | 9.60      | 29.04               | 18.11               | 8.24      | 14.72               |
| 7(e) Service charge   | 2.85      | 2.85     | 2.85                | 2.85                | 2.85      | -         | 2.85                | 2.85                | -         | -                   |
| Reclamation carriage charges                                | 21.49     | 21.01    | 20.08               | 29.22               | 22.32     | 20.15     | 41.70               | 30.13               | 18.40     | 23.79               |
| Northern Water  |           |          |                     |                     |           |           |                     |                     |           |                     |
| 8(a) Adams Tunnel conveyance                                | .26       | .26      | .26                 | .26                 | .26       | .26       | .26                 | .26                 | .26       | .26                 |
| 8(b)(d) Operations, maintenance<br>and administrative costs | 81.22     | 70.32    | 63.22               | 134.89              | 76.62     | 66.64     | 56.31               | 62.90               | 64.54     | 55.55               |
| 8(e) Service charge   | 2.85      | 2.85     | 2.85                | 2.85                | 2.85      | -         | 2.85                | 2.85                | -         | -                   |
| Northern Water carriage charges                             | 84.33     | 73.43    | 66.33               | 138.00              | 79.73     | 66.90     | 59.42               | 66.01               | 64.80     | 55.81               |
| Carriage charges  | 105.82    | 94.44    | 86.41               | 167.22              | 102.05    | 87.05     | 101.12              | 96.14               | 83.20     | 79.60               |
| <b>Energy and wheeling charges</b>                          | 22.45     | -        | -                   | -                   | 35.99     | 33.30     | 22.93               | 28.67               | 26.67     | 24.04               |
| Carriage, energy and wheeling<br>charges                    | \$ 128.27 | \$ 94.44 | \$ 86.41            | \$ 167.22           | \$ 138.04 | \$ 120.35 | \$ 124.05           | \$ 124.81           | \$ 109.87 | \$ 103.64           |
| Water pumped (acre-feet) <sup>(5)</sup>                     | 26,235    | -        | -                   | -                   | -         | 45,061    | 5,145               | -                   | 6,758     | 26,365              |
| Water delivered (acre-feet) <sup>(6)</sup>                  | 15,119    | 13,049   | 11,294              | 13,964              | 12,627    | 19,536    | 16,774              | 18,023              | 22,461    | 22,713              |
| Adams Tunnel total conveyance<br>(acre-feet)                | 236,479   | 240,304  | 243,543             | 113,856             | 203,467   | 236,268   | 289,890             | 245,284             | 225,917   | 242,832             |

<sup>(1)</sup> References are to the appropriate section in the Subdistrict carriage contract with Reclamation.

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

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

<sup>(4)</sup> Increase in Reclamation operations and maintenance charges due to repair and extraordinary maintenance items (RAX).

<sup>(5)</sup> No water pumped in 2014 - 2017 as a result of the lack of available storage capacity for Windy Gap Project water in the C-BT Project.

<sup>(6)</sup> Includes only water delivered to participants.

## Population and Economic Statistics by Principal Cities Served by the Subdistrict (2009 - 2018)

Unaudited

|   | 2018 <sup>(1)</sup> | 2017          | 2016          | 2015          |
|---|---------------------|---------------|---------------|---------------|
| <b>Boulder, City of</b>                                 |                     |               |               |               |
| Estimated population                                    | <b>109,000</b>      | 107,000       | 105,000       | 105,000       |
| Unemployment rate                                       | <b>2.5%</b>         | 2.2%          | 2.8%          | 3.2%          |
| School enrollment <sup>(2)</sup>                        | <b>13,134</b>       | 13,312        | 13,352        | 13,486        |
| Per capita income <sup>(3)</sup>                        | <b>N/A</b>          | \$ 63,707     | \$ 60,200     | \$ 58,627     |
| Personal income (000s) <sup>(3)</sup>                   | <b>N/A</b>          | \$ 20,528,000 | \$ 19,233,000 | \$ 18,370,000 |
| <b>Broomfield, City and County of<sup>(4)</sup></b>     |                     |               |               |               |
| Estimated population                                    | <b>68,552</b>       | 67,093        | 65,907        | 63,860        |
| Unemployment rate                                       | <b>2.5%</b>         | 2.5%          | 4.3%          | 4.2%          |
| School enrollment <sup>(2)</sup>                        | <b>4,246</b>        | 4,314         | 4,317         | 4,319         |
| Per capita income                                       | <b>N/A</b>          | \$ 73,129     | \$ 73,000     | \$ 73,686     |
| Personal income (000s)                                  | <b>N/A</b>          | \$ 4,906,444  | \$ 4,811,211  | \$ 4,705,588  |
| <b>Greeley, City of</b>                                 |                     |               |               |               |
| Estimated population                                    | <b>104,557</b>      | 103,037       | 101,048       | 98,423        |
| Unemployment rate <sup>(3)</sup>                        | <b>2.8%</b>         | 2.6%          | 3.5%          | 4.0%          |
| School enrollment <sup>(2)</sup>                        | <b>17,953</b>       | 18,294        | 17,613        | 17,713        |
| Per capita income <sup>(3)</sup>                        | <b>N/A</b>          | \$ 50,483     | \$ 42,787     | \$ 38,664     |
| Personal income (000s) <sup>(3)</sup>                   | <b>N/A</b>          | \$ 5,201,617  | \$ 4,323,541  | \$ 3,805,427  |
| <b>Longmont, City of</b>                                |                     |               |               |               |
| Estimated population                                    | <b>94,777</b>       | 93,933        | 92,852        | 91,911        |
| Unemployment rate                                       | <b>2.6%</b>         | 2.2%          | 2.6%          | 3.1%          |
| School enrollment <sup>(2)</sup>                        | <b>14,415</b>       | 14,660        | 14,707        | 15,448        |
| Per capita income                                       | <b>\$ 63,707</b>    | \$ 60,220     | \$ 58,627     | \$ 54,968     |
| Personal income (000s)                                  | <b>\$ 6,037,958</b> | \$ 5,656,645  | \$ 5,443,634  | \$ 5,052,164  |
| <b>Loveland, City of</b>                                |                     |               |               |               |
| Estimated population                                    | <b>75,655</b>       | 74,427        | 74,349        | 71,985        |
| Unemployment rate                                       | <b>2.5%</b>         | 3.2%          | 3.8%          | 4.8%          |
| School enrollment <sup>(2)</sup>                        | <b>15,593</b>       | 15,714        | 15,597        | 15,520        |
| Per capita income <sup>(5)</sup>                        | <b>\$ 47,117</b>    | \$ 45,318     | \$ 43,584     | \$ 42,866     |
| Personal income (000s)                                  | <b>\$ 3,564,637</b> | \$ 3,372,883  | \$ 3,240,427  | \$ 3,085,709  |
| Estimated population in Subdistrict Area <sup>(6)</sup> | <b>982,678</b>      | 959,455       | 922,233       | 893,145       |

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

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

<sup>(2)</sup> Information compiled from school district websites for schools within Subdistrict boundaries.

<sup>(3)</sup> Data for the Metropolitan Statistical Area.

<sup>(4)</sup> Data provided for the entire City and County of Broomfield, only a portion of which is within Subdistrict boundaries. In 2018 Broomfield restated its per capital income and personal income statistics to reflect a new data source.

<sup>(5)</sup> Data for Larimer County. Separate municipal statistics not available.

<sup>(6)</sup> Data from the Northern Water current year CAFR.

| 2014          | 2013          | 2012          | 2011          | 2010          | 2009          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 102,000       | 101,000       | 98,000        | 97,000        | 104,000       | 104,000       |
| 4.7%          | 5.6%          | 5.9%          | 6.5%          | 5.3%          | 4.6%          |
| 13,331        | 12,627        | 13,471        | 13,583        | 13,258        | 13,129        |
| \$ 54,968     | \$ 54,502     | \$ 51,893     | \$ 50,031     | \$ 48,891     | \$ 50,714     |
| \$ 17,042,000 | \$ 16,639,000 | \$ 15,536,000 | \$ 14,786,000 | \$ 14,334,000 | \$ 15,237,000 |
| 60,885        | 57,865        | 57,336        | 56,543        | 55,284        | 54,586        |
| 6.8%          | 7.8%          | 8.5%          | 8.9%          | 8.1%          | 4.8%          |
| 4,260         | 4,102         | 4,034         | 4,034         | 4,165         | 4,151         |
| \$ 74,119     | \$ 76,158     | \$ 73,428     | \$ 70,094     | \$ 70,984     | \$ 73,392     |
| \$ 4,512,735  | \$ 4,406,883  | \$ 4,210,068  | \$ 3,963,325  | \$ 3,924,279  | \$ 4,006,176  |
| 97,320        | 96,093        | 95,453        | 94,358        | 91,759        | 90,249        |
| 7.6%          | 8.7%          | 9.7%          | 11.1%         | 9.1%          | 5.2%          |
| 21,183        | 20,450        | 19,821        | 17,278        | 19,851        | 19,444        |
| \$ 33,393     | \$ 31,657     | \$ 29,986     | \$ 28,447     | \$ 27,109     | \$ 28,402     |
| \$ 3,249,807  | \$ 3,042,016  | \$ 2,862,254  | \$ 2,684,202  | \$ 2,487,495  | \$ 2,563,252  |
| 90,219        | 87,854        | 87,850        | 87,461        | 86,303        | 86,194        |
| 4.4%          | 5.5%          | 6.1%          | 6.8%          | 6.0%          | 5.0%          |
| 15,512        | 15,381        | 14,404        | 14,132        | 13,997        | 15,953        |
| \$ 53,772     | \$ 51,893     | \$ 50,697     | \$ 47,489     | \$ 52,719     | \$ 48,324     |
| \$ 4,851,256  | \$ 4,559,008  | \$ 4,453,731  | \$ 4,153,435  | \$ 4,549,808  | \$ 4,165,239  |
| 72,846        | 68,825        | 67,581        | 66,572        | 65,800        | 64,800        |
| 6.5%          | 7.7%          | 8.7%          | 8.2%          | 5.4%          | 3.7%          |
| 15,621        | 15,577        | 15,420        | 15,043        | 14,734        | 14,747        |
| \$ 41,311     | \$ 39,767     | \$ 37,844     | \$ 37,368     | \$ 37,481     | \$ 36,956     |
| \$ 3,009,341  | \$ 2,736,964  | \$ 2,557,535  | \$ 2,487,662  | \$ 2,466,250  | \$ 2,394,749  |
| 878,100       | 859,913       | 858,565       | 842,494       | 842,447       | 828,350       |

## Largest Employers by Principal Cities Served by the Subdistrict (2009 and 2018) (continued)

September 30,

Unaudited

### Boulder, City of<sup>(1)</sup>

| Employers                                       | 2018 |                     |                          | 2009 <sup>(2)</sup> |                     |                          |
|---|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|   | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| University of Colorado at Boulder               | 1    | 7,531               | 4.1%                     | 1                   | 6,900               | 11.2%                    |
| St. Vrain Valley School District <sup>(3)</sup> | 2    | 4,661               | 2.6                      | -                   | -                   | 2.1                      |
| Boulder Valley School District                  | 3    | 4,381               | 2.4                      | 2                   | 4,300               | 7.0                      |
| Boulder County                                  | 4    | 2,008               | 1.1                      | 7                   | 1,700               | 2.7                      |
| IBM Corporation                                 | 5    | 1,800               | 1.0                      | 4                   | 2,800               | 4.5                      |
| Ball Corporation                                | 6    | 1,616               | 0.9                      | 3                   | 3,100               | 5.0                      |
| Boulder Community Hospital                      | 7    | 1,543               | 0.9                      | 5                   | 2,300               | 3.7                      |
| Boulder, City of                                | 8    | 1,400               | 0.8                      | 9                   | 1,100               | 1.8                      |
| Seagate Technology, LLC.                        | 9    | 1,300               | 0.7                      | -                   | -                   | -                        |
| National Center for Atmospheric Research (NCAR) | 10   | 1,187               | 0.6                      | -                   | -                   | -                        |
| Covidien  | -    | -                   | -                        | 6                   | 1,750               | 2.8                      |
| University Corporation for Atmospheric Research | -    | -                   | -                        | 8                   | 1,350               | 2.2                      |
| InfoPrint Solutions                             | -    | -                   | -                        | 10                  | 765                 | 1.3                      |
| Top ten principal employers                     |      | 27,427              | 15.1%                    |                     | 26,065              | 42.2%                    |
| Employees <sup>(4)</sup>                        |      | 181,636             |                          |                     | 61,798              |                          |

### Broomfield, City and County of<sup>(5)</sup>

| Employers                               | 2018 |                     |                          | 2009 <sup>(2)</sup> |                     |                          |
|---|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|   | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| CenturyLink                             | 1    | 2,360               | 6.3%                     | 3                   | 2,000               | 6.7                      |
| Oracle America                          | 2    | 2,000               | 5.4                      | 2                   | 2,900               | 9.7                      |
| SCL Health Care                         | 3    | 1,200               | 3.2                      | -                   | -                   | -                        |
| Hunter Douglas Window Fashions Division | 4    | 950                 | 2.6                      | 4                   | 776                 | 2.6                      |
| Broomfield, City and County of          | 5    | 795                 | 2.1                      | 5                   | 564                 | 1.9                      |
| Vail Resorts                            | 6    | 740                 | 2.0                      | -                   | -                   | -                        |
| TransFirst Holdings                     | 7    | 580                 | 1.6                      | -                   | -                   | -                        |
| Danone Wave Foods                       | 8    | 570                 | 1.5                      | 8                   | 385                 | 1.3                      |
| Sandoz, Inc.                            | 9    | 550                 | 1.5                      | 6                   | 550                 | 1.8                      |
| Brocade Communications Systems          | 10   | 500                 | 1.3                      | -                   | -                   | -                        |
| Ball Corporation                        | -    | -                   | -                        | 1                   | 3,352               | 11.2                     |
| MWH Global                              | -    | -                   | -                        | 7                   | 430                 | 1.4                      |
| Staple Advantage                        | -    | -                   | -                        | 9                   | 300                 | 1.1                      |
| Bestop                                  | -    | -                   | -                        | 10                  | 269                 | 1.0                      |
| Top ten principal employers             |      | 10,245              | 27.5%                    |                     | 11,526              | 38.7                     |
| Employees <sup>(4)</sup>                |      | 37,190              |                          |                     | 29,786              | -                        |

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

<sup>(1)</sup> 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.

<sup>(2)</sup> Data taken from the Subdistrict 2009 CAFR.

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

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

<sup>(5)</sup> Data provided for the entire City and County of Broomfield, only a portion of which is within Subdistrict boundaries.

---

**Longmont, City of**

---

| <b>Employers</b>                 | <b>2018</b> |                            |                                 | <b>2009<sup>(2)</sup></b> |                            |                                 |
|----------------------------------|-------------|----------------------------|---------------------------------|---------------------------|----------------------------|---------------------------------|
|                                  | <b>Rank</b> | <b>Number of Employees</b> | <b>Percentage of Employment</b> | <b>Rank</b>               | <b>Number of Employees</b> | <b>Percentage of Employment</b> |
| St. Vrain Valley School District | 1           | 3,543                      | 6.8%                            | 1                         | 3,020                      | 7.0%                            |
| Longmont, City of                | 2           | 1,625                      | 3.1                             | 4                         | 828                        | 1.9                             |
| Seagate Technology               | 3           | 1,379                      | 2.7                             | 3                         | 1,276                      | 2.9                             |
| Longmont United Hospital         | 4           | 862                        | 1.7                             | 2                         | 1,324                      | 3.1                             |
| West Safety Services Division    | 5           | 674                        | 1.3                             | -                         | -                          | -                               |
| UC Health Longs Peak Hospital    | 6           | 618                        | 1.2                             | -                         | -                          | -                               |
| Circle Graphics, Inc.            | 7           | 560                        | 1.1                             | -                         | -                          | -                               |
| McLane Western                   | 8           | 446                        | 0.9                             | 9                         | 425                        | 1.0                             |
| Federal Aviation Administration  | 9           | 444                        | 0.9                             | 7                         | 540                        | 1.3                             |
| Cross                            | 10          | 375                        | 0.6                             | -                         | -                          | -                               |
| Intrado                          | -           | -                          | -                               | 5                         | 762                        | 1.8                             |
| Amgen                            | -           | -                          | -                               | 6                         | 650                        | 1.5                             |
| DigitalGlobe                     | -           | -                          | -                               | 8                         | 450                        | 1.0                             |
| Butterball, LLC                  | -           | -                          | -                               | 10                        | 400                        | 0.8                             |
| Top ten principal employers      |             | 10,526                     | 20.3%                           |                           | 9,675                      | 22.3%                           |
| Employees <sup>(4)</sup>         |             | 51,852                     |                                 |                           | 43,345                     |                                 |

---

**Greeley, City of**

---

| <b>Employers</b>  | <b>2018</b> |                            |                                 | <b>2009<sup>(2)</sup></b> |                            |                                 |
|---|-------------|----------------------------|---------------------------------|---------------------------|----------------------------|---------------------------------|
|   | <b>Rank</b> | <b>Number of Employees</b> | <b>Percentage of Employment</b> | <b>Rank</b>               | <b>Number of Employees</b> | <b>Percentage of Employment</b> |
| JBS Swift & Company   | 1           | 4,520                      | 9.5%                            | 1                         | 3,650                      | 97.5%                           |
| Banner Health Care (formerly North Colorado Medical Center) | 2           | 3,600                      | 7.6                             | 2                         | 2,700                      | 5.6                             |
| Greeley/Evans School District Six                           | 3           | 1,923                      | 4.1                             | 3                         | 2,400                      | 5.0                             |
| University of Northern Colorado                             | 4           | 1,623                      | 3.4                             | 4                         | 1,701                      | 3.5                             |
| Weld County   | 5           | 1,615                      | 3.4                             | 5                         | 1,490                      | 3.1                             |
| State Farm Insurance Companies                              | 6           | 1,300                      | 2.7                             | 6                         | 1,310                      | 2.7                             |
| Greeley, City of  | 7           | 812                        | 1.7                             | 7                         | 1,160                      | 2.4                             |
| TeleTech Services   | 8           | 780                        | 1.6                             | -                         | -                          | -                               |
| Noble Energy  | 9           | 500                        | 1.1                             | -                         | -                          | -                               |
| Leprino Foods   | 10          | 450                        | 1.0                             | -                         | -                          | -                               |
| StarTek, Inc.   | -           | -                          | -                               | 8                         | 1,134                      | 2.3                             |
| Aims Community College                                      | -           | -                          | -                               | 9                         | 874                        | 1.8                             |
| Wal-Mart Supercenter  | -           | -                          | -                               | 10                        | 856                        | 1.7                             |
| Top ten principal employers                                 |             | 17,123                     | 36.1%                           |                           | 17,275                     | 35.6%                           |
| Employees <sup>(4)</sup>                                    |             | 47,448                     |                                 |                           | 48,518                     |                                 |

## Largest Employers by Principal Cities Served by the Subdistrict (2009 and 2018) (continued)

September 30,  
Unaudited

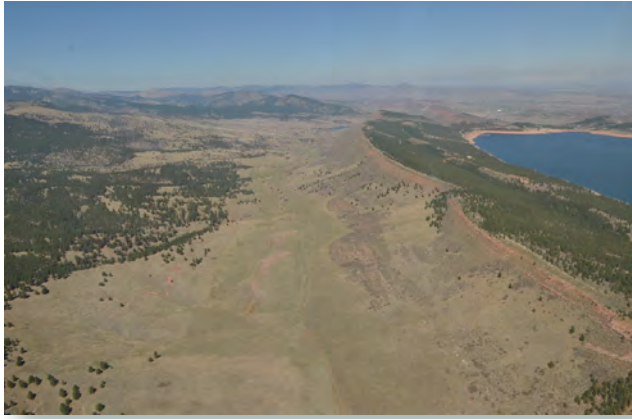
### Loveland, City of

| Employers                        | 2018 |                     |                          | 2009 <sup>(1)</sup> |                     |                          |
|----------------------------------|------|---------------------|--------------------------|---------------------|---------------------|--------------------------|
|                                  | Rank | Number of Employees | Percentage of Employment | Rank                | Number of Employees | Percentage of Employment |
| Thompson School District R2-J    | 1    | 2,322               | 4.9%                     | 2                   | 2,113               | 6.4%                     |
| Medical Center of the Rockies    | 2    | 1,548               | 3.3                      | -                   | -                   | -                        |
| Wal-Mart Distribution Center     | 3    | 1,226               | 2.6                      | 6                   | 1,050               | 3.2                      |
| Nutrein/Crop Production Services | 4    | 900                 | 1.9                      | -                   | -                   | -                        |
| Loveland, City of                | 5    | 807                 | 1.7                      | 8                   | 692                 | 2.1                      |
| Hach Company                     | 6    | 750                 | 1.6                      | 5                   | 1,200               | 3.6                      |
| McKee Medical Center             | 7    | 646                 | 1.4                      | 7                   | 950                 | 2.9                      |
| U.S. Bank                        | 8    | 500                 | 1.1                      | -                   | -                   | -                        |
| Associates in Family Medicine    | 9    | 320                 | 0.6                      | -                   | -                   | -                        |
| Woodward Governor                | 10   | 320                 | 0.6                      | -                   | -                   | -                        |
| Poudre Valley Health System      | -    | -                   | -                        | 1                   | 4,224               | 12.8                     |
| Promenade Shops at Centerra      | -    | -                   | -                        | 3                   | 1,927               | 5.8                      |
| Larimer County                   | -    | -                   | -                        | 4                   | 1,500               | 4.5                      |
| Wal-Mart Supercenter             | -    | -                   | -                        | 9                   | 607                 | 1.8                      |
| Kroll Factual Data               | -    | -                   | -                        | 10                  | 262                 | 0.8                      |
| Top ten principal employers      |      | 9,339               | 19.7%                    |                     | 14,525              | 43.9%                    |
| Employees <sup>(2)</sup>         |      | 47,263              |                          |                     | 33,084              |                          |

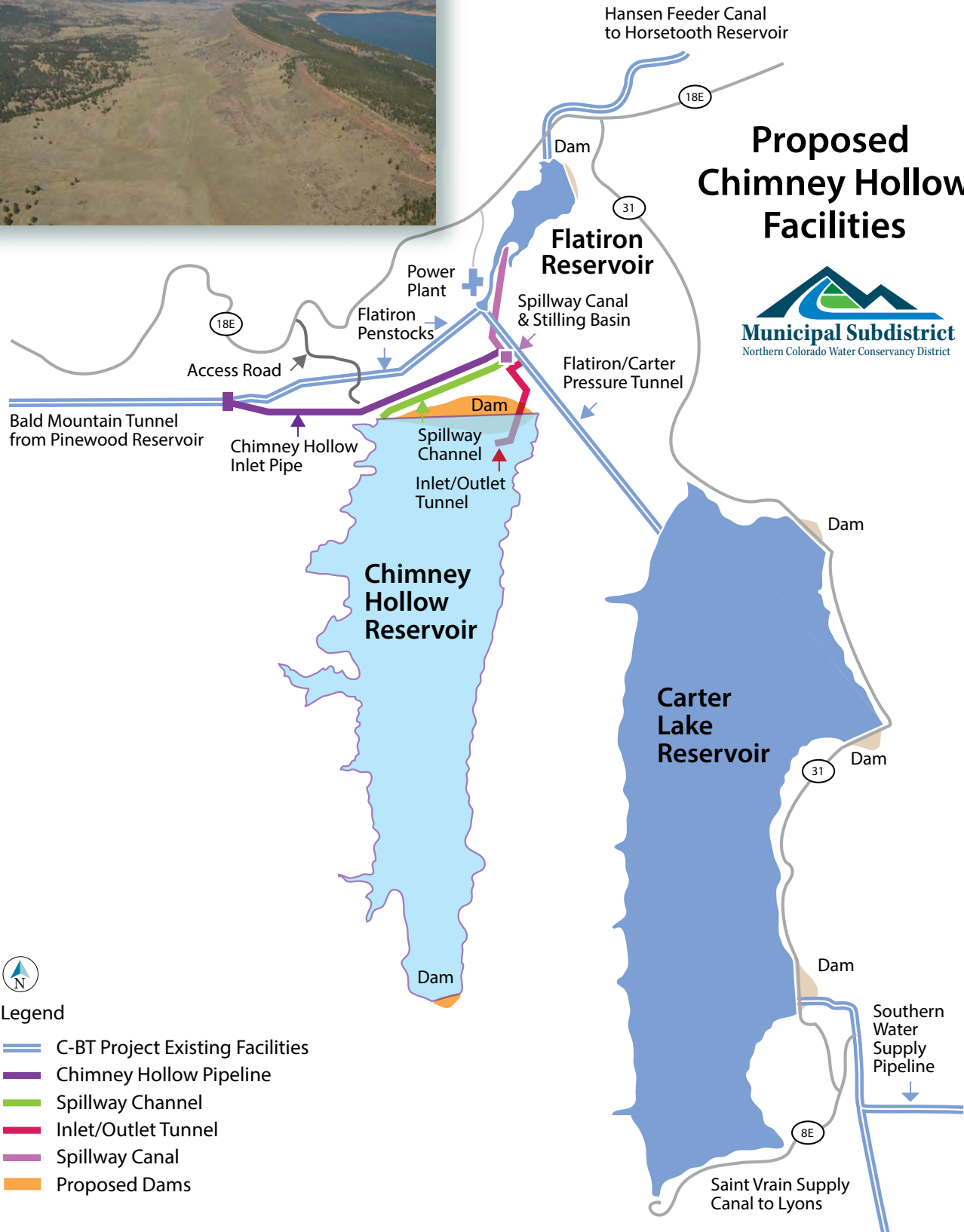
Source: Data taken or calculated from the cities' most recent CAFRs unless otherwise indicated.

<sup>(1)</sup> Data taken from the Subdistrict 2009 CAFR.

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



# Proposed Chimney Hollow Facilities



### Legend

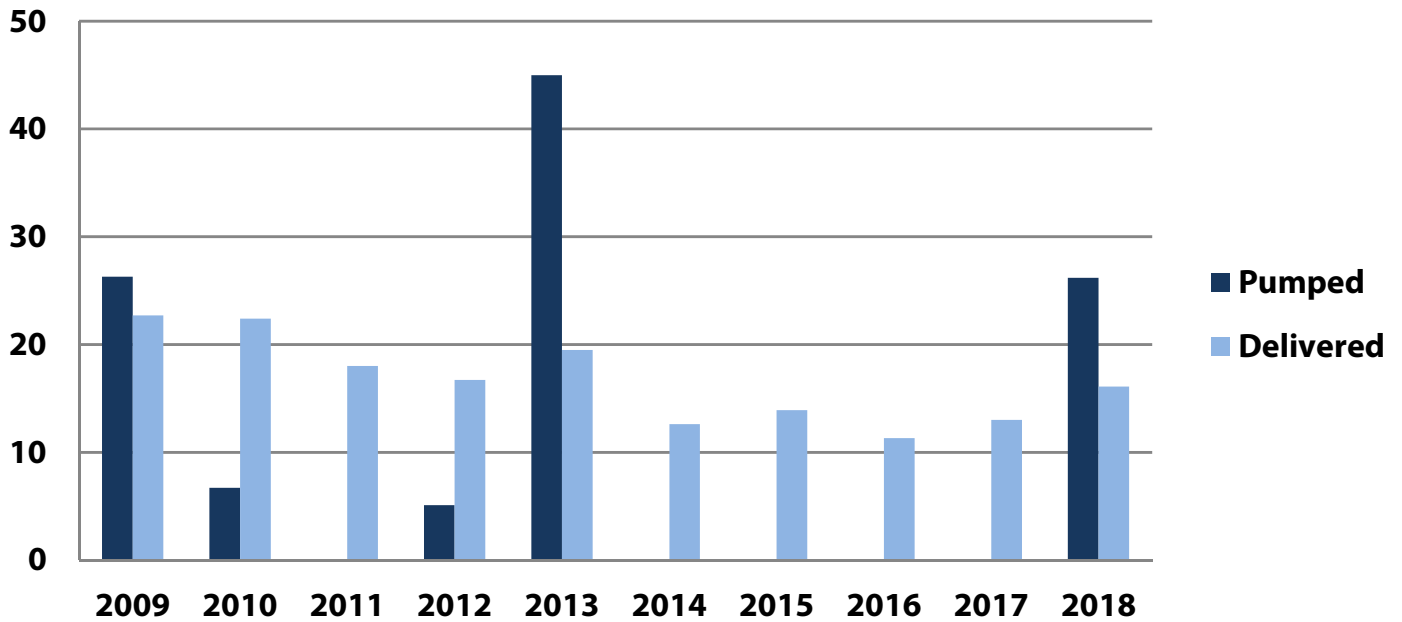
- C-BT Project Existing Facilities
- Chimney Hollow Pipeline
- Spillway Channel
- Inlet/Outlet Tunnel
- Spillway Canal
- Proposed Dams

## Windy Gap Project Water Pumped and Delivered (2009 - 2018)

---

### Water Pumped and Delivered

(thousands of acre-feet)



## Schedule of Windy Gap Project Water Pumped and Delivered (Historical)

Years ended September 30,  
Unaudited  
(Acre-feet)

| Years       | Pumped          | Deliverable <sup>(1)</sup> | Delivered <sup>(2)</sup> | Losses <sup>(3)</sup> | Spilled <sup>(4)</sup> | Delivered In-lieu <sup>(5)</sup> | Rented      | Inventory      |
|-------------|-----------------|----------------------------|--------------------------|-----------------------|------------------------|----------------------------------|-------------|----------------|
| 1987        | 3,700.0         | 3,330.0                    | ( 864.4)                 | -                     | -                      | -                                | -           | 2,465.6        |
| 1988        | 19,863.0        | 17,876.0                   | ( 7,316.8)               | ( 146.2)              | -                      | -                                | -           | 12,878.6       |
| 1989        | 3,998.2         | 3,598.4                    | ( 7,940.2)               | ( 963.4)              | -                      | -                                | -           | 7,573.4        |
| 1990        | 14,519.4        | 13,068.6                   | ( 4,478.8)               | ( 552.5)              | -                      | -                                | -           | 15,610.7       |
| 1991        | 19,252.3        | 18,827.1                   | ( 6,213.2)               | ( 1,305.7)            | -                      | -                                | ( 15,000.0) | 11,918.9       |
| 1992        | 21,856.8        | 19,671.0                   | ( 5,206.8)               | ( 919.9)              | -                      | -                                | ( 9,517.0)  | 15,946.2       |
| 1993        | 21,740.0        | 19,566.0                   | ( 5,619.7)               | ( 971.8)              | -                      | -                                | ( 11,089.0) | 17,831.7       |
| 1994        | 10,784.0        | 9,705.6                    | ( 5,507.0)               | ( 1,208.0)            | -                      | -                                | ( 11,194.0) | 9,628.3        |
| 1995        | 14,058.0        | 12,652.2                   | ( 5,400.9)               | ( 728.2)              | ( 10,463.0)            | -                                | -           | 5,688.4        |
| 1996        | -               | -                          | ( 5,652.7)               | ( 350.5)              | ( 1,902.4)             | 2,217.2                          | -           | -              |
| 1997        | -               | -                          | ( 5,911.1)               | -                     | -                      | 5,911.1                          | -           | -              |
| 1998        | -               | -                          | ( 5,845.5)               | -                     | -                      | 5,845.5                          | -           | -              |
| 1999        | -               | -                          | ( 5,911.1)               | -                     | -                      | 5,911.1                          | -           | -              |
| 2000        | -               | -                          | ( 12,105.3)              | -                     | -                      | 12,105.3                         | -           | -              |
| 2001        | 14,250.0        | 12,825.0                   | ( 13,310.1)              | -                     | -                      | 485.1                            | -           | -              |
| 2002        | -               | -                          | ( 16,803.0)              | -                     | -                      | 16,803.0                         | -           | -              |
| 2003        | 64,200.0        | 57,780.0                   | ( 14,639.1)              | -                     | -                      | -                                | -           | 43,140.9       |
| 2004        | 327.0           | 294.3                      | ( 15,196.7)              | ( 4,208.6)            | -                      | -                                | -           | 24,029.9       |
| 2005        | 41,320.0        | 37,188.0                   | ( 17,239.9)              | ( 2,167.4)            | -                      | -                                | -           | 41,810.6       |
| 2006        | 25,022.0        | 22,519.8                   | ( 21,883.8)              | ( 3,499.9)            | -                      | -                                | -           | 38,946.7       |
| 2007        | 40,933.0        | 36,839.7                   | ( 24,089.2)              | ( 3,342.4)            | -                      | -                                | -           | 48,354.8       |
| 2008        | 33,523.0        | 30,170.7                   | ( 20,889.1)              | ( 4,458.4)            | -                      | -                                | -           | 53,178.0       |
| 2009        | 26,365.0        | 23,728.5                   | ( 22,712.5)              | ( 4,746.0)            | -                      | -                                | -           | 49,448.0       |
| 2010        | 6,758.0         | 6,082.2                    | ( 22,460.7)              | ( 4,278.9)            | -                      | -                                | -           | 28,790.6       |
| 2011        | -               | -                          | ( 18,022.6)              | ( 2,034.5)            | ( 11,528.7)            | 2,795.2                          | -           | -              |
| 2012        | 5,145.0         | 4,630.1                    | ( 16,774.1)              | -                     | -                      | 13,330.1                         | -           | 1,186.1        |
| 2013        | 45,061.0        | 40,554.9                   | ( 19,536.0)              | ( 112.1)              | -                      | 2,169.0                          | -           | 24,261.9       |
| 2014        | -               | -                          | ( 12,627.3)              | ( 1,882.6)            | ( 11,448.6)            | 1,696.6                          | -           | -              |
| 2015        | -               | -                          | ( 13,964.1)              | -                     | -                      | 13,964.1                         | -           | -              |
| 2016        | -               | -                          | ( 11,294.0)              | -                     | -                      | 11,294.0                         | -           | -              |
| 2017        | -               | -                          | ( 13,049.0)              | -                     | -                      | 13,049.0                         | -           | -              |
| <b>2018</b> | <b>26,235.8</b> | <b>24,924.0</b>            | <b>( 16,134.6)</b>       | <b>( 405.5)</b>       | <b>-</b>               | <b>946.7</b>                     | <b>-</b>    | <b>9,330.6</b> |

<sup>(1)</sup> Effective 2018, 95 percent of water pumped is considered deliverable under the Carriage Contract. Previously, 90 percent of water pumped was considered deliverable.

<sup>(2)</sup> Includes 1,000 acre-feet leased to Northern Water for delivery to Grand Valley Water Users in 2007 and water leased to Grand County in the years 2008 - 2011 and 2018.

<sup>(3)</sup> Effective 2018, 5 percent of all delivered water and an additional 5 percent of all water remaining in storage at March 31 are deducted as shrinkage losses to the system under the Carriage Contract. Previously, 10 percent of all water remaining at March 31 of any year was deducted as a shrinkage loss to the system.

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

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

## Subdistrict Capital Assets (2009 - 2018)

September 30,  
Unaudited

|                                       | 2018          | 2017          | 2016          | 2015          |
|---------------------------------------|---------------|---------------|---------------|---------------|
| <b>Windy Gap</b>                      |               |               |               |               |
| Non-depreciable assets                |               |               |               |               |
| Construction in progress              | \$ 155,883    | \$ -          | \$ -          | \$ -          |
| Land                                  | 2,046,198     | 2,046,198     | 2,046,198     | 2,046,198     |
| Water rights <sup>(1)</sup>           | 470,921       | 470,921       | 470,921       | 470,921       |
| Depreciable assets                    |               |               |               |               |
| Buildings, equipment and improvements | 464,428       | 499,569       | 793,558       | 825,707       |
| Water diversion project               | 82,167,586    | 82,167,586    | 82,167,586    | 82,167,586    |
| Capital assets                        | 85,305,016    | 85,184,274    | 85,478,263    | 85,510,412    |
| Less accumulated depreciation         |               |               |               |               |
| Buildings, equipment and improvements | ( 444,570)    | ( 477,419)    | ( 793,558)    | ( 825,707)    |
| Water diversion project               | ( 67,555,549) | ( 65,476,550) | ( 63,397,551) | ( 61,318,552) |
| Accumulated depreciation              | ( 68,000,119) | ( 65,953,969) | ( 64,191,109) | ( 62,144,259) |
| Capital assets, net                   | \$ 17,304,897 | \$ 19,230,305 | \$ 21,287,154 | \$ 23,366,153 |
| <b>Windy Gap Firing Project</b>       |               |               |               |               |
| Construction in progress              | \$ 47,555,955 | \$ 34,541,551 | \$ 20,605,749 | \$ 19,162,666 |

<sup>(1)</sup>Water rights included under Land in 2012 and prior years.

---

| <b>2014</b>          | <b>2013</b>          | <b>2012</b>          | <b>2011</b>          | <b>2010</b>          | <b>2009</b>          |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| 2,046,198            | 2,046,198            | 2,062,566            | 2,061,352            | 2,053,298            | 2,046,198            |
| 470,921              | 470,921              | -                    | -                    | -                    | -                    |
| 825,707              | 825,707              | 155,574              | 155,574              | 155,574              | 155,574              |
| <u>82,167,586</u>    | <u>82,167,586</u>    | <u>81,837,719</u>    | <u>81,840,342</u>    | <u>81,840,845</u>    | <u>81,836,862</u>    |
| <u>85,510,412</u>    | <u>85,510,412</u>    | <u>84,055,859</u>    | <u>84,057,268</u>    | <u>84,049,717</u>    | <u>84,038,634</u>    |
| ( 825,707)           | ( 825,707)           | ( 155,574)           | ( 155,574)           | ( 155,574)           | ( 155,574)           |
| <u>( 59,239,553)</u> | <u>( 57,160,554)</u> | <u>( 55,770,562)</u> | <u>( 53,731,711)</u> | <u>( 51,685,101)</u> | <u>( 49,653,287)</u> |
| ( 60,065,260)        | ( 57,986,261)        | ( 55,926,136)        | ( 53,887,285)        | ( 51,840,675)        | ( 49,808,861)        |
| <u>\$ 25,445,152</u> | <u>\$ 27,524,151</u> | <u>\$ 28,129,723</u> | <u>\$ 30,169,983</u> | <u>\$ 32,209,042</u> | <u>\$ 34,229,773</u> |
| <u>\$ 18,629,048</u> | <u>\$ 17,610,297</u> | <u>\$ 15,155,178</u> | <u>\$ 14,325,617</u> | <u>\$ 13,378,785</u> | <u>\$ 12,691,012</u> |

## **Windy Gap Reservoir, Dam, Pump Station Capacity and Pipeline**

---

*Unaudited*

### **Windy Gap Reservoir**

Capacity - 445 acre-feet

### **Windy Gap Dam**

Embankment section

Length - 0.97 miles

Maximum height - 25 feet

Volume of fill - 249,000 cubic yards

Spillway

Discharge capacity - 32,400 cubic feet per second

Length - 345 feet

Volume of concrete - 15,000 cubic yards

Main bypass outlet works

Discharge capacity - 133 cubic feet per second

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

Auxiliary outlet works

Discharge capacity - 228 cubic feet per second

### **Windy Gap Pump Station**

Maximum discharge capacity - 600 cubic feet per second

Motor horsepower - 12,000 horsepower per pump

Installed capacity - 35,800 KW

Maximum total dynamic head - 521 feet

Number of 150 cfs pumps - 4

### **Windy Gap - Lake Granby Pipeline**

Pipeline

Capacity - 600 cubic feet per second

Length - 6.2 miles

Diameter - 9 feet

Surge Tank

Type - Dual 9-foot diameter pipes

Tank length - 735 feet

Vertical rise - 134 feet

Discharge capacity

Willow Creek - 440 cubic feet per second

Windy Gap - 600 cubic feet per second

## Subdistrict Organizational and Contact Information

---

September 30, 2018  
Unaudited

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

### Offices

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

### Independent Auditors

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

### General Counsel

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

### Bond Counsel

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



CliftonLarsonAllen LLP  
CLAconnect.com

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

We have audited the financial statements of the business-type activities and each major fund of the Municipal Subdistrict, Northern Colorado Water Conservancy District (the Subdistrict) as of and for the year ended September 30, 2018, and have issued our report thereon dated February 25, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### ***Qualitative aspects of accounting practices***

##### *Accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Subdistrict are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2018.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### *Accounting estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of depreciation is based on the estimated useful life of the asset from the date it is placed in service.

We evaluated the key factors and assumptions used in developing the estimate of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

##### *Financial statement disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties encountered in performing the audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

***Corrected misstatements***

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

***Disagreements with management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the attached management representation letter dated February 25, 2019.

***Management consultations with other independent accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

***Other information in documents containing audited financial statements***

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the budgetary schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated February 25, 2019.

The introductory and statistical sections accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and are not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on them.

In connection with the Subdistrict's Comprehensive Annual Financial Report, we did not perform any procedures or corroborate other information included in the annual report. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. However, as required by professional standards, we read management's discussion and analysis of financial conditions and results of operations and considered whether the information or the manner which it was presented was materially inconsistent with information or the manner of presentation of the financial statements. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

\* \* \*

This communication is intended solely for the information and use of the Audit Committee, Board of Directors and management of Municipal Subdistrict, Northern Colorado Water Conservancy District and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
February 25, 2019



**Municipal Subdistrict**  
Northern Colorado Water Conservancy District  
220 Water Avenue Berthoud, Colorado 80513  
Phone 1-800-369-7246 • www.northernwater.org

February 25, 2019

CliftonLarsonAllen LLP  
8390 E. Crescent Parkway, Suite 300  
Greenwood Village, CO 80111

This representation letter is provided in connection with your audit of the financial statements of the Municipal Subdistrict, Northern Colorado Water Conservancy District (the Subdistrict), which comprise the respective financial position of the business-type activities and each major fund as of September 30, 2018, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of February 25, 2019, the following representations made to you during your audit.

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 8, 2018, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable

from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
8. We have not identified or been notified of any uncorrected financial statement misstatements.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Arrangements with financial institutions involving restrictions on cash balances have been properly recorded or disclosed in the financial statements.
11. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

#### **Information Provided**

1. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - e. Access to all audit or relevant monitoring reports, if any, received from funding sources.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a. Management;
  - b. Employees who have significant roles in internal control; or
  - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Subdistrict's financial statements communicated by employees, former employees, regulators, or others.
  6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
  7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
  9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
  10. The Subdistrict has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.
  11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Subdistrict, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
  12. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  13. The Subdistrict has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  14. We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, "award" means financial assistance and federal

cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.

15. We have followed all applicable laws and regulations in adopting, approving and amending budgets.
16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.
17. The financial statements properly classify all funds and activities.
18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
19. Components of net position (investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
20. Provisions for uncollectible receivables have been properly identified and recorded.
21. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
22. Deposits and investment securities are properly classified as to risk and are properly valued and disclosed.
23. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
24. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
25. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
26. We acknowledge our responsibility for presenting the supplementary information on a budgetary basis, which is a basis other than U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with the budgetary basis. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

27. The Subdistrict believes it is in compliance with Article X, Section 20, of the Colorado Constitution.

28. The Subdistrict has informed all banking, savings and loan institutions that the Subdistrict's deposits are subject to the Public Deposit Protection Act and have provided those banking institutions with the Subdistrict's assigned number.

Signature:  Title: Financial Services Department Manager  
John Budde, CPA

Signature:  Title: Treasurer  
Gerald A. Gibbens