

Colorado Water Resources
and
Power Development Authority



ANNUAL REPORT

Fiscal Year 2002

April 30, 2003

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The 2002 Annual Report of the Colorado Water Resources and Power Development Authority is provided in accordance with Section 37-95-116, C.R.S. This report includes a summary of the Authority's major activities, financial statements as of December 31, 2002, and the report of the auditor.

DRINKING WATER REVOLVING FUND

With the passage of SB95-083, the General Assembly authorized the initial capitalization of the Drinking Water Revolving Fund ("DWRF") by transferring \$6,200,000 plus interest from the Domestic Water Supply Project Revolving Fund. The first DWRF loan was issued to Idledale Water and Sanitation District on July 10, 1995. By the end of 2002, 53 DWRF loans representing \$165,823,257 of projects had been executed, with an outstanding loan balance of \$145,981,854. (See Appendix B for details.) In addition to the funds (\$6.2 million) appropriated by the General Assembly, the Authority has contributed over \$17.7 million of interest earnings from the Animas-La Plata Escrow Fund. The Animas-La Plata Escrow Fund was restructured in 2001, and as a result, no additional funds will be available for future transfers. These combined funds are used to provide the required 20 percent state match on federal capitalization grants.

In August 1996, the Safe Drinking Water Act was reauthorized with a State Revolving Fund (SRF). On September 30, 1997, Colorado's DWRF Operating Agreement and Capitalization Grant application for \$16,784,100 were approved by the Environmental Protection Agency ("EPA"). On October 1, 1997, Colorado was the first state in the nation to sell DWRF bonds.

The DWRF program is a joint effort with the Water Quality Control Division of the Colorado Department of Public Health and Environment handling the technical aspects of drinking water facility construction and public water system operations, the Division of Local Government of the Colorado Department of Local Affairs conducting financial analyses and outreach activities, and the Authority acting as the financing entity for the program. The Authority and the EPA have signed an Operating Agreement which outlines the financing structure and the procedures for operation of the program.

Projects qualify for assistance by meeting certain criteria developed by the Water Quality Control Division and approved by the Colorado Board of Health. Once these criteria have been met, the Board of Health authorizes projects to be added to the DWRF eligibility list. The DWRF eligibility list is submitted to the General Assembly for final approval through the joint resolution process. In 2003, 92 projects were added and 94 projects were deleted resulting in a list of 252 projects with needs of over \$560,000,000. As projects are funded and/or achieve compliance, they are deleted from the eligibility list.

As of December 31, 2002, the EPA has awarded \$77,315,667 in capitalization grants to Colorado. Of this amount \$65,198,421 has been deposited in the DWRF. The remaining \$12,117,246 has been set aside for administration (\$1,873,828), technical assistance to small communities (\$1,131,448), capacity development (\$3,250,000), wellhead protection (\$2,666,700), source water assessment (\$1,678,410) and public water system supervision (\$1,516,860). The FY2003 grant is expected to be \$13.3 million. For 2003 the Authority anticipates issuing up to \$30 million in DWRF loans. As of December 31, 2002, all borrowers were current with loan repayments.

In early 1999 through the use of a "cross-collateralization" pledge between the Water Pollution Control Revolving Fund and the DWRF, the programmatic rating of the Drinking Water Revenue Bonds was upgraded to "AAA" by all three bond rating agencies.

In 2002 legislation (HB02-1118) was enacted by the Colorado legislature and signed by the Governor. This legislation will allow the Authority with the approval of the Governor to transfer funds to the WPCRFR. In addition the legislation allows the funding of projects through an emergency procedure.

In 2003, \$6,666,667 of grant funds will be transferred to the Water Pollution Control Revolving Fund.

SMALL WATER RESOURCES PROJECTS PROGRAM

The financing program for the Small Water Resources Projects ("SWRP") provides an economical source of capital for the expansion and rehabilitation of existing public water systems in

Colorado. Under this program the Authority provides loans that appreciably lower the costs of borrowing for those municipal governments and special districts having a population greater than one thousand or a customer base of at least 650 taps. In 2002 legislation (HB02-1118) was enacted that eliminates the \$25 million project limitation and establishes a maximum loan limit of \$100 million per borrower per project. Individual construction loans up to \$100 million do not require approval from the General Assembly (as do other Authority water supply loans greater than \$25,000,000). These loans are fully insured by a private bond insurance company. The SWRP is funded solely by the Authority.

Through 2002, the Authority had issued 45 loans totaling \$139,980,000 with an outstanding balance of \$108,257,083. (See Appendix C for tabulation of project loans.) As of December 31, 2002, all borrowers were current with loan repayments.

WATER POLLUTION CONTROL REVOLVING FUND

In 1988, the Authority's functions were expanded to include the financing of wastewater facilities through the Water Pollution Control Revolving Fund ("WPCRF"). Under the Clean Water Act Amendments of 1987, Congress mandated the conversion of the grant system for wastewater facility construction to a state revolving fund ("SRF"). The SRFs are being capitalized with grants from the EPA. In order for Colorado to obtain funds under this program, the state is required to match each federal dollar with at least 20 cents. The Authority has provided this match on behalf of Colorado with an innovative financing structure utilizing either revenue bonds or the Authority's own resources. In addition, the Authority leverages the capitalization grant and the state match by issuing revenue bonds to fund loans. This leveraging is projected to produce in excess of \$700,000,000 in loans for wastewater facilities through the year 2005.

The WPCRF program is a joint effort with the Water Quality Control Division handling the technical aspects of wastewater facility construction, the Division of Local Government conducting financial analyses and outreach activities, and the Authority acting as the financing entity for the program. The Authority and the EPA have signed an Operating Agreement which outlines the financing structure and the procedures for operation of the program.

Projects qualify for assistance from the WPCRF by meeting certain criteria developed by the Water Quality Control Division and adopted by the Water Quality Control Commission. These projects are then added to the WPCRF eligibility list approved initially by the Water Quality Control Commission and finally by the General Assembly through an annual joint resolution. In 2003, 82 projects were added and 79 projects were deleted resulting in a list of 248 projects with needs of over \$759,000,000. As projects are funded and/or reach compliance, they are deleted from the eligibility list.

As of December 31, 2002, the EPA has awarded \$159,802,153 through capitalization grants to Colorado, and the Authority has provided \$30,469,170 as state match in the form of bonds and cash. The FY2003 capitalization grant is expected to be \$10,600,000. Through the end of 2002, 102 loans have been executed under the WPCRF Program totaling \$499,640,644. Currently, 97 loans are in place having an outstanding balance of \$410,790,813. (See Appendix D for details.) The Authority anticipates issuing up to \$40 million in loans in 2003. As of December 31, 2002, all borrowers were current with loan repayments.

In early 1999 through the use of a "cross-collateralization" pledge between the WPCRF and the DWRF, the programmatic rating of the Clean Water Revenue Bonds was upgraded to "AAA" by all three bond rating agencies.

The Clean Water Act will not likely be considered for re-authorization by Congress in 2003. Several controversial issues associated with this legislation remain, but the continuation of, and funding for, the Clean Water SRF program appears to have considerable bipartisan support. Appropriations for this program may be reduced in future years. Legislation involving the Clean Water SRF may be introduced in 2003.

Legislation (HB02-1118) passed in 2002 allows the Authority with the approval of the Governor to transfer funds to the DWRF. In 2003, \$6,666,667 of grant funds will be transferred from the DWRF to the WPCRF. In addition, the legislation allows the funding of projects through an emergency procedure.

WATER REVENUE BONDS

In response to occasional requests for funding for water-related projects that do not qualify for funding from the DWRF, WPCRF or SWRP programs, the Authority issues bonds under the Water Revenue Bond (WRB) Program. Under this program the Authority assists the borrower with the structuring of the bonds, subsidizes the costs of issuance (similar to SWRP) and funds the required debt service reserve fund. As of December 31, 2002, all borrowers were current with loan payments. Through 2002, 3 loans have been executed under the WRB program totaling \$9,940,000 and having an outstanding loan balance of \$2,535,000. No bonds or loans were issued under this program in 2002.

Legislation (HB02-1118) passed in 2002 will allow this program to issue project loans up to \$100 million per borrower.

INTERIM LOANS

For the past few years the Authority has issued interim loans funded from cash to borrowers that need project funds quickly and when there is insufficient demand to warrant a separate bond issue. Borrowers are given up to twenty-four months or until the next programmatic bond issue, whichever comes first, to replace the interim loan with long-term financing. In 2002, two interim loans were issued, the Town of Rifle for \$1,500,000 and the City of Fountain for \$5,000,000. These interim loans will receive long term funding from the next SWRP bond issue and the next WRB bond issue, respectively. An additional interim loan of \$3,200,000 was executed with the Fountain Valley Authority in March 2003 and an interim loan of \$12,500,000 to the City of Louisville is expected to be executed by the end of April 2003. These loans will receive long term funding from the next DWRF bond issue and the next WRB bond issue, respectively. The cumulative total for interim loans outstanding in 2003 is over \$22,000,000. The "Projected Income and Expenditures" table indicates an interim loan amount of \$10,000,000. This value is intended to represent the amount of funds committed to interim loans that may be carried over to the following year.

ANIMAS-LA PLATA PROJECT / LA PLATA FUTURE PROJECTS ESCROW

The Animas-La Plata Project is a federal reclamation project in southwestern Colorado near Durango. On November 3, 1988, President Reagan signed H.R. 2642 which implemented the Colorado Ute Indian Water Rights Final Settlement Agreement. Under the cost-sharing criteria mandated by the federal government, Colorado (state and local shares) would have contributed \$68,200,000 for construction of the project. The Colorado Water Resources and Power Development Authority placed \$30,000,000 in an escrow account with the State Treasurer on December 11, 1989. By early 1995 these funds had grown with interest earnings to meet the Authority's planned cost-sharing obligation of \$42,400,000. This amount represented over 60% of Colorado's cost-sharing obligation. Excess earnings were transferred to the DWRF to provide the 20% state match for the capitalization of that fund.

From 1992 to 1996 the Bureau of Reclamation was involved with supplemental environmental studies. In April of 1996 the Final Supplement to the 1980 Final Environmental Statement was issued. The EPA raised concerns, among other items, about the water quality impact in New Mexico. The EPA requested and was granted several extensions to close these issues between the two federal agencies.

A federal mediation and reconciliation panel was assembled to resolve these issues in the summer of 1996. In late summer a committee was created by Governor Roy Romer and Lieutenant Governor Gail Schoettler, to work with the federal panel and local representatives to reach a mutual understanding on how to move the Animas-La Plata Project forward. As a result of the Romer/Schoettler process, a "modified" Animas-La Plata Project emerged as the preferred alternative. The "modified" Animas-LaPlata Project would cost approximately \$268,000,000, deplete the river by 57,100 acre-feet and incorporate a 260,000 acre-foot Ridges Basin Reservoir. In 1999 a proposal by the Department of the Interior to further limit the size of the reservoir to 90,000 acre-feet was put forth. Hearings on the 90,000 acre-foot reservoir alternative occurred in early 1999.

As a result of the hearings on this "modified" Animas-LaPlata Project, Reclamation announced in early 1999 that it would prepare a Draft Supplemental EIS on the smaller reservoir alternative. Hearings on this DSEIS occurred in February 2000. The preferred alternative contains a Ridges Basin Reservoir with a capacity of 120,000 acre-feet with a 30,000 acre-foot conservation pool. A record of decision on

the Supplemental EIS was made on September 25, 2000. In December 2000, legislation was passed by Congress to implement this preferred alternative. In early 2001, discussions with the various parties were initiated to move the project forward.

As a result of the December 2000 legislation and discussions with representatives from the Bureau of Reclamation, the Animas-La Plata Water Conservancy District and others, the original cost-sharing and escrow agreements were amended and re-stated in early November 2001. In addition, an agreement was negotiated between the Animas-La Plata Water Conservancy District and the Authority designating the Authority to fund the District's share of the Animas-La Plata project in the amount of \$7,256,750 for 2,600 acre feet of annual depletion. This agreement also dedicated \$15,000,000 to be used for the development of new water storage and/or water supply projects in the La Plata River basin. Construction on the Animas-La Plata project began in 2002 and \$1,081,405 were expended for construction. The escrow balance at the end of 2002 was \$6,595,027.

An agreement among the Animas-La Plata Water Conservancy District, the La Plata Water Conservancy District and the Authority was executed on November 4, 2002 to establish the \$15,000,000 Future Projects Escrow for irrigation projects and to assist the District in meeting the La Plata River Compact obligations. This agreement also established procedures for utilizing such funds. As of December 31, 2002, this escrow contained \$15,520,252.

AMENDMENT NO. 1 - Taxpayers Bill of Rights "TABOR"

Based on the current activities of the Authority, management has determined that the Authority is an "enterprise" under "TABOR" and, therefore, is exempt from Article X, Section 20 of the State Constitution.

FIVE-YEAR PROJECTION

The following table illustrates the Authority's projected income and expenditures for the next five years. The "Beginning Cash Balance" column includes Authority cash (\$29,576,869 million) and Drinking Water cash (\$11,126,748 million). The "Income from All Funds" column includes earnings from cash balances in all Authority funds, state match loan repayments from the WPCRF and repayment of interim loans. The costs for "DWRP" and "WPCRF" represent the required 20 percent state match, respectively, for these federally-funded programs. The costs for "Interim Loans" represent interim loans made to entities for various projects and are funded from Authority cash. The interim loan values represent funds that may be carried over to the next year. The "SWRP" and "WRB" costs represent cost of issuance subsidy, trustee fees, arbitrage rebate calculation fees, allocated labor costs and marketing. "Administration Costs" include board, staff and operating costs not covered by the DWRP and the WPCRF programs.

The Authority expects to execute WPCRF loans amounting to \$40,000,000 in 2003, \$100,000,000 in 2004 and \$60,000,000 per year through 2007. Since the DWRP is handled similarly to the WPCRF, the Authority expects to issue loans amounting to \$25,000,000 in 2003 and \$30,000,000 per year thereafter through 2007.

PROJECTED INCOME AND EXPENDITURES

Year	Beginning Cash Balance	Income from All Funds	DWRP Costs	WPCRF Costs	Interim Loans	SWRP & WRB Costs	Admin. Costs	Ending Balance
2003	\$ 40,703,612	\$ 12,573,807	\$ 2,660,000	\$ 2,100,000	\$ 10,000,000	\$ 3,400,000	\$ 600,000	\$ 34,517,419
2004	\$ 34,517,419	\$ 16,073,807	\$ 2,660,000	\$ 2,100,000	\$ 10,000,000	\$ 3,400,000	\$ 630,000	\$ 31,801,225
2005	\$ 31,801,225	\$ 16,193,807	\$ 2,660,000	\$ 2,100,000	\$ 10,000,000	\$ 3,400,000	\$ 661,125	\$ 29,173,908
2006	\$ 29,173,908	\$ 16,313,807	\$ 2,660,000	\$ 2,100,000	\$ 10,000,000	\$ 3,400,000	\$ 694,575	\$ 26,633,140
2007	\$ 26,633,140	\$ 16,313,807	\$ 2,660,000	\$ 2,100,000	\$ 10,000,000	\$ 3,400,000	\$ 729,304	\$ 24,057,643

APPENDIX A

BOARD OF DIRECTORS

The members of the Board of Directors of the Authority as of December 31, 2002, are listed below:

For terms expiring October 1, 2002:

*Richard S. Pryor of Grand Junction, Colorado, Republican, to serve as a representative of the Main Colorado Drainage Basin;

*Steven C. Harris of Durango, Colorado, Democrat, to serve as a representative of the San Miguel-Dolores-San Juan Drainage Basin; and as an individual experienced in engineering aspects of water projects; and

*Randall K. Palmgren of Center, Colorado, Democrat, to serve as a representative of the Rio Grande Drainage Basin. In December 1999, Mr. Palmgren replaced Mr. Jack Kuntz who resigned.

For terms expiring October 1, 2003:

Robert Carlstrom of Walden, Colorado, Republican, to serve as a representative of the North Platte Drainage Basin.

Jim Hokit of Montrose, Colorado, Republican, to serve as a representative of the Gunnison-Uncompahgre Drainage Basin; and as an individual experienced in planning and developing water projects.

For terms expiring October 1, 2004:

Sara Duncan of Denver, Colorado, Democrat, to serve as an individual familiar with the water problems of the City and County of Denver and as an attorney experienced with water law; and

Louis Rinaldo of Sterling, Colorado, Democrat, to serve as a representative of the South Platte Drainage Basin and as an individual experienced in water project financing.

For terms expiring October 1, 2005:

Thomas R. Sharp of Steamboat Springs, Colorado, Republican, to serve as a representative of the Yampa-White Drainage Basin and as an individual experienced in the planning and development of water projects; and

Ann E. Nichols of Manitou Springs, Colorado, Republican, to serve as a representative of the Arkansas Drainage Basin.

- * In February 2003, the Senate confirmed the reappointment of Messrs. Pryor, Harris and Palmgren for terms expiring October 1, 2006.

OFFICERS

Officers as of December 31, 2002

Chair	Thomas R. Sharp
Vice Chair	Ann Nichols
Secretary/Treasurer	Robert Carlstrom

STAFF

As of April 30, 2003

Executive Director	Daniel L. Law
Director of Finance	Michael W. Brod
Controller	Duane Dohrer
Office Manager	Carolyn Simon
Senior Financial Analyst	Keith S. McLaughlin
Financial Analyst	Jim Griffiths
Financial Analyst	Jamie Grisinger
Senior Accountant	Claudia L. Walters
Senior Accountant	Valerie Lovato
Accountant	Justin Noll
Accounting Technician	Teri Saloga
Record Systems Clerk/Secretary	Sabrina Speed

APPENDIX B

Colorado Water Resources and Power Development Authority
DRINKING WATER REVOLVING FUND
Loan Status Report
As of DECEMBER 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
DS	Baca Grande W&SD	\$179,600	Yes	\$500,000	4.500%	02/01/96	12/01/05
DS	Bayfield, Town of	278,527	Yes	350,000	4.500%	11/15/96	09/01/16
DS	Elizabeth, Town of	382,402	Yes	500,000	4.500%	10/01/95	01/01/15
DS	Empire, Town of	246,601	Yes	331,432	4.500%	08/24/95	03/01/16
DS	Fairplay, Town of (Loan #1)	182,407	Yes	250,000	4.500%	08/01/95	06/01/15
DS	Fairplay, Town of (Loan #2)	165,349	Yes	200,000	4.500%	07/25/97	12/01/17
DS	Firestone, Town of	38,802	Yes	95,000	4.500%	06/13/96	06/01/06
DS	Idaho Springs, City of	416,598	Yes	500,000	4.500%	10/15/97	05/01/17
DS	Idledale W&SD	183,866	Yes	250,000	4.500%	07/10/95	03/01/15
DS	Lake Creek Metropolitan Dist.	364,147	Yes	500,000	4.500%	01/12/96	09/01/15
DS	Lochbuie, Town of	274,097	Yes	352,000	4.500%	08/28/96	09/01/16
DS	Lyons, Town of	403,595	Yes	500,000	4.500%	08/19/96	06/01/17
DS	Minturn, Town of	223,214	Yes	300,000	4.500%	08/11/95	03/01/16
DS	Nunn, Town of	259,231	Yes	330,260	4.500%	08/12/96	12/01/16
DS	Redstone W&SD	344,205	Yes	410,000	4.500%	12/01/97	11/01/17
DS	Westlake W&SD	192,298	Yes	250,000	4.500%	08/19/97	05/01/17
Totals for DWF State Funded Direct Loans		\$4,134,938		\$5,618,692			
DF	Basalt, Town of	1,000,000	Yes	1,000,000	4.000%	12/19/02	11/01/22
DF	Chatfield South Water Dist.	630,948	Yes	728,500	4.500%	07/13/98	05/01/18
DF	Craig, City of	299,417	Yes	450,000	4.000%	12/15/00	11/01/05
DF	Dillon, Town of	1,000,000	Yes	1,000,000	4.000%	10/18/02	11/01/12
DF	Grand Lake, Town of	412,307	Yes	495,000	4.500%	10/29/97	11/01/17
DF	Hayden, Town of	1,000,000	Yes	1,000,000	4.000%	04/30/02	11/01/22
DF	La Junta, City of	442,408	Yes	490,000	4.500%	10/15/99	11/01/19
DF	Left Hand W&SD	162,090	Yes	188,700	4.500%	09/11/98	05/01/18
DF	Sedalia W&SD	301,525	Yes	326,000	4.500%	03/19/00	11/01/19
DF	Springfield W&SD	321,185	Yes	349,471 *	4.500%	07/28/00	05/01/20
DF	Thunderbird W&SD (Loan #1)	281,000	Yes	285,000	4.500%	06/01/99	05/01/19
DF	Thunderbird W&SD (Loan #2)	400,000	**	400,000	4.000%	08/27/02	11/01/22
DF	Wellington, Town of	988,963	Yes	1,000,000	4.000%	11/01/01	05/01/22
DF	Woodland Park, City of	797,793	Yes	800,000	4.000%	03/13/02	05/01/22
Totals for DWRP Federal Funded Direct Loans		\$8,037,634		\$8,512,671			
97A	Arapahoe Estates Water Dist	827,631	Yes	1,048,333	4.150%	10/01/97	08/01/17
97A	Englewood, City of	12,660,184	Yes	15,292,636	4.140%	10/01/97	08/01/18
97A	Fort Collins, City of	8,146,414	Yes	10,125,300	4.120%	10/01/97	06/01/17
Totals for Loans funded with 1997A Bond Issue proceeds		\$21,634,229		\$26,466,268			
98A	Buena Vista, Town of	1,103,433	Yes	1,324,120	4.010%	06/01/98	08/01/18
98A	Fort Morgan, City of	13,223,868	Yes	15,433,355	4.020%	06/01/98	06/01/19
Totals for Loans funded with 1998A Bond Issue proceeds		\$14,327,301		\$16,757,475			
99A	Aurora, City of	12,482,920	Yes	14,999,899	3.633%	05/01/99	08/01/14
99A	Fort Collins, City of	4,302,209	Yes	4,998,395	3.808%	05/01/99	06/01/19
99A	Glenwood Springs, City of	4,256,723	Yes	4,999,017	3.773%	05/01/99	04/01/18
99A	Grand County W&SD	2,620,369	Yes	2,998,566	3.783%	05/01/99	08/01/18
99A	Greeley, City of	13,235,082	Yes	14,999,038	3.802%	05/01/99	08/01/19
99A	Julesburg, Town of	879,838	Yes	994,600	3.809%	05/01/99	08/01/19
99A	Left Hand Water Dist.	5,678,841	Yes	6,571,538	3.802%	05/01/99	05/15/19
Totals for Loans funded with 1999A Bond Issue proceeds		\$43,455,983		\$50,561,053			
00A	Evergreen Metropolitan Dist.	5,158,953	Yes	5,577,982	4.390%	04/15/00	08/01/20
00A	Fountain Valley Authority	7,021,473	Yes	7,607,966	4.400%	04/15/00	08/01/20
00A	Limon, Town of	1,332,477	Yes	1,440,809	4.410%	04/15/00	08/01/20
00A	Pueblo Board of Waterworks	9,558,795	Yes	9,558,795	4.600%	04/15/00	08/01/22
00A	Westminster, City of	13,565,411	Yes	14,998,357	4.400%	04/15/00	06/01/20
Totals for Loans funded with 2000A Bond Issue proceeds		\$36,637,109		\$39,183,909			

Colorado Water Resources and Power Development Authority
 DRINKING WATER REVOLVING FUND
 Loan Status Report
 As of DECEMBER 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
02A	Evergreen Metropolitan Dist.	2,036,130	Yes	2,036,130	4.000%	04/01/02	08/01/22
02A	Grand Junction, City of	3,566,522	Yes	3,566,522	4.020%	04/01/02	08/01/22
02A	Idaho Springs, City of	2,339,797	Yes	2,339,797	3.990%	04/01/02	08/01/22
02A	La Junta, City of	9,812,211	Yes	9,812,211	4.000%	04/01/02	08/01/22
Totals for Loans funded with 2002A Bond Issue proceeds		\$17,754,660		\$17,754,660			

Loans Paid in Full or Defeased as of December 31, 2002							
Type	Borrower	Loan Date		Original/ Amended Loan Amount	Date Defeased and/or Paid in Full		
DL	Fraser, Town of	04/15/96		200,000	Paid in Full 08/16/01		
I	Julesburg, Town of	10/17/00		693,000	Paid in Full 12/15/00		
TOTAL Loans Paid in Full or Defeased				\$893,000			

Total Loans Funded through the DWF	\$131,654,553	\$ 165,747,728
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Total Number of Loans Funded	53
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* Original loan amount differs from amount stated on the loan agreement due to subsequent amendments. Amendment details are located in various Authority files.
 ** Scheduled loan repayments have not commenced.

APPENDIX C

Colorado Water Resources and Power Development Authority
SMALL WATER RESOURCES PROJECTS
Loan Status Report
As of December 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
90A	Eagle River W&SD	1,102,500	Yes	2,000,000	7.190%	10/15/90	10/01/10
90A	Estes Park, Town of	1,210,000	Yes	2,155,000	7.190%	10/15/90	10/01/10
90A	Fort Collins - Loveland Water Dist.	1,426,667	Yes	2,565,000	7.180%	10/15/90	10/01/10
90A	North Weld County Water Dist.	1,688,750	Yes	3,000,000	7.190%	10/15/90	10/01/10
Total for Loans funded with 1990A Bond Issue proceeds		5,427,917		9,720,000			
91A	Edwards Metropolitan Dist.	695,000	Yes	1,225,000	6.820%	07/15/91	10/01/10
91A	Estes Park, Town of	725,000	Yes	1,200,000	6.840%	07/15/91	10/01/11
91A	Minturn, Town of	245,000	Yes	400,000	6.850%	07/15/91	10/01/11
91A	Steamboat Springs, City of	715,000	Yes	1,175,000	6.850%	07/15/91	10/01/11
Total for Loans funded with 1991A Bond Issue proceeds		2,380,000		4,000,000			
92A	Brush, City of	645,000	Yes	810,000	6.610%	04/01/92	10/01/12
92A	Fort Lupton, City of	1,935,000	Yes	3,000,000	6.540%	04/01/92	10/01/12
92A	La Salle, Town of	1,180,000	Yes	1,780,000	6.550%	04/01/92	10/01/12
92A	Louisville, City of	4,745,000	Yes	7,500,000	6.540%	04/01/92	10/01/12
Total for Loans funded with 1992A Bond Issue proceeds		8,505,000		13,090,000			
92B	Central Weld County Water Dist.	956,250	Yes	1,540,000	5.580%	09/15/92	10/01/12
92B	Glenwood Springs, City of	1,710,000	Yes	2,700,000	5.580%	09/15/92	10/01/12
92B	Little Thompson Water Dist.	2,587,500	Yes	4,800,000	5.570%	09/15/92	10/01/08
92B	Minturn, Town of	50,000	Yes	100,000	5.330%	09/15/92	10/01/12
92B	Mount Werner W&SD	2,888,333	Yes	4,630,000	5.580%	09/15/92	10/01/12
92B	North Weld County Water Dist.	652,500	Yes	1,055,000	5.580%	09/15/92	10/01/12
Total for Loans funded with 1992B Bond Issue proceeds		8,844,583		14,825,000			
94A	Berthoud, Town of	558,333	Yes	1,030,000	5.390%	04/01/94	10/01/09
94A	Fort Morgan, City of	1,771,667	Yes	2,500,000	5.650%	04/01/94	10/01/14
94A	Gypsum, Town of	507,500	Yes	715,000	5.650%	04/01/94	10/01/14
94A	Parker W&SD	418,750	Yes	600,000	5.650%	04/01/94	10/01/14
94A	Platteville, Town of	707,500	Yes	990,000	5.650%	04/01/94	10/01/14
Total for Loans funded with 1994A Bond Issue proceeds		3,963,750		5,835,000			
94B	Carbondale, Town of	1,440,000	Yes	1,910,000	6.150%	10/01/94	10/01/15
94B	Project 7 Water Authority	3,107,500	Yes	4,100,000	6.150%	10/01/94	10/01/15
94B	Rifle, City of	882,500	Yes	1,295,000	6.100%	10/01/94	10/01/14
Total for Loans funded with 1994B Bond Issue proceeds		5,430,000		7,305,000			
96A	Canon City, City of	3,446,667	Yes	4,600,000	5.280%	02/01/96	10/01/15
96A	Johnstown, Town of	1,398,333	Yes	1,785,000	5.310%	02/01/96	10/01/16
Total for Loans funded with 1996A Bond Issue proceeds		4,845,000		6,385,000			
96B	Morgan County Quality Water Dist.	455,000	Yes	1,040,000	6.340%	02/01/96	10/01/06
Total for Loans funded with 1996B Bond Issue proceeds		455,000		1,040,000			
97A	Monument, Town of	1,495,000	Yes	1,800,000	5.370%	06/01/97	10/01/17
97A	Parker W&SD	4,047,500	Yes	4,925,000	5.370%	06/01/97	10/01/17
97A	Roxborough Park Metropolitan Dist.	2,450,000	Yes	3,000,000	5.340%	06/01/97	10/01/16
Total for Loans funded with 1997A Bond Issue proceeds		7,992,500		9,725,000			
98A	Dillon, Town of	270,833	Yes	815,000	3.870%	09/15/98	10/01/04
98A	Morgan County Quality Water Dist.	2,555,000	Yes	2,950,000	4.650%	09/15/98	10/01/18
98A	North Weld County Water Dist.	4,277,500	Yes	5,000,000	4.650%	09/15/98	10/18/18
Total for Loans funded with 1998A Bond Issue proceeds		7,103,333		8,765,000			
00A	Parker W&SD	12,797,500	Yes	13,365,000	5.710%	02/15/00	10/01/19
00A	Upper Eagle Regional Water Auth.	10,721,250	Yes	10,745,000	5.770%	02/15/00	10/01/20
Total for Loans funded with 2000A Bond Issue proceeds		23,518,750		24,110,000			

Colorado Water Resources and Power Development Authority
 SMALL WATER RESOURCES PROJECTS
 Loan Status Report
 As of December 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
01A	North Weld County Water Dist.	15,176,250	Yes	15,510,000	4.860%	01/15/01	10/01/23
Total for Loans funded with 2001A Bond Issue proceeds		15,176,250		15,510,000			
02A	Eagle River W&SD	4,560,000	Yes	4,560,000	4.740%	06/01/02	10/01/22
02A	Parker W&SD	10,055,000	Yes	10,055,000	5.210%	06/01/02	10/01/22
Total for Loans funded with 2002A Bond Issue proceeds		14,615,000		14,615,000			

Loans Paid in Full or Defeased as of December 31, 2002							
Type	Borrower	Loan Date		Original/ Amended Loan Amount	Date Defeased and/or Paid in Full		
90A	East Dillon Water Dist.	10/15/90		825,000	Paid in Full 10/03/02		
90A	Evans, City of	10/15/90		300,000	Paid in Full 10/03/00		
90A	Upper Eagle Regional Water Auth	10/15/90		1,000,000	Defeased 07/13/95		
92A	Avon Metropolitan Dist.	04/01/92		930,000	Defeased 02/15/96		
94B	Upper Eagle Regional Water Auth	10/01/94		2,000,000	Defeased 07/13/95		
Total Loans Paid in Full or Defeased				5,055,000			

Total Loans Made **\$ 139,980,000**

Total Number of Loans Funded **45**

* Original loan amount differs from amount stated on the loan agreement due to subsequent amendments. Amendment details are located in various Authority files.
 ** Scheduled loan repayments have not commenced.

APPENDIX D

Colorado Water Resources and Power Development Authority
WATER POLLUTION CONTROL REVOLVING FUND
Loan Status Report
As of December 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
DF	Baca Grande W&SD	786,784	Yes	800,000	4.000%	12/20/01	06/01/22
DF	Broomfield, City of	2,002,996	Yes	2,514,119	4.710%	12/05/96	09/01/16
DF	Byers W&SD	375,719	Yes	435,000	4.500%	08/28/98	05/01/18
DF	Columbine W&SD	390,376	Yes	424,230	* 4.500%	03/31/00	11/01/15
DF	Durango West Metropolitan Dist.	253,992	Yes	500,000	4.500%	07/29/91	07/15/11
DF	East Alamosa W&SD	156,803	Yes	180,000	4.500%	12/02/98	11/01/18
DF	Erie, Town of	422,078	Yes	500,000	4.500%	10/08/97	08/01/17
DF	Evans, City of	351,361	Yes	396,249	* 4.500%	11/16/98	02/01/19
DF	Fort Lupton, City of	134,163	Yes	200,000	5.170%	01/12/94	09/01/13
DF	Fruita, City of	82,377	Yes	155,435	* 4.500%	04/27/95	03/01/15
DF	Holyoke, City of	411,115	Yes	489,700	4.500%	12/01/97	11/01/17
DF	Julesburg, Town of	800,000	Yes	800,000	4.000%	05/15/02	11/01/22
DF	Kersey, Town of	150,032	Yes	163,000	4.500%	12/29/99	05/01/20
DF	La Junta, City of	329,887	Yes	358,400	4.500%	10/15/99	05/01/20
DF	Las Animas, City of	927,199	Yes	1,070,000	4.500%	11/12/98	11/01/18
DF	Left Hand W&SD (Loan #1)	111,505	Yes	126,300	4.500%	03/05/99	11/01/18
DF	Left Hand W&SD (Loan #2)	78,773	Yes	84,000	4.500%	09/20/00	05/01/20
DF	Log Lane Village, Town of	189,769	Yes	250,000	4.500%	06/01/95	06/01/16
DF	Lyons, Town of	404,402	Yes	506,311	* 4.500%	10/07/96	06/01/17
DF	Manzanola, Town of	65,865	Yes	80,360	4.500%	06/01/97	05/01/17
DF	Monte Vista, Town of	865,664	Yes	968,000	4.500%	09/01/99	05/01/19
DF	Montrose County	101,165	Yes	257,919	* 4.500%	10/30/92	07/01/13
DF	Mountain Range Shadows	791,668	Yes	1,721,489	* 3.150%	12/01/89	06/15/10
DF	Mountain W&SD	83,687	Yes	200,000	1.431%	04/17/90	08/01/10
DF	New Castle, Town of	418,427	Yes	917,076	4.500%	01/01/99	05/01/19
DF	Niwot San Dist.	959,987	Yes	1,000,000	4.000%	02/16/01	05/01/21
DF	Nucla San Dist.	93,019	Yes	180,000	1.500%	05/11/92	04/30/12
DF	Ordway, Town of	278,263	Yes	350,000	4.500%	10/15/96	09/01/16
DF	Ouray, City of	472,866	Yes	800,000	4.500%	09/17/92	06/01/12
DF	Pagosa Springs GID, Town of . (Loan #1)	520,010	Yes	640,000	4.500%	06/03/97	11/01/16
DF	Pagosa Springs GID, Town of . (Loan #2)	200,000	**	200,000	4.000%	07/15/02	11/01/22
DF	Saint Mary's Glacier W&SD	103,146	Yes	150,000	4.500%	07/15/94	06/01/14
DF	Springfield, Town of	188,444	Yes	200,000	* 4.000%	11/01/00	11/01/20
DF	Vona, Town of	69,064	Yes	85,000	4.500%	01/29/97	09/01/16
Total for WPCRF Federal Funded Direct Loans		13,570,605.69		17,702,588.00			
89A	Denver Southeast Suburban W&SD	4,169,534	Yes	6,905,000	4.634%	12/01/89	08/01/11
Total for Loans funded with 1989A Bond Issue proceeds		4,169,534		6,905,000			
90A	Castle Rock, Town of	2,271,529	Yes	4,319,911	5.202%	06/15/90	08/01/10
Total for Loans funded with 1990A Bond Issue proceeds		2,271,529		4,319,911			
91A	Englewood, City of	8,335,457	Yes	12,750,000	4.642%	11/15/90	08/01/12
91A	Littleton, City of (G.O.)	5,066,650	Yes	7,750,000	4.642%	11/15/90	08/01/12
91A	Littleton, City of (Revenue)	3,269,260	Yes	5,000,694	4.642%	11/15/90	08/01/12
Total for Loans funded with 1991A Bond Issue proceeds		16,671,368		25,500,694			
91B	Metro Wastewater Reclamation Dist.	12,228,581	Yes	21,910,000	4.576%	05/01/91	04/01/11
Total for Loans funded with 1991B Bond Issue proceeds		12,228,581		21,910,000			
92A	Eagle River W&SD	4,807,971	Yes	7,368,840	5.174%	06/15/92	08/01/13
92A	Fort Lupton, City of	2,693,474	Yes	4,200,000	5.174%	06/15/92	08/01/13
92A	Frisco San Dist.	2,682,080	Yes	4,500,000	5.174%	06/15/92	07/01/12
Total for Loans funded with 1992A Bond Issue proceeds		10,183,525		16,068,840			
92B	Fort Collins, City of	15,222,272	Yes	24,540,580	4.045%	07/15/92	09/01/14
92B	Longmont, City of	1,910,491	Yes	3,500,000	3.965%	07/15/92	08/01/12
Total for Loans funded with 1992B Bond Issue proceeds		17,132,763		28,040,580			
94A	Alamosa, City of	1,735,008	Yes	3,197,216	3.768%	08/01/94	08/01/09
94A	Genesee W&SD	1,012,985	Yes	1,498,152	4.863%	08/01/94	08/01/14
94A	Greeley, City of	11,379,776	Yes	13,457,960	4.973%	08/01/94	08/01/14
94A	Parker W&SD	1,198,624	Yes	1,781,883	4.892%	08/01/94	08/01/14

Colorado Water Resources and Power Development Authority
WATER POLLUTION CONTROL REVOLVING FUND
Loan Status Report
As of December 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
94A	Windsor, Town of	2,245,063	Yes	3,998,853	4.621%	08/01/94	08/01/09
Total for Loans funded with 1994A Bond Issue proceeds		17,571,456		23,934,064			
95A	Brighton, City of	3,980,151	Yes	5,080,484	4.578%	05/01/95	08/01/15
95A	Craig, City of	781,150	Yes	1,096,820	4.578%	05/01/95	08/01/15
95A	Eagle River W&SD	4,354,272	Yes	6,099,183	4.583%	05/01/95	08/01/15
95A	Fort Morgan, City of	6,834,769	Yes	9,146,685	4.587%	05/01/95	08/01/15
95A	Steamboat Springs, City of	1,115,297	Yes	1,563,550	4.576%	05/01/95	08/01/15
95A	Winter Park W&SD	2,290,138	Yes	3,050,000	4.590%	05/01/95	08/01/15
Total for Loans funded with 1995A Bond Issue proceeds		19,355,776		26,036,722			
96A	Crested Butte, Town of	1,970,460	Yes	2,499,120	4.727%	06/01/96	08/01/16
96A	Fountain San Dist.	1,333,563	Yes	1,716,099	4.711%	06/01/96	08/01/15
96A	Idaho Springs, City of	1,215,924	Yes	1,541,237	4.742%	06/01/96	08/01/16
96A	Mount Crested Butte W&SD	1,084,020	Yes	1,399,080	4.740%	06/01/96	08/01/15
Total for Loans funded with 1996A Bond Issue proceeds		5,603,967		7,155,536			
97A	Breckenridge San Dist.	6,511,245	Yes	8,093,617	4.534%	05/01/97	08/01/17
97A	Carbondale, Town of	1,251,225	Yes	2,327,490	4.216%	05/01/97	08/01/07
97A	Eagle, Town of	1,878,310	Yes	2,345,204	4.533%	05/01/97	08/01/17
97A	Erie, Town of	1,463,763	Yes	1,821,690	4.539%	05/01/97	08/01/17
97A	Parker W&SD	2,631,190	Yes	3,271,642	4.543%	05/01/97	08/01/17
97A	Sterling, City of	1,969,646	Yes	2,499,524	4.534%	05/01/97	08/01/16
97A	Westminster, City of	11,130,248	Yes	13,246,525	4.543%	05/01/97	06/01/17
Total for Loans funded with 1997A Bond Issue proceeds		26,835,627		33,605,692			
98A	Buena Vista San Dist.	3,228,380	Yes	3,896,505	3.960%	04/01/98	08/01/17
98A	Eagle River W&SD	14,728,870	Yes	17,685,396	3.940%	04/01/98	08/01/16
98A	Evans, City of	952,249	Yes	1,141,617	4.030%	04/01/98	08/01/18
98A	Trinidad, City of	5,736,234	Yes	6,670,909	3.990%	04/01/98	08/01/18
98A	Westminster, City of	3,280,939	Yes	4,085,697	3.980%	04/01/98	06/01/17
Total for Loans funded with 1998A Bond Issue proceeds		27,926,671		33,480,124			
98B	Colorado Springs, City of	20,096,945	Yes	22,204,270	4.060%	04/01/98	05/15/19
Total for Loans funded with 1998B Bond Issue proceeds		20,096,945		22,204,270			
99A	Aurora, City of	19,979,841	Yes	24,124,366	4.040%	07/01/99	08/01/14
99A	Fremont San Dist.	7,434,334	Yes	8,094,568	4.200%	07/01/99	08/01/19
99A	Grand County W&SD	3,483,157	Yes	3,999,978	4.170%	07/01/99	08/01/18
99A	Steamboat Springs, City of	2,587,431	Yes	2,935,636	4.200%	07/01/99	08/01/19
Total for Loans funded with 1999A Bond Issue proceeds		33,484,763		39,154,548			
00A	Parker W&SD	11,162,886	Yes	12,063,546	4.650%	05/15/00	08/01/20
00A	Summit County	15,798,664	Yes	17,086,830	4.660%	05/15/00	08/01/20
00A	Three Lakes W&SD	5,979,960	Yes	6,498,576	4.640%	05/15/00	08/01/19
Total for Loans funded with 2000A Bond Issue proceeds		32,941,510		35,648,952			
01A	Cortez San Dist.	9,400,000	Yes	9,775,000	3.990%	05/01/01	08/01/20
01A	Fort Collins, City of	9,285,000	Yes	9,845,000	4.020%	05/01/01	06/01/21
01A	Fraser San Dist.	2,350,000	Yes	2,445,000	3.990%	05/01/01	08/01/20
01A	Lafayette, City of	7,759,046	Yes	7,861,139	4.040%	05/01/01	08/01/21
01A	Mount Crested Butte W&SD	4,967,415	Yes	5,161,581	4.020%	05/01/01	08/01/21
01A	Parker W&SD	4,731,048	Yes	4,913,424	4.010%	05/01/01	08/01/21
01A	Plum Creek Wastewater Authority	24,609,999	Yes	25,525,000	4.020%	05/01/01	08/01/21
01A	Steamboat Springs, City of	5,673,484	Yes	5,895,654	4.010%	05/01/01	08/01/21
Total for Loans funded with 2001A Bond Issue proceeds		68,775,992		71,421,798			
02A	Berthoud, Town of	6,325,000	Yes	6,325,000	3.850%	05/01/02	08/01/23
02A	Black Hawk-Central City San Dist.	24,107,369	Yes	24,107,369	3.710%	05/01/02	08/01/22
02A	Mesa County	13,490,000	Yes	13,490,000	3.620%	05/01/02	08/01/24
02A	South Adams County W&SD	6,267,500	Yes	6,270,000	3.790%	05/01/02	06/01/22
02A	Wellington, Town of	4,826,281	Yes	4,826,281	3.710%	05/01/02	08/01/22
02A	Winter Park West W&SD	2,406,249	Yes	2,406,249	3.680%	05/01/02	08/01/21
Total for Loans funded with 2002A Bond Issue proceeds		57,422,399		57,424,899			

Colorado Water Resources and Power Development Authority
WATER POLLUTION CONTROL REVOLVING FUND
Loan Status Report
As of December 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
02B	Denver Southeast Suburban W&SD	7,045,000	**	7,045,000	3.210%	10/01/02	08/01/23
02B	Parker W&SD	14,112,800	**	14,112,800	3.620%	10/01/02	08/01/25
02B	Plum Creek Wastewater Authority	3,390,000	**	3,390,000	3.220%	10/01/02	08/01/23
Total for Loans funded with 2002B Bond Issue proceeds		24,547,800		24,547,800			

Loans Paid in Full or Defeased as of December 31, 2002

Type	Borrower	Loan Date	Original/ Amended Loan Amount	Date Defeased and/or Paid in Full
DL	Divide W&SD	07/15/92	69,000	Paid in Full 06/02/95
DL	Parker W&SD	03/16/95	500,000	Paid in Full 01/26/00
DL	Roxborough Park Metro Dist.	11/18/94	600,000	Paid in Full 12/01/00
DL	Wellington, Town of	06/01/90	375,000	Paid in Full 05/07/02
99A	Mount Werner W&SD	07/01/99	3,034,627	Defeased 4/2/01
Total Loans Paid in Full or Defeased			4,578,627	

Total Loans Funded **\$ 499,640,645**

Total Number of Loans Funded **102**

* Original loan amount differs from amount stated on the loan agreement due to subsequent amendments. Amendment details are located in various Authority files.
** Scheduled loan repayments have not commenced.

APPENDIX E

Colorado Water Resources and Power Development Authority
WATER REVENUE BONDS PROGRAM
Loan Status Report
As of DECEMBER 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
98A	Rio Blanco Water Conservancy Dist.	2,535,000	Yes	3,140,000	7.083%	05/12/98	11/15/13
Total for Loans funded with 1998A Bond Issue proceeds		2,535,000		3,140,000			

Loans Paid in Full or Defeased as of December 31, 2002							
Type	Borrower	Loan Date		Original/ Amended Loan Amount		Date Defeased and/or Paid in Full	
86A	Stagecoach Project	1986		6,800,000		Defeased 1992	

Total Loans Made \$ 9,940,000

Total Number of Loans Funded 2

APPENDIX F

Colorado Water Resources and Power Development Authority
 INTERIM LOANS
 Loan Status Report
 As of DECEMBER 31, 2002

Type	Borrower	Outstanding Balance	Current	Original / Amended Balance	Loan Rate	Loan Date	Final Payment Date
I	Fountain, City of	2,232,750	***	2,232,750	4.000%	12/30/02	
I	Rifle, City of	1,085,334	***	1,085,334	4.000%	11/01/02	

Total Loans Made \$ 3,318,084

Total Number of Loans Funded 2

*** Interim loan principal is recorded as draws are made, not total loan amount authorized. For further information, see Authority's records.

APPENDIX G



**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Basic Financial Statements

December 31, 2002 and 2001

(With Independent Auditors' Reports Thereon)



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**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

December 31, 2002 and 2001

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Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

The Board of Directors
Colorado Water Resources and Power Development Authority:

We have audited the accompanying financial statements of each major fund of the Colorado Water Resources and Power Development Authority (the Authority), a component unit of the State of Colorado, as of and for the years ended December 31, 2002 and 2001, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Colorado Water Resources and Power Development Authority as of December 31, 2002 and 2001, and the respective changes in financial position and the cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 11, 2003, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis on pages 3 through 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

April 11, 2003
Denver, Colorado



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BASIC FINANCIAL STATEMENTS

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2002 and 2001

As management of the Colorado Water Resources and Power Development Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended December 31, 2002 and 2001.

Financial Highlights

- Net assets of the Authority's enterprise funds increased \$35.6 million (11.8%) bringing the total to \$336.5 million at December 31, 2002. As in 2001, two major revenue sources contributed to that increase. First, \$7.3 million was contributed from the Animas-La Plata Agency Fund to the Water Operations Enterprise Fund; see note 1 to the basic financial statements for additional information on this contribution. Capitalization grant revenue received from the United States Environmental Protection Agency (EPA) totaling \$17.2 million was the second major source of funds.
- Operating income totaled \$11.1 million during 2002, an increase of \$2.9 million (36.2%) over 2001. Each of the enterprise funds reported significant increases. Operating revenue totaled \$46.7 million, while expenses were held to \$35.6 million for the fiscal year, resulting in a strong financial position for each fund. Despite the drastic reduction in money market investment interest rates, investment income rose by \$3.6 million (22.1%). The \$64.9 million increase in Restricted Assets, invested in higher yielding repurchase agreements, generated a significant amount of investment income included in the rise.
- Bonds payable, net of unamortized refunding costs, at December 31, 2002, totaled \$611.4 million, a net increase of \$83.9 million (15.9%). New revenue bonds were issued in the following enterprise funds:
 - Small Water Resources Projects (SWRP) program, within the Water Operations Enterprise Fund, - \$14.6 million,
 - Water Pollution Control Revolving Fund (WPCRF), within the Water Pollution Control Enterprise Fund, - \$78.7 million,
 - Drinking Water Revolving Fund (DWRF), within the Drinking Water Enterprise Fund, - \$16.3 million.
- Combined loans receivable totaled \$670.9 million at December 31, 2002. During 2002, loans totaling \$124.0 million were executed, resulting in a net increase in loans receivable of \$94.4 million (16.4%). New loans were executed in the following enterprise funds:
 - WPCRF.....\$ 83.0 million
 - Water Operations..... 19.1 million
 - DWRF 21.9 million

Overview of the Basic Financial Statements

Management's discussion and analysis is intended to serve as an introduction of the Authority's basic financial statements. Prior year's activity is provided in a comparative presentation in this discussion. The basic financial statements consist of the fund financial statements and the notes to the basic financial statements.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are categorized as proprietary funds or fiduciary funds.

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Proprietary Funds. The Authority uses enterprise funds to report substantially all of its operations. These enterprise funds are business-type activities that include three separately maintained funds: 1) The Water Operations Fund, 2) The Water Pollution Control Fund, and 3) The Drinking Water Fund. The basic financial statements for each proprietary fund are included in this report. All proprietary funds are considered major funds.

Fiduciary Fund. A fiduciary fund was used to account for resources held for the benefit of parties outside the government in 2001. That fund was not combined with the 2001 totals of the proprietary funds. The fiduciary fund is described in more detail later in this analysis.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis of Enterprise Funds

Summary of Net Assets

The Authority's basic financial statements are primarily comprised of three enterprise funds. To better assist the user of these statements, a separate table and analysis for each of the funds is presented below. These tables summarize the financial position of each enterprise fund as of December 31, 2002 and 2001 in a comparative format.

Unrestricted current and other assets primarily consist of cash and cash equivalents, investment and loan interest receivable, loan principal payments due in the subsequent year, investments, and other assets and receivables. Restricted assets are comprised of cash and cash equivalents, investments, and investment income receivable. These asset types contain amounts relating to borrowers' project accounts, debt service reserve funds, debt service funds and other accounts legally restricted by the revenue bond resolutions. Current and other liabilities contain amounts such as bond interest payable, bond principal payments due in the subsequent year, project costs payable (remaining borrower direct loan proceeds available), and various other miscellaneous liabilities. The Project costs payable – leveraged loans line item contains remaining borrower loan proceeds available for loans financed with bond proceeds. Long-term debt is the total of bonds payable more than one year subsequent to the fiscal year end. Net assets are classified into capital assets, restricted, and unrestricted categories.

Each of the enterprise funds contains one or more leveraged loan programs that are funded, all or in part, with bond proceeds. Bonds are issued only to provide capital for pre-approved loans. Each loan-bond financing package directly increases four major non-current line items on the respective fund's summary statement of net assets: bonds payable, restricted assets, loans receivable, and project costs payable – leveraged loans.

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As project construction costs are incurred, borrowers submit requisitions for reimbursement. Construction of these infrastructure projects often lasts up to three years. When approved requisitions are paid, reductions to Restricted assets and Project costs payable-leveraged loans are recorded. Therefore, the net changes to these two accounts from year-to-year are dependent upon the increases resulting from new loans and decreases from project requisitions paid.

An explanation and graphical representation of the comparative balances for these four, major line items is shown below for each enterprise fund.

Water Operations Fund

The Water Operations Fund is discussed in detail in note 1 of the basic financial statements. This fund is the combination of the business operations of the Authority (general and administrative), the Small Water Resources Projects Program (SWRP) and the Water Revenue Bonds Program (WRBP). The SWRP and the WRBP are both leveraged loan programs, whereby revenue bonds are issued and the bond proceeds are used to fund related, approved loans. In an effort to continue assisting the development of Colorado's water resources, the Authority may absorb the cost of issuing these bonds. Loans made from these programs are not subsidized by federal capitalization grants.

Summary of Net Assets as of December 31					WATER OPERATIONS FUND
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>Pct Chg</u>	
Current and other assets	\$ 68,431,619	67,611,501	820,118	1.2%	
Restricted assets	34,886,556	35,273,068	(386,512)	-1.1%	
Capital assets, net	2,872	13,233	(10,361)	-78.3%	
Long-term loans receivable	<u>106,055,833</u>	<u>96,365,000</u>	<u>9,690,833</u>	<u>10.1%</u>	
Total assets	<u>\$ 209,376,880</u>	<u>199,262,802</u>	<u>10,114,078</u>	<u>5.1%</u>	
Current and other liabilities	\$ 10,582,141	10,056,678	525,463	5.2%	
Project costs payable-Leveraged Loans	11,704,856	21,857,893	(10,153,037)	-46.5%	
Long-term debt outstanding, net	<u>106,363,333</u>	<u>96,618,333</u>	<u>9,745,000</u>	<u>10.1%</u>	
Total liabilities	<u>128,650,330</u>	<u>128,532,904</u>	<u>117,426</u>	<u>0.1%</u>	
Fund net assets:					
Invested in capital assets	2,872	13,233	(10,361)	-78.3%	
Restricted	16,565,244	8,863,145	7,702,099	86.9%	
Unrestricted	<u>64,158,434</u>	<u>61,853,520</u>	<u>2,304,914</u>	<u>3.7%</u>	
Total fund net assets	<u>80,726,550</u>	<u>70,729,898</u>	<u>9,996,652</u>	<u>14.1%</u>	
Total liabilities and fund net assets	<u>\$ 209,376,880</u>	<u>199,262,802</u>	<u>10,114,078</u>	<u>5.1%</u>	

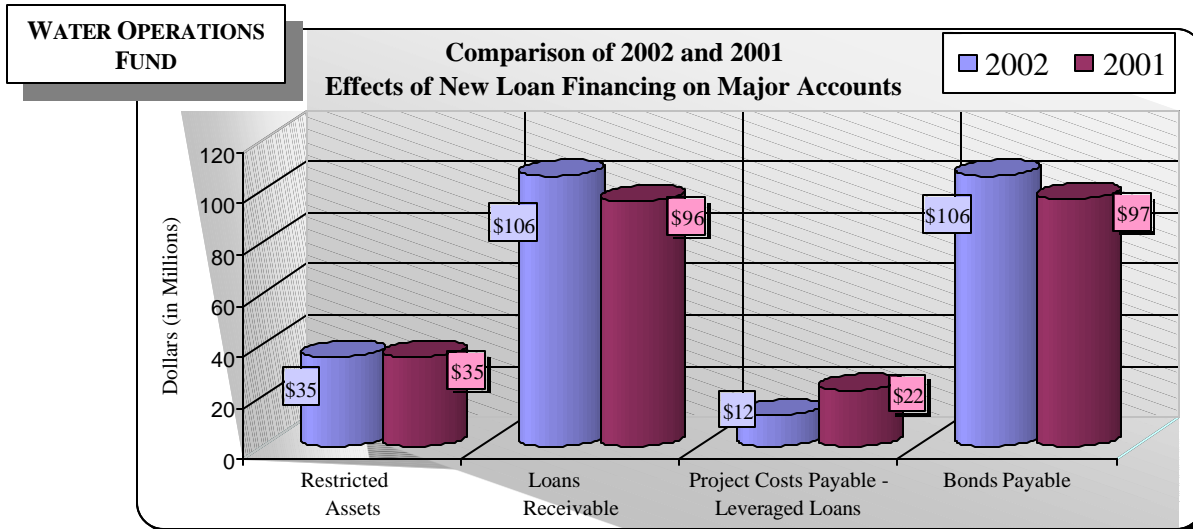
The leveraged loan programs are generally most cost effective when a pool of approved borrowers is formed prior to issuing the bonds. However, borrowers frequently have projects that require funding before bonds are ready to be issued. To assist these communities the Authority may approve interim (or bridge) loans, until permanent financing is available. During 2002, two interim loans were executed totaling \$6.5 million. The fund's current and other assets were reduced to fund these loans. The comparative balances of the four-major accounts are shown in the graph below. The increases in loans receivable and bonds payable are the result of

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issuing \$14.6 million of SWRP bonds, investing the proceeds and executing corresponding loans to the communities. Construction draws totaling \$29.1 million contributed to the \$10.2 million decrease in Project costs payable-leveraged loans.



As described in more detail in note 1 of the basic financial statements, during 2002 the Bureau of Reclamation (Bureau) began construction on the Animas-La Plata reservoir project. To facilitate the construction payments, the balance of the fiduciary fund totaling \$7.3 million was contributed to the Water Operations Fund. The unexpended funds are contained in Restricted Assets and Restricted Net Assets. Payments made to the Bureau represent progress payments for the purchase of average annual depletion of 2,600 acre-feet of water from the project. During 2002, \$1.1 million was paid to the Bureau.

Water Pollution Control Fund

The WPCRF program is beginning to mature as a revolving fund, as more “recycled” federal grant dollars (or “reloan” dollars) become available annually. During 2002, \$14.6 million of reloan monies were transferred from current and other assets to restricted assets (invested in repurchase agreements) that were held in debt service reserve funds (matching accounts) of the 2002 bond issues. That transfer contributed to the \$4.4 million decrease in current and other assets. However, the net decrease in current and other assets was limited by a \$6.7 million increase in operating income and a \$2.9 million increase in current loans receivable.

During 2002, the WPCRF issued revenue bonds totaling \$78.7 million. The bond proceeds plus \$3.2 million of state matching dollars, funded new leveraged loans totaling \$82 million. The graph below displays the comparative balances of the four-major accounts and the following net increases: Restricted assets (\$57.4 million), Long-term loans receivable (\$62 million), Project costs payable-leveraged loans (\$34.1 million), and Long-term debt (\$59.6 million). Significant construction draws totaling \$49.8 million limited the net increase in Restricted assets and Project costs payable-leveraged loans.

The WPCRF had operating income of \$6.7 million, and federal grant revenue of \$10.4 million that resulted in the increase in restricted net assets of \$17.1 million.

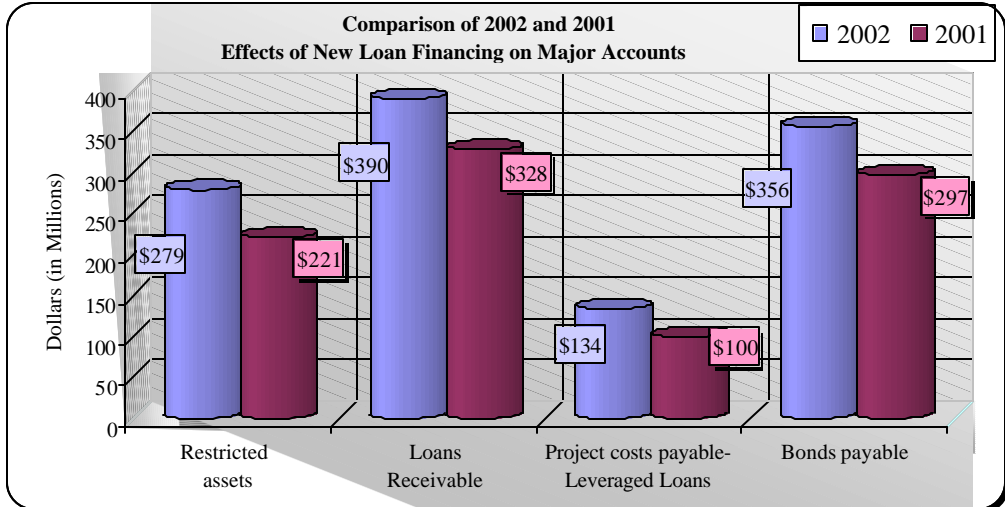
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Summary of Net Assets as of December 31				
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>Pct Chg</u>
Current and other assets	\$ 36,510,252	40,942,900	(4,432,648)	-10.8%
Restricted assets	278,554,004	221,160,080	57,393,924	26.0%
Capital assets, net	15,154	10,808	4,346	40.2%
Long-term loans receivable	389,998,669	328,019,762	61,978,907	18.9%
Total assets	\$ 705,078,079	590,133,550	114,944,529	19.5%
Current and other liabilities	\$ 43,102,694	38,942,436	4,160,258	10.7%
Project costs payable-Leveraged Loans	134,234,465	100,154,503	34,079,962	34.0%
Long-term debt outstanding, net	356,190,998	296,606,662	59,584,336	20.1%
Total liabilities	533,528,157	435,703,601	97,824,556	22.5%
Fund net assets:				
Invested in capital assets	15,154	10,808	4,346	40.2%
Restricted	171,534,768	154,419,141	17,115,627	11.1%
Total fund net assets	171,549,922	154,429,949	17,119,973	11.1%
Total liabilities and fund net assets	\$ 705,078,079	590,133,550	114,944,529	19.5%

**WATER POLLUTION
CONTROL FUND**



Drinking Water Fund

The Drinking Water Fund contributed unrestricted funds totaling \$1.4 million to satisfy state match requirement for the DWRF 2002 Series A bond issue. This transfer of funds led to the \$0.7 million decrease in

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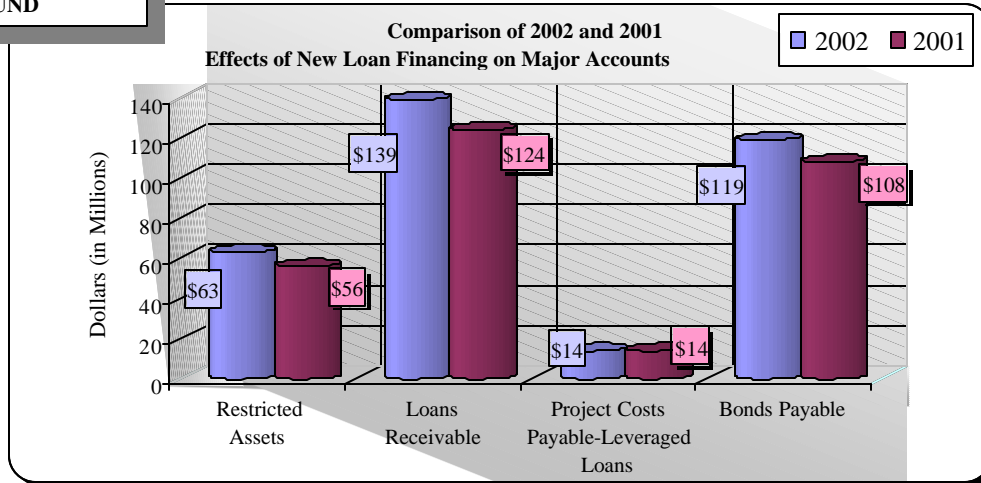
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Current and other assets. The state match funds were transferred to borrower project accounts, combined with bond proceeds, and invested in a repurchase agreement pursuant to normal, leveraged loan financing arrangements.

Summary of Net Assets as of December 31				
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>Pct Chg</u>
Current and other assets	\$ 27,239,221	27,967,125	(727,904)	-2.6%
Restricted assets	63,465,261	55,600,958	7,864,303	14.1%
Capital assets, net	15,154	10,808	4,346	40.2%
Long-term loans receivable	139,471,317	124,114,547	15,356,770	12.4%
Total assets	<u>\$ 230,190,953</u>	<u>207,693,438</u>	<u>22,497,515</u>	<u>10.8%</u>
Current and other liabilities	\$ 12,730,640	10,489,048	2,241,592	21.4%
Project costs payable-Leveraged Loans	14,298,605	13,548,452	750,153	5.5%
Long-term debt outstanding, net	118,960,000	107,985,000	10,975,000	10.2%
Total liabilities	<u>145,989,245</u>	<u>132,022,500</u>	<u>13,966,745</u>	<u>10.6%</u>
Fund net assets:				
Invested in capital assets	15,154	10,808	4,346	40.2%
Restricted	68,379,804	59,316,677	9,063,127	15.3%
Unrestricted	15,806,750	16,343,453	(536,703)	-3.3%
Total fund net assets	<u>84,201,708</u>	<u>75,670,938</u>	<u>8,530,770</u>	<u>11.3%</u>
Total liabilities and fund net assets	<u>\$ 230,190,953</u>	<u>207,693,438</u>	<u>22,497,515</u>	<u>10.8%</u>

**DRINKING WATER
FUND**



During 2002, the DWRP issued revenue bonds totaling \$16.3 million. The bond proceeds plus \$1.4 million state matching dollars, funded new leveraged loans totaling \$17.6 million. The graph above displays the comparative balances of the four-major accounts and the following net increases: Restricted assets (\$7.9 million), Long-term loans receivable (\$15.4 million), Project costs payable-leveraged loans (\$.8 million), and Long-term debt (\$11 million). Significant construction draws totaling \$19 million limited the net increase in Restricted assets and Project costs payable-leveraged loans.

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The DWRF had operating income of \$1.7 million, and federal grant revenue of \$6.8 million that resulted in the increase in net assets of \$8.5 million.

Combined Enterprise Funds

This schedule shows the combined net assets of all three-enterprise funds of the Authority. Total assets of these funds grew by \$147.5 million largely as a result of bonds issued and corresponding loans made during 2002. Total liabilities increased by \$112 million, and net assets increased by \$35.6 million for the year. As a whole, and separately, the Authority's funds are financially sound, and continue to grow as the water and wastewater project financing needs continue to be met.

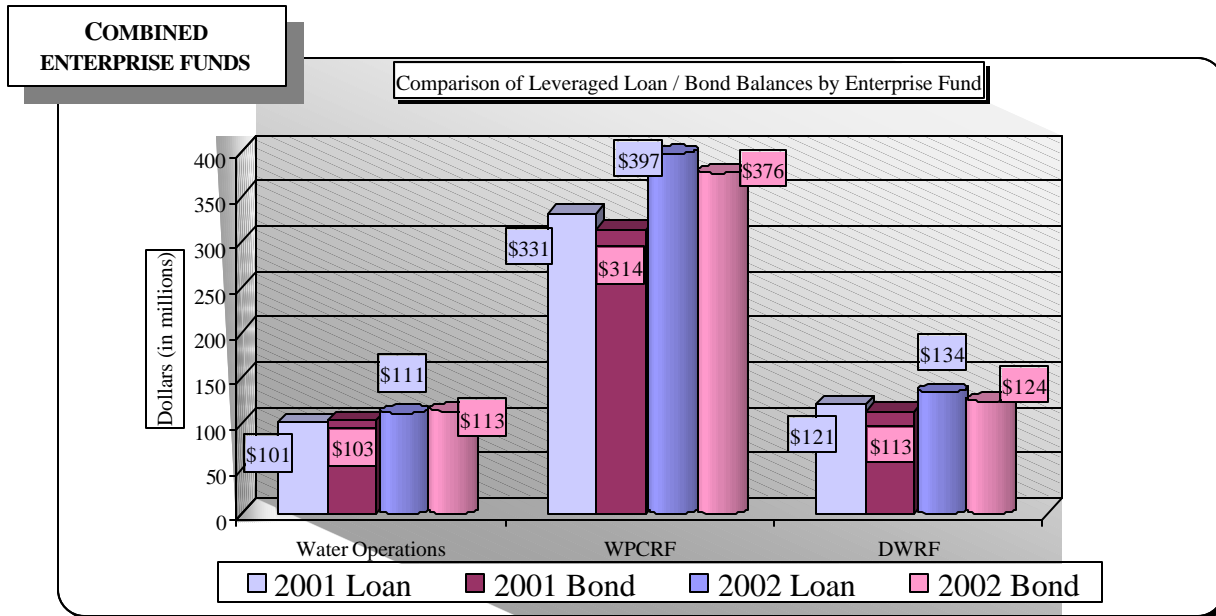
Summary of Net Assets as of December 31					COMBINED ENTERPRISE FUNDS
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>Pct Chg</u>	
Current and other assets	\$ 132,181,092	136,521,526	(4,340,434)	-3.2%	
Restricted assets	376,905,821	312,034,106	64,871,715	20.8%	
Capital assets, net	33,180	34,849	(1,669)	-4.8%	
Long-term loans receivable	<u>635,525,819</u>	<u>548,499,309</u>	<u>87,026,510</u>	<u>15.9%</u>	
Total assets	<u>\$ 1,144,645,912</u>	<u>997,089,790</u>	<u>147,556,122</u>	<u>14.8%</u>	
Current and other liabilities	\$ 66,415,475	59,488,162	6,927,313	11.6%	
Project costs payable-Leveraged Loans	160,237,926	135,560,848	24,677,078	18.2%	
Long-term debt outstanding, net	<u>581,514,331</u>	<u>501,209,995</u>	<u>80,304,336</u>	<u>16.0%</u>	
Total liabilities	<u>808,167,732</u>	<u>696,259,005</u>	<u>111,908,727</u>	<u>16.1%</u>	
Fund net assets:					
Invested in capital assets	33,180	34,849	(1,669)	-4.8%	
Restricted	256,479,816	222,598,963	33,880,853	15.2%	
Unrestricted	<u>79,965,184</u>	<u>78,196,973</u>	<u>1,768,211</u>	<u>2.3%</u>	
Total fund net assets	<u>336,478,180</u>	<u>300,830,785</u>	<u>35,647,395</u>	<u>11.8%</u>	
Total liabilities and fund net assets	<u>\$ 1,144,645,912</u>	<u>997,089,790</u>	<u>147,556,122</u>	<u>14.8%</u>	

Below is a graphical representation of the total outstanding loans receivable at year-end that was funded from bond proceeds (leveraged loans). In a comparative form, the outstanding balances of the bonds payable are also shown. The loans and bonds are shown for each of the three separately operated enterprise funds. The graph shows the continued growth in all enterprise funds' leveraged loan programs, especially in the WPCRf program.

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Summary of Changes in Fund Net Assets

As described in the notes to the basic financial statements, the Authority issues bonds to raise capital for making program loans. The bonds are repaid from receipts of loan repayments (principal and interest) and in the WPCRF and DWRF, from investment income earned on restricted assets held in the borrowers' project accounts and in bond debt service reserve funds. This investment income used for paying bond debt service in the revolving funds represents the loan interest subsidy provided to the borrowers.

Below are schedules showing the summary of changes in net assets by individual enterprise funds and in total. Like the complete statements located in the basic financial statements, these summary schedules show operating revenues, operating expenses, operating (net) income, other sources of revenue, and the changes in net assets in a comparative year format. These schedules quantify the operating results of the Authority as a financing entity. For 2002, investment income and loan interest income made up more than 80% of operating revenues, bond interest expense was 84% of operating expense, and 48% of total changes in net assets came from federal capitalization grant revenue.

The WPCRF and DWRF programs are allowed to collect a loan administrative fee surcharge to supplement administrative grant funds used to pay administrative expenses. The annual administrative fee surcharge rate is 0.8% and is applied to the original loan receivable balance, and is a component of loan repayments. Generally, these fees remain constant over the term of the loan.

Beginning in 2001, pursuant to the implementation of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, for the WPCRF and the DWRF, federal capitalization grant receipts have been recorded as non-operating revenue. Grant revenue from the DWRF set asides and grant reimbursements for program administrative costs for both revolving funds are recorded as operating revenue. For loans funded with grant dollars, each project requisition generates a draw from the respective program's grant(s). Capitalization grant revenue is shown below operating income on the Summary of Changes in Fund Net Assets. Two major factors contribute to the amount of grant revenue

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recognized; 1) the number and size of loans made in the revolving funds for the year; and 2) the demand for project cost reimbursements, including projects funded in prior years.

Water Operations Fund

In November 2001 the \$35.1 million contribution from the Animas- La Plata agency fund was received by the Water Operations Fund, and was invested throughout 2002. Interest on these additional funds significantly added to the total interest income of \$3.4 million, an increase of 120% over 2001. The Summary of Net Assets schedule for the Water Operations Fund, located on page 5 of this discussion, shows that long-term loans receivable and bonds payable increased by \$9.6 million (10.1%). However, loan interest income (decrease) and bond interest expense (increase) shown below changed only slightly. These income and expense amounts did not increase in the same proportion as the assets and liabilities. In 2001 the SWRP bonds were issued and were loans executed in January, while the 2002 bonds and loans were issued and executed in June. If the 2002 bonds and loans had been outstanding the entire year, then the increase in interest income and expense would have been comparable to the changes in loans receivable and bonds payable outstanding at year end.

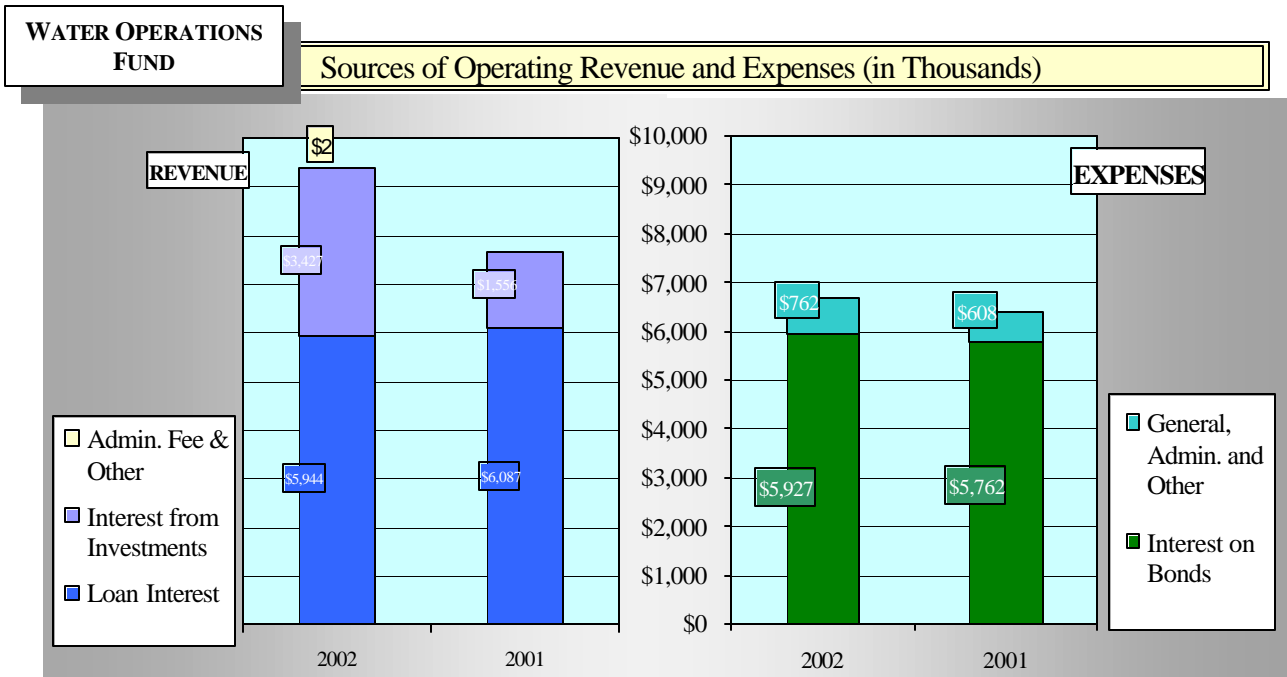
Summary of Changes in Fund Net Assets as of December 31				WATER OPERATIONS FUND	
	2002	2001	Change	Pct Chg	
Operating revenues:					
Interest on investments	\$ 3,427,154	1,556,438	1,870,716	120.2%	
Interest on loans	5,944,449	6,086,835	(142,386)	-2.3%	
Other income	2,464	—	2,464	100.0%	
Total operating revenues	<u>9,374,067</u>	<u>7,643,273</u>	<u>1,730,794</u>	<u>22.6%</u>	
Operating expenses:					
Interest on bonds	5,927,012	5,762,541	164,471	2.9%	
General, administrative, and other expenses	761,914	608,251	153,663	25.3%	
Total operating expenses	<u>6,688,926</u>	<u>6,370,792</u>	<u>318,134</u>	<u>5.0%</u>	
Operating income	2,685,141	1,272,481	1,412,660	111.0%	
Contributions from agency fund	<u>7,311,511</u>	<u>35,143,250</u>	<u>(27,831,739)</u>	<u>-79.2%</u>	
Change in net assets	9,996,652	36,415,731	(26,419,079)	-72.5%	
Net assets – beginning of year	<u>70,729,898</u>	<u>34,314,167</u>	<u>36,415,731</u>	<u>106.1%</u>	
Net assets – end of year	<u>\$ 80,726,550</u>	<u>70,729,898</u>	<u>9,996,652</u>	<u>14.1%</u>	

As shown in the graph below, investment and loan interest income are the principal sources of operating revenue in the Water Operations Fund. As discussed above, investment income more than doubled, while loan interest income decreased slightly. Both General, administrative and other expenses and bond interest expense remained fairly constant as well.

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General and administrative expenses increased by \$153 thousand (25.3%). The majority of this increase related to a portion of the SWRP bond issuance costs paid by the Authority in 2002, pursuant to a change in policy by the Authority's Board of Directors. In prior years the cost of bond issuance was passed through to the borrowers as an addition to loan principal.

As explained in more detail in the notes to the basic financial statements, the Water Operations Fund recorded contributions from the Animas-La Plata agency fund in both 2002 and 2001. The balance of the fund that was transferred in 2002 remains committed for payment to the Bureau in exchange for the average annual depletion of 2,600 acre-feet of water from the project. The funds contributed in 2002 increased restricted net assets at year-end.

Water Pollution Control Fund

In May and October 2002 the WPCRF issued bonds totaling \$55.3 million (6 loans executed) and \$23.4 million (3 loans executed) respectively. The Summary of Net Assets schedule for the WPCRF, located on page 7 of this discussion, shows that long-term loans receivable and bonds payable increased by 18.9% and 20.1% respectively. Considering the timing of these activities, loan interest income and bond interest expense increased 16.4% and 14.3% as shown in the schedule below. Similarly, bond proceeds were invested in repurchase agreements, and the interest earnings on these funds contributed to the \$1.3 million (11.1%) increase in interest on investments.

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**WATER POLLUTION
CONTROL FUND**

Summary of Changes in Fund Net Assets as of December 31				
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>Pct Chg</u>
Operating revenues:				
Interest on investments	\$ 12,813,566	11,533,748	1,279,818	11.1%
Interest on loans	8,247,247	7,085,961	1,161,286	16.4%
Administrative fee and other income	4,448,989	3,760,213	688,776	18.3%
EPA grants-administrative	341,565	333,777	7,788	2.3%
Total operating revenues	<u>25,851,367</u>	<u>22,713,699</u>	<u>3,137,668</u>	<u>13.8%</u>
Operating expenses:				
Interest on bonds	17,902,940	15,666,961	2,235,979	14.3%
Grant administration	1,161,206	1,199,441	(38,235)	-3.2%
General, administrative, and other expenses	69,657	79,985	(10,328)	-12.9%
Total operating expenses	<u>19,133,803</u>	<u>16,946,387</u>	<u>2,187,416</u>	<u>12.9%</u>
Operating income	6,717,564	5,767,312	950,252	16.5%
EPA capitalization grants	10,402,409	9,965,421	436,988	4.4%
Change in net assets	17,119,973	15,732,733	1,387,240	8.8%
Net assets – beginning of year	154,429,949	138,697,216	15,732,733	11.3%
Net assets – end of year	<u>\$ 171,549,922</u>	<u>154,429,949</u>	<u>17,119,973</u>	<u>11.1%</u>

Below is a graph showing the components of operating income and expenses in a comparative format. As additional loans are approved and funded, operating income and expenses increase accordingly. As expected, loan interest income increased \$1.2 million and bond interest expense increased by \$2.2 million. Similarly loan administrative fee income rose \$0.7 million.

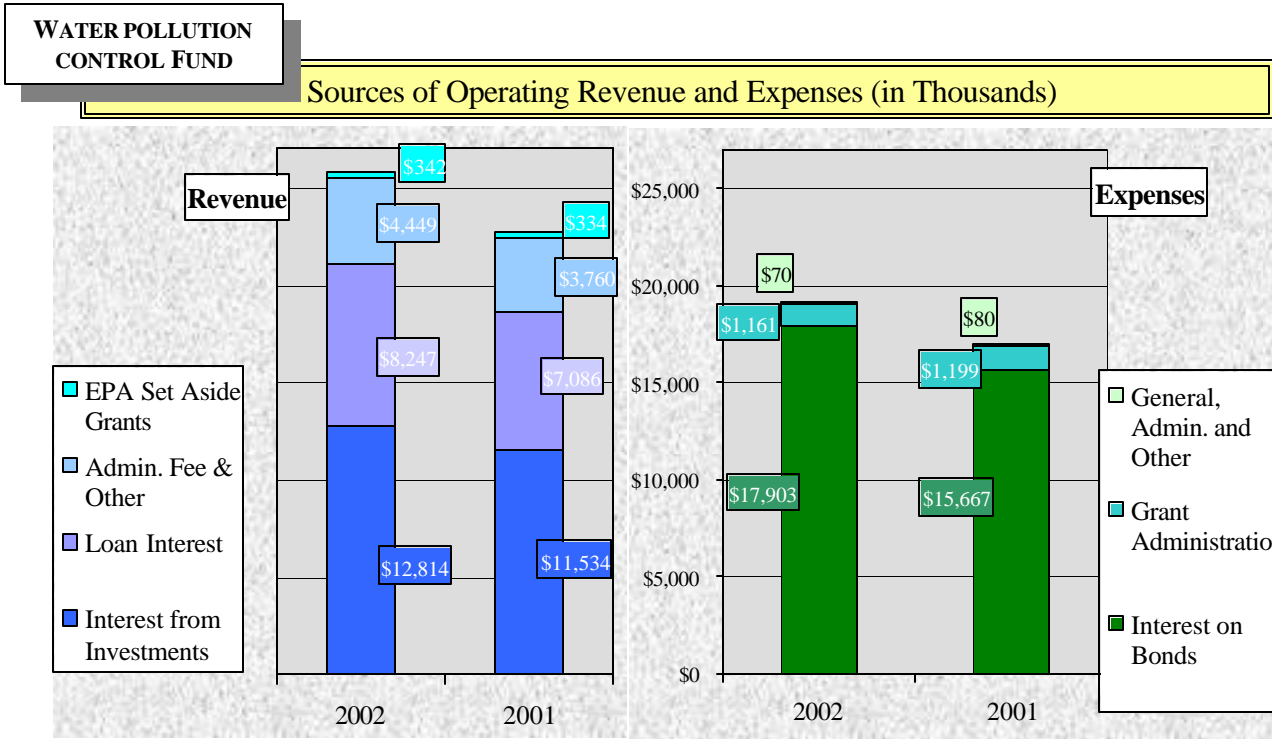
The cost to administer the WPCRF for 2002 was \$1.2 million. Included in this amount are reimbursed costs paid to the Water Quality Control Division of the Colorado Department of Public Health and Environment (\$0.6 million), and the Division of Local Government of the Colorado Department of Local Affairs (\$0.1 million). These agencies of the State provide environmental, technical, marketing and financial analysis services in operating the WPCRF.

As discussed at the beginning of this section, a proportionate amount of federal capitalization grant revenue is recognized for each borrower project requisition. However, certain loans that are funded with reloan dollars (recycled grant funds) do not receive grant funds and these project requisitions will not include any recognition of grant revenue. The relatively small increase in grant revenue in 2002 is consistent with program operations.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2002 and 2001



Drinking Water Fund

In April 2002 the DWRF issued bonds totaling \$16.3 million (4 loans executed). The Summary of Net Assets schedule for the DWRF, located on page 8 of this discussion, shows that long-term loans receivable and bonds payable increased by 12.4% and 10.2% respectively. The DWRF did not issue any bonds in 2001. Included in the increase in loans receivable were 5 direct loans totaling \$4.2 million, that were funded from reloan funds. Considering the timing and types of these financing activities, loan interest income and bond interest expense increased 14.9% and 5.7% as shown in the schedule below. Similarly, the bond proceeds were invested in a repurchase agreement, and the interest earnings on these funds contributed to the \$0.4 million (14.1%) increase in interest on investments.

Please refer to the notes to the basic financial statements for an explanation of the set aside programs funded by the DWRF. These grant dollars reimburse the costs incurred to implement these special programs designed to enhance safe drinking water supplies. As program costs are incurred, EPA grant funds are drawn for those specific purposes. The activity in the set aside program continues to grow, and the grant income and related expenses increased more than \$1 million during 2002.

The cost to administer the DWRF for 2002 was nearly \$1 million. Included in this amount are reimbursed costs paid to the Water Quality Control Division of the Colorado Department of Public Health and Environment (\$0.5 million), and the Division of Local Government of the Colorado Department of Local Affairs (\$0.1 million). These State agencies provide environmental, technical, marketing and financial analysis services in operating the DWRF.

**COLORADO WATER RESOURCES
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Management's Discussion and Analysis

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Summary of Changes in Fund Net Assets as of December 31				
	2002	2001	Change	Pct Chg
Operating revenues:				
Interest on investments	\$ 3,602,342	3,158,123	444,219	14.1%
Interest on loans	3,557,261	3,096,573	460,688	14.9%
Administrative fee and other income	1,259,845	1,233,740	26,105	2.1%
EPA grants	<u>3,038,001</u>	<u>1,932,401</u>	<u>1,105,600</u>	<u>57.2%</u>
Total operating revenues	<u>11,457,449</u>	<u>9,420,837</u>	<u>2,036,612</u>	<u>21.6%</u>
Operating expenses:				
Interest on bonds	6,059,369	5,734,620	324,749	5.7%
Grant administration	953,118	883,730	69,388	7.9%
General, administrative, and other expenses	19,506	12,978	6,528	50.3%
EPA set asides	<u>2,716,207</u>	<u>1,672,309</u>	<u>1,043,898</u>	<u>62.4%</u>
Total operating expenses	<u>9,748,200</u>	<u>8,303,637</u>	<u>1,444,563</u>	<u>17.4%</u>
Operating income	1,709,249	1,117,200	592,049	53.0%
EPA capitalization grants	6,821,521	11,894,377	(5,072,856)	-42.6%
Contributions from agency fund	<u>—</u>	<u>2,737,802</u>	<u>(2,737,802)</u>	<u>-100.0%</u>
Change in net assets	8,530,770	15,749,379	(7,218,609)	-45.8%
Net assets – beginning of year	<u>75,670,938</u>	<u>59,921,559</u>	<u>15,749,379</u>	<u>26.3%</u>
Net assets – end of year	<u>\$ 84,201,708</u>	<u>75,670,938</u>	<u>8,530,770</u>	<u>11.3%</u>

**DRINKING WATER
FUND**

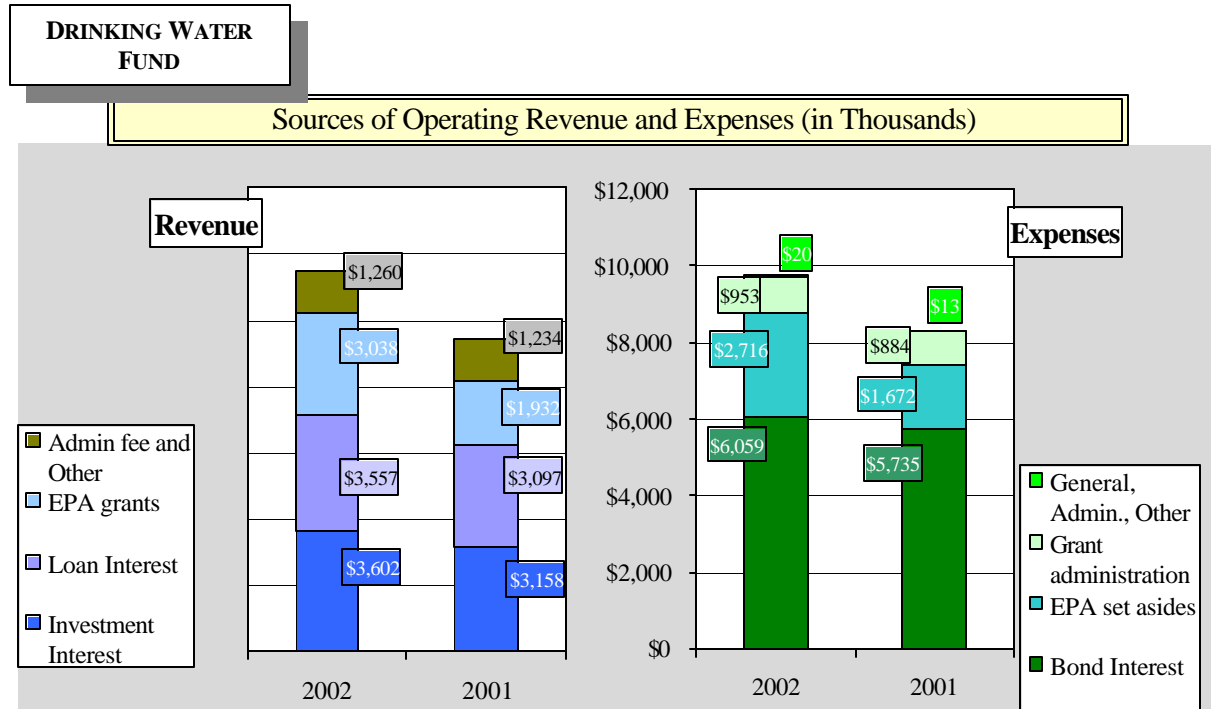
As discussed at the beginning of this section, a proportionate amount of federal capitalization grant revenue is recognized for each borrower project requisition. However, because certain loans are funded partially or entirely by reloan dollars (recycled grant funds), not all project requisitions result in the recognition of grant revenue. EPA capitalization grant revenue decreased \$5.1 million in 2002. Because the DWRF did not issue bonds in 2001, projects that would have been started then, would likely have been drawing substantial amounts of funds in 2002. Therefore, grant revenue dropped significantly.

During 2001, the DWF continued to receive the annual interest income earned on the Animas-La Plata Agency Fund. These funds were committed to provide the state matching requirements for the EPA-DWRF grants. Because the original Animas-La Plata Escrow Fund was terminated in 2001, no further transfers to the DWF will be available.

**COLORADO WATER RESOURCES
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Management's Discussion and Analysis

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Combined Enterprise Funds

Below is a schedule that combines the results of operations for the three enterprise funds, shown in a comparative year format. Although restrictions exist on transfers of monies among the enterprise funds, this combined schedule provides information about the overall financial operating results. Bonds issued for 2002 totaled \$109.7 million, and executed loans (leveraged and direct) totaled \$124.0 million. Bond proceeds invested in repurchase agreements, along with other investment increases in the Water Operations Fund resulted in an overall increase in investment income of \$3.6 million (22.1%). Combined loan interest income rose 9.1% and bond interest expense increased by 10.0%. Operating income (net) totaled \$11.1 million for 2002, an increase of \$2.9 million (36.2%) for the year. The \$4.6 million decrease in federal grant revenue resulted from the operations in the DWRF as discussed above. Similarly, the agency fund transfers in the Water Operations Fund and Drinking Water Fund have been explained in the respective funds' section of this discussion. The \$35.6 million (11.8%) increase in combined fund net assets is a reflection of sound financial operations of the enterprise funds of the Colorado Water Resources and Power Development Authority.

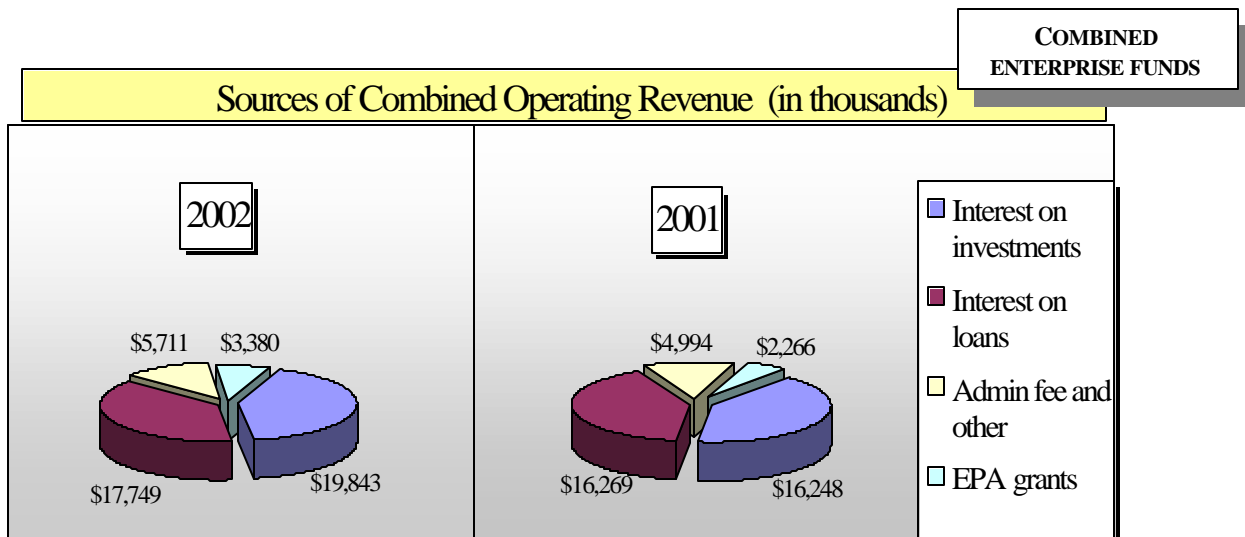
Below are graphs comparing the components of total operating revenue. Interest on investments continues as the largest single component of total revenue followed closely by loan interest income. Administrative income also increased in relation to the revolving fund loans.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2002 and 2001

Summary of Changes in Fund Net Assets as of December 31				
	<u>2002</u>	<u>2001</u>	<u>Change</u>	<u>Pct Chg</u>
Operating revenues:				
Interest on investments	\$ 19,843,062	16,248,309	3,594,753	22.1%
Interest on loans	17,748,957	16,269,369	1,479,588	9.1%
Administrative fee and other income	5,711,298	4,993,953	717,345	14.4%
EPA grants	3,379,566	2,266,178	1,113,388	49.1%
Total operating revenues	<u>46,682,883</u>	<u>39,777,809</u>	<u>6,905,074</u>	<u>17.4%</u>
Operating expenses:				
Interest on bonds	29,889,321	27,164,122	2,725,199	10.0%
Grant administration	2,114,324	2,083,171	31,153	1.5%
General, administrative, and other expenses	851,077	701,214	149,863	21.4%
EPA set asides	2,716,207	1,672,309	1,043,898	62.4%
Total operating expenses	<u>35,570,929</u>	<u>31,620,816</u>	<u>3,950,113</u>	<u>12.5%</u>
Operating income	11,111,954	8,156,993	2,954,961	36.2%
EPA capitalization grants	17,223,930	21,859,798	(4,635,868)	-21.2%
Contributions from agency fund	7,311,511	37,881,052	(30,569,541)	-80.7%
Change in net assets	35,647,395	67,897,843	(32,250,448)	-47.5%
Net assets – beginning of year	300,830,785	232,932,942	67,897,843	29.1%
Net assets – end of year	<u>\$ 336,478,180</u>	<u>300,830,785</u>	<u>35,647,395</u>	<u>11.8%</u>



**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2002 and 2001

Economic Factors

Like the majority of other states, Colorado's economy continued to suffer in 2002. However, water and wastewater projects financed by the Authority rely primarily on service revenues rather than tax revenues. Due to more stringent water quality standards and continued population growth in the State, the demand for financing of water and wastewater projects is expected to remain strong in 2003. Furthermore, the drought that has continued to plague the western states has not caused any loan delinquencies. All loans made by the Authority's financing programs are current. The drought has created potential interest in additional reservoir storage across the state. Certain types of storage projects may qualify for financing in the Water Operations Fund.

The following table illustrates the Authority's approved 2003 budgeted loan amounts for these programs.

2003 Authority Budget for Water Project Loans		COMBINED ENTERPRISE FUNDS
Fund	Loan budget (millions)	
Water Pollution Control	\$ 89.5	
Water Operations	290.0	
Drinking Water	47.5	
Total loans	\$ 427.0	

The Authority includes all probable loans in its budget. The demand for loans in the Water Pollution Control Enterprise Fund is expected to remain very strong. To accommodate this demand, the WPCRF included nearly all of its estimated loan capacity in the 2003 budget. The Authority may be requested to finance certain, large reservoir and other water supply projects in the Water Operations Enterprise Fund in 2003; therefore, a significant amount has been included in the budget. The Drinking Water Enterprise Fund is expecting a strong demand in 2003, and nearly all of its loan capacity has been included in the budget.

To fund the loans discussed above, the Authority has included in the respective enterprise fund budgets sufficient resources from additional bond issues and capitalization grants as needed and available. Furthermore, budget provisions for loan repayment revenue and bond debt service were made, including the new financing activities for 2003.

The Authority plans to continue subsidizing loan interest rates for both the WPCRF and DWRF in 2003. Unobligated grant funds available for loans at December 31, 2002 for the WPCRF and DWRF totaled \$3.6 and \$9.8 respectively. Furthermore, the Authority has applied to the EPA for Colorado's share of the revolving fund grants for 2003. The grant amounts (available for loans) applied for were \$10.2 million for the WPCRF and \$9.5 million for the DWRF. To meet the strong loan demand in the WPCRF the Authority plans to request a \$6.7 million transfer of EPA grant funds from the DWRF to the WPCRF. In addition to the remaining unobligated grant funds, the 2003 loan budgets rely the 2003 EPA grants that have received congressional approval.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2002 and 2001

Requests for Information

This financial report was designed to provide a general overview for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Duane Dohrer, Controller
Colorado Water Resources & Power Development Authority
1580 Logan Street, Suite 620
Denver, CO 80203

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statements of Net Assets

Enterprise Funds

December 31, 2002

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
Cash and cash equivalents	\$ 46,548,452	11,041,586	18,866,819	76,456,857
Federal grants receivable	—	81,020	388,120	469,140
Investment income receivable	289,845	459,780	194,669	944,294
Loans receivable	8,054,334	20,792,144	6,510,537	35,357,015
Due from other funds	889,392	—	—	889,392
Accounts receivable – borrowers	246,991	4,135,722	1,279,076	5,661,789
Accounts receivable – other	4,459	—	—	4,459
Total current assets	<u>56,033,473</u>	<u>36,510,252</u>	<u>27,239,221</u>	<u>119,782,946</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	19,002,898	23,485,129	8,839,588	51,327,615
Investments	15,822,636	250,439,643	53,660,971	319,923,250
Investment income receivable	61,022	4,629,232	964,702	5,654,956
Advance receivable	11,307,347	—	—	11,307,347
Loans receivable	106,055,833	389,998,669	139,471,317	635,525,819
Water depletion rights – Animas-La Plata	1,081,405	—	—	1,081,405
Capital assets – equipment, net of accumulated depreciation of \$136,717	2,872	15,154	15,154	33,180
Other assets	9,394	—	—	9,394
Total noncurrent assets	<u>153,343,407</u>	<u>668,567,827</u>	<u>202,951,732</u>	<u>1,024,862,966</u>
Total assets	<u>\$ 209,376,880</u>	<u>705,078,079</u>	<u>230,190,953</u>	<u>1,144,645,912</u>
Liabilities and Fund Net Assets				
Current liabilities:				
Bonds payable	\$ 5,245,000	19,265,000	5,345,000	29,855,000
Accrued interest payable	917,660	6,299,091	2,044,309	9,261,060
Accounts payable – borrowers	2,428,339	—	—	2,428,339
Due to other funds	—	319,966	569,426	889,392
Accounts payable – other	802,160	81,582	—	883,742
Total current liabilities	<u>9,393,159</u>	<u>25,965,639</u>	<u>7,958,735</u>	<u>43,317,533</u>
Noncurrent liabilities:				
Project costs payable – direct loans	—	1,055,360	2,737,492	3,792,852
Project costs payable – leveraged loans	11,704,856	134,234,465	14,298,605	160,237,926
Advance payable	—	11,307,347	—	11,307,347
Bonds payable, net	106,363,333	356,190,998	118,960,000	581,514,331
Deferred revenue	41,207	293,188	—	334,395
Debt service reserve deposit	600,000	—	—	600,000
Other liabilities	547,775	4,481,160	2,034,413	7,063,348
Total noncurrent liabilities	<u>119,257,171</u>	<u>507,562,518</u>	<u>138,030,510</u>	<u>764,850,199</u>
Total liabilities	<u>128,650,330</u>	<u>533,528,157</u>	<u>145,989,245</u>	<u>808,167,732</u>
Fund net assets:				
Invested in capital assets	2,872	15,154	15,154	33,180
Restricted	16,565,244	171,534,768	68,379,804	256,479,816
Unrestricted	64,158,434	—	15,806,750	79,965,184
Total fund net assets	<u>80,726,550</u>	<u>171,549,922</u>	<u>84,201,708</u>	<u>336,478,180</u>
Total liabilities and fund net assets	<u>\$ 209,376,880</u>	<u>705,078,079</u>	<u>230,190,953</u>	<u>1,144,645,912</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statements of Net Assets

Enterprise Funds

December 31, 2001

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
Cash and cash equivalents	\$ 25,587,605	19,050,368	20,680,477	65,318,450
Federal grants receivable	—	79,265	264,908	344,173
Investment income receivable	374,419	467,364	236,467	1,078,250
Loans receivable	4,375,417	17,872,704	5,772,220	28,020,341
Due from other funds	777,494	—	—	777,494
Accounts receivable – borrowers	214,135	3,473,199	1,013,053	4,700,387
Accounts receivable – other	50,143	—	—	50,143
Total current assets	<u>31,379,213</u>	<u>40,942,900</u>	<u>27,967,125</u>	<u>100,289,238</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	7,952,365	29,981,118	3,910,382	41,843,865
Investments	27,222,292	187,368,776	50,795,013	265,386,081
Investment income receivable	98,411	3,810,186	895,563	4,804,160
Advance receivable	12,229,648	—	—	12,229,648
Loans receivable	96,365,000	328,019,762	124,114,547	548,499,309
Investments	23,993,246	—	—	23,993,246
Capital assets – equipment, net of accumulated depreciation of \$147,223	13,233	10,808	10,808	34,849
Other assets	9,394	—	—	9,394
Total noncurrent assets	<u>167,883,589</u>	<u>549,190,650</u>	<u>179,726,313</u>	<u>896,800,552</u>
Total assets	<u>\$ 199,262,802</u>	<u>590,133,550</u>	<u>207,693,438</u>	<u>997,089,790</u>
Liabilities and Fund Net Assets				
Current liabilities:				
Bonds payable	\$ 4,930,000	16,505,000	4,840,000	26,275,000
Accrued interest payable	839,963	5,026,186	1,866,623	7,732,772
Accounts payable – borrowers	2,518,308	—	13,785	2,532,093
Due to other funds	—	339,801	437,693	777,494
Accounts payable – other	636,129	195,670	—	831,799
Total current liabilities	<u>8,924,400</u>	<u>22,066,657</u>	<u>7,158,101</u>	<u>38,149,158</u>
Noncurrent liabilities:				
Project costs payable – direct loans	—	10,593	876,003	886,596
Project costs payable – leveraged loans	21,857,893	100,154,503	13,548,452	135,560,848
Advance payable	—	12,229,648	—	12,229,648
Bonds payable, net	96,618,333	296,606,662	107,985,000	501,209,995
Deferred revenue	—	315,741	—	315,741
Debt service reserve deposit	600,000	—	—	600,000
Other liabilities	532,278	4,319,797	2,454,944	7,307,019
Total noncurrent liabilities	<u>119,608,504</u>	<u>413,636,944</u>	<u>124,864,399</u>	<u>658,109,847</u>
Total liabilities	<u>128,532,904</u>	<u>435,703,601</u>	<u>132,022,500</u>	<u>696,259,005</u>
Fund net assets:				
Invested in capital assets	13,233	10,808	10,808	34,849
Restricted	8,863,145	154,419,141	59,316,677	222,598,963
Unrestricted	61,853,520	—	16,343,453	78,196,973
Total fund net assets	<u>70,729,898</u>	<u>154,429,949</u>	<u>75,670,938</u>	<u>300,830,785</u>
Total liabilities and fund net assets	<u>\$ 199,262,802</u>	<u>590,133,550</u>	<u>207,693,438</u>	<u>997,089,790</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Enterprise Funds

Year ended December 31, 2002

	Water Operations	Water Pollution Control	Drinking Water	Totals
Operating revenues:				
Interest on loans	\$ 5,944,449	8,247,247	3,557,261	17,748,957
Interest on investments	3,427,154	12,813,566	3,602,342	19,843,062
Surcharge from borrowers	—	624,820	—	624,820
Administrative fee	—	3,662,878	1,239,576	4,902,454
EPA grants	—	341,565	3,038,001	3,379,566
Other	2,464	161,291	20,269	184,024
Total operating revenues	<u>9,374,067</u>	<u>25,851,367</u>	<u>11,457,449</u>	<u>46,682,883</u>
Operating expenses:				
Interest on bonds	5,927,012	17,902,940	6,059,369	29,889,321
Grant administration	—	1,161,206	953,118	2,114,324
Project expenses	258,148	—	—	258,148
General and administrative	503,766	—	—	503,766
EPA set asides	—	—	2,716,207	2,716,207
Other	—	69,657	19,506	89,163
Total operating expenses	<u>6,688,926</u>	<u>19,133,803</u>	<u>9,748,200</u>	<u>35,570,929</u>
Operating income	2,685,141	6,717,564	1,709,249	11,111,954
EPA capitalization grants	—	10,402,409	6,821,521	17,223,930
Contributions from agency fund	7,311,511	—	—	7,311,511
Change in net assets	9,996,652	17,119,973	8,530,770	35,647,395
Fund net assets – beginning of year	70,729,898	154,429,949	75,670,938	300,830,785
Fund net assets – end of year	<u>\$ 80,726,550</u>	<u>171,549,922</u>	<u>84,201,708</u>	<u>336,478,180</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Enterprise Funds

Year ended December 31, 2001

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 6,086,835	7,085,961	3,096,573	16,269,369
Interest on investments	1,556,438	11,533,748	3,158,123	16,248,309
Surcharge from borrowers	—	653,993	—	653,993
Administrative fee	—	3,073,559	1,096,530	4,170,089
EPA grants	—	333,777	1,932,401	2,266,178
Other	—	32,661	137,210	169,871
	<u>7,643,273</u>	<u>22,713,699</u>	<u>9,420,837</u>	<u>39,777,809</u>
Total operating revenues				
Operating expenses:				
Interest on bonds	5,762,541	15,666,961	5,734,620	27,164,122
Grant administration	—	1,199,441	883,730	2,083,171
Project expenses	176,120	—	—	176,120
General and administrative	432,070	—	—	432,070
EPA set asides	—	—	1,672,309	1,672,309
Other	61	79,985	12,978	93,024
	<u>6,370,792</u>	<u>16,946,387</u>	<u>8,303,637</u>	<u>31,620,816</u>
Total operating expenses				
Operating income	1,272,481	5,767,312	1,117,200	8,156,993
EPA capitalization grants	—	9,965,421	11,894,377	21,859,798
Contributions from agency fund	35,143,250	—	2,737,802	37,881,052
	<u>36,415,731</u>	<u>15,732,733</u>	<u>15,749,379</u>	<u>67,897,843</u>
Change in net assets				
Fund net assets – beginning of year	34,314,167	138,697,216	59,921,559	232,932,942
Fund net assets – end of year	<u>\$ 70,729,898</u>	<u>154,429,949</u>	<u>75,670,938</u>	<u>300,830,785</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statements of Cash Flows

Enterprise Funds

Year ended December 31, 2002

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Cash flows from operating activities:				
Loan administrative fees received	\$ —	4,023,053	1,149,566	5,172,619
Federal funds received	—	339,810	2,914,789	3,254,599
Cash received – set aside state match reimbursement	—	—	4,022	4,022
Cash received for tenant finish allowance	42,384	—	—	42,384
Cash payments for salaries and related benefits	(333,088)	(262,327)	(195,168)	(790,583)
Cash payments to other state agencies for services	—	(693,040)	(605,624)	(1,298,664)
Cash payments to vendors	(313,002)	(295,322)	(2,756,306)	(3,364,630)
Net cash provided (used) by operating activities	<u>(603,706)</u>	<u>3,112,174</u>	<u>511,279</u>	<u>3,019,747</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	14,659,365	81,675,025	16,193,464	112,527,854
Federal funds received	—	10,402,409	6,821,521	17,223,930
Contributions from Animas-La Plata agency fund	7,278,497	—	—	7,278,497
Principal paid on bonds	(4,930,000)	(16,505,000)	(4,840,000)	(26,275,000)
Interest paid on bonds	(5,524,049)	(16,824,657)	(5,912,996)	(28,261,702)
Cash payment for bond issuance costs	(109,632)	(632,672)	(141,040)	(883,344)
Net cash provided by noncapital financing activities	<u>11,374,181</u>	<u>58,115,105</u>	<u>12,120,949</u>	<u>81,610,235</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	—	(4,346)	(4,346)	(8,692)
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	46,899,656	48,956,353	18,030,920	113,886,929
Interest received on investments	4,275,444	12,493,677	3,877,288	20,646,409
Interest received on loans	5,911,633	8,240,173	3,367,464	17,519,270
Principal repayments from localities on loans	5,695,341	17,607,427	5,784,044	29,086,812
Cash received from (paid to) other accounts	922,301	(922,301)	—	—
Purchase of investments	(11,500,000)	(111,179,770)	(20,896,878)	(143,576,648)
Investment in water rights	(1,081,405)	—	—	(1,081,405)
Cash disbursed to localities for loans	(29,103,128)	(49,841,077)	(18,952,829)	(97,897,034)
Cash payment for arbitrage rebate	(29,295)	(1,082,186)	(722,343)	(1,833,824)
Cash payments of interest to borrowers	(749,642)	—	—	(749,642)
Net cash provided (used) by investing activities	<u>21,240,905</u>	<u>(75,727,704)</u>	<u>(9,512,334)</u>	<u>(63,999,133)</u>
Net increase (decrease) in cash and cash equivalents	32,011,380	(14,504,771)	3,115,548	20,622,157
Cash and cash equivalents, beginning of year	33,539,970	49,031,486	24,590,859	107,162,315
Cash and cash equivalents, end of year	<u>\$ 65,551,350</u>	<u>34,526,715</u>	<u>27,706,407</u>	<u>127,784,472</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 2,685,141	6,717,564	1,709,249	11,111,954
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	10,361	—	—	10,361
Accrued sick leave expense	6,199	—	—	6,199
Interest on bonds	5,927,012	17,902,940	6,059,369	29,889,321
Cost of issuance proceeds	—	(161,291)	(16,247)	(177,538)
Interest on loans	(5,944,449)	(8,247,247)	(3,557,261)	(17,748,957)
Interest on investments	(3,427,154)	(12,813,566)	(3,602,342)	(19,843,062)
Amortization of deferred revenue	(1,177)	(22,553)	—	(23,730)
Change in assets and liabilities:				
(Increase) in due from other funds	(111,898)	—	—	(111,898)
(Increase) in accounts receivable – borrowers	—	(238,093)	(90,010)	(328,103)
(Increase) decrease in other receivables	45,021	(5,745)	(123,212)	(83,936)
Increase in accounts payable – other	166,031	—	—	166,031
Increase in deferred revenue	41,207	—	—	41,207
Increase (decrease) in due to other funds	—	(19,835)	131,733	111,898
Net cash provided (used) by operating activities	<u>\$ (603,706)</u>	<u>3,112,174</u>	<u>511,279</u>	<u>3,019,747</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statements of Cash Flows

Enterprise Funds

Year ended December 31, 2001

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Cash flows from operating activities:				
Loan administrative fees received	\$ —	3,542,076	1,080,135	4,622,211
Federal funds received	—	421,955	1,810,766	2,232,721
Cash received – set aside state match reimbursement	—	—	109,907	109,907
Cash received – advance administrative fees	—	319,500	—	319,500
Cash payments for salaries and related benefits	(341,659)	(267,485)	(179,701)	(788,845)
Cash payments to other state agencies for services	—	(901,058)	(712,288)	(1,613,346)
Cash payments to vendors	(292,666)	(249,852)	(1,585,936)	(2,128,454)
Net cash provided (used) by operating activities	<u>(634,325)</u>	<u>2,865,136</u>	<u>522,883</u>	<u>2,753,694</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	15,067,779	71,667,075	—	86,734,854
Federal funds received	—	9,965,421	11,894,377	21,859,798
Contributions from Animas-La Plata agency fund	35,143,250	—	2,737,802	37,881,052
Principal paid on bonds	(4,460,000)	(15,530,000)	(4,735,000)	(24,725,000)
Interest paid on bonds	(5,309,538)	(15,930,522)	(5,801,995)	(27,042,055)
Cash payment for bond issuance costs	(67,779)	(270,701)	—	(338,480)
Net cash provided by noncapital	<u>40,373,712</u>	<u>49,901,273</u>	<u>4,095,184</u>	<u>94,370,169</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	—	(10,808)	(10,808)	(21,616)
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	16,630,663	77,795,016	36,332,962	130,758,641
Interest received on investments	3,571,681	12,412,052	4,604,159	20,587,892
Interest received on loans	5,726,284	7,038,489	2,639,197	15,403,970
Principal repayments from localities on loans	4,219,584	15,261,798	5,647,352	25,128,734
Cash received from (paid to) other accounts	288,827	(288,827)	—	—
Loan defeasance paid	—	(2,773,371)	—	(2,773,371)
Purchase of investments	(39,193,555)	(101,982,617)	(10,573,250)	(151,749,422)
Cash disbursed to localities for loans	(15,919,670)	(32,819,174)	(36,111,238)	(84,850,082)
Cash payment for arbitrage rebate	—	(218,348)	—	(218,348)
Cash payments of interest to borrowers	(1,305,364)	—	—	(1,305,364)
Net cash provided (used) by investing activities	<u>(25,981,550)</u>	<u>(25,574,982)</u>	<u>2,539,182</u>	<u>(49,017,350)</u>
Net increase in cash and cash equivalents	13,757,837	27,180,619	7,146,441	48,084,897
Cash and cash equivalents, beginning of year	19,782,133	21,850,867	17,444,418	59,077,418
Cash and cash equivalents, end of year	<u>\$ 33,539,970</u>	<u>49,031,486</u>	<u>24,590,859</u>	<u>107,162,315</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 1,272,481	5,767,312	1,117,200	8,156,993
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	21,724	—	—	21,724
Accrued sick leave expense	6,000	—	—	6,000
Loss on asset disposal	2,661	—	—	2,661
Interest on bonds	5,762,541	15,666,961	5,734,620	27,164,122
Cost of issuance proceeds	—	(32,661)	(27,303)	(59,964)
Interest on loans	(6,086,835)	(7,085,961)	(3,096,573)	(16,269,369)
Interest on investments	(1,556,438)	(11,533,748)	(3,158,123)	(16,248,309)
Change in assets and liabilities:				
(Increase) in due from other funds	67,587	—	—	67,587
(Increase) in accounts receivable – borrowers	—	(181,717)	(16,396)	(198,113)
(Increase) decrease in other receivables	(45,754)	88,169	(101,915)	(59,500)
(Decrease) in accounts payable – other	(78,292)	—	—	(78,292)
Increase in deferred revenue	—	315,741	—	315,741
Increase (decrease) in due to other funds	—	(138,960)	71,373	(67,587)
Net cash provided (used) by operating activities	<u>\$ (634,325)</u>	<u>2,865,136</u>	<u>522,883</u>	<u>2,753,694</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statements of Fiduciary Assets and Liabilities

Animas-La Plata Agency Fund

December 31, 2002 and 2001

Assets	2002	2001
Cash held by State Treasurer	\$ —	7,278,497
Investment income receivable	—	33,014
Total assets	<u>\$ —</u>	<u>7,311,511</u>
Liabilities		
Liabilities – payable to Animas-La Plata project	<u>\$ —</u>	<u>7,311,511</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2002 and 2001

(1) Organization

The Colorado Water Resources and Power Development Authority (the Authority) is a political subdivision of the State of Colorado (the State) established pursuant to the Colorado Water Resources and Power Development Act, Title 37, article 95 of the Colorado Revised Statutes, as amended. The Authority is governed by a nine member Board of Directors who are appointed by the Governor of the State of Colorado with consent of the Colorado State Senate.

Reporting Entity

The Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible governmental component unit in a primary government's financial reporting entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority is not financially accountable for any other organization. Under current GASB pronouncements, the Authority has been determined to be a component unit of the State of Colorado (the primary government). As such, the Authority's financial statements are included in the Comprehensive Annual Financial Report issued by the State of Colorado.

Water Operations Enterprise Fund

The Authority was created to initiate, acquire, construct, maintain, repair and operate or cause to be operated projects for the protection, preservation, conservation, upgrading, development and utilization of the water resources of the State. The Authority is authorized to issue bonds, notes or other obligations which constitute its debt and not debt of the State of Colorado.

The primary activity of the Water Operations Enterprise Fund is to administer the Small Water Resources Projects Program (SWRP) for which the Authority is authorized to finance individual water resources project loans of \$100 million or less. All costs of project development may be financed through the SWRP.

Pursuant to the SWRP, proceeds of the bonds issued by the Authority are to be used to fund loans to local governments. Each local government evidences its obligations under its loan agreement by the issuance to the Authority of a governmental agency bond which is to be secured by a pledge of a specific revenue source or by a general obligation pledge. The repayments pursuant to the loan agreements by the local governments participating in the SWRP are structured, in the aggregate, to provide amounts sufficient to pay the principal and interest on the bonds issued by the Authority. The SWRP Debt Service Reserve for the bonds issued by the Authority is funded by the Authority from available monies of the Authority. The principal and interest on the bonds issued by the Authority have been insured as to repayment to the bondholders.

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In addition to the Small Water Resources Projects Program, in 1998 the Authority established the Water Revenue Bonds Program (WRBP) as part of the Water Operations Fund. The WRBP was created to fund those projects that cannot be approved under the Small Water Resources Projects Program and are not eligible for funding under the Drinking Water Revolving Fund or the Water Pollution Control Revolving Fund. The Authority is authorized to finance individual water resources project loans of \$100 million or less. All costs of project development may be financed through the WRBP.

Water Pollution Control Enterprise Fund

The Water Pollution Control Enterprise Fund includes the operations of the Water Pollution Control Revolving Fund (WPCRF), also known as the State Revolving Fund, and Nonrevolving Fund. The Nonrevolving Fund accounts for administrative grant proceeds and loan administrative fees.

The WPCRF was created by State statute (CRS 37-98-107.6) in response to the mandate from the Federal Clean Water Act of 1987 (Act). The Authority was authorized statutorily to implement the revolving loan portion of the Act. The WPCRF was established for the purpose of financing loans to local governments for the construction of publicly owned wastewater treatment projects that meet specified eligibility requirements and that are placed on a project eligibility list established in accordance with State statute.

Pursuant to statutes, with the written consent of the Colorado Department of Public Health and Environment, the Authority is authorized, on behalf of the State, to execute all operating agreements and capitalization grant agreements with the United States Environmental Protection Agency (EPA). The Authority, the Water Quality Control Division of the Colorado Department of Public Health and Environment, and the Division of Local Government of the Colorado Department of Local Affairs have entered into a Memorandum of Understanding under which each has agreed to assume specified responsibilities in connection with the operation of the WPCRF. The statutes also authorize the Authority to issue bonds for such purposes and to designate assets in the WPCRF that may be pledged and assigned as security for payment of such bonds.

The WPCRF is capitalized through capitalization grants awarded by the EPA. Matching funds are provided by the Authority or its borrowers. In order to receive capitalization grants, matching funds must be provided in a ratio of \$1 of state match for every \$5 of capitalization grants. Administrative expense reimbursements funded by EPA capitalization grants are limited to a percentage (5/6th of 4%) of the capitalization grants.

The Authority issues bonds to provide loans to local governmental entities, either individually or in pools. Loans to borrowers may be provided from federal grants and/or from bond proceeds. The matching requirement is provided by the Authority in the form of cash.

When a loan to a local governmental entity is provided from the proceeds of bonds, the Authority allocates a specified amount from its federal capitalization grant for deposit to the project account(s). An amount of bond proceeds equal to the allocated capitalization grant is transferred to a reserve account as project draws are made. Earnings on such reserve are used to reduce the amounts payable by the borrower.

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Each local government evidences its obligation to the Authority under its loan agreement by the issuance to the Authority of a governmental agency bond which is secured by a pledge of a specific revenue source or by a general obligation pledge. The repayments pursuant to the loan agreements by the local governments participating in the WPCRF are structured, in the aggregate, to provide amounts sufficient to repay the Authority principal and stated interest (including an administrative surcharge) on direct loans and to repay principal, premium (if any) and interest on the bonds issued by the Authority for the leveraged loans, as well as cash advances or bonds issued to provide the matching requirements, and an administrative surcharge.

Loans are made at or below market interest rates (at terms generally not exceeding 20 years) with principal and interest payments commencing not later than one year after completion of the borrowers' projects.

Drinking Water Enterprise Fund

Drinking Water Revolving Fund

The Drinking Water Enterprise Fund (DWF) includes the operations of the Drinking Water Revolving Fund (DWRF), also known as the State Revolving Fund, and the Nonrevolving Fund. The Nonrevolving Fund accounts for Safe Drinking Water set asides, including administrative grant proceeds, state direct loan program and loan administrative fees.

The DWRF was created by State statute (CRS 37-95-107.8) in 1995, in anticipation of the reauthorization of the Federal Safe Drinking Water Act (SDWA). The SDWA was reauthorized in 1996 with a state revolving loan program. The DWRF was established to provide assistance to governmental agencies for projects that appear on the *Drinking Water Project Eligibility List* (the List). The List, established in accordance with State statute, consists of new or existing water management facilities that extend, protect, improve, or replace domestic drinking water supplies in the State of Colorado and for any other means specified in the SDWA.

Pursuant to statutes, with the written consent of the Colorado Department of Public Health and Environment, the Authority is authorized, on behalf of the State, to execute all operating agreements and capitalization grant agreements with the EPA. The Authority, the Water Quality Control Division of the Colorado Department of Public Health and Environment and the Division of Local Government of the Colorado Department of Local Affairs have entered into a Memorandum of Understanding under which each has agreed to assume specified responsibilities in connection with the operation of the DWRF. The statutes also authorize the Authority to issue bonds for such purposes and to designate assets in the DWRF that may be pledged and assigned as security for payment of such bonds.

The DWRF is capitalized through capitalization grants awarded by the EPA. Matching funds are provided by the Authority. In order to receive capitalization grants, matching funds must be provided in a ratio of \$1 of state match for every \$5 of total capitalization grants. Administrative expense reimbursements funded by EPA capitalization grants are limited to a percentage (4%) of the capitalization grants.

The Authority issues bonds to provide loans to local governmental entities, either individually or in pools. Loans/grants to borrowers may be provided from federal grants and/or from bond proceeds. The matching requirement for DWF is provided by State monies deposited in the DWRF.

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When a loan to a local governmental entity is provided from the proceeds of bonds, the Authority allocates a specific amount from its federal capitalization grant for deposit to the project account(s). An amount of bond proceeds equal to the allocated capitalization grant is transferred to a reserve fund as project draws are made. Earnings on such reserve are used to reduce the amounts payable by the borrower.

Each local government evidences its obligation to the Authority under its loan agreement by the issuance to the Authority of a governmental agency bond which is secured by a pledge of a specific revenue source or by a general obligation pledge. The repayments pursuant to the loan agreements by the local governments participating in the DWRP are structured, in the aggregate, to provide amounts sufficient to repay the Authority principal and stated interest (including an administrative surcharge) on direct loans and to repay principal, premium (if any) and interest on the bonds issued by the Authority for the leveraged loans, as well as cash provided to meet the matching requirements, and an administrative surcharge.

Loans are made at or below market interest rates (at terms generally not exceeding 20 years) with principal and interest payments commencing not later than one year after completion of the borrowers' projects.

Set Asides

The SDWA allows the State to "set aside" up to 31% of the annual capitalization grant for prevention programs and administration. With these set asides, the Authority, through the Water Quality Control Division of the Colorado Department of Public Health and Environment, provides assistance in the form of grants, with no repayment obligations, to eligible entities. Up to 10% of the Authority's capitalization grants may be used for source water protection, capacity development, public water system supervision, and wellhead protection. In 1997, the entire 10% was used for source water protection, but since then no further funds have been set aside for this activity. Up to 15% (no more than 10% for any one purpose) of each grant may be used for the following items: loans for public water systems to acquire land or conversion easements, loans for community systems to implement source water protection measures or to implement recommendations in source water petitions, technical and financial assistance to public water systems for capacity development, expenditures to delineate or assess source water protection areas, and expenditures to establish and implement wellhead protection programs. Four percent of the Authority's capitalization grants may be used for administration, and up to 2% of the Authority's grants each year may be used for an operator training and technical assistance set aside to aid small community systems.

The Authority deposits the matching requirement (20%) for set aside grants in the State Revolving Fund at closing for the Drinking Water Revenue Bond issues.

State Loans

Prior to receiving the award of the federal capitalization grant, the DWRP loaned State-funded monies directly to local governments.

Animas-La Plata Agency Fund

Colorado, New Mexico, the Ute Mountain Ute, and Southern Ute Indian Tribes entered into a cost-sharing agreement in 1986 with United States Secretary of the Interior to construct a dam, reservoir, and associated facilities in the Southwest part of Colorado. The Authority was a part of the agreement and pledged \$42.4

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million of its resources as a portion of the State's cost-sharing obligation. In December of 2000, Congress approved legislation authorizing a re-configured and much smaller Animas-La Plata project and eliminated irrigated agriculture as a project purpose. As a result, cost-sharing was no longer required.

On November 9, 2001, the Authority entered into a number of amended and restated agreements dealing with the original project to return the \$42.4 million from the agency fund back to the Authority. In addition, on November 5, 2001, the Authority entered into an agreement with the Animas-La Plata Water Conservancy District (the District) to have the Authority fund the payment of the non-tribal water capital obligation of the re-configured project attributable to the District's depletion allocation. As a result of this agreement, the Authority entered into a Funding Agreement and Repayment Contract with the United States Bureau of Reclamation (the Bureau), to fund this upfront capital obligation. During 2002, construction was initiated on the project. As a result of the congressional approved legislation and these agreements, \$35.1 million and \$7.3 million was transferred from the Animas-La Plata Agency Fund to the Authority in 2001 and 2002, respectively. The Authority is making progress payments to the Bureau for the purchase of 2,600 acre-feet of average annual depletion from the project. Payments to the Bureau totaled \$1,081,405 in 2002. On October 15, 2002, the Authority entered into a marketing agreement with the District to promote the sale of these water depletion rights.

(2) Summary of Significant Accounting Policies

The significant accounting policies of the Authority are described as follows:

(a) Fund Accounting

The Authority is engaged only in business-type and fiduciary activities. To account for these activities, the accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. Fund types used by the Authority are described below.

Proprietary Fund Type

Enterprise Funds – The accounting policies of the Enterprise Funds (Water Operations Fund, Water Pollution Control Fund and Drinking Water Fund) conform to accounting principles generally accepted in the United States of America as applicable to governmental units accounted for as enterprise funds. Enterprise funds are used since the Authority's powers are related to those operated in a manner similar to a financing institution where net income and capital maintenance are appropriate determinations of accountability. Each Enterprise Fund is considered a major fund in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Fiduciary Fund Type

Agency Fund – During 2001, the Animas-La Plata Agency Fund was an agency fund that was used to account for assets held by the Authority in a fiduciary capacity.

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(b) Basis of Accounting

The Authority utilizes the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses when incurred. The Authority has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. The Authority elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20.

(c) Cash Equivalents

The Authority considers cash deposits held by State Treasurer, money market mutual funds, investment pools, and other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Loans Receivable

Loans receivable represent outstanding principal amounts lent to borrowers for the construction of water projects. An allowance for uncollectible loans receivable has not been established since historical collection experience has shown amounts to be fully collected when due.

(e) Restricted Assets

Restricted assets represent cash and cash equivalents, investments, and investment income receivable contained in project accounts, debt service accounts, debt service reserve accounts, and the Animas-La Plata escrow account.

(f) Capital Assets – Equipment

Equipment is recorded at cost. Depreciation expense is computed using the straight-line method over the estimated economic useful life of five years.

(g) Amortization

The deferred costs on bond refundings are amortized using the interest method over the life of the outstanding bonds. The amortization amount is a component of interest on bonds, and the unamortized deferred costs are reflected as a reduction of bonds payable. An advance payment of administrative fees from refunding bond proceeds is recorded as deferred revenue, and is being amortized over the life of the respective bonds.

(h) Compensated Absences

The Authority has a policy which allows employees to accumulate unused vacation and sick leave benefits up to a certain maximum number of days. Compensated absences are recognized as current salary costs are incurred.

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Notes to Basic Financial Statements

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(i) Project Costs Payable

Project costs payable represents the principal amounts loaned to borrowers that have not been requisitioned by the borrowers for their projects as of year end.

(j) Advance Receivable and Payable

The Water Operations Fund makes advances to the WPCRF for the purpose of financing the WPCRF's capitalization grant matching requirements. The advance is non-interest bearing. The advance is repaid from surplus WPCRF loan administrative fees.

(k) Restricted Net Assets

Net assets of the Authority are classified as restricted when external constraints imposed by debt agreements, grantors, or laws are placed on net asset use.

(l) Operating Revenues and Expenses

Substantially all revenues and expenses, including interest received on investments and loans and interest paid on bonds, are considered operating items since the Authority issues bonds to finance loans for specific projects. In accordance with GASB Statement No. 34, federal capital contributions and contributions from the agency fund are shown below operating income on the statements of revenues, expenses, and changes in fund net assets.

(m) Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management of the Authority to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ significantly from those estimates.

(n) Reclassifications

Certain prior year balances have been reclassified to conform with the current year presentation.

(3) Deposits and Investments

(a) Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of Colorado government deposit cash in eligible public depositories. Eligibility is determined by State regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another financial institution or held in trust. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

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The State regulatory commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2002 and 2001, the Authority's deposits had a bank balance of \$42,013 and \$332,285 and a carrying amount of \$37,907 and \$(41,207), respectively. The differences between the bank balances and carrying amounts are due to outstanding reconciling items (primarily outstanding checks) at year end. The Authority's bank balances were entirely insured by federal depository insurance at December 31, 2002 and 2001, respectively.

(b) Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which Colorado governmental units may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- Local government investment pools

The Authority's investments are recorded at fair value and are categorized below to give an indication of the level of credit risk assumed by the Authority at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Authority's name.

Category 3 investments include investments held by trustees pursuant to bond indentures. These investments were acquired by the trustees at the direction of the Authority. Investments are held in the trustee's bank account at the Federal Reserve in book entry form. Consequently, the trustees are considered to be the purchaser as well as the custodian of the investments.

Investments in local government investment pools or in money market mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

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Notes to Basic Financial Statements

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Cash, cash equivalents, and investments at December 31, 2002 are categorized as follows:

	Category			Total
	1	2	3	
Repurchase agreements – collateralized with U.S. Treasury obligations	\$ —	—	287,029,579	287,029,579
U.S. Treasury Bonds	—	—	10,569,071	10,569,071
U.S. Treasury Notes	22,324,600	—	—	22,324,600
	\$ 22,324,600	—	297,598,650	319,923,250

Investment Pools or Money Market Mutual Funds:

Cash held by State Treasurer	\$ 63,781,342
Local government investment pool – COLOTRUST PLUS+	47,385,564
Money market mutual funds	16,579,659
Total cash equivalents not categorized	127,746,565
Total investments and cash equivalents	447,669,815
Total deposits	37,907
Total cash, cash equivalents, and investments	\$ 447,707,722

Cash, cash equivalents, and investments at December 31, 2001 are categorized as follows:

	Category			Total
	1	2	3	
Repurchase agreements – collateralized with U.S. Treasury obligations	\$ —	—	230,898,588	230,898,588
U.S. Treasury Bonds	—	—	9,798,693	9,798,693
U.S. Treasury Notes	48,682,046	—	—	48,682,046
	\$ 48,682,046	—	240,697,281	289,379,327

Investment Pools or Money Market Mutual Funds:

Cash held by State Treasurer	\$ 43,935,819
Local government investment pool – COLOTRUST PLUS+	57,470,267
Money market mutual funds	13,075,933
Total cash equivalents not categorized	114,482,019
Total investments and cash equivalents	403,861,346
Total deposit overdraft	(41,207)
Total cash, cash equivalents, and investments	\$ 403,820,139

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Cash held by State Treasurer has been invested in the State Treasurer's cash pool. A detailed composition of the cash and investments in this pool is available in the annual State Treasurer's Report.

Colorado Local Government Liquid Asset Trust (the COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2002 and 2001, the Authority had \$47,385,564 and \$57,470,267 invested in COLOTRUST PLUS+, respectively.

As of December 31, 2002 and 2001, the Authority had invested \$16,579,659 and \$13,075,933, respectively, in the Milestone Treasury Obligation Portfolio. This Fund is a money market mutual fund which may invest only in U.S. Treasury obligations and repurchase agreements fully collateralized by U.S. Treasury obligations.

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(4) Loans Receivable

The following is an analysis of changes in loans receivable for the years ended December 31, 2002 and 2001:

	Balance January 1, 2002	New loans	Repayments/ loans canceled	Balance December 31, 2002
Water Operations Fund:				
Small Water Resources Program	\$ 98,055,417	14,615,000	4,413,334	108,257,083
Water Revenue Bond Program	2,685,000	—	150,000	2,535,000
Interim loans	—	4,450,091	1,132,007	3,318,084
Water Pollution Control Fund:				
Direct loans	13,445,720	1,000,000	875,114	13,570,606
Leveraged loans	332,446,746	81,972,699	17,199,238	397,220,207
Drinking Water Fund:				
Direct loans	8,531,008	4,200,000	558,433	12,172,575
Leveraged loans	121,355,759	17,754,659	5,301,139	133,809,279
	576,519,650	\$ 123,992,449	29,629,265	670,882,834
Less current portion	28,020,341			35,357,015
Noncurrent portion	\$ 548,499,309			635,525,819
	Balance January 1, 2001	New loans	Repayments/ loans canceled	Balance December 31, 2001
Water Operations Fund:				
Small Water Resources Program	\$ 86,620,000	15,510,000	4,074,583	98,055,417
Water Revenue Bond Program	2,830,000	—	145,000	2,685,000
Water Pollution Control Fund:				
Direct loans	12,674,825	1,800,000	1,029,105	13,445,720
Leveraged loans	278,109,006	71,421,798	17,084,058	332,446,746
Drinking Water Fund:				
Direct loans	7,995,413	1,000,000	464,405	8,531,008
Leveraged loans	126,538,705	—	5,182,946	121,355,759
	514,767,949	\$ 89,731,798	27,980,097	576,519,650
Less current portion	24,395,771			28,020,341
Noncurrent portion	\$ 490,372,178			548,499,309

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Scheduled maturities of the loans receivable are as follows:

	<u>Water Operations</u>		<u>WPCRF</u>		<u>DWF</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2003	\$ 8,054,334	5,677,937	20,792,144	9,585,751	6,510,537	3,832,355	54,453,058
2004	5,182,500	5,729,580	21,777,878	10,841,844	7,258,126	3,968,821	54,758,749
2005	5,513,333	5,434,996	22,595,918	10,916,564	7,415,366	3,817,358	55,693,535
2006	5,880,000	5,116,303	23,632,293	10,274,889	7,516,241	3,634,842	56,054,568
2007	6,211,667	4,788,373	24,647,468	9,597,654	7,689,605	3,466,239	56,401,006
2008-2012	32,219,167	18,350,304	131,385,313	37,272,215	41,789,100	14,216,130	275,232,229
2013-2017	23,894,167	10,891,166	100,364,731	19,566,388	43,716,016	7,776,877	206,209,345
2018-2022	25,838,333	4,347,345	54,379,706	5,802,678	24,086,863	2,148,837	116,603,762
2023-2025	1,316,666	64,188	11,215,362	579,391	—	—	13,175,607
Total	<u>\$ 114,110,167</u>	<u>60,400,192</u>	<u>410,790,813</u>	<u>114,437,374</u>	<u>145,981,854</u>	<u>42,861,459</u>	<u>888,581,859</u>

The schedule above does not include administrative fees due from the borrowers, which are recorded as revenue when due.

The Water Operations Fund – Small Water Resources Program loans receivable, which had original amounts of \$134,925,000, have interest rates of 3.87% to 7.19% and have scheduled final maturity dates of 2004 to 2023. The Water Revenue Bond Program loan receivable, which had an original amount of \$3,140,000, has an interest rate of 7.08% and has a final maturity date of 2013.

The WPCRF direct loans receivable, which had original amounts of \$17,702,588, have interest rates of 1.43% to 5.17% and have maturity dates of 2010 to 2022. The WPCRF leveraged loans receivable which had original amounts of \$477,359,430, have interest rates of 3.77% to 5.20% and have scheduled final maturity dates of 2007 to 2025.

The Drinking Water Fund direct loans receivable, which had original amounts of \$14,206,892, have interest rates of 4.0% to 4.5% and have scheduled final maturity dates of 2005 to 2022. The Drinking Water Fund leveraged loans receivable, which had original amounts of \$156,723,365, have interest rates of 3.63% to 4.6% and have scheduled final maturity dates of 2014 to 2022.

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(5) Bonds Payable

The following is an analysis of changes in bonds payable for the year ended December 31, 2002:

	<u>Balance January 1, 2002</u>	<u>New issues</u>	<u>Retirements/ refundings</u>	<u>Balance December 31, 2002</u>
Water Operations – Small Water Resources Program:				
1990 Series A	\$ 590,000	—	590,000	—
1992 Series A	595,000	—	595,000	—
1992 Series B	1,940,000	—	785,000	1,155,000
1993 Series A	5,945,000	—	100,000	5,845,000
1994 Series A	4,280,000	—	265,000	4,015,000
1994 Series B	890,000	—	285,000	605,000
1996 Series A/B	5,705,000	—	360,000	5,345,000
1997 Series A	8,405,000	—	365,000	8,040,000
1997 Series B	11,810,000	—	350,000	11,460,000
1998 Series A	7,605,000	—	430,000	7,175,000
1998 Series B	13,535,000	—	125,000	13,410,000
2000 Series A	23,860,000	—	265,000	23,595,000
2001 Series A	15,510,000	—	265,000	15,245,000
2002 Series A	—	14,615,000	—	14,615,000
	<u>100,670,000</u>	<u>14,615,000</u>	<u>4,780,000</u>	<u>110,505,000</u>
Water Revenue Bonds Program:				
1998 Taxable Rio Blanco	2,685,000	—	150,000	2,535,000
Total Water Operations	<u>103,355,000</u>	<u>\$ 14,615,000</u>	<u>4,930,000</u>	<u>113,040,000</u>
Less deferred costs	(1,806,667)			(1,431,667)
Less current portion	<u>(4,930,000)</u>			<u>(5,245,000)</u>
Noncurrent bonds payable – Water Operations	<u>\$ 96,618,333</u>			<u>106,363,333</u>
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	745,000	—	115,000	630,000
1990 Series A	350,000	—	65,000	285,000
1991 Series A	2,945,000	—	415,000	2,530,000
1991 Series B	2,300,000	—	370,000	1,930,000
1992 Series A	1,620,000	—	705,000	915,000
1992 Series B	3,705,000	—	1,200,000	2,505,000
1994 Series A	3,885,000	—	1,285,000	2,600,000
1995 Series A	4,850,000	—	1,100,000	3,750,000
1996 Series A	5,560,000	—	305,000	5,255,000
1997 Series A	26,680,000	—	1,440,000	25,240,000
1998 Series A	27,550,000	—	1,445,000	26,105,000
1998 Series B	19,365,000	—	530,000	18,835,000
1999 Series A	33,000,000	—	1,865,000	31,135,000
2000 Series A	32,270,000	—	1,245,000	31,025,000
2001 Series A	69,710,000	—	2,405,000	67,305,000
2002 Series A	—	55,310,000	—	55,310,000
2002 Series B	—	23,435,000	—	23,435,000
	<u>234,535,000</u>	<u>78,745,000</u>	<u>14,490,000</u>	<u>298,790,000</u>

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	<u>Balance January 1, 2002</u>	<u>New issues</u>	<u>Retirements/ refundings</u>	<u>Balance December 31, 2002</u>
Water Pollution Control				
Revolving Fund – Wastewater				
Revolving Fund Refunding				
Revenue Bonds:				
1996 Series A	\$ 27,670,000	—	1,810,000	25,860,000
2001 Series A	51,620,000	—	205,000	51,415,000
	<u>79,290,000</u>	<u>—</u>	<u>2,015,000</u>	<u>77,275,000</u>
Total Water Pollution Control Revolving Fund	313,825,000	<u>\$ 78,745,000</u>	<u>16,505,000</u>	376,065,000
Less deferred costs	(713,338)			(609,002)
Less current portion	<u>(16,505,000)</u>			<u>(19,265,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	<u>\$ 296,606,662</u>			<u>356,190,998</u>
Drinking Water Revolving Fund –				
Revenue Bonds:				
1997 Series A	\$ 21,085,000	—	1,030,000	20,055,000
1998 Series A	13,925,000	—	630,000	13,295,000
1999 Series A	42,725,000	—	2,135,000	40,590,000
2000 Series A	35,090,000	—	1,045,000	34,045,000
2002 Series A	<u>—</u>	<u>16,320,000</u>	<u>—</u>	<u>16,320,000</u>
Total Drinking Water Revolving Fund	112,825,000	<u>\$ 16,320,000</u>	<u>4,840,000</u>	124,305,000
Less deferred costs	—			—
Less current portion	<u>(4,840,000)</u>			<u>(5,345,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	<u>\$ 107,985,000</u>			<u>118,960,000</u>

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The following is an analysis of changes in bonds payable for the year ended December 31, 2001:

	<u>Balance January 1, 2001</u>	<u>New issues</u>	<u>Retirements/ refundings</u>	<u>Balance December 31, 2001</u>
Water Operations – Small Water Resources Program:				
1990 Series A	\$ 1,140,000	—	550,000	590,000
1991 Series A	185,000	—	185,000	—
1992 Series A	1,160,000	—	565,000	595,000
1992 Series B	2,685,000	—	745,000	1,940,000
1993 Series A	6,040,000	—	95,000	5,945,000
1994 Series A	4,540,000	—	260,000	4,280,000
1994 Series B	1,165,000	—	275,000	890,000
1996 Series A/B	6,050,000	—	345,000	5,705,000
1997 Series A	8,755,000	—	350,000	8,405,000
1997 Series B	11,965,000	—	155,000	11,810,000
1998 Series A	8,025,000	—	420,000	7,605,000
1998 Series B	13,655,000	—	120,000	13,535,000
2000 Series A	24,110,000	—	250,000	23,860,000
2001 Series A	—	15,510,000	—	15,510,000
	<u>89,475,000</u>	<u>15,510,000</u>	<u>4,315,000</u>	<u>100,670,000</u>
Water Revenue Bonds Program:				
1998 Taxable Rio Blanco	2,830,000	—	145,000	2,685,000
Total Water Operations	92,305,000	\$ <u>15,510,000</u>	<u>4,460,000</u>	103,355,000
Less deferred costs	(2,178,333)			(1,806,667)
Less current portion	<u>(4,461,000)</u>			<u>(4,930,000)</u>
Noncurrent bonds payable – Water Operations	<u>\$ 85,665,667</u>			<u>96,618,333</u>
Water Pollution Control Revolving Fund – State Match Revenue Bonds:				
1991 Series A	1,275,000	—	1,275,000	—
1991 Series B	975,000	—	975,000	—
	<u>2,250,000</u>	<u>—</u>	<u>2,250,000</u>	<u>—</u>
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	860,000	—	115,000	745,000
1990 Series A	415,000	—	65,000	350,000
1991 Series A	3,985,000	—	1,040,000	2,945,000
1991 Series B	3,235,000	—	935,000	2,300,000
1992 Series A	11,030,000	—	9,410,000	1,620,000
1992 Series B	19,225,000	—	15,520,000	3,705,000
1994 Series A	18,785,000	—	14,900,000	3,885,000
1995 Series A	20,400,000	—	15,550,000	4,850,000
1996 Series A	5,855,000	—	295,000	5,560,000
1997 Series A	28,085,000	—	1,405,000	26,680,000

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	<u>Balance January 1, 2001</u>	<u>New issues</u>	<u>Retirements/ refundings</u>	<u>Balance December 31, 2001</u>
Water Pollution Control				
Revolving Fund – Clean				
Water Revenue Bonds:				
1998 Series A	\$ 28,965,000	—	1,415,000	27,550,000
1998 Series B	19,865,000	—	500,000	19,365,000
1999 Series A	37,530,000	—	4,530,000	33,000,000
2000 Series A	33,575,000	—	1,305,000	32,270,000
2001 Series A	—	69,710,000	—	69,710,000
	<u>231,810,000</u>	<u>69,710,000</u>	<u>66,985,000</u>	<u>234,535,000</u>
Water Pollution Control				
Revolving Fund – Wastewater				
Revolving Fund Refunding				
Revenue Bonds:				
1996 Series A	\$ 28,175,000	—	505,000	27,670,000
2001 Series A	—	51,620,000	—	51,620,000
	<u>28,175,000</u>	<u>51,620,000</u>	<u>505,000</u>	<u>79,290,000</u>
Total Water Pollution				
Control Revolving				
Fund	262,235,000	<u>\$ 121,330,000</u>	<u>69,740,000</u>	313,825,000
Less deferred costs	(698,031)			(713,338)
Less current portion	<u>(13,780,000)</u>			<u>(16,505,000)</u>
Noncurrent bonds				
payable – Water				
Pollution Control				
Revolving Fund	<u>\$ 247,756,969</u>			<u>296,606,662</u>
Drinking Water Revolving Fund –				
Revenue Bonds:				
1997 Series A	\$ 22,095,000	—	1,010,000	21,085,000
1998 Series A	14,545,000	—	620,000	13,925,000
1999 Series A	44,810,000	—	2,085,000	42,725,000
2000 Series A	36,110,000	—	1,020,000	35,090,000
Total Drinking Water				
Revolving Fund	117,560,000	<u>\$ —</u>	<u>4,735,000</u>	112,825,000
Less deferred costs	—			—
Less current portion	<u>(4,735,000)</u>			<u>(4,840,000)</u>
Noncurrent bonds				
payable – Drinking				
Water Revolving				
Fund	<u>\$ 112,825,000</u>			<u>107,985,000</u>

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All of the Authority Small Water Resources Program bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by the Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation.

The outstanding bonds of the Authority had original principal amounts of \$172,915,000 for the Small Water Resources Program, \$3,140,000 for Water Revenue Bonds Program, \$452,980,000 of Clean Water Revenue Bonds, \$80,570,000 of Wastewater Revolving Fund Refunding Revenue Bonds and \$138,585,000 for Drinking Water Revolving Fund Bonds, for a total of \$848,190,000. The bonds are payable semiannually with interest rates ranging from 1.7% to 7.4% and serial and term principal maturities, including mandatory call provisions, through the year 2025. All bonds, except the Small Water Resources Series 1996B and the Wastewater Revolving Fund Refunding Revenue Bonds Series 1996A and 2001A, have optional initial call provisions through 2014, generally eight years from the issue date with maximum call premiums of 2% and decreasing to no premium.

The Authority's debt service requirements to maturity, excluding unamortized original issue discount and premium and deferred costs on refundings, are as follows:

	Water Operations		WPCRF		DWF		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2003	\$ 5,245,000	5,682,001	19,265,000	19,124,903	5,345,000	6,132,928	60,794,832
2004	5,465,000	5,443,813	20,040,000	18,363,815	5,975,000	5,892,675	61,180,303
2005	5,750,000	5,190,513	20,660,000	17,421,658	6,055,000	5,620,955	60,698,126
2006	6,050,000	4,924,519	21,450,000	16,449,814	6,300,000	5,344,768	60,519,101
2007	6,345,000	4,641,523	22,120,000	15,377,943	6,440,000	5,071,563	59,996,029
2008-2012	32,515,000	18,418,158	117,890,000	59,216,308	34,805,000	20,763,870	283,608,336
2013-2017	23,770,000	11,081,715	92,575,000	29,823,448	37,020,000	11,612,735	205,882,898
2018-2022	26,320,000	4,563,575	51,540,000	9,116,365	22,365,000	3,151,324	117,056,264
2023-2025	1,580,000	77,025	10,525,000	916,225	—	—	13,098,250
Total	\$ 113,040,000	60,022,842	376,065,000	185,810,479	124,305,000	63,590,818	922,834,139

Total interest expense for 2002 and 2001 amounted to \$5,927,012, \$17,902,940, and \$6,059,369 and \$5,762,541, \$15,666,961, and \$5,734,620 for the Water Operations, Water Pollution Control, and Drinking Water Funds, respectively.

The bond resolutions authorizing the various bond issues contain general provisions and provisions related to accounting and financial operations of the Authority. Management of the Authority believes they are in substantial compliance with these provisions.

The Authority has provided a Debt Service Bond Reserve Fund at least equal to the debt service reserve requirement under the Small Water Resources Bond Resolution. At December 31, 2002 and 2001, the Small Water Resources Debt Service Reserve Fund amounted to \$8,500,000 and was fully funded. This amount is reflected in restricted net assets of the Water Operations Enterprise Fund. The Authority can issue up to \$150,000,000, of Small Water Resources Revenue Bonds at the current funding level for the

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Small Water Debt Service Reserve Fund. At December 31, 2002 and 2001, the Authority had \$110,505,000 and \$100,670,000 of outstanding Small Water Resources Revenue Bonds, respectively.

Refunded Debt

Various bonds previously issued by the Authority have been defeased, and thus, are not reflected in bonds payable in the accompanying statements of net assets. The detail of the Authority's total defeased bonds outstanding at December 31, 2002 and year of final maturity of the defeased bonds (if called) are as follows:

	Amount	Year of Maturity
1994B Small Water Resources Revenue Bonds	\$ 6,850,000	2004
1995A Clean Water Revenue Bonds	14,485,000	2003
1999A Clean Water Revenue Bonds	2,480,000	2009
	\$ 23,815,000	

(6) Board Designated Accounts

Included in the balance of unrestricted net assets of the Water Operations Enterprise Fund are monies designated by the Authority's Board of Directors (the Board) for specific purposes. These amounts are not included in restricted net assets, because the designations do not meet the definition of restricted net assets as defined by accounting principles generally accepted in the United States of America. Board designations were as follows in the Water Operations Enterprise Fund as of December 31:

	2002	2001
Self insurance account	\$ 800,000	—
La Plata river escrow account	15,455,643	15,068,206
Total Board designated accounts	\$ 16,255,643	15,068,206

(7) EPA Capitalization Grants

The WPCRF and DWRF are capitalized through capitalization grants awarded by the EPA. Matching funds are provided by the Authority or its borrowers in a ratio of \$1 of state match for every \$5 of capitalization grants.

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The following table details the EPA capitalization grants and matching requirements recognized by project during 2002:

	Federal grants recognized in 2002	Matching requirement for 2002
Water Pollution Control Revolving Fund Projects:		
1995A – City of Steamboat Springs	\$ 17,186	3,437
1996A – City of Idaho Springs	19,761	3,952
1999A – Fremont Sanitation District	52,274	10,455
1999A – City of Aurora	2,083,621	416,724
1999A - Grand County Water and Sanitation District	444,831	88,966
1999A – Left Hand Water and Sanitation District	8,828	1,766
2000A – Summit County	707,484	141,497
2000A – Parker Water and Sanitation District	2,196,753	439,351
2000A – Three Lakes Water and Sanitation District	888,181	177,636
2001A – City of Steamboat Springs	66,876	13,375
2001A – City of Lafayette	1,704,503	340,901
2001A - Mt. Crested Butte Water and Sanitation District	1,054,661	210,932
2002A - Black Hawk-Central City Sanitation District	390,592	78,118
2002A - Town of Wellington	417,442	83,488
2002A - Winter Park West Water and Sanitation District	349,416	69,883
	10,402,409	2,080,481
Drinking Water Revolving Fund Projects:		
1998A – Town of Buena Vista	1,454	291
1999A – City of Glenwood Springs	47	9
1999A – Grand County Water and Sanitation District No. 1	63,964	12,793
1999A – City of Greeley	218,297	43,659
1999A – Left Hand Water District	95,085	19,017
2000DL – Sedalia Water and Sanitation District	24,542	4,908
2000A – Evergreen Metro District	673,678	134,736
2000A – Board of Waterworks Pueblo	80,524	16,105
2000A – Town of Limon	127,552	25,510
2000A – City of Westminster	2,220,881	444,176
2000DL – Town of Wellington	534,910	106,982
2002A - Evergreen Metropolitan District	764,260	152,852
2002A - City of Idaho Springs	906,316	181,263
2002A - City of La Junta	550,096	110,019
2002DL - City of Woodland Park	559,915	111,983
	6,821,521	1,364,303
Total	\$ 17,223,930	3,444,784

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The following table details the EPA capitalization grants and matching requirements recognized by project during 2001:

	Federal grants recognized in 2001	Matching requirement for 2001
Water Pollution Control Revolving Fund Projects:		
1995A – City of Steamboat Springs	\$ 20,734	4,147
1996A – City of Idaho Springs	125,251	25,050
1998A – Buena Vista Sanitation District	8,474	1,695
1998A – City of Trinidad	137,903	27,581
1999A – Fremont Sanitation District	853,768	170,754
1999A – City of Aurora	727,983	145,597
1999A – City of Steamboat Springs	726,309	145,262
2000A – Summit County	3,935,647	787,129
2000A – Parker Water and Sanitation District	392,806	78,561
2000A – Three Lakes Water and Sanitation District	802,860	160,572
2001A – City of Steamboat Springs	2,144,678	428,936
2001A – City of Lafayette	89,008	17,802
	9,965,421	1,993,086
Drinking Water Revolving Fund Projects:		
1998A – Town of Buena Vista	24,525	4,905
1999A – City of Glenwood Springs	574,738	114,948
1999A – Grand County Water and Sanitation District No. 1	506,948	101,390
1999A – City of Greeley	2,017,501	403,500
1999A – Left Hand Water District	819,146	163,829
1999A – City of Aurora	2,014,781	402,956
2000DL – Sedalia Water and Sanitation District	174,038	34,808
2000A – Evergreen Metro District	106,490	21,298
2000A – Fountain Valley Authority	105,431	21,086
2000A – Board of Waterworks Pueblo	2,168,422	433,684
2000A – Town of Limon	309,358	61,872
2000A – City of Westminster	2,498,081	499,616
2000DL – Town of Wellington	181,097	36,219
2000DL – City of Craig	353,089	70,618
2000DL – Town of Springfield	40,732	8,146
	11,894,377	2,378,875
Total	\$ 21,859,798	4,371,961

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(8) Defined Benefit Pension Plan

The Authority contributes to the Combined State and School Division Trust Fund (CSSDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The CSSDTF provides retirement and disability, annual increases, and death benefits for members or their beneficiaries. All employees and board members of the Authority are members of the CSSDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the CSSDTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The financial statements of the CSSDTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The CSSDTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

Plan members and the Authority are required to contribute to the CSSDTF at a rate set by statute. The contribution requirements of plan members and the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the Authority is 10.04% (for the period January 1, 2002 to June 30, 2002 the contribution rate was 9.9%) of covered salary. Beginning with payroll periods ending after January 1, 2001, the employer contribution paid to the CSSDTF were reduced by an employer match on members' voluntary contributions to a defined contribution plan. The match, set by the Board of Trustees of PERA, is 100% of a member's eligible tax-deferred retirement program contributions limited by a per payroll whole percentage of PERA-includable salary limit (percentage set for 2002 was 3.0%). Any unused DC match money is forwarded to the CSSDTF. Also, a portion of the Authority's contribution (1.64% of covered salary) is allocated for the Health Care Trust Fund (see note 9). The Authority's contributions to CSSDTF for the years ended December 31, 2002, 2001, and 2000 were \$64,688, \$61,342 and \$62,522, respectively, equal to their required contributions for each year.

(9) Postemployment Healthcare Benefits

The Authority contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

The financial statements of the HCTF are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenues in the period in which the employer pays compensation to the member. Benefits and refunds are recognized when due and payable in accordance with the terms of

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the plan. The HCTF plan investments are presented at fair value except for short-term investments, which are recorded at cost, which approximates fair value.

The Authority is required to contribute at a rate of 1.64% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The Authority's contributions to HCTF for the years ended December 31, 2002, 2001, and 2000 were \$10,639, \$9,841, and \$9,429, respectively, equal to their required contributions for each year.

(10) Defined Contribution Pension Plan

The (CSSDTF) members (see note 8) of the Authority may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$11,000 in 2002). Beginning January 1, 2001, an employer match was legislated which would match 100% of a member's eligible tax-deferred retirement program contributions limited by 3.0% in 2002 per payroll of the PERA-includable salary. The contribution requirements for the Authority are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The 401(k) Plan member contributions from the Authority for the years ended December 31, 2002 and 2001 were \$44,262 and \$33,588, respectively. The employer contributions to the 401(k) Plan from the Authority for the years ended December 31, 2002 and 2001 were \$18,084 and \$14,665, respectively.

(11) Lease Commitment

The Authority leases office facilities under an operating lease that expires in 2005. Rent expense totaled \$121,398 and \$99,167 for 2002 and 2001, respectively. The future minimum annual rental commitment under this lease is \$109,492, \$109,492, and \$100,368 for 2003, 2004, and 2005, respectively. Pursuant to the lease agreement the landlord made a \$42,384 payment to the Authority in lieu of providing tenant finish improvements. The payment is being amortized over the 36-month lease term and accordingly, reduces rent expense.

(12) Tax, Spending, and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, referred to as the Taxpayer's Bill of Rights (TABOR), which added a new section 20 to article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The Authority's management believes that its operations qualify for this

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exclusion. However, TABOR is complex and subject to interpretation. Many of the provisions, including the qualification as an Enterprise, may require judicial interpretation.

(13) Risk Management and Contingencies

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The Authority maintains commercial insurance for most risks of loss, excluding directors' and officers' legal liability for which the Authority is self-insured. No claims have been made against commercial insurance coverage or the Authority in any of the past three fiscal years.

The Authority receives federal grant funds from the EPA. These amounts are subject to audit and adjustment by the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the Authority. The amount, if any, of expenses which may be disallowed by the federal government cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial to its financial operations.