
Municipal Subdistrict
Northern Colorado Water Conservancy District
Loveland, Colorado
September 30, 1998

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, 1998 and 1997

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

Comprehensive Annual Financial Report, September 30, 1998 and 1997

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Municipal Subdistrict Northern Colorado Water Conservancy District

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

February 2, 1999

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, 1998 and 1997, 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

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

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 1999. Colorado's economy has been decelerating since its 1994 boom. Economists expect 2 percent growth for 1999. Unemployment will remain at a low 3.7 percent. Inflation will rise to 2.9 percent in 1999.

The construction of a major bypass around the Denver metropolitan area to the north and the opening of the 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 1998 no pumping occurred because of high storage levels. The winter of 1997-98 had 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 1998. If this storage situation remains, no pumping will occur in 1999. Water deliveries to the Windy Gap allottees totaled 5845.5 acre-feet (af) in 1998, most of which went to the Platte River Power Authority's Rawhide Power Plant.

Upper Colorado River Basin Water Quality/Quantity Study

It is a study of present and future water quality and quantity considerations in the Upper Colorado River basin in an effort to address water issues related to growth on both the Front Range and the West Slope. The seven major participants in this study are Summit County, Grand County, the Colorado River Water Conservation District, Middle Park Water Conservancy District, the Northwest Colorado Council of Governments, Denver Water Department and the Subdistrict. The study is broken down into three phases. Phase I, the definition of a scope of work or plan of study has been completed. Work has begun on Phase II, the implementation of the plan of study.

Maintenance Activities

New riprap on the upstream face of Windy Gap Reservoir Dam was completed in 1998. This work was done to supplement some of the riprap that was showing signs of weathering and to comply with comments from the dam safety inspection report of the Colorado State Engineer's Office.

Proposed Land Exchange

The Subdistrict, the Bureau of Land Management (BLM) and the United States Forest Service (USFS) continue to move forward. This involves the exchange of the Subdistrict's Gore Canyon Ranch in return for BLM lands along the Windy Gap Pipeline route and within the limits of the Windy Gap Reservoir as well as the exchange of lands on the District's Miller Hereford Ranch to the USFS for permanent easements for the Windy Gap Pipeline and access roads on USFS property. As part of this exchange, the Subdistrict would purchase the Miller Hereford Ranch lands involved in the exchange with the USFS from the District. The USFS recently approved an agreement to initiate the USFS exchange. The Subdistrict has hired a firm to conduct environmental assessment to comply with the exchange agreement.

Windy Gap Cleanup

Restoration work is nearly complete at the Windy Gap Pump Plant which flooded August 10.

The exact cause of the flood has not been determined. The Subdistrict assembled a project review team to analyze the incident and recommend operational procedure modifications.

All pumps and equipment are being inspected and tested before pumping operations begin next spring. The damage is covered by property insurance.

On August 10, the lower floors of the pumping plant were inundated with approximately 22 feet of water. Water was pumped out and cleanup began immediately. The initial cleanup took 30 days to complete.

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

1998 revenues totaled \$12,194,794. This represented a 1.9 percent decrease from the 1997 revenues of \$12,431,540. The decrease was attributable to the lower water assessments.

Expenses

Expenses for the year 1998 increased \$92,180 from the 1997 amount of \$11,255,526 due to higher administrative costs. Revenues and expenses are summarized on the next page.

Debt Administration

As of September 30, 1998, the Subdistrict's total debt amounted to \$115,720,000. The outstanding water revenue bonds ratings Standard & Poor's Corporation are A+ and A1 from Moody's Investors Service. During fiscal year 1998, \$145,000 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.

During 1998 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.

Subdistrict Revenues and Expenses

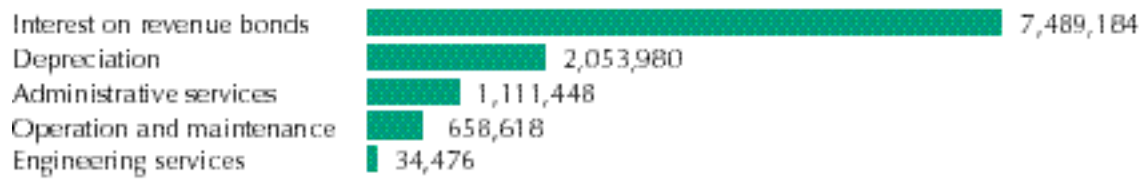
Sources of 1998 revenues

\$12,194,794



Uses of 1998 expenses

\$11,347,706



Total invested assets at the end of 1998 were \$34.9 million, representing 36.9 percent of the Subdistrict's total assets. In 1998 the Subdistrict's investment income increased 15.5 percent to \$2 million. Investment income represented 16.8 percent of the Subdistrict's total revenues. More resources were invested in 1998 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 1998 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, 1997. 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 Rupp

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
Real Estate Investor
Director Since September 28, 1974;
Term expires September 28, 2000
Boulder County
Committees: 2,4

Les Williams, Jr.
*Executive Director, St. Vrain &
Left Hand Water Conservancy District*
Director Since September 28, 1989;
Term expires September 28, 2001
Boulder County
Committees: 1,3

Marjorie A. Knievel
Farm Management
Director Since September 28, 1993;
Term expires September 28, 2001
Larimer County
Committee: 1

William H. Brown
Attorney
Director Since September 28, 1992;
Term expires September 28, 2000
Larimer County
Committee: 3

Kenton Brunner
Farmer
Director Since March 14, 1994;
Term expires September 28, 2002
Weld County
Committee: 2

William E. Bohlender
Attorney
Director Since July 6, 1970;
Term expires September 28, 2000
Weld County
Committees: 3,4

Jerry D. Winters
Attorney
Director Since September 28, 1995;
Term expires September 28, 1999
Weld County
Committee: 1

Mike Applegate
Engineer
Director Since September 28, 1991;
Term expires September 28, 1999
Larimer County
Committees: 1,2,3,4

Ruth Wright
Attorney
Director Since September 28, 1994;
Term expires September 28, 2002
Boulder County
Committees: 3,4

E. L. Caneva
Farmer
Director Since September 5, 1978;
Term expires September 28, 2001
Morgan/Washington Counties
Committee: 2

William Condon
Rancher and Feeder
Director Since September 28, 1982;
Term expires September 28, 2002
Logan County

George Jenik
Farmer
Director Since September 28, 1995;
Term expires September 28, 1999
Sedgwick County

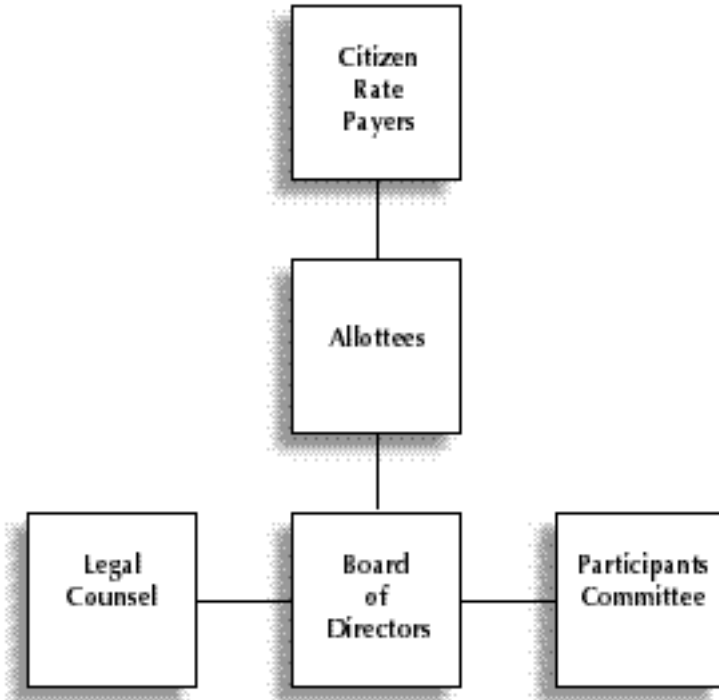
W. D. Farr
Director Emeritus

Eric W. Wilkinson
Secretary
Dr. Darell D. Zimbelman
Treasurer

Committees:

- 1. Audit
- 2. Finance
- 3. Legislative
- 4. Legal

Subdistrict Organizational Chart



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, 1997

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.



Douglas R. Ellsworth
President

Jeffrey L. Esser
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, 1998 and 1997, 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, 1998 and 1997, 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.

Fort Collins, Colorado
January 7, 1999

Balance Sheets

As of September 30

Assets	98	97
Current assets:		
Cash and cash equivalents	\$ 2,662,234	\$ 3,444,837
Accounts receivable	100,203	20,314
Prepayments	18,637	59,961
Total current assets	<u>2,781,074</u>	<u>3,525,112</u>
Restricted assets (note 4):		
Cash and cash equivalents	4,557,883	4,020,845
Investments	27,731,028	23,958,998
Total restricted assets	<u>32,288,911</u>	<u>27,979,843</u>
Property, plant and equipment (note 5):	83,787,835	83,777,522
Accumulated depreciation	(27,399,799)	(25,353,927)
Net property and equipment	<u>56,388,036</u>	<u>58,423,595</u>
Deferred charges:		
Bond issue costs, Series E, F and G	3,146,004	3,401,374
Total assets	<u>\$ 94,604,025</u>	<u>\$ 93,329,924</u>

See accompanying notes to financial statements.

Liabilities and Fund Deficit	98	97
Current liabilities:		
Accounts payable	\$ 499,135	\$ 619,118
Current liabilities payable from restricted assets:		
Interest on revenue bonds	2,214,455	2,106,793
Current maturities of revenue bonds <i>(note 6)</i>	<u>2,085,000</u>	<u>145,000</u>
Total current liabilities	<u>4,798,590</u>	<u>2,870,911</u>
Long-term debt:		
Revenue bonds payable less current maturities <i>(note 6)</i>	<u>105,741,511</u>	<u>107,242,177</u>
Total liabilities	<u>110,540,101</u>	<u>110,113,088</u>
Fund equity:		
Contributions	12,026,375	12,026,375
Accumulated deficit <i>(note 6)</i>	(27,962,451)	(28,809,539)
Total fund deficit	<u>(15,936,076)</u>	<u>(16,783,164)</u>
Total liabilities and fund deficit	<u>\$ 94,604,025</u>	<u>\$ 93,329,924</u>

See accompanying notes to financial statements.

Statements of Revenues, Expenses, and Changes in Accumulated Deficit

For the years ended September 30

	98	97
Operating revenues:		
Water assessments	\$ 10,109,040	\$ 10,624,978
Operating expenses:		
Operation and maintenance	658,618	610,835
Administrative services	1,111,448	980,028
Engineering services	34,476	162,800
Depreciation	2,053,980	2,079,740
Total operating expenses	<u>3,858,522</u>	<u>3,833,403</u>
Operating income	<u>6,250,518</u>	<u>6,791,575</u>
Nonoperating revenues (expenses):		
Earnings on investments	2,054,708	1,778,361
Other	31,046	28,201
Interest on revenue bonds	(7,489,184)	(7,422,123)
Total nonoperating revenues (expenses)	<u>(5,403,430)</u>	<u>(5,615,561)</u>
Net income	847,088	1,176,014
Accumulated deficit (note 6)		
Beginning of year	(28,809,539)	(29,985,553)
End of year	<u>(\$ 27,962,451)</u>	<u>(\$ 28,809,539)</u>

See accompanying notes to financial statements.

Statements of Cash Flows

For the years ended September 30

	<u>98</u>	<u>97</u>
Cash flows from operating activities:		
Operating income	\$ 6,250,518	\$ 6,791,575
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,053,980	2,079,740
Other nonoperating revenue	31,046	28,201
Changes in current assets and current liabilities:		
(Increase) decrease in accounts receivable	(79,889)	(20,314)
(Increase) decrease in prepayments	41,324	(55,084)
Increase (decrease) in accounts payable	(134,557)	7,555
Total adjustments	<u>1,911,904</u>	<u>2,040,098</u>
Net cash provided by operating activities	<u>8,162,422</u>	<u>8,831,673</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(20,193)	(9,503)
Repayment of revenue bonds	(145,000)	(2,320,000)
Interest paid on revenue bonds	(6,541,818)	(5,624,352)
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>(6,707,011)</u>	<u>(9,726,389)</u>
Cash flow from investing activities:		
Purchase of investments	(19,229,798)	(16,890,528)
Proceeds from sale and maturities of investments	15,672,710	18,727,280
Interest on investments	<u>1,856,112</u>	<u>1,671,206</u>
Net cash provided by (used in) investing activities	<u>(1,700,976)</u>	<u>3,507,958</u>
Net increase (decrease) in cash and cash equivalents	(245,565)	2,613,242
Cash and cash equivalents at beginning of year	<u>7,465,682</u>	<u>4,852,440</u>
Cash and cash equivalents at end of year	<u>\$ 7,220,117</u>	<u>\$ 7,465,682</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:

	<u>Years</u>
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, 1997, financial statements in order to conform to the September 30, 1998, 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 for the years ended September 30 are as follows:

	98	97
Revenues, per financial statements, (GAAP basis)	\$ 12,194,794	\$ 12,431,540
Bond refunding		92,966,839
Revenues, (budgetary basis)	<u>12,194,794</u>	<u>105,398,379</u>
Expenses, per financial statements (GAAP basis)	11,347,706	11,255,526
Capital outlays	18,421	11,275
Bond refunding		95,744,594
Revenue bond principal payments	145,000	2,320,000
Depreciation	(2,053,980)	(2,079,740)
Expenses, (budgetary basis)	9,457,147	107,251,655
Appropriations	11,755,829	109,452,346
Unused appropriations	<u>\$ 2,298,682</u>	<u>\$ 2,200,691</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, 1998. A summary of cash and investments shown on the balance sheets is as follows:

Cash and cash equivalents	\$ 7,220,117
Restricted assets - investments	27,731,028
	<u>\$ 34,951,145</u>

The carrying amount of cash at September 30, 1998, was \$20,068, and the bank balances totaled \$41,624. 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	
		\$27,731,028		\$27,731,028
				7,200,049
				34,931,077
				20,068
				<u>\$34,951,145</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 counterparty's 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. Their fair values at September 30, are as follows:

Revenue bond reserves:

Debt service account
 Cash
 Investment (Maturity value \$5,908,629 and \$3,733,256)

Debt service reserve account
 Cash
 Investment (Maturity value \$10,608,855 and \$10,313,464)

Operation and maintenance reserve account
 Cash
 Investment (Maturity value \$6,428,980 and \$6,425,143)

 Total revenue bond reserves

	98	97
	Fair Value	Fair Value
	\$ 61,338	\$ 82,772
	5,702,577	3,736,745
	<u>5,763,915</u>	<u>3,819,517</u>
	295,391	317,506
	10,439,035	10,238,155
	<u>10,734,426</u>	<u>10,555,661</u>
	3,867	52,235
	6,500,416	6,435,433
	<u>6,504,283</u>	<u>6,487,668</u>
	<u>23,002,624</u>	<u>20,862,846</u>

Other reserves:

Cash
 Investment (Maturity value \$5,070,426 and \$3,543,565)
 Total other reserves
 Total reserves

	4,197,287	3,568,332
	5,089,000	3,548,665
	<u>9,286,287</u>	<u>7,116,997</u>
	<u>\$ 32,288,911</u>	<u>\$ 27,979,843</u>

Account

Debt service
 Debt service reserve
 Operation and maintenance
 Other

Authorized Expenditure

Paying current principal and interest on bonds.
 Paying principal and interest in the event there are insufficient funds available in the debt service account.
 Paying operation and maintenance costs in the event there are insufficient funds available from current revenues.
 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 September 30:

Windy Gap Project:

	97	Additions	Retirements	98
Water diversion project	\$ 81,167,586	\$	\$	\$ 81,167,586
Land and right-of-way	1,746,032			1,746,032
Communications and computer	381,084	18,421	8,108	391,397
Buildings and improvements	259,076			259,076
Project improvements	173,122			173,122
O&M equipment	27,184			27,184
Furniture and equipment	23,438			23,438
	<u>\$ 83,777,522</u>	<u>\$ 18,421</u>	<u>\$ 8,108</u>	<u>\$ 83,787,835</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):

Revenue Bonds	Date		Amount		Currently Outstanding
	Issued	Refunded	Issued	Refunded	
Series E	12/29/93		\$ 25,700		\$ 22,970
Series F	10/2/96		68,870		68,870
Series G	7/23/97		23,880		23,880
					<u>\$ 115,720</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	98	97
Series E:	3.90-5.00%				
Serial Bonds		\$ 5,270,000	12/1/98-12/1/2010	\$ 2,540,000	\$ 2,685,000
Term Bonds		20,430,000	12/1/2011-12/1/2017	20,430,000	20,430,000
Total Series E				<u>22,970,000</u>	<u>23,115,000</u>
Series F:	5.15-6.50%				
Serial Bonds		38,925,000	12/1/98-12/1/2007	38,295,000	38,295,000
Term Bonds		30,575,000	12/1/2008-12/1/2012	30,575,000	30,575,000
Total Series F				<u>68,870,000</u>	<u>68,870,000</u>
Series G:	4.00-5.25%				
Serial Bonds		475,000	12/1/98-12/1/2012	475,000	475,000
Term Bonds		23,405,000	12/1/2013-12/1/2015	23,405,000	23,405,000
Total Series G				<u>23,880,000</u>	<u>23,880,000</u>
Total outstanding bonds				115,720,000	115,865,000
Unamortized bond discount				(406,423)	(429,262)
Unamortized bond refunding				(7,487,066)	(8,048,561)
Current maturities				(2,085,000)	(145,000)
Total revenue bond				<u>\$ 105,741,511</u>	<u>\$ 107,242,177</u>

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, 1998 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	
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	175,000	1,107,799	3,770,000	3,483,142	25,000	1,246,130	9,807,071
2004 - 2018	22,160,000	14,416,773	53,060,000	18,827,350	23,755,000	14,265,790	146,484,911
	<u>\$ 22,970,000</u>	<u>\$ 20,026,011</u>	<u>\$ 68,870,000</u>	<u>\$ 38,174,161</u>	<u>\$ 23,880,000</u>	<u>\$ 20,506,923</u>	<u>\$ 194,427,095</u>

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 \$713,956 and \$731,505 for the years ended September 30, 1998 and 1997 respectively.

The Subdistrict paid the Inter-District Service Fund of the District for equipment and computer services amounting to \$300,106 and \$282,123 for the years ended September 30, 1998 and 1997 respectively.

The Subdistrict owed the District and Inter-District Service Fund \$276,568 and \$14,885 respectively at September 30, 1998 and \$226,603 and \$15,414 respectively at September 30, 1997.

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, are as follows:

	<u>98</u>	<u>97</u>
Platte River Power Authority	34.9%	34.3%
City of Boulder	14.9%	17.5%
City of Longmont	16.5%	15.9%
City of Greeley	13.8%	13.4%
City of Loveland	8.3%	7.9%
	<u>88.4%</u>	<u>89.0%</u>

10 Year 2000 Matters

The Subdistrict depends on the proper functioning of computer systems for several aspects of its operations. A few systems now in use cannot distinguish between the year 2000 (Y2K) and the year 1900. The Subdistrict has been actively working on changes to its computer systems to prepare for the year 2000 and expect these systems to be adapted in time. Although the Y2K issue is unprecedented and the process of Y2K preparedness evaluation and systems remediation is an ongoing one, the Subdistrict presently believes that there will be no material effect on the Subdistrict.

Schedule of Revenues and Expenses, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1998			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1997 Actual
Operating revenues:				
Water assessments	\$ 10,109,040	\$ 10,109,040	\$	\$ 10,624,978
Operating expenses:				
Operation and maintenance	827,485	658,618	168,867	610,835
Administrative services	1,211,519	1,111,448	100,071	980,028
Engineering services	126,925	34,476	92,449	162,800
Total operating expenses	2,165,929	1,804,542	361,387	1,753,663
Operating revenues over expenses	7,943,111	8,304,498	361,387	8,871,315
Nonoperating revenues:				
Earnings on investments	1,709,247	2,054,708	345,461	1,778,361
Other	24,650	31,046	6,396	28,201
Bond refunding				92,966,839
Total nonoperating revenues	1,733,897	2,085,754	351,857	94,773,401
Nonoperating expenses:				
Capital outlay	210,000	18,421	191,579	11,275
Revenue bond principal payments	145,000	145,000		2,320,000
Interest expense	7,489,200	7,489,184	16	7,422,123
Bond refunding				95,744,594
Total nonoperating expenses	7,844,200	7,652,605	191,595	105,497,992
Revenues over (under) expenses	\$ 1,832,808	2,737,647	\$ 904,839	(1,853,276)
Increases (decreases) to reconcile budgetary basis to GAAP basis				
Revenue bond principal payments		145,000		2,320,000
Capital outlay		18,421		11,275
Depreciation		(2,053,980)		(2,079,740)
Bond refunding revenues				(92,966,839)
Bond refunding expenses				95,744,594
Net income		\$ 847,088		\$ 1,176,014

Schedule of Operating and Nonoperating Revenues, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1998			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1997 Actual
Operating revenues:				
Water assessments	\$ 10,109,040	\$ 10,109,040	\$	\$ 10,624,978
Total	<u>\$ 10,109,040</u>	<u>\$ 10,109,040</u>	<u>\$</u>	<u>\$ 10,624,978</u>
Nonoperating revenues:				
Earnings on investments	\$ 1,709,247	\$ 2,054,708	\$ 345,461	\$ 1,778,361
Total	<u>\$ 1,709,247</u>	<u>\$ 2,054,708</u>	<u>\$ 345,461</u>	<u>\$ 1,778,361</u>
Other nonoperating revenues:				
Facilities rent	\$ 11,300	\$ 14,750	\$ 3,450	\$ 11,600
Miscellaneous	13,350	16,296	2,946	16,601
Total	<u>\$ 24,650</u>	<u>\$ 31,046</u>	<u>\$ 6,396</u>	<u>\$ 28,201</u>

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

Non-GAAP Budgetary Basis

	Year Ended September 30, 1998			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1997 Actual
Contingent	\$ 10,000	\$	\$ 10,000	\$
Equipment services	86,389	92,562	(6,173)	85,967
Insurance	20,000	11,509	8,491	16,000
Labor reimbursement	221,527	148,538	72,989	136,434
Pumping carriage contract	426,450	344,457	81,993	320,418
Pumping plant maintenance	7,000	19,646	(12,646)	3,467
Purchase services	1,450	275	1,175	650
Ranchers' diversions	680	1,076	(396)	373
Rental equipment	1,000	3,065	(2,065)	
Rental office	1,800	1,800		
Service/maintenance contracts	3,220	511	2,709	642
Supplies and services	11,050	4,857	6,193	14,591
Training/registration and materials	4,000	2,382	1,618	1,877
Travel/lodging/meals	4,800	2,074	2,726	1,772
Utilities	28,119	25,866	2,253	28,644
Total	<u>\$ 827,485</u>	<u>\$ 658,618</u>	<u>\$ 168,867</u>	<u>\$ 610,835</u>

Schedule of Operating Expenses-Administrative Services, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1998			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1997 Actual
Audit and financial report	\$ 10,520	\$ 10,209	\$ 311	\$ 10,019
Computer services	254,303	207,544	46,759	196,156
Contingent	25,000		25,000	
Directors' fees	18,400	15,825	2,575	16,309
Dues/memberships/contributions	15,350	9,251	6,099	11,508
Information services	10,500	7,398	3,102	4,542
Insurance	9,870	6,989	2,881	5,211
Labor reimbursement	288,579	290,734	(2,155)	281,869
Legal	334,940	398,426	(63,486)	267,991
Miscellaneous	500	11	489	
Overhead reimbursement	32,637	24,867	7,770	27,179
Professional services	96,000	53,916	42,084	53,105
Purchase services	14,860	14,218	642	16,469
Rental office	27,740	29,420	(1,680)	30,270
Service/maintenance contracts	15,000	7,155	7,845	7,775
Supplies and services	14,150	11,355	2,795	12,370
Training/registration and materials		176	(176)	138
Travel/lodging/meals	27,520	23,404	4,116	22,499
Trustee fees	15,650	550	15,100	16,618
Total	\$ 1,211,519	\$ 1,111,448	\$ 100,071	\$ 980,028

Schedule of Operating Expenses-Engineering Services, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1998			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1997 Actual
Forecasting	\$ 32,400	\$ 14,748	\$ 17,652	\$ 14,969
Labor reimbursement	38,235	15,914	22,321	76,257
Professional services	43,140	3,169	39,971	70,265
Maintenance of data collection	6,000		6,000	18
Supplies and services	3,650	385	3,265	499
Travel/lodging/meals	3,500	260	3,240	792
Total	\$ 126,925	\$ 34,476	\$ 92,449	\$ 162,800

Schedule of Capital Outlay and Debt Service, Budget to Actual

Non-GAAP Budgetary Basis

	Year Ended September 30, 1998			Year Ended
	Budget	Actual	Variance Favorable (Unfavorable)	September 30, 1997 Actual
Capital Outlay				
Computer and electronic equipment	\$ 9,000	\$	\$ 9,000	\$ 4,600
Engineering equipment	6,000	6,042	(42)	
Property improvements	195,000	12,379	182,621	6,675
Total	<u>\$ 210,000</u>	<u>\$ 18,421</u>	<u>\$ 191,579</u>	<u>\$ 11,275</u>
Debt Service				
<i>Principal:</i>				
Series E	\$ 145,000	\$ 145,000	\$	\$ 2,320,000
Total	<u>\$ 145,000</u>	<u>\$ 145,000</u>	<u>\$</u>	<u>\$ 2,320,000</u>
<i>Interest:</i>				
Series E, F, and G	\$ 6,649,490	\$ 6,649,480	\$ 10	\$ 6,611,020
Amortization	839,710	839,704	6	811,103
Total	<u>\$ 7,489,200</u>	<u>\$ 7,489,184</u>	<u>\$ 16</u>	<u>\$ 7,422,123</u>

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

Year ended September 30, 1998

	General Reserve Account	Revenue Account	Operation and Maintenance Fund	Subtotal
Cash balance September 30, 1997	\$ 3,531,131	\$	\$ 275,634	\$ 3,806,765
Receipts:				
Participant contributions		10,109,040		10,109,040
Interest received	58,841			58,841
Investments sold/matured				
Transfer from revenue account	9,450,422		658,618	10,109,040
Transfer from operation and maintenance reserve				
Transfer from general reserve				
	<u>9,509,263</u>	<u>10,109,040</u>	<u>658,618</u>	<u>20,276,921</u>
Disbursements:				
Interest and principal paid				
Investments purchased				
Transfer to general reserve		9,450,422		9,450,422
Transfer to debt service fund	6,686,818			6,686,818
Transfer to operation and maintenance fund		658,618		658,618
Transfer to other reserves	2,891,196		511,463	3,402,659
Bond issue costs				
	<u>9,578,014</u>	<u>10,109,040</u>	<u>511,463</u>	<u>20,198,517</u>
Cash balance September 30, 1998	<u>\$ 3,462,380</u>	<u>\$</u>	<u>\$ 422,789</u>	<u>\$ 3,885,169</u>

Debt Service Account	Debt Service Reserve Account	Operation and Maintenance Reserve Account	Other Reserves	Total
\$ 82,772	\$ 317,505	\$ 52,236	\$ 3,206,404	\$ 7,465,682
				10,109,040
314,766	577,797	368,331	374,040	1,693,775
3,660,000		5,012,710	7,000,000	15,672,710
				10,109,040
399,412				399,412
6,686,818			1,644,962	8,331,780
<u>11,060,996</u>	<u>577,797</u>	<u>5,381,041</u>	<u>9,019,002</u>	<u>46,315,757</u>
				5,381,381
5,381,381		5,029,998	8,498,750	19,229,798
5,701,050				9,450,422
	599,911	399,412		7,686,141
				658,618
				3,402,659
			752,303	752,303
<u>11,082,431</u>	<u>599,911</u>	<u>5,429,410</u>	<u>9,251,053</u>	<u>46,561,322</u>
\$ 61,337	\$ 295,391	\$ 3,867	\$ 2,974,353	\$ 7,220,117

Schedule of Bond Retirements and Interest Payable for Bonds Outstanding at September 30, 1998

Fiscal years 1999 to 2018 Inclusive

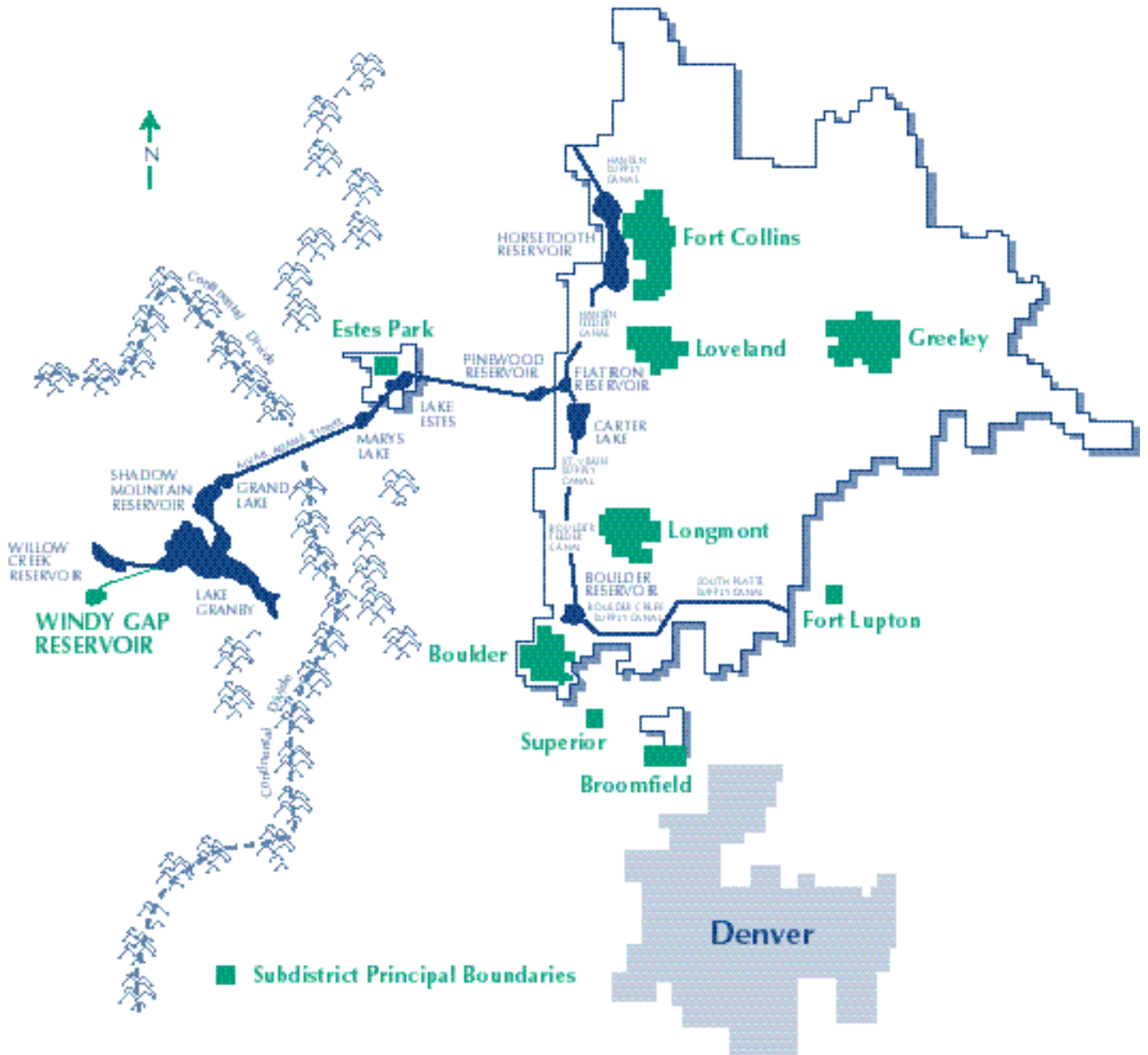
Bond Retirements				
Water Revenue Bonds				
Fiscal Year	Series E	Series F	Series G	Total
1999	\$ 150,000	\$ 1,910,000	\$ 25,000	\$ 2,085,000
2000	155,000	3,200,000	25,000	3,380,000
2001	160,000	3,370,000	25,000	3,555,000
2002	170,000	3,560,000	25,000	3,755,000
2003	175,000	3,770,000	25,000	3,970,000
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>\$ 22,970,000</u>	<u>\$ 68,870,000</u>	<u>\$ 23,880,000</u>	<u>\$ 115,720,000</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>
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	6,058,274	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>\$ 20,026,011</u>	<u>\$ 38,174,161</u>	<u>\$ 20,506,923</u>	<u>\$ 78,707,095</u>	<u>\$ 194,427,095</u>

Subdistrict Location Map



Review of Revenues and Expenses

1989 - 1998

	September 30, 1998	September 30, 1997	September 30, 1996	September 30, 1995
Operating revenues:				
Water assessments	\$ 10,109,040	\$ 10,624,978	\$ 10,489,476	\$ 10,457,483
Operating expenses:				
Operation and maintenance	658,618	610,835	717,252	936,787
Administrative services (2)	1,111,448	980,028	1,049,226	906,276
Engineering services (2)	34,476	162,800	177,647	96,325
Depreciation	2,053,980	2,079,740	2,095,589	2,107,810
Total operating expenses	<u>3,858,522</u>	<u>3,833,403</u>	<u>4,039,714</u>	<u>4,047,198</u>
Operating income	<u>6,250,518</u>	<u>6,791,575</u>	<u>6,449,762</u>	<u>6,410,285</u>
Nonoperating revenues (expenses):				
Earnings on investments	2,054,708	1,778,361	1,635,603	1,526,408
Other	31,046	28,201	39,496	13,791
Interest on debt	(7,489,184)	(7,422,123)	(8,262,136)	(8,323,563)
Loss on sale of land				(210,770)
Total nonoperating revenues (expense)	<u>(5,403,430)</u>	<u>(5,615,561)</u>	<u>(6,587,037)</u>	<u>(6,994,134)</u>
Net income (loss)	<u>\$ 847,088</u>	<u>\$ 1,176,014</u>	<u>(\$ 137,275)</u>	<u>(\$ 583,849)</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, 1994	September 30, 1993	September 30, 1992	September 30, 1991	September 30, 1990	September 30, 1989 (1)
\$ 9,401,693	\$ 10,386,675	\$ 10,705,254	\$ 10,405,662	\$ 10,411,259	\$ 10,087,837
922,729	938,887	822,648	987,696	600,563	506,085
966,585	1,107,358	1,075,639	1,275,398	1,354,497	639,162
57,626	62,928	109,033	162,383	192,615	79,366
2,111,570	2,123,936	2,123,105	2,114,213	2,110,994	1,534,955
4,058,510	4,233,109	4,130,425	4,539,690	4,258,669	2,759,568
5,343,183	6,153,566	6,574,829	5,865,972	6,152,590	7,328,269
1,121,523	1,492,774	1,618,167	2,166,594	2,197,867	1,734,210
31,294	13,153	16,444	9,705	10,700	8,400
(8,452,199)	(8,772,154)	(8,889,492)	(8,994,365)	(9,088,900)	(6,840,101)
(7,299,382)	(7,266,227)	(7,254,881)	(6,818,066)	(6,880,333)	(5,097,491)
(\$ 1,956,199)	(\$ 1,112,661)	(\$ 680,052)	(\$ 952,094)	(\$ 727,743)	\$ 2,230,778

Condensed Balance Sheets

1989 - 1998

	September 30, 1998	September 30, 1997	September 30, 1996	September 30, 1995
Assets				
Current assets	\$ 2,781,074	\$ 3,525,112	\$ 3,263,535	\$ 2,565,618
Restricted assets (2)	32,288,911	27,979,843	27,226,569	27,009,929
Property and equipment (2)	83,787,835	83,777,522	83,770,379	83,770,871
Accumulated depreciation	(27,399,799)	(25,353,927)	(23,278,319)	(21,183,223)
Deferred charges	3,146,004	3,401,374	2,962,000	3,138,122
Total assets	<u>\$ 94,604,025</u>	<u>\$ 93,329,924</u>	<u>\$ 93,944,164</u>	<u>\$ 95,301,317</u>
Liabilities and fund deficit				
Current liabilities	\$ 4,798,590	\$ 2,870,911	\$ 5,221,296	\$ 4,181,343
Long-term debt (3)	105,741,511	107,242,177	106,682,046	108,661,486
Contributions	12,026,375	12,026,375	12,026,375	12,026,375
Accumulated equity (deficit) (4)	(27,962,451)	(28,809,539)	(29,985,553)	(29,567,887)
Total liabilities and fund equity	<u>\$ 94,604,025</u>	<u>\$ 93,329,924</u>	<u>\$ 93,944,164</u>	<u>\$ 95,301,317</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 D 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, 1994	September 30, 1993	September 30, 1992	September 30, 1991	September 30, 1990	September 30, 1989 (1)
\$ 2,640,259	\$ 5,955,225	\$ 5,454,828	\$ 5,605,081	\$ 5,378,047	\$ 5,497,607
24,718,962	22,588,815	23,412,406	23,032,309	23,107,949	22,583,408
84,480,040	84,492,989	84,485,939	84,459,637	84,370,664	85,185,619
(19,075,413)	(16,968,800)	(14,844,864)	(12,721,758)	(10,624,040)	(8,513,046)
3,317,424	1,609,946	1,706,256	1,803,864	1,902,769	2,002,870
<u>\$ 96,081,272</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>
\$ 3,405,292	\$ 4,686,079	\$ 4,716,200	\$ 4,716,636	\$ 4,536,050	\$ 5,349,629
109,633,643	107,993,560	109,393,235	110,677,315	111,862,063	112,941,810
12,026,375	12,026,375	12,020,308	12,020,308	12,020,308	12,020,308
(28,984,038)	(27,027,839)	(25,915,178)	(25,235,126)	(24,283,032)	(23,555,289)
<u>\$ 96,081,272</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>

Share of Annual Water Assessment by Allottee and Water Rental

1983 - 1998

Year	Platte River Power Authority	Longmont	Boulder	Greeley	Loveland	Estes Park
1983	\$ 320,000	\$ 160,000	\$ 160,000	\$ 160,000	\$ 80,000	\$ 80,000
1984	320,000	160,000	160,000	160,000	80,000	80,000
1985 (1)	742,983	348,688	348,688	348,688	174,344	174,344
1986	3,116,358	1,557,036	1,559,322	1,557,036	778,518	759,055
1987	3,092,410	1,534,272	1,531,986	1,540,810	767,136	806,800
1988	3,547,817	1,685,044	1,694,596	1,691,094	842,278	821,242
1989 (2)	3,376,764	1,679,776	1,679,776	1,675,735	837,867	62,840
1990 (3)	3,682,383	1,684,279	1,680,668	1,409,105	837,882	63,617
1991 (4)	3,396,194	1,677,326	1,677,895	1,403,701	838,661	44,808
1992 (4)	3,782,819	1,690,377	1,691,543	1,416,352	845,193	63,389
1993 (4)	3,447,861	1,690,008	1,694,844	1,417,749	845,004	63,375
1994 (4)	3,284,685	1,486,179	1,595,747	1,244,616	743,089	55,732
1995 (4)	3,600,571	1,713,133	1,708,622	1,464,349	845,212	64,659
1996 (4)	3,669,437	1,680,991	1,707,065	1,410,452	844,962	63,823
1997 (4)	3,647,173	1,690,947	1,866,136	1,421,319	845,474	63,505
1998 (4)	3,535,581	1,667,448	1,505,139	1,396,562	833,724	73,081
	<u>\$ 46,563,036</u>	<u>\$ 22,105,504</u>	<u>\$ 22,262,027</u>	<u>\$ 19,717,568</u>	<u>\$ 11,039,344</u>	<u>\$ 3,340,270</u>

Source: Subdistrict's accounting records.

Note: Water assessments are take-or-pay contracts with allottees. The allottees must make certain minimum payments whether or not the allottee receives water.

(1) Subdistrict became operational and began making water deliveries in 1985.

(2) Estes Park sold 35 units to Superior Metropolitan District No. 1 and one unit to Left Hand Water District in 1988 with first assessment in 1989.

(3) Greeley sold 13 units to City of Broomfield in fiscal year 1990.

(4) Boulder sold 43 units to City of Broomfield in fiscal year 1991. The agreement between Boulder and Broomfield requires Broomfield to pay Boulder and Boulder to pay Broomfield's annual water assessment for the 43 units.

Superior Metropolitan District No. 1	Broomfield	Central Weld Co. Water District	Left Hand Water District	Water Rental	Total
\$	\$	\$	\$	\$	\$ 960,000
					960,000
		19,463			2,137,735
		19,178			9,346,788
		22,206			9,292,592
733,134		20,998	20,947		10,304,277
733,098	272,293	24,687	23,247		10,087,837
733,830	272,565	22,473	23,209	315,000	10,411,259
739,543	274,688	24,117	24,961	152,272	10,405,662
739,379	274,626	22,430	21,581	169,818	10,705,254
650,203	131,890	20,962	20,680	167,910	10,386,675
739,561	274,694	23,328	23,354		9,401,693
785,359	278,438	24,734	24,215		10,457,483
768,331	274,779	24,154	23,159		10,489,476
775,478	270,960	28,546	22,521		10,624,978
<u>\$ 7,397,916</u>	<u>\$ 2,324,933</u>	<u>\$ 297,276</u>	<u>\$ 227,874</u>	<u>\$ 805,000</u>	<u>\$ 136,080,748</u>



Schedule of Debt Service Coverage

1989 - 1998

Year	Debt Service			Assessments (1)	Coverage (2)
	Principal	Interest	Total		
1989 (3)	\$	\$ 6,840,101	\$ 6,840,101	\$ 10,087,837	1.47
1990	1,265,000	9,088,900	10,353,900	10,411,259	1.01
1991	1,350,000	8,994,365	10,344,365	10,405,662	1.01
1992	1,455,000	8,889,492	10,344,492	10,705,254	1.03
1993	1,555,000	8,772,154	10,327,154	10,386,675	1.01
1994 (4)	1,670,000	8,452,199	10,122,199	9,401,693	.93
1995	475,000	8,323,563	8,798,563	10,457,483	1.18
1996	1,315,000	8,262,136	9,577,136	10,489,476	1.10
1997	2,320,000	7,422,123	9,742,123	10,624,978	1.09
1998	145,000	7,489,184	7,634,184	10,109,040	1.33

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

(1) Water Revenue Bonds, Series D, E, F & G are secured by a pledge of water assessments.

(2) Computed by dividing water assessments by total debt service.

(3) The Board adopted a September 30 year-end effective May 12, 1989. Accordingly, interest expenses for September 30, 1989 included nine months whereas, the other years include a full year. No principal payments were due for fiscal year 1989. Since water assessments are take-or-pay contracts and water pumping occurs each spring, operating revenues were not affected by the change in accounting period.

(4) During 1993, the Subdistrict received a certificate of project completion of the Windy Gap Project. Upon receipt of the certificate, funds in the construction reserve in the amount of \$1,143,901 were transferred to the debt service fund and applied toward the 1994 debt service payments. Water assessments in 1994 were decreased by the amount transferred from the debt service funds.

Schedule of Allottees' Units

September 30, 1998

<u>Allottees</u>	<u>Units</u>	<u>Acre-Foot</u>	<u>Percentage</u>
1. Platte River Power Authority	160	16,000	33.33%
2. Longmont	80	8,000	16.67%
3. Greeley	67	6,700	13.96%
4. Broomfield	56	5,600	11.68%
5. Loveland	40	4,000	8.33%
6. Boulder	37	3,700	7.70%
7. Superior Metropolitan District No. 1	35	3,500	7.28%
8. Estes Park	3	300	.63%
9. Central Weld County Water District	1	100	.21%
10. Left Hand Water District	1	100	.21%
	<u>480</u>	<u>48,000</u>	<u>100%</u>

Source: Subdistrict's allotment contracts.

Schedule of Insurance in Force

September 30, 1998

Type of Coverage	Name of Company	Dates		Limits of Coverage
		From	To	
Boiler and Machinery	The Travelers	10/1/97	9/30/98	\$10,000,000 blanket property damage and \$1,500,000 blanket business interruption
Property	Fireman's Fund	10/1/97	9/30/98	\$18,381,100 building and \$51,400 contents \$1,000 deductible
Public Officials & Employees Liability Policy	Virginia Surety	10/1/97	9/30/98	\$1,000,000
General Liability	Fireman's Fund	10/1/97	9/30/98	\$600,000 each and every claim
Microwave Communications	Fireman's Fund	10/1/97	9/30/98	\$400,000 hardware
Reclamation Bonds	AETNA	10/1/97	9/30/98	\$49,000

Schedule of Water Pumped, Delivered, Rental, and Losses (Acre-Feet)

1987 - 1998

Year (1)	Water Pumped	Deliverable (2)	Water Delivered	Water Loss (3)	Water Spillage (4)	Net In-lieu Deliveries (5)	Water Rental	Balance
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)				15,946.2
1993	21,740.0	19,566.0	(5,619.7)	(971.8)			(9,517.0)	17,831.7
1994	10,784.0	9,705.6	(5,507.0)	(1,208.0)			(11,089.0)	9,628.3
1995	14,058.0	12,652.2	(5,400.9)	(728.2)	(10,463.0)		(11,194.0)	5,688.4
1996			(5,652.7)	(350.5)	(1,902.4)	2,149.2		(68.0)
1997			(5,911.1)			1,300.0		(4,679.1)
1998			(5,845.5)			12,675.6		2151.0

Source: Subdistrict's operation and accounting records.

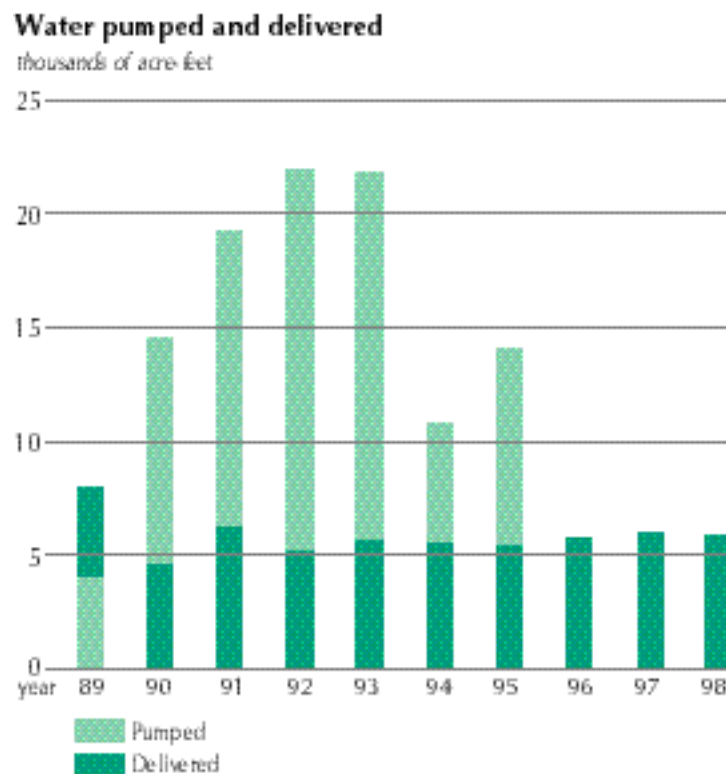
(1) Subdistrict became operational and began making water deliveries in 1985.

(2) 90 percent of the water pumped except for 15,000 acre-feet of water in 1991.

(3) 10 percent of all water remaining on March 31 of any fiscal year is considered shrinkage loss to the system.

(4) When Colorado-Big Thompson Project (C-BT) storage capacity in Lake Granby is occupied by Subdistrict water and that storage capacity is needed for storage water available under C-BT project water rights, the Subdistrict is required to take delivery of the Subdistrict water stored in Lake Granby, or the water is required to be spilled.

(5) Loan of C-BT water. Repayment may include C-BT water, Subdistrict water and cancellation of the loan as the result of C-BT water spillage.



Demographic Statistics of Principal Cities Served by the Subdistrict

1987 - 1998

	1998	1997	1996	1995	1994	1993
Boulder						
Estimated Population	94,250	95,662	95,442	95,665	94,346	90,987
Unemployment Rate	2.7%	2.7%	3.5%	3.2%	3.2%	3.3%
School Enrollment	13,702	12,953	13,498	13,284	13,472	13,222
Per Capita Income	\$	\$ 17,268	\$ 17,268	\$ 17,268	\$ 17,268	\$ 17,268
Broomfield						
Estimated Population	37,262	34,756	33,752	32,413	30,000	28,845
Unemployment Rate	1.9%	1.9%	2.4%	2.3%	2.2%	2.5%
School Enrollment	4,060	4,100	3,906	3,883	3,861	3,708
Per Capita Income	\$	\$ 18,384	\$ 18,384	\$ 18,384	\$ 15,766	\$ 15,766
Estes Park						
Estimated Population	5,229	5,077	4,258	4,258	4,258	3,900
Unemployment Rate		3.8%	3.8%	3.8%	3.8%	3.8%
School Enrollment	1,353	1,353	1,349	1,405	1,380	1,294
Per Capita Income	\$	\$ 17,010	\$ 17,010	\$ 17,010	\$ 17,010	\$ 17,010
Greeley						
Estimated Population	72,252	69,727	67,164	65,650	64,092	63,996
Unemployment Rate	3.6%	3.5%	3.7%	4.1%	4.3%	4.2%
School Enrollment	14,826	14,557	13,571	13,642	13,066	12,670
Per Capita Income	\$ 19,400	\$ 19,934	\$ 11,145	\$ 11,145	\$ 11,461	\$ 11,461
Longmont						
Estimated Population	60,000	58,173	57,802	56,102	56,102	54,000
Unemployment Rate	3.2%	3.2%	4.1%	3.8%	3.8%	3.9%
School Enrollment	17,857	17,412	16,995	16,841	16,524	16,104
Per Capita Income	\$ 20,506	\$ 14,037	\$ 14,037	\$ 14,037	\$ 14,037	\$ 14,037
Loveland						
Estimated Population	48,270	46,940	44,291	42,000	42,000	40,000
Unemployment Rate	3.1%	2.6%	3.2%	3.4%	3.0%	3.4%
School Enrollment	14,551	14,364	13,806	13,439	13,175	12,882
Per Capita Income	\$ 18,379	\$ 14,974	\$ 14,974	\$ 14,974	\$ 14,379	\$ 13,345

	1992	1991	1990	1989	1988	1987
	89,025	83,312	84,177	84,177	87,740	85,270
	3.7%	3.8%	3.8%	4.7%	5.1%	5.9%
	13,134	12,792	11,996	11,970	11,980	12,186
\$	17,268	\$ 17,268	\$ 17,268			
	27,715	26,560	28,100	27,788	27,307	26,307
	4.0%	3.5%	3.6%	4.4%	4.8%	
	3,629	3,467	3,365	3,238	3,269	3,324
\$	17,190	\$ 17,190				
	3,800	3,758	2,887	3,566	3,490	3,391
	4.1%	4.1%	4.4%	5.2%	5.8%	6.5%
	1,238	1,217	1,149	1,137	1,126	1,114
\$	17,010	\$ 17,010	\$ 17,010			
	63,113	60,536	60,449	60,216	59,030	58,259
	5.5%	5.9%	5.8%	7.2%	8.0%	9.7%
	12,563	12,100	11,646	11,323	11,345	11,309
\$	11,461	\$ 11,461	\$ 11,461			
	51,555	51,555	51,288	50,600	50,664	51,300
	4.6%	3.9%	4.0%	4.8%	5.2%	6.1%
	15,863	11,938	14,876	14,756	14,685	14,688
	39,210	37,352	38,496	36,917	36,442	36,507
	4.7%	5.6%	5.4%	6.3%	7.2%	8.1%
	12,554	12,192	12,054	11,663	11,679	11,483
\$	11,630	\$ 11,630			\$ 11,630	

Project Features-Data Sheet

Windy Gap Dam:

Embankment section	
Length in miles	.97
Maximum height in feet	25
Volume of fill in cubic yards	249,000
Spillway	
Discharge capacity in cubic feet per second	32,400
Length in feet	345
Volume of concrete in cubic yards	15,000
Main bypass outlet works	
Discharge capacity in cubic feet per second	133
Length of 48-inch diameter - reinforced concrete pipe in feet	245
Auxiliary outlet works	
Discharge capacity in cubic feet per second	228

Windy Gap Pumping Plant:

Type	underground reinforced concrete
Maximum discharge capacity in cubic feet per second	600
Motor horsepower - per pump	12,000
Installed capacity (KW)	35,800
Maximum total dynamic head in feet	521
Number of 150 cfs pumps	4

Windy Gap - Lake Granby Pipeline:

Pipeline	
Capacity in cubic feet per second	600
Length in miles	6.2
Diameter in feet	9
Surge tank	
Dual 9-foot diameter pipes	
Surge tank length in feet	735
Vertical rise in feet	134
Twin baffled chutes	
Discharge capacity in cubic feet per second	1,040

Miscellaneous Statistics

September 30, 1998

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

Source: *Various records of the Subdistrict.*

Bondholder Information

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Bond Counsel

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Citicorp Center
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Independent Public Auditors

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Bond Trustee/Paying Agent

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Financial Institution

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