

Comprehensive annual financial report - September 30, 1997



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

Comprehensive Annual Financial Report, September 30, 1997 and 1996

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Comprehensive Annual Financial Report

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



Issued By:

The Municipal Subdistrict with
the assistance of John Budde, CPA

September 30, 1997 and 1996

In keeping with our commitment to the environment, this report is printed entirely on recycled paper.

Municipal Subdistrict Northern Colorado Water Conservancy District

P. O. Box 679, Loveland, Colorado 80539 (970) 667-2437

February 2, 1998

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

The comprehensive annual financial report (CAFR) of the Municipal Subdistrict, Northern Colorado Water Conservancy District (Subdistrict) for the years ended September 30, 1997 and 1996, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with Subdistrict's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the Subdistrict. All disclosures necessary to enable the reader to gain an understanding of the Subdistrict's financial activities have been included.

This CAFR is presented in three sections as follows:

1. **Introductory Section** provides information on the contents of the report, the organizational structure and the financial operations of the Subdistrict.
2. **Financial Section** includes the financial statements, schedules, and notes thereto as well as the independent public auditors' report.
3. **Statistical Section** contains additional financial and general information generally presented on a multiyear basis.

Reporting Entity

The reporting entity serves as the basis in preparing the CAFR. Standards of the Government Accounting Standards Board (GASB) were used to evaluate two potential component units. A component unit was considered to be part of the Subdistrict's reporting entity because it was determined by the Subdistrict's ability to exercise significant operational control or financial accountability with the Subdistrict. The CAFR includes the proprietary fund type of the Subdistrict. Not included in the Subdistrict's reporting entity is the Northern Colorado Water Conservancy District (District).

In general, the Subdistrict's main function is to provide additional water supplies through the Windy Gap Project (Project), to northern Colorado municipalities, rural domestic suppliers, and industry. These include the cities of Boulder, Broomfield, Greeley, Longmont and Loveland, the Town of Estes Park, the Platte River Power Authority, Superior Metropolitan District No. 1, Left Hand

Water District and Central Weld County Water District. The area served by the Subdistrict is situated just east of the front range of the Colorado Rocky Mountains, north of Denver.

The Project consists of a diversion dam on the Colorado River plus a pumping plant and pipeline to transport diverted water into the Colorado-Big Thompson Project on the west side of the Continental Divide for distribution to the participants on the east side of the Divide.

Economic Condition and Outlook

The Subdistrict has a diversified economy ranging from agriculture in the eastern part of the Subdistrict to the tourist and recreational areas in the western area. In between are major manufacturing, research, government, and commercial interests. Several universities are located in the Subdistrict, including Colorado State University, the University of Colorado and the University of Northern Colorado, as well as several community colleges and voc-tech schools.

Colorado's economy will continue to grow, just at a slower rate in 1998. Colorado's economy has been decelerating since its 1994 boom. Economists expect 2 percent or less growth for 1998. Unemployment will remain at a low 3.5 percent. Personal income and retail sales gains will be about 5 percent.

The construction of a major bypass around the Denver metropolitan area to the north and the opening of the new Denver International Airport to the northeast provide the potential for greater economic growth within the Subdistrict. The Subdistrict will be impacted by these developments as new workers and residents locate to the north and east of Denver.

The quality of life in northern Colorado is excellent and provides a very good environment for people in which to work. Consequently, northern Colorado should continue to grow at an acceptable rate in future years.

Major Initiatives

Water Season

During 1997 no pumping occurred because of potential spill conditions. The winter of 1996-97 had above normal mountain snow pack. With the reservoirs near capacity, there was no room to store the spring runoff. Because of this storage situation, the Windy Gap pumps were not operated in 1997. If this storage situation remains, no pumping will occur in 1998. Water deliveries to the Windy Gap allottees totaled 5911.1 acre-feet (af) in 1997, most of which went to the Platte River Power Authority's Rawhide Power Plant.

Alternative Reservoir Site Investigation

The Subdistrict has been conducting alternate reservoir investigations for storage sites to firm the yield of the Windy Gap Project. Geotechnical and environmental impact studies have been conducted. In conjunction with the studies, a preliminary

operational model was developed of the Windy Gap Project to illustrate the project's existing and potential operations under differing operational scenarios. The purpose of the studies and modeling is to present the participants with information to assist them in their decision-making process regarding a level of participation and funding for future studies and construction of additional storage.

Cooperative Agreement

The Subdistrict, the United States Bureau of Land Management (BLM), the Federal Advisory Council on Historic Preservation and the Colorado State Historical Preservation Office (SHPO) entered into a preliminary cooperative agreement for cultural resources matters related to the Gore Canyon/Windy Gap land exchange. The proposed agreement obligates the Subdistrict to prevent public access, except for approved studies of those reservoirs. In addition it requires the participants to seek grants and funding for the resource studies. This preliminary agreement is needed for study purpose and a necessary step in the final exchange process.

Whirling Disease

Colorado Division of Wildlife (DOW), as well as several researchers at Colorado State University, is studying whirling disease. DOW applied for and received a research grant this year to investigate whirling disease in the upper Colorado River basin. The intent was to measure the concentration of whirling disease spores in the water.

DOW set up a filtering program to monitor water borne spores at nine different places along the Colorado River. They included the stilling basin below the Subdistrict's Windy Gap spillway; the Hitching Post below Windy Gap; Breeze Ranch near Parshall; at the confluence with the Fraser River; and on the Fraser River above the confluence with the Colorado River.

DOW also put two tanks of sentinel fish at each of the locations for the past summer months. The sentinel fish serve the same function as canaries in a mine. They're in the river but contained so scientists can examine them for the effects, if any, of being in a particular area. The research will be complete at the end of 1998.

Attention has been focused on the Subdistrict's Windy Gap Project as a potential cause of the whirling disease. There have been some problems below reservoirs elsewhere in the West. Below Cheesman, whirling disease has been detected. But below Elevenmile Canyon on the South Platte River southwest of Denver whirling disease hasn't had an effect. An aquatic ecologist hired by the Subdistrict said Windy Gap may be a suitable site for the host, but the reservoir itself didn't cause whirling disease. Scientists hold out hope the whirling disease can be contained.

Financial Information

Internal Controls

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: (a) the safeguarding of assets against loss from unauthorized use or disposition; and (b) the overall reliability of maintaining accountability and control over the Subdistrict's assets. The concept of reasonable assurance recognizes that: (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits requires estimates and judgments by management.

Budgetary Control

Budgets are adopted and controlled at the branch, 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. The overall objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Subdistrict Board.

Financial Operating Results

Revenues

1997 revenues totaled \$12,431,540. This represented a 2 percent increase from the 1996 revenues of \$12,164,575. The increase was attributable to the higher earnings on investments and water assessments.

Expenses

Expenses for the year 1997 decreased \$1,046,324 from the 1996 amount of \$12,301,850 due to lower interest expenses. Revenues and expenses are summarized on the next page.

Debt Administration

As of September 30, 1997, the Subdistrict's total debt amounted to \$115,865,000. The outstanding water revenue bonds ratings Standard & Poor's Corporation are A+ and A1 from Moody's Investors Service. During fiscal year 1997, \$2,320,000 of the bonds were retired.

In October 1996 and July 1997 the Subdistrict issued \$92,750,000 in Water Revenue Bonds. These issues permitted current refundings of outstanding issues in the amount of \$89,825,000. These refundings provided accounting losses of \$5.6 million, gross savings of \$5.7 million and economic gains (net present value savings) of \$4.6 million.

Accumulated Deficit

Extraordinary losses from bond refundings have significantly contributed to the accumulated deficit in fund equity. Water Revenue Bonds Series C and D refundings resulted in accounting losses of \$23,654,581. The Subdistrict did reduce its debt service payments and did obtain economic gains from these refundings.

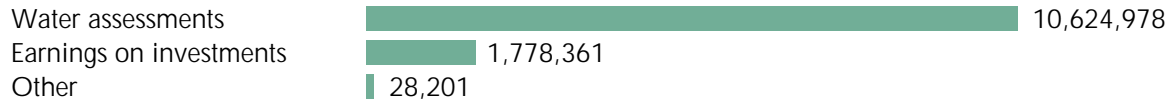
Cash and Investment Administration

The Subdistrict's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio.

Subdistrict Revenues and Expenses

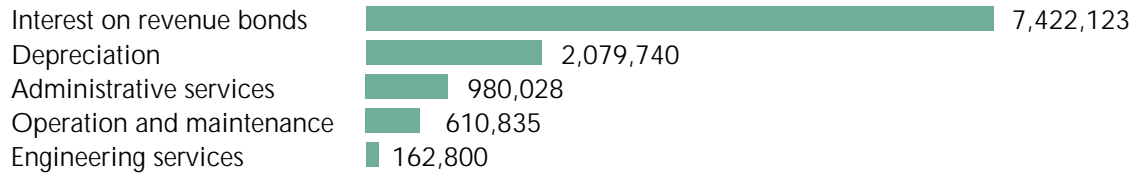
Sources of 1997 revenues

\$12,431,540



Uses of 1997 expenses

\$11,255,526



During 1997 the Subdistrict continued to invest in the same type of securities as in prior years. Investments were held in U.S. Treasury and agency securities. Deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held by the pledging financial institution's trust department or agent in the Subdistrict's name.

Total invested assets at the end of 1997 were \$31.4 million, representing 33 percent of the Subdistrict's total assets. In 1997 the Subdistrict's investment income increased 8.9 percent to \$1.7 million. Investment income represented 14 percent of the Subdistrict's total revenues. More resources were invested in 1997 resulting in higher investment income.

Risk Management

The Subdistrict maintains third-party coverage for all of its potential losses. No self-insurance program is used by the Subdistrict.

Other Information

Independent Audit

State statutes and the Indenture of Trust on outstanding revenue bonds require an annual audit of the books of account, financial records and transactions of the Subdistrict to be performed in accordance with generally accepted auditing standards by independent certified public accountants selected by the Board of Directors. These requirements have been complied with and the independent public auditors' report on the Subdistrict's 1997 financial statements has been included in the financial section of this report.

Awards

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 for the fiscal year ended September 30, 1996. 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 unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports 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 our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

Acknowledgement

The preparation of this report on a timely basis was made possible with the assistance of the following people:

Candee Werth
Jeff Dahlstrom
Julie Stoupa
Brian Werner

Colleen Krabbenhoft
John Budde, CPA
Bernice Votruba

In closing, preparation of the report would not have been possible without the leadership and support of the Board of Directors.

Sincerely,



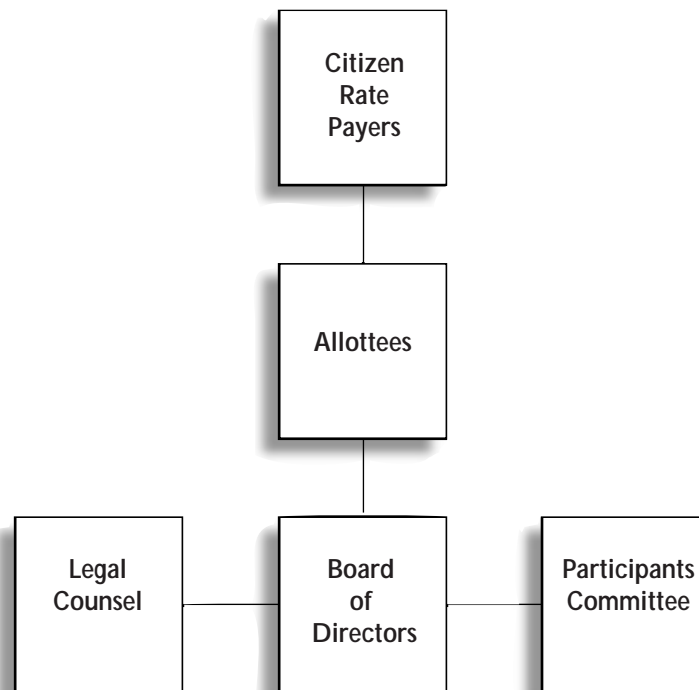
Darell D. Zimbelman, Ph.D., P.E.
*Treasurer, Municipal Subdistrict,
Northern Colorado Water Conservancy District*

Subdistrict Officials

G. Raymond Joyce, President <i>Real Estate Investor</i>	Director Since September 28, 1974; Term expires September 28, 2000 <i>Boulder County</i>
Mike Applegate, Vice President <i>Engineer</i>	Director Since September 28, 1991; Term expires September 28, 1999 <i>Larimer County</i>
Marjorie A. Knievel * <i>Farm Management</i>	Director Since September 28, 1993; Term expires September 28, 2001 <i>Larimer County</i>
William H. Brown <i>Attorney</i>	Director Since September 28, 1992; Term expires September 28, 2000 <i>Larimer County</i>
Kenton Brunner <i>Farmer</i>	Director Since March 14, 1994; Term expires September 28, 1998 <i>Weld County</i>
William E. Bohlender * <i>Attorney</i>	Director Since July 6, 1970; Term expires September 28, 2000 <i>Weld County</i>
Jerry D. Winters * <i>Attorney</i>	Director Since September 28, 1995; Term expires September 28, 1999 <i>Weld County</i>
Les Williams, Jr. * <i>Executive Director, St. Vrain & Left Hand Water Conservancy District</i>	Director Since September 28, 1989; Term expires September 28, 2001 <i>Boulder County</i>
Ruth Wright <i>Attorney</i>	Director Since September 28, 1994; Term expires September 28, 1998 <i>Boulder County</i>
E. L. Caneva <i>Farmer</i>	Director Since September 5, 1978; Term expires September 28, 2001 <i>Morgan/Washington Counties</i>
William Condon <i>Rancher and Feeder</i>	Director Since September 28, 1982; Term expires September 28, 1998 <i>Logan County</i>
George Jenik <i>Farmer</i>	Director Since September 28, 1995; Term expires September 28, 1999 <i>Sedgwick County</i>
W. D. Farr	Director Emeritus
Eric W. Wilkinson <i>Secretary</i>	
Dr. Darell D. Zimbelman <i>Treasurer</i>	

* *Member of Audit Committee*

Subdistrict Organizational Chart



All administrative, operation and maintenance functions for the Subdistrict are provided for through an agreement with another agency.

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, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda M. Savitsky
President

Jeffrey L. Essler
Executive Director

Report of Independent Public Auditors

Hunt, Spillman & Associates, p.c.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors

Municipal Subdistrict, Northern Colorado Water Conservancy District:

We have audited the accompanying general purpose financial statements of the Municipal Subdistrict, Northern Colorado Water Conservancy District as of and for the years ended September 30, 1997 and 1996, as listed in the table of contents. These general purpose financial statements are the responsibility of the Subdistrict's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Subdistrict, Northern Colorado Water Conservancy District as of September 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audits of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

As discussed in note 10 to the financial statements, effective October 1, 1995, the District changed its method of accounting for investments.

Hunt, Spillman & Associates

Fort Collins, Colorado
January 14, 1998

Balance Sheets

Assets	September 30, 1997	September 30, 1996
Current assets:		
Cash and cash equivalents	\$ 3,444,837	\$ 3,254,466
Accounts receivable	20,314	
Prepayments	59,961	9,069
Total current assets	<u>3,525,112</u>	<u>3,263,535</u>
Restricted assets (note 4):		
Cash and cash equivalents	4,020,845	1,597,974
Investments	23,958,998	25,628,595
Total restricted assets	<u>27,979,843</u>	<u>27,226,569</u>
Property, plant and equipment (note 5):	83,777,522	83,770,379
Accumulated depreciation	(25,353,927)	(23,278,319)
Net property and equipment	<u>58,423,595</u>	<u>60,492,060</u>
Deferred charges:		
Bond issue costs, Series E, F and G	3,401,374	2,962,000
Total assets	<u>\$ 93,329,924</u>	<u>\$ 93,944,164</u>

See accompanying notes to financial statements.

Liabilities and Fund Deficit	September 30, 1997	September 30, 1996
Current liabilities:		
Accounts payable	\$ 619,118	\$ 358,275
Current liabilities payable from restricted assets:		
Interest on revenue bonds	2,106,793	2,543,021
Current maturities of revenue bonds <i>(note 6)</i>	<u>145,000</u>	<u>2,320,000</u>
Total current liabilities	<u>2,870,911</u>	<u>5,221,296</u>
Long-term debt:		
Revenue bonds payable less current maturities <i>(note 6)</i>	<u>107,242,177</u>	<u>106,682,046</u>
Total liabilities	<u>110,113,088</u>	<u>111,903,342</u>
Fund equity:		
Contributions	12,026,375	12,026,375
Accumulated deficit <i>(note 6)</i>	(28,809,539)	(29,985,553)
Total fund deficit	<u>(16,783,164)</u>	<u>(17,959,178)</u>
Total liabilities and fund deficit	<u>\$ 93,329,924</u>	<u>\$ 93,944,164</u>

See accompanying notes to financial statements.

Statements of Revenues, Expenses, and Changes in Accumulated Deficit

	Years Ended	
	September 30, 1997	September 30, 1996
Operating revenues:		
Water assessments	\$ 10,624,978	\$ 10,489,476
Operating expenses:		
Operation and maintenance	610,835	717,252
Administrative services	980,028	1,049,226
Engineering services	162,800	177,647
Depreciation	2,079,740	2,095,589
Total operating expenses	3,833,403	4,039,714
Operating income	6,791,575	6,449,762
Nonoperating revenues (expenses):		
Earnings on investments	1,778,361	1,635,603
Other	28,201	39,496
Interest on revenue bonds	(7,422,123)	(8,262,136)
Total nonoperating revenues (expenses)	(5,615,561)	(6,587,037)
Net income (loss)	1,176,014	(137,275)
Accumulated deficit <i>(note 6)</i>		
Beginning of year, as previously reported	(29,985,553)	(29,567,887)
Prior period adjustment <i>(note 10)</i>		(280,391)
Beginning of year, as restated	(29,985,553)	(29,848,278)
End of year	(\$ 28,809,539)	(\$ 29,985,553)

See accompanying notes to financial statements.

Statements of Cash Flows

	September 30, 1997	September 30, 1996
Cash flows from operating activities:		
Operating income	\$ 6,791,575	\$ 6,449,762
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,079,740	2,095,589
Other nonoperating revenue	28,201	39,496
Changes in current assets and current liabilities:		
(Increase) decrease in accounts receivable	(20,314)	4,201
(Increase) decrease in water inventory		77,898
(Increase) decrease in prepayments	(55,084)	(4,712)
Increase (decrease) in accounts payable	7,555	54,990
Total adjustments	<u>2,040,098</u>	<u>2,267,462</u>
Net cash provided by operating activities	<u>8,831,673</u>	<u>8,717,224</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(9,503)	
Repayment of revenue bonds	(2,320,000)	(1,315,000)
Interest paid on revenue bonds	(5,624,352)	(7,765,494)
Reserve funds for bond refundings	(2,756,578)	
Proceeds from revenue bonds	1,079,921	
Bond issue costs paid	(95,877)	
Net cash used in capital and related financing activities	<u>(9,726,389)</u>	<u>(9,080,494)</u>
Cash flow from investing activities:		
Purchase of investments	(16,890,528)	(26,168,897)
Proceeds from sale and maturities of investments	18,727,280	26,164,266
Interest on investments	<u>1,671,206</u>	<u>1,815,596</u>
Net cash provided by (used in) investing activities	<u>3,507,958</u>	<u>1,810,965</u>
Net increase in cash and cash equivalents	2,613,242	1,447,695
Cash and cash equivalents at beginning of year	<u>4,852,440</u>	<u>3,404,745</u>
Cash and cash equivalents at end of year	<u>\$ 7,465,682</u>	<u>\$ 4,852,440</u>

Noncash investing, capital, and financing activities:

During 1997, the Subdistrict issued water revenue bonds to refund bonds issued in 1986. \$91,882,288 of the \$92,750,000 proceeds were used to current refund \$89,825,000 of outstanding water revenue bond principal, \$2,933,988 of interest, \$1,327,800 of call premium, and \$1,303,768 in bond issue costs.

See accompanying notes to financial statements.

1 Summary of Significant Accounting Policies

The Municipal Subdistrict, Northern Colorado Water Conservancy District (Subdistrict) was established July 6, 1970, pursuant to the Water Conservancy Act. The Subdistrict provides a supplemental water supply for the cities of Boulder, Broomfield, Greeley, Longmont, Loveland, the Town of Estes Park, the Platte River Power Authority, and various other domestic water suppliers.

The Subdistrict is governed by a 12-member appointed Board of Directors. Each board member is appointed to serve a four-year term by the presiding State District Court Judge in which the board member resides.

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

Reporting Entity

For financial reporting purposes, management has considered all potential component units. Subdistrict meets the criteria of an "other stand-alone government" as defined in GASB No. 14.

Basis of Accounting

The Subdistrict accounts for its financial operations as a proprietary fund recognizing assets, liabilities, revenues and expenses on the accrual basis of accounting. Accordingly, revenues and expenses are recognized in the period earned or incurred.

Application of FASB Pronouncements

The Subdistrict applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on accounting procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Budgetary Data

Budget Policy

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

- On or before June 1, all Branch Heads submit working budgets to Budget Officers.
- Prior to the August Board meeting, Budget Officers submit the budget to the Board of Directors at a planning session.
- In August, at a public hearing, the budget is legally enacted through passage of a resolution by the Board of Directors.

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

Budgetary Basis

Budgets are adopted on a basis consistent with GAAP with the following exceptions:

- Principal retired is budgeted as a nonoperating expense.
- Depreciation is not budgeted.
- Capital expenses are treated as nonoperating expenses.

Assets, Liabilities and Fund Equity

Cash and Cash Equivalents

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

Investments

The Subdistrict's investments are carried at fair value plus accrued interest with gains or losses included in earnings on investments.

Property, Plant and Equipment

Assets that are acquired through contributions are reported at estimated cost or fair market value at date of acquisition. The Subdistrict records its property and equipment at cost. Maintenance and repairs are charged to current period operating expenses as incurred; whereas, major improvements are capitalized and depreciated or amortized. Upon retirement or other disposition of property and equipment, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are reflected in net income. Costs incurred for environmental impact studies, engineering, feasibility, and other studies are capitalized with the related project. When the projects are completed, the costs are depreciated over the estimated useful life of the project. If the project does not become operational or does not benefit other projects, the costs become expenses. Interest costs during construction are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Equipment	3-15
Buildings and improvements	20
Water diversion project	40

Notes to Financial Statements

Bond Issue Costs

Bond discount, bond issuance, and refinancing expenses are being amortized as an adjustment to interest expense over the remaining life of the related bond issues. These costs are recorded as deferred charges.

Reclassifications

Certain reclassifications have been made to the September 30, 1996 financial statements in order to conform to the September 30, 1997 presentation.

Revenues and Expenses

Water assessments are take-or-pay contracts with allottees. The allottees must make certain minimum payments, whether or not the allottee receives water, based upon the debt service requirements of the Subdistrict. Tax revenues are not used to finance any Subdistrict operations.

2 Stewardship, Compliance and Accountability

Budget Reconciliations

A reconciliation of the budget (budgetary basis) to actual revenues and expenses included in the accompanying financial statements is as follows:

	Years Ended	
	September 30, 1997	September 30, 1996
Revenues, per financial statements, (GAAP basis)	\$ 12,431,540	\$ 12,164,575
Bond refunding	92,966,839	
Revenues, (budgetary basis)	<u>105,398,379</u>	<u>12,164,575</u>
Expenses, per financial statements (GAAP basis)	11,255,526	12,301,850
Capital outlays	11,275	
Bond refunding	95,744,594	
Revenue bond principal payments	2,320,000	1,315,000
Depreciation	(2,079,740)	(2,095,589)
Expenses, (budgetary basis)	<u>107,251,655</u>	<u>11,521,261</u>
Appropriations	109,452,346	12,321,180
Unused appropriations	<u>\$ 2,200,691</u>	<u>\$ 799,919</u>

Water Activity Enterprise

The Subdistrict's Windy Gap Water Activity Enterprise, established as a "water activity enterprise" in accordance with Colorado statutes, is an "enterprise" within the state constitution Article X, Section 20 exclusion.

3 Cash and Investments

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 market value of the collateral must be at least equal to the aggregate uninsured deposits.

Investments:

The Subdistrict is authorized by the Act to invest in the following:

- Obligations of the U.S., such as treasury bills and bonds.
- Prime rated commercial paper.
- Certificates of Deposit.
- Repurchase agreements fully collateralized by U.S. securities or obligations of an agency of the U.S. government.
- Prime rated banker's acceptances.
- Bonds or other interest-bearing obligations of which principal and interest are unconditionally guaranteed by the U.S. government, such as FNMA bonds.
- Guaranteed investment contracts of domestically regulated insurance companies having a claims-paying ability rating of "AAA" from Standard and Poor's Corporation.
- Shares in any money market fund or account, unit investment trust account, or open-end investment company.
- Obligations issued by any agency of the U.S.

The Subdistrict's deposits and investments are categorized below to give an indication of the level of risk assumed by the entity at September 30, 1997. A summary of cash and investments shown on the balance sheets is as follows:

Cash and cash equivalents	\$ 7,465,682
Restricted assets - investments	23,958,998
	<u>\$ 31,424,680</u>

The carrying amount of cash at September 30, 1997, was \$20,060, and the bank balances totaled \$28,245. The bank balances were covered by federal depository insurance (Category I).

Notes to Financial Statements

3 Cash and Investments (continued)

Investments:

U.S. government securities
 Investments not required to be categorized
 Mutual fund investments
 Total investments
 Total deposits
 Total deposits and investments

	Category			Fair Value
	I	II	III	
		\$23,958,998		\$23,958,998
				7,445,622
				31,404,620
				20,060
				<u>\$31,424,680</u>

Category I investments are insured or registered for which securities are held by the Subdistrict or its agent in the Subdistrict's name. The Subdistrict does not have any investments in this category. Category II investments are uninsured and unregistered for which securities are held by the counterparty's

trust department or agent in the Subdistrict's name. Category III investments are uninsured and unregistered securities that are held by the bank, or by its trust department or agent, but not in the Subdistrict's name. The Subdistrict does not have any investments in this category.

4 Restricted Assets

The Subdistrict's water revenue bond resolution requires special

reserves and accounts. The assets within these reserves are held by a bank trust department acting as trustee for the Subdistrict.

Revenue bond reserves:

Escrow F
 Cash
 Investment (Maturity value \$3,030,268)

Debt service account
 Cash
 Investment (Maturity value \$3,733,256 and \$6,130,525)

Debt service reserve account
 Cash
 Investment (Maturity value \$10,313,464 and \$10,313,464)

Operation and maintenance reserve account
 Cash
 Investment (Maturity value \$6,425,143 and \$6,434,851)

 Total revenue bond reserves

September 30, 1997 September 30, 1996

	Fair Value	Fair Value
	\$	\$
		270
		2,983,378
		2,983,648
	82,772	22,363
	3,736,745	6,141,805
	3,819,517	6,164,168
	317,506	308,296
	10,238,155	10,072,484
	10,555,661	10,380,780
	52,235	1,576
	6,435,433	6,430,928
	6,487,668	6,432,504
	20,862,846	25,961,100
	3,568,332	1,265,469
	3,548,665	
	7,116,997	1,265,469
	\$ 27,979,843	\$ 27,226,569

Other reserves:

Cash
 Investment (Maturity value \$3,543,565)
 Total other reserves
 Total reserves

Account

Authorized Expenditure

Escrow F	Escrow for forward bond purchase agreement for Series F.
Debt service	Paying current principal and interest on bonds.
Debt service reserve	Paying principal and interest in the event there are insufficient funds available in the debt service account.
Operation and maintenance	Paying operation and maintenance costs in the event there are insufficient funds available from current revenues.
Other	Paying future maintenance, replacement costs, power and wheeling charges, assessments, bond issue costs and declared emergencies.

Notes to Financial Statements

5 Property, Plant and Equipment

The following is a summary of property, plant and equipment at cost:

Windy Gap Project:

Water diversion project
Land and right-of-way
Communications and computer
Buildings and improvements
Project improvements
O&M equipment
Furniture and equipment

September 30, 1996	Additions	Retirements	September 30, 1997
\$ 81,167,586	\$	\$	\$ 81,167,586
1,739,357	6,675		1,746,032
376,484	4,600		381,084
259,076			259,076
173,122			173,122
27,184			27,184
27,570		4,132	23,438
<u>\$ 83,770,379</u>	<u>\$ 11,275</u>	<u>\$ 4,132</u>	<u>\$ 83,777,522</u>

Mitigation for the Windy Gap Project includes a \$10.2 million cash settlement in lieu of construction of the Azure Project. The

expenditures made for the Azure Project and cash settlement are included in the costs of the Windy Gap Project.

6 Water Revenue Bonds Payable

The Subdistrict's bond transactions are summarized below (000 omitted):

	Date		Amount		Currently Outstanding
	Issued	Refunded	Issued	Refunded	
Revenue Bonds					
Series E	12/29/93		\$ 25,700		\$ 23,115
Series F	10/2/96		68,870		68,870
Series G	7/23/97		23,880		23,880
					<u>\$ 115,865</u>

Series E:

Water Revenue Bonds Series E were issued for the purpose of refunding \$22,755,000 of the Subdistrict's outstanding Water Revenue Bonds Series C at lower interest rates. The current refunding resulted in an accounting loss of \$3,225,297, gross savings of \$2.8 million and an economic gain (net present value savings) of \$2.7 million.

Series F:

During October 1996, Subdistrict issued \$68,870,000 Water Revenue Bonds to refund \$66,390,000 of the Series D Water Revenue Bonds at lower interest rates. The current refunding resulted in an accounting loss of \$2,279,383, gross savings of \$3.5 million, and an economic gain (net present value savings) of \$3.3 million.

Series G:

On July 23, 1997, Subdistrict sold \$23,880,000 Water Revenue Bonds to refund \$23,435,000 of the Series D Water Revenue Bonds at lower interest rates. The current refunding resulted in an accounting loss of \$3,385,986, gross savings of \$2.2 million, and an economic gain (net present value savings) of \$1.3 million.

The accounting losses for Series E, F, and G Water Revenue Bonds are being charged to operations over the life of the bonds. In refundings for Series C and D water revenue bonds resulted in extraordinary losses of \$23,654,581 and significantly contributed to the accumulated deficit in fund equity.

Notes to Financial Statements

6 Water Revenue Bonds Payable (continued)

Revenue Bonds	Interest Rate	Original Issue	Maturity	September 30, 1997	September 30, 1996
Series D:	6.30-7.75%				
Serial Bonds		\$ 35,855,000	12/1/97-12/1/2006	\$	\$ 32,640,000
Term Bonds		34,290,000	6/1/2007-12/1/2012		34,290,000
Term Bonds		23,435,000	6/1/2013-12/1/2015		23,435,000
Total Series D					90,365,000
Series E:	3.70-5.00%				
Serial Bonds		5,270,000	12/1/97-12/1/2010	2,685,000	4,465,000
Term Bonds		20,430,000	12/1/2011-12/1/2017	20,430,000	20,430,000
Total Series E				23,115,000	24,895,000
Series F:	5.15-6.50%				
Serial Bonds		38,925,000		38,295,000	
Term Bonds		30,575,000		30,575,000	
Total Series F				68,870,000	
Series G:	4.00-5.25%				
Serial Bonds		475,000		475,000	
Term Bonds		23,405,000		23,405,000	
Total Series G				23,880,000	
Total outstanding bonds				115,865,000	115,260,000
Unamortized bond discount				(429,262)	(3,463,633)
Unamortized bond refunding				(8,048,561)	(2,794,321)
Current maturities				(145,000)	(2,320,000)
Total revenue bond				\$ 107,242,177	\$ 106,682,046

Lien on Subdistrict revenues:

All revenues of the Subdistrict, after payment of operating expenses, are pledged as security for the bonds as well as by a pledge of the Debt Service Fund, Debt Service Reserve Fund, and

all other funds established by the Board resolutions. The annual requirements to retire the revenue bonds outstanding as of September 30, 1997 are as follows:

Fiscal Year	Water Revenue Bonds Series E		Water Revenue Bonds Series F		Water Revenue Bonds Series G		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
1998	\$ 145,000	\$ 1,140,566	\$	\$ 4,254,713	\$	\$ 1,146,539	\$ 6,686,818
1999	150,000	1,134,959	1,910,000	4,205,530	25,000	1,250,270	8,675,759
2000	155,000	1,128,857	3,200,000	4,070,748	25,000	1,249,270	9,828,875
2001	160,000	1,122,319	3,370,000	3,891,631	25,000	1,248,255	9,817,205
2002	170,000	1,115,304	3,560,000	3,695,762	25,000	1,247,208	9,813,274
2003 - 2018	22,335,000	15,524,572	56,830,000	22,310,490	23,780,000	15,511,920	156,291,982
	\$ 23,115,000	\$ 21,166,577	\$ 68,870,000	\$ 42,428,874	\$ 23,880,000	\$ 21,653,462	\$ 201,113,913

7 Risk Management

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

8 Intergovernmental Agreements

The Subdistrict has an agreement with the District to provide administrative, carriage, operation and maintenance functions for the Subdistrict. These costs amounted to \$731,505 and \$731,636 for the years ended September 30, 1997 and 1996 respectively.

The Subdistrict paid the Inter-District Service Fund of the District for equipment and computer services amounting to \$282,123 and \$269,692 for the years ended September 30, 1997 and 1996 respectively.

The Subdistrict owed the District and Inter-District Service Fund \$226,603 and \$15,414 respectively at September 30, 1997 and \$227,986 and \$15,689 respectively at September 30, 1996.

9 Principal Customers

Water assessments to the Subdistrict's five largest allottees expressed as a percentage of total operating revenues for the years ended September 30, 1997 and 1996 were as follows:

	September 30, 1997	September 30, 1996
Platte River Power Authority	34.3%	34.9%
City of Boulder	17.5%	16.3%
City of Longmont	16.1%	16.1%
City of Greeley	13.5%	13.4%
City of Loveland	8.1%	8.1%
	<u>89.5%</u>	<u>88.8%</u>

10 Prior Period Adjustment

Effective October 1, 1995, the Subdistrict adopted GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and Entered Investment Pools," which requires that certain investments be reported at fair value with gains and losses included in the earnings on investments. Prior to Statement 31, the Subdistrict accounted for investments at amortized cost. The October 1, 1995 accumulated deficit has been increased \$280,391 to reflect this implementation.

Schedule of Revenues and Expenses, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1997			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1996 Actual
Operating revenues:				
Water assessments	\$ 10,624,910	\$ 10,624,978	\$ 68	\$ 10,489,476
Operating expenses:				
Operation and maintenance	1,017,290	610,835	406,455	717,252
Administrative services	1,200,963	980,028	220,935	1,049,226
Engineering services	238,603	162,800	75,803	177,647
Total operating expenses	2,456,856	1,753,663	703,193	1,944,125
Operating revenues over expenses	8,168,054	8,871,315	703,261	8,545,351
Nonoperating revenues:				
Earnings on investments	1,452,709	1,778,361	325,652	1,635,603
Other	25,550	28,201	2,651	39,496
Bond refunding	95,814,320	92,966,839	(2,847,481)	
Total nonoperating revenues	97,292,579	94,773,401	(2,519,178)	1,675,099
Nonoperating expenses:				
Capital outlay	27,500	11,275	16,225	
Revenue bond principal payments	2,320,000	2,320,000		1,315,000
Interest expense	8,833,670	7,422,123	1,411,547	8,262,136
Bond refunding	95,814,320	95,744,594	69,726	
Total nonoperating expenses	106,995,490	105,497,992	1,497,498	9,577,136
Revenues over expenses	(\$ 1,534,857)	(1,853,276)	(\$ 318,419)	643,314
Increases (decreases) to reconcile budgetary basis to GAAP basis				
Revenue bond principal payments		2,320,000		1,315,000
Capital outlay		11,275		
Depreciation		(2,079,740)		(2,095,589)
Bond refunding revenues		(92,966,839)		
Bond refunding expenses		95,744,594		
Net income (loss)		\$ 1,176,014		(\$ 137,275)

Schedule of Operating and Nonoperating Revenues, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1997			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1996 Actual
Operating revenues:				
Water assessments	\$ 10,624,910	\$ 10,624,978	\$ 68	\$ 10,489,476
Total	\$ 10,624,910	\$ 10,624,978	\$ 68	\$ 10,489,476
Nonoperating revenues:				
Earnings on investments	\$ 1,452,709	\$ 1,778,361	\$ 325,652	\$ 1,635,603
Total	\$ 1,452,709	\$ 1,778,361	\$ 325,652	\$ 1,635,603
Other nonoperating revenues:				
Facilities rent	\$ 12,200	\$ 11,600	(\$ 600)	\$ 9,450
Miscellaneous	13,350	16,601	3,251	30,046
Total	\$ 25,550	\$ 28,201	\$ 2,651	\$ 39,496

Schedule of Operating Expenses-Operation and Maintenance, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1997			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1996 Actual
Contingent	\$ 10,000	\$	\$ 10,000	\$
Equipment services	91,785	85,967	5,818	117,616
Insurance	20,000	16,000	4,000	17,998
Labor reimbursement	237,045	136,434	100,611	129,328
Pumping carriage contract	554,750	320,418	234,332	306,577
Pumping plant maintenance	31,500	3,467	28,033	2,482
Pumping power and wheeling				77,898
Purchase services	1,450	650	800	650
Ranchers' diversions		373	(373)	17,392
Reclamation	2,000		2,000	
Rental equipment	1,000		1,000	280
Rental office	1,800		1,800	1,800
Service/maintenance contracts	2,880	642	2,238	2,144
Supplies and services	11,880	14,591	(2,711)	13,151
Training/registration and materials	6,600	1,877	4,723	2,154
Travel/lodging/meals	4,800	1,772	3,028	2,126
Utilities	39,800	28,644	11,156	25,656
Total	\$ 1,017,290	\$ 610,835	\$ 406,455	\$ 717,252

Schedule of Operating Expenses-Administrative Services, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1997			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1996 Actual
Audit and financial report	\$ 10,720	\$ 10,019	\$ 701	\$ 9,468
Computer services	208,445	196,156	12,289	152,076
Contingent	20,000		20,000	
Directors' fees	18,400	16,309	2,091	17,117
Dues/memberships/contributions	12,600	11,508	1,092	11,709
Information services	15,000	4,542	10,458	15,481
Insurance	8,100	5,211	2,889	7,778
Labor reimbursement	277,697	281,869	(4,172)	286,570
Legal	368,090	267,991	100,099	301,258
Miscellaneous	500		500	
Overhead reimbursement	34,561	27,179	7,382	25,289
Professional services	92,300	53,105	39,195	44,302
Purchase services	18,500	16,469	2,031	14,797
Rental office	31,380	30,270	1,110	32,450
Service/maintenance contracts	10,000	7,775	2,225	8,262
Supplies and services	11,660	12,370	(710)	9,453
Training/registration and materials	200	138	62	45
Travel/lodging/meals	33,160	22,499	10,661	21,343
Trustee fees	29,650	16,618	13,032	91,828
Total	\$ 1,200,963	\$ 980,028	\$ 220,935	\$ 1,049,226

Schedule of Operating Expenses-Engineering Services, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1997			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1996 Actual
Forecasting	\$ 26,500	\$ 14,969	\$ 11,531	\$ 14,135
GIS service data	1,000		1,000	211
Labor reimbursement	76,353	76,257	96	87,234
Professional services	104,500	70,265	34,235	72,674
Maintenance of data collection	20,000	18	19,982	242
Supplies and services	5,700	499	5,201	2,527
Training/registration and materials				177
Travel/lodging/meals	4,550	792	3,758	447
Total	\$ 238,603	\$ 162,800	\$ 75,803	\$ 177,647

Schedule of Capital Outlay and Debt Service, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1997			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1996 Actual
Capital Outlay				
Computer and electronic equipment	\$ 20,000	\$ 4,600	\$ 15,400	\$
Property improvements	7,500	6,675	825	
Total	<u>\$ 27,500</u>	<u>\$ 11,275</u>	<u>\$ 16,225</u>	<u>\$</u>
Debt Service				
<i>Principal:</i>				
Series D and E	\$ 2,320,000	\$ 2,320,000	\$	\$ 1,315,000
Total	<u>\$ 2,320,000</u>	<u>\$ 2,320,000</u>	<u>\$</u>	<u>\$ 1,315,000</u>
<i>Interest:</i>				
Series D, E, F, and G	\$ 7,685,600	\$ 6,611,020	\$ 1,074,580	\$ 7,745,456
Amortization	1,148,070	811,103	336,967	516,680
Total	<u>\$ 8,833,670</u>	<u>\$ 7,422,123</u>	<u>\$ 1,411,547</u>	<u>\$ 8,262,136</u>

Schedule of Changes in Cash for Refunding Escrow Accounts

Years ended September 30, 1997 and 1996

	Series B Refunding Escrow Account	Series C Refunding Escrow Account	Total Refunding Escrow Accounts
Cash balance September 30, 1995	\$ 112	\$ 140,605	\$ 140,717
Receipts:			
Interest received	3,614,199	3,746,537	7,360,736
Investments sold/matured	77,483,100	79,174,800	156,657,900
	<u>81,097,299</u>	<u>82,921,337</u>	<u>164,018,636</u>
Disbursements:			
Bond debt service	81,097,374	82,921,290	164,018,664
Investments purchased		140,600	140,600
Transfer to debt service	37	52	89
	<u>81,097,411</u>	<u>83,061,942</u>	<u>164,159,353</u>
Cash balance September 30, 1996			
Receipts:			
Interest received			
Investments sold/matured			
Disbursements:			
Bond debt service			
Investments purchased			
Transfer to debt service			
Cash balance September 30, 1997	<u>\$</u>	<u>\$</u>	<u>\$</u>

Schedule of Changes in Revenue Bonds, Restricted Assets and Cash Balances

Year ended September 30, 1997

	General Reserve Account	Revenue Account	Operation and Maintenance Fund	Subtotal
Cash balance September 30, 1996	\$ 3,490,582	\$	\$ 266,308	\$ 3,756,890
Receipts:				
Bond sale proceeds				
Participant contributions		10,624,978		10,624,978
Interest received	145,581			145,581
Investments sold/matured	2,975,156			2,975,156
Transfer from revenue account	10,014,143		610,835	10,624,978
Transfer from debt service reserve	403,512			403,512
Transfer from operation and maintenance reserve	271,053			271,053
Transfer from general reserve				
Transfer from escrow F	3,026,026			3,026,026
	<u>16,835,471</u>	<u>10,624,978</u>	<u>610,835</u>	<u>28,071,284</u>
Disbursements:				
Interest and principal paid				
Investments purchased	3,025,538			3,025,538
Transfer to general reserve		10,014,143		10,014,143
Transfer to debt service fund	7,672,000			7,672,000
Transfer to other funds	973,314		601,509	1,574,823
Transfer to operation and maintenance fund		610,835		610,835
Transfer to other reserves	5,124,070			5,124,070
Bond issue costs				
	<u>16,794,922</u>	<u>10,624,978</u>	<u>601,509</u>	<u>28,021,409</u>
Cash balance September 30, 1997	\$ 3,531,131	\$	\$ 275,634	\$ 3,806,765

Debt Service Account	Debt Service Reserve Account	Operation and Maintenance Reserve Account	Other Reserves	Escrow F	Total
\$ 22,362	\$ 308,295	\$ 1,578	\$ 763,045	\$ 270	\$ 4,852,440
			91,908,019		91,908,019
242,017	572,085	381,270	2,826,529	30,485	10,624,978
10,219,905		2,536,948	91,479,847	2,995,271	4,197,967
					110,207,127
159,363			2,679,630		10,624,978
49,500					3,242,505
7,672,000			5,124,070		320,553
					12,796,070
					3,026,026
<u>18,342,785</u>	<u>572,085</u>	<u>2,918,218</u>	<u>194,018,095</u>	<u>3,025,756</u>	<u>246,948,223</u>
7,739,456			94,086,788		101,826,244
7,863,289		2,547,162	96,942,017		110,378,006
	403,512	271,053		3,026,026	13,714,734
	159,363	49,500			7,880,863
		(155)			1,574,668
2,679,630					610,835
			545,931		7,803,700
<u>18,282,375</u>	<u>562,875</u>	<u>2,867,560</u>	<u>191,574,736</u>	<u>3,026,026</u>	<u>244,334,981</u>
\$ 82,772	\$ 317,505	\$ 52,236	\$ 3,206,404	\$	\$ 7,465,682

Schedule of Bond Retirements and Interest Payable for Bonds Outstanding at September 30, 1997

Years 1998 to 2018 Inclusive

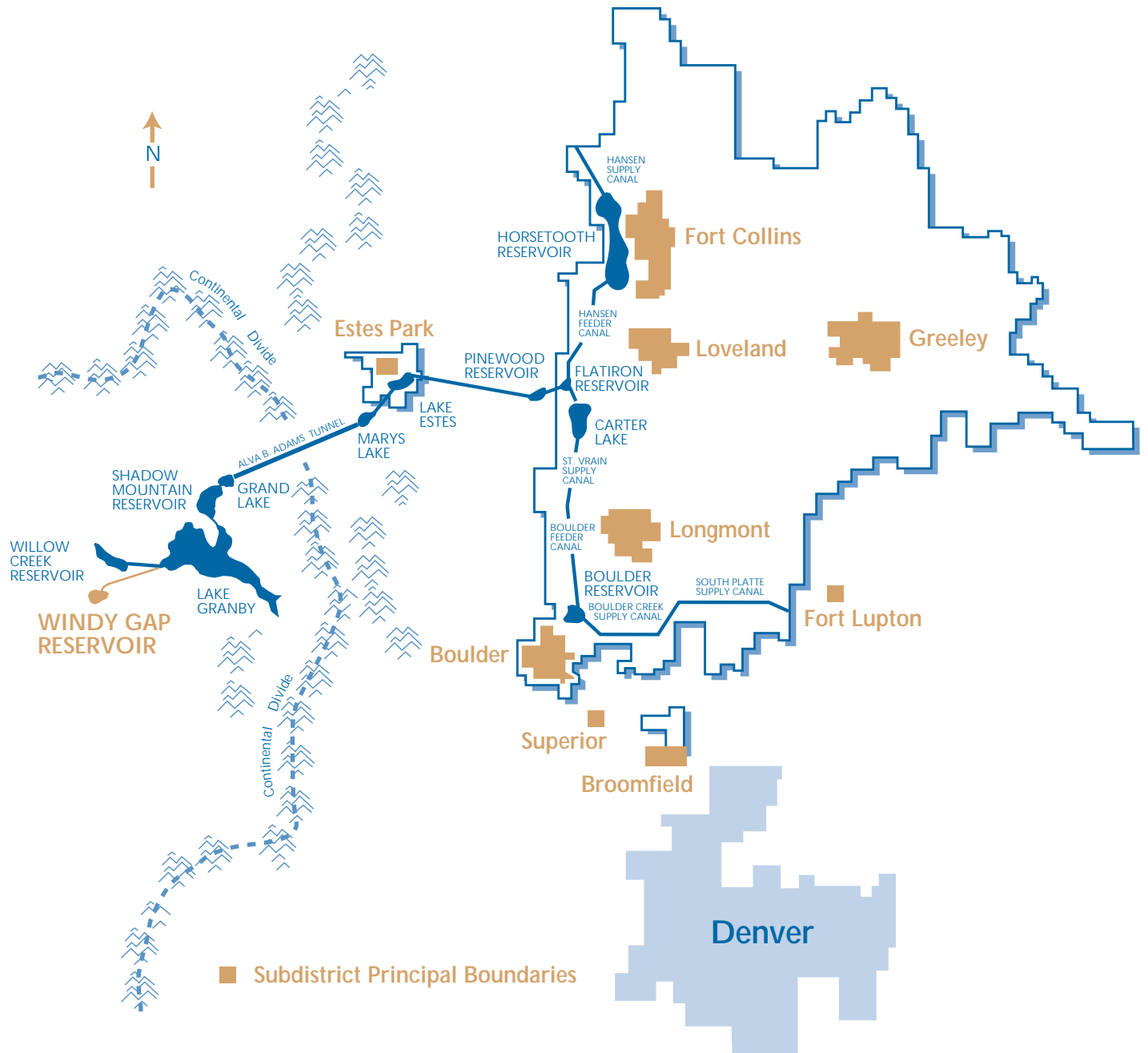
Bond Retirements				
Water Revenue Bonds				
Fiscal Year	Series E	Series F	Series G	Total
1998	\$ 145,000	\$	\$	\$ 145,000
1999	150,000	1,910,000	25,000	2,085,000
2000	155,000	3,200,000	25,000	3,380,000
2001	160,000	3,370,000	25,000	3,555,000
2002	170,000	3,560,000	25,000	3,755,000
2003	175,000	3,770,000	25,000	3,970,000
2004	185,000	3,985,000	30,000	4,200,000
2005	190,000	4,225,000	30,000	4,445,000
2006	200,000	4,470,000	30,000	4,700,000
2007	210,000	4,750,000	30,000	4,990,000
2008	220,000	5,055,000	35,000	5,310,000
2009	230,000	5,375,000	35,000	5,640,000
2010	240,000	5,720,000	35,000	5,995,000
2011	255,000	6,085,000	40,000	6,380,000
2012	265,000	6,485,000	40,000	6,790,000
2013	280,000	6,910,000	45,000	7,235,000
2014	295,000		7,405,000	7,700,000
2015	310,000		7,790,000	8,100,000
2016	325,000		8,210,000	8,535,000
2017	9,240,000			9,240,000
2018	9,715,000			9,715,000
	<u>\$ 23,115,000</u>	<u>\$ 68,870,000</u>	<u>\$ 23,880,000</u>	<u>\$ 115,865,000</u>

Bond Interest

Water Revenue Bonds

<u>Fiscal Year</u>	<u>Series E</u>	<u>Series F</u>	<u>Series G</u>	<u>Total</u>	<u>Total Debt Service</u>
1998	\$ 1,140,566	\$ 4,254,713	\$ 1,146,539	\$ 6,541,818	\$ 6,686,818
1999	1,134,959	4,205,530	1,250,270	6,590,759	8,675,759
2000	1,128,857	4,070,748	1,249,270	6,448,875	9,828,875
2001	1,122,319	3,891,631	1,248,255	6,262,205	9,817,205
2002	1,115,304	3,695,762	1,247,208	6,058,275	9,813,274
2003	1,107,799	3,483,142	1,246,130	5,837,071	9,807,071
2004	1,099,787	3,254,314	1,244,923	5,599,024	9,799,024
2005	1,091,254	3,007,954	1,243,588	5,342,796	9,787,796
2006	1,082,184	2,742,696	1,242,219	5,067,099	9,767,099
2007	1,072,444	2,456,806	1,240,820	4,770,070	9,760,070
2008	1,062,124	2,147,872	1,239,284	4,449,280	9,759,280
2009	1,051,237	1,812,688	1,237,613	4,101,538	9,741,538
2010	1,039,780	1,452,100	1,235,916	3,727,796	9,722,796
2011	1,027,715	1,068,438	1,234,058	3,330,211	9,710,211
2012	1,014,875	659,913	1,232,058	2,906,846	9,696,846
2013	1,001,250	224,567	1,229,911	2,455,728	9,690,728
2014	986,875		1,034,382	2,021,257	9,721,257
2015	971,750		635,513	1,607,263	9,707,263
2016	955,875		215,505	1,171,380	9,706,380
2017	716,750			716,750	9,956,750
2018	242,873			242,873	9,957,873
	<u>\$ 21,166,577</u>	<u>\$ 42,428,874</u>	<u>\$ 21,653,462</u>	<u>\$ 85,248,913</u>	<u>\$ 201,113,913</u>

Subdistrict Location Map



Review of Revenues and Expenses

1988 - 1997

	September 30, 1997	September 30, 1996	September 30, 1995	September 30, 1994
Operating revenues:				
Water assessments	\$ 10,624,978	\$ 10,489,476	\$ 10,457,483	\$ 9,401,693
Operating expenses:				
Operation and maintenance	610,835	717,252	936,787	922,729
Administrative services (2)	980,028	1,049,226	906,276	966,585
Engineering services (2)	162,800	177,647	96,325	57,626
Depreciation	2,079,740	2,095,589	2,107,810	2,111,570
Total operating expenses	<u>3,833,403</u>	<u>4,039,714</u>	<u>4,047,198</u>	<u>4,058,510</u>
Operating income	<u>6,791,575</u>	<u>6,449,762</u>	<u>6,410,285</u>	<u>5,343,183</u>
Nonoperating revenues (expenses):				
Earnings on investments	1,778,361	1,635,603	1,526,408	1,121,523
Other	28,201	39,496	13,791	31,294
Interest on debt	(7,422,123)	(8,262,136)	(8,323,563)	(8,452,199)
Loss on sale of land			(210,770)	
Total nonoperating revenues (expense)	<u>(5,615,561)</u>	<u>(6,587,037)</u>	<u>(6,994,134)</u>	<u>(7,299,382)</u>
Net income (loss)	<u>\$ 1,176,014</u>	<u>(\$ 137,275)</u>	<u>(\$ 583,849)</u>	<u>(\$ 1,956,199)</u>

Source: Subdistrict's accounting records—presented on the accrual basis.

(1) The Board adopted a September 30 year-end effective May 12, 1989. Accordingly, the revenues and expenses for September 30, 1989 include nine months, whereas the other years include a full year. Since water assessments are pay-or-take contracts and water pumping occurs each spring, operating revenues were not affected by the change in accounting period.

(2) The increase in administrative expenses in 1990 and 1991 was the result of higher litigation costs and the completion of the Regional Water Supply Study.

September 30, 1993	September 30, 1992	September 30, 1991	September 30, 1990	September 30, 1989 (1)	December 31, 1988
\$ 10,386,675	\$ 10,705,254	\$ 10,405,662	\$ 10,411,259	\$ 10,087,837	\$ 10,304,278
938,887	822,648	987,696	600,563	506,085	825,663
1,107,358	1,075,639	1,275,398	1,354,497	639,162	931,486
62,928	109,033	162,383	192,615	79,366	110,433
2,123,936	2,123,105	2,114,213	2,110,994	1,534,955	2,025,365
4,233,109	4,130,425	4,539,690	4,258,669	2,759,568	3,892,947
6,153,566	6,574,829	5,865,972	6,152,590	7,328,269	6,411,331
1,492,774	1,618,167	2,166,594	2,197,867	1,734,210	1,935,409
13,153	16,444	9,705	10,700	8,400	9,651
(8,772,154)	(8,889,492)	(8,994,365)	(9,088,900)	(6,840,101)	(9,234,729)
(7,266,227)	(7,254,881)	(6,818,066)	(6,880,333)	(5,097,491)	(7,289,669)
(\$ 1,112,661)	(\$ 680,052)	(\$ 952,094)	(\$ 727,743)	\$ 2,230,778	(\$ 878,338)

Condensed Balance Sheets

1988 - 1997

	September 30, 1997	September 30, 1996	September 30, 1995	September 30, 1994
Assets				
Current assets	\$ 3,525,112	\$ 3,263,535	\$ 2,565,618	\$ 2,640,259
Restricted assets (2)	27,979,843	27,226,569	27,009,929	24,718,962
Property and equipment (2)	83,777,522	83,770,379	83,770,871	84,480,040
Accumulated depreciation	(25,353,927)	(23,278,319)	(21,183,223)	(19,075,413)
Deferred charges	3,401,374	2,962,000	3,138,122	3,317,424
Total assets	<u>\$ 93,329,924</u>	<u>\$ 93,944,164</u>	<u>\$ 95,301,317</u>	<u>\$ 96,081,272</u>
Liabilities and fund deficit				
Current liabilities	\$ 2,870,911	\$ 5,221,296	\$ 4,181,343	\$ 3,405,292
Long-term debt (3)	107,242,177	106,682,046	108,661,486	109,633,643
Contributions	12,026,375	12,026,375	12,026,375	12,026,375
Accumulated equity (deficit) (4)	(28,809,539)	(29,985,553)	(29,567,887)	(28,984,038)
Total liabilities and fund equity	<u>\$ 93,329,924</u>	<u>\$ 93,944,164</u>	<u>\$ 95,301,317</u>	<u>\$ 96,081,272</u>

Source: Subdistrict's accounting records—presented on the accrual basis.

(1) In 1989 the Subdistrict changed its fiscal year-end from December 31 to September 30.

(2) The increase in restricted assets since 1989 is the result of the change in accounting period. The additional resources are to make the Debt Service payment due December 1.

(3) During 1983 Water Revenue Bonds Series C were issued for the purpose of completing construction and advance refunding Water Revenue Bonds Series B. During 1986 Water Revenue Bonds Series C were issued for the purpose of advance refunding \$78,530,000 of the \$107,445,000 Water Revenue Bonds Series C. On December 29, 1993 Water Revenue Bonds Series E were issued for the purpose of refunding \$22,755,000 of the Subdistrict's outstanding Water Revenue Bonds Series C. During October 1996, Subdistrict issued \$68,870,000 Water Revenue Bonds Series F to refund \$66,390,000 of the Water Revenue Bonds Series D. On July 23, 1997 Subdistrict sold \$23,880,000 Water Revenue Bonds Series G to refund \$23,435,000 of the Water Revenue Bonds Series D.

(4) Extraordinary losses from bond refundings significantly contributed to the accumulated deficit in fund equity.

September 30, 1993	September 30, 1992	September 30, 1991	September 30, 1990	September 30, 1989 (1)	December 31, 1988
\$ 5,955,225	\$ 5,454,828	\$ 5,605,081	\$ 5,378,047	\$ 5,497,607	\$ 3,425,458
22,588,815	23,412,406	23,032,309	23,107,949	22,583,408	18,825,735
84,492,989	84,485,939	84,459,637	84,370,664	85,185,619	84,969,660
(16,968,800)	(14,844,864)	(12,721,758)	(10,624,040)	(8,513,046)	(6,978,091)
<u>1,609,946</u>	<u>1,706,256</u>	<u>1,803,864</u>	<u>1,902,769</u>	<u>2,002,870</u>	<u>2,078,659</u>
<u>\$ 97,678,175</u>	<u>\$ 100,214,565</u>	<u>\$ 102,179,133</u>	<u>\$ 104,135,389</u>	<u>\$ 106,756,458</u>	<u>\$ 102,321,421</u>
\$ 4,686,079	\$ 4,716,200	\$ 4,716,636	\$ 4,536,050	\$ 5,349,629	\$ 3,347,719
107,993,560	109,393,235	110,677,315	111,862,063	112,941,810	112,739,461
12,026,375	12,020,308	12,020,308	12,020,308	12,020,308	12,020,308
(27,027,839)	(25,915,178)	(25,235,126)	(24,283,032)	(23,555,289)	(25,786,067)
<u>\$ 97,678,175</u>	<u>\$ 100,214,565</u>	<u>\$ 102,179,133</u>	<u>\$ 104,135,389</u>	<u>\$ 106,756,458</u>	<u>\$ 102,321,421</u>