



COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

Logan Tower Bldg. - Suite 620, 1580 Logan Street, Denver, Colorado 80203-1942
303/830-1550 • Fax 303/832-8205 • info@cwrpda.com

April 28, 2006

The Honorable Bill Owens
Governor of Colorado
Executive Chambers
State Capitol
Denver, Colorado 80203

Dear Governor Owens:

Pursuant to section 37-95-116 C.R.S., attached is the annual report of the Colorado Water Resources and Power Development Authority for fiscal year 2005. The 2005 report includes a description of the Authority's 2005 accomplishments and activities, and a copy of the Authority's 2005 financial statements audited by KPMG, LLP.

During 2005 the Authority executed \$59,638,993 in loans under the Water Pollution Control Revolving Fund. The programmatic rating for the Clean Water Revenue Bonds issued to fund the leveraged loans is "Aaa/AAA/AAA" from Moody's Investors Service, Standard and Poor's Rating Services, and Fitch Ratings, respectively.

In addition, the Authority executed \$2,383,000 in loans under the Drinking Water Revolving Fund. The Drinking Water Revenue Bonds carry a programmatic rating of "Aaa/AAA/AAA" by Moody's, Standard and Poor's, and Fitch Ratings, respectively.

To assist local governments in developing the water resources of the State, last year the Authority executed Water Revenue Bond loans totaling \$194,400,000. The bonds issued to fund these loans were insured and rated "AAA."

On behalf of the Authority's Board of Directors, I would like to express our appreciation for the opportunity to serve the State of Colorado in providing a means to utilize private capital for the cost-effective financing of Colorado's growing water supply and wastewater infrastructure needs.

Sincerely,



Robert Carlstrom
Chair

Attachment

cc: Senator Jim Isgar, Chair of the Senate Committee on Agriculture, Natural Resources & Energy
Representative Kathleen Curry, Chair of the House Committee on Agriculture, Livestock & Natural Resources
Mr. John D. Redifer, Chair, Colorado Water Conservation Board

Colorado Water Resources
and
Power Development Authority

Annual Report

2
0
0
5



ANNUAL REPORT

Fiscal Year 2005

Colorado Water Resources
and
Power Development Authority



[Printed on recycled paper]

TABLE OF CONTENTS

	Page
Drinking Water Revolving Fund	2
Small Water Resources Projects Program.....	3
Water Pollution Control Revolving Fund	3
Water Revenue Bonds	4
Interim Loans	4
Animas-La Plata Project.....	5
Amendment No. 1 (TABOR).....	5
Five-Year Projection.....	6

Appendix

Board of Directors, Officers and Staff.....	A
DWRF Loan Status as of December 31, 2005.....	B
SWRP Loan Status as of December 31, 2005.....	C
WPCRF Loan Status as of December 31, 2005.....	D
WRB Program Loan Status as of December 31, 2005.....	E
Interim Loan Status as of December 31, 2005.....	F
Financial Statements & 2005 Audit Report.....	G
<i>Report of the Auditor</i>	
<i>General Purpose Financial Statements as of December 31, 2005</i>	

NARRATIVE

The 2005 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 and its audited financial statements as of December 31, 2005.

DRINKING WATER REVOLVING FUND

With the passage of SB95-083, the General Assembly created the Drinking Water Revolving Fund ("DWRF") and provided initial capitalization of \$6,200,000. Additional capital of \$17.7 million was provided by the Authority. These combined funds have been used to provide the required 20 percent state match on federal capitalization grants and to make loans.

The Safe Drinking Water Act Amendment ("SDWA") of 1996 (P.L. 104-182) authorized a drinking water state revolving fund to assist public water systems with the financing of the costs of infrastructure to achieve or maintain compliance with SDWA requirements and to protect public health objectives of this Act. On September 30, 1997, Colorado's DWRF Operating Agreement and initial capitalization grant were approved by the U.S. Environmental Protection Agency ("EPA").

The DWRF program is a joint effort with the Water Quality Control Division ("WQCD") 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 ("DLG") of the Colorado Department of Local Affairs conducting financial analyses and outreach activities, and the Authority acting as the financing entity for the program.

Projects qualify for assistance by meeting certain criteria developed by the WQCD 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. In 2005, there were 274 projects on the DWRF project eligibility list representing a cumulative need of over \$850 million. As projects are funded and/or reach compliance they are deleted from the eligibility list.

In 2001, the Authority Board, working with the WQCD and the DLG, established a planning and design grant program for communities of up to 10,000 population having a median household income less than the statewide average or monthly user rates exceeding the statewide average. The grant funds are to be used by communities to initiate engineering studies and project development. Funding for this program was set at \$50,000 for 2001, but the funding level was raised to \$100,000 for 2002 through 2005. Through 2005, 45 grants have been awarded which have resulted in \$40 million of DWRF loans. For 2006, \$100,000 was budgeted for this grant program.

In 2004, the Authority Board, working with the WQCD and the DLG, established a disadvantaged communities program for communities with median household incomes significantly below the state average and having a population of up to 5,000. The interest rate (as low as 0%) on a disadvantaged community loan is a function of the community's median household income compared to the state's median household income. In 2005, three disadvantaged loans totaling \$1.483 million were executed.

During 2005, the Authority issued \$20.3 million in DWRF refunding revenue bonds to partially refund the DWRF 2000 Series A bond issue. The present value savings of this refunding was approximately \$1 million dollars, which is passed on to the five borrowers funded by the 2000 A bond issue. See Appendix G *Financial Statements and 2005 Audit Report* for further information about the refunding.

As of December 31, 2005, the EPA has awarded \$111,338,300 in capitalization grants to Colorado. Of this amount, \$88,643,129 have been deposited in the DWRF. The remaining \$22,695,171 have been set aside for administration (\$4,453,532), technical assistance to small communities (\$1,945,234), public water system supervision (\$4,118,198), in kind services (\$150,000), source water

protection (\$1,678,410) and \$10,349,797 for local set-asides which includes capacity development and wellhead protection. The FY2006 grant is expected to be \$14.5 million. Funding from Congress is likely to remain at the current level for the next few years. Through December 31, 2005, 68 loans have been executed under the DWRF program totaling \$208,050,035 with an outstanding principal balance of \$165,671,333. (See Appendix B for details.) In 2006, the Authority anticipates issuing up to \$65 million in loans using grant funds and loan repayments. As of December 31, 2005, all borrowers were current with loan repayments.

The programmatic rating of the Drinking Water Revenue Bonds is "AAA" by all three bond rating agencies.

SMALL WATER RESOURCES PROJECTS PROGRAM

The Small Water Resources Projects ("SWRP") Program 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. The bonds issued to fund these loans are insured by the Financial Guaranty Insurance Company ("FGIC"), which has established a limit on outstanding bonds of \$150 million.

Through 2005, the Authority had issued 48 loans totaling \$149,590,000 with an outstanding balance of \$102,497,915. (See Appendix C for tabulation of project loans.) As of December 31, 2005, 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 loan program. This loan program is 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.

The WPCRF program is a joint effort with the WQCD handling the technical aspects of wastewater facility construction, the DLG 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 WQCD and adopted by the Water Quality Control Commission ("Commission"). These projects are then added to the WPCRF eligibility list approved initially by the Commission and finally by the General Assembly. In 2005, there were 274 projects on the WPCRF project eligibility list representing a cumulative need of over \$1.3 billion. As projects are funded and/or reach compliance they are deleted from the eligibility list.

In 2001, a planning and design grant program identical to the DWRF program explained above, was initiated. Funding for this program was set at \$50,000 for 2001, but the funding level was raised to \$100,000 for 2002 through 2005. Through 2005, 41 grants have been awarded which have resulted in \$45 million of WPCRF loans. For 2006, \$100,000 was budgeted for this grant program.

In 2005, the Authority Board, working with the WQCD and the DLG, established a disadvantaged communities program, starting in 2006, similar to the DWRF program. The 2006 budget for WPCRF disadvantaged loans has been set at \$6,000,000.

During 2005, the Authority issued \$117 million in Wastewater Revolving Fund refunding revenue bonds (3 issues) to partially refund seven Clean Water bond issues. Present value savings totaled over \$5.9 million which was passed on to the 29 borrowers funded by the refunded bond issues. See Appendix G *Financial Statements and 2005 Audit Report* for further information about the refundings.

As of December 31, 2005, the EPA has awarded \$196,271,123 in capitalization grants to Colorado, and the Authority has provided over \$37 million as state match in the form of bonds and cash. The FY2006 capitalization grant is estimated at \$7.0 million. Appropriations for this program were reduced for 2006 and may be further reduced for 2007.

Through December 31, 2005, 120 loans have been executed under the WPCRF Program totaling \$638,063,464 with an outstanding principal balance of \$479,187,472. (See Appendix D for details.) In 2006, the Authority anticipates issuing up to \$45 million in loans using grant funds and loan repayments. As of December 31, 2005, all borrowers were current with loan repayments.

The programmatic rating of the Clean Water Revenue Bonds is "AAA" by all three bond rating agencies.

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 bond issuance (similar to SWRP) and will purchase a surety bond in lieu of a cash funded Debt Service Reserve Fund, if available. Through 2005, fifteen loans have been executed under the WRB program totaling \$384,970,000 and having an outstanding loan balance of \$372,525,000. (See Appendix E for details.) Six loans totaling \$194,400,000 were issued under this program in 2005. As of December 31, 2005, all borrowers were current with loan payments.

Due to the significant demand for loans and the substantial costs associated with the cost of issuance subsidy in 2005, the Authority's Board reviewed its policy of paying the entire cost of bond issuance. For 2006, the Authority's Board has set the annual maximum cost of issuance subsidy at \$150,000 per borrower.

In 2003, legislation (SB 03-236) was enacted to increase the maximum loan limit from \$100 million to \$500 million per borrower per project. Water supply loans over \$500 million require approval from the General Assembly.

INTERIM LOANS

For the past several years the Authority has issued interim loans, funded from cash, to borrowers that needed project funds quickly and when there was 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. At the end of 2005, one interim loan for approximately \$1.1 million was outstanding. (See Appendix F for details.) The "Projected Income and Expenditures" table indicates an annual interim loan amount of \$5,000,000. This value is intended to represent the amount of funds committed to interim loans that may be repaid in 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 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. Excess earnings were transferred to the DWRP to provide the 20% state match for the DWRP capitalization grants.

In December 2000, legislation was passed by Congress to implement a modified Animas-La Plata Project with a reservoir capacity of 120,000 acre-feet. As a result of this legislation, which eliminated irrigation water from the Project, cost-sharing was no longer required. 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 (the "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 District and the Authority requiring the Authority to fund the District's share of the Animas-La Plata project in the amount of \$7,256,750 in exchange for its allocation of 2,600 acre-feet of average 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 through 2005, draws have totaled \$3,633,591. The escrow balance at the end of 2005 was \$4,607,795, including accrued interest income.

On July 31, 2003, the Bureau of Reclamation issued a notice that the cost estimate for the Animas-La Plata Project had been revised from \$338 million to \$500 million. In a report to the Secretary of the Interior dated November 2003, the Bureau of Reclamation explains that, "...except for the Ridges Basin Dam feature, the 1999 Project construction cost estimate was incomplete and inaccurate for the pumping plant, inlet conduit, gas pipelines and road relocations, and the then newly added Navajo Nation Municipal Pipeline, and failed to include certain additional costs." Federal legislation in 2005 limited the non-Indian sponsors obligation to \$43 million for the first \$500 million of project costs.

An agreement among the 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 to assist the La Plata Water Conservancy District in meeting the La Plata River Compact obligations and to provide storage for irrigation. This agreement also established procedures for utilizing such funds. As of December 31, 2005, this escrow contained \$16,922,325, including accrued interest income.

In early 2005, the 2,600 acre-feet of average annual depletion was committed to two entities. The District contracted to purchase 700 acre-feet of average annual depletion and provided an earnest money deposit of \$90,453. In addition, the City of Durango executed an agreement giving it the option to purchase 1,900 acre-feet of average annual depletion and provided an option payment of \$1,051,175. Both parties will be required to pay their remaining amounts due at project completion.

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 (\$34,303,344) and Drinking Water cash (\$4,723,834). 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. These grants were projected to remain at the 2006 level through 2010. 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 \$45,000,000 in 2006 and \$40,000,000 per year through 2010. For the DWRP, the Authority expects to execute loans amounting to \$65,000,000 in 2006 and \$40,000,000 annually thereafter through 2010. For SWRP and WRB, the Authority expects to execute loans amounting to \$25 million in 2006 and \$50 million thereafter through 2010.

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
2006	\$ 39,027,178	\$ 8,694,973	\$ 2,900,000	\$ 1,400,000	\$ 5,000,000	\$ 1,000,000	\$ 640,500	\$ 36,781,651
2007	\$ 36,781,651	\$ 12,494,973	\$ 2,900,000	\$ 1,400,000	\$ 5,000,000	\$ 1,000,000	\$ 672,525	\$ 38,304,099
2008	\$ 38,304,099	\$ 12,694,973	\$ 2,900,000	\$ 1,400,000	\$ 5,000,000	\$ 1,000,000	\$ 705,776	\$ 39,993,296
2009	\$ 39,993,296	\$ 10,468,973	\$ 2,900,000	\$ 1,400,000	\$ 5,000,000	\$ 1,000,000	\$ 741,459	\$ 39,420,810
2010	\$ 39,420,810	\$ 9,344,973	\$ 2,900,000	\$ 1,400,000	\$ 5,000,000	\$ 1,000,000	\$ 778,532	\$ 37,687,251

APPENDIX A

Board of Directors
Officers and Staff

BOARD OF DIRECTORS

The members of the Board of Directors of the Authority as of December 31, 2005, are listed below:

For terms expiring October 1, 2006:

Stephen T. LaBonde 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.

For terms expiring October 1, 2007:

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, 2008:

Ms. Barbara Green of Denver, Colorado, Democrat, to serve as a representative of the City and County of Denver and as an individual experienced in water law.

For terms expiring October 1, 2004:

*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 March 2006, Governor Owens appointed Mr. Clair B. Orr of Kersey, Republican, to serve as a member from the South Platte drainage basin and as a member experienced in water project funding, to replace Mr. Rinaldo. Governor Owens appointed Mr. Douglas B. Monger of Hayden, Democrat, to serve as a member from the Yampa-White drainage basins and as a member experienced in the planning and developing of water projects, to replace Mr. Sharp. Governor Owens also re-appointed Ms. Nichols. The Colorado Senate confirmed the appointments and re-appointment on April 6, 2006.

OFFICERS

Officers as of December 31, 2005

Chair	Robert Carlstrom
Vice Chair	Steven C. Harris
Secretary/Treasurer	Jim Hokit

STAFF

As of April 30, 2006

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

APPENDIX B

DWRF Loan Status as
of December 31, 2005

Colorado Water Resources and Power Development Authority
2005 Annual Report - Appendix B
Drinking Water Revolving Fund Program (DWRP)
Loan Status Report as of December 31, 2005

DETAIL OF LOANS FUNDED							
Source of Funding	Type of Loan	Borrower	Original / Amended Amount	Effective Loan Rate (a)	Loan Date	Final Payment Date	Outstanding Balance
F	LL	Arapahoe Estates WD	\$ 1,048,333	4.15%	10/01/97	08/01/17	\$ 689,693
F	LL	Aurora, City of	14,999,899	3.63%	05/01/99	08/01/14	9,756,642
S	DL	Baca Grande W&SwD	500,000	4.50%	02/01/96	Paid in Full	0
R	DL	Basalt, Town of	948,246	4.00%	12/19/02	11/01/22	861,129
S	DL	Bayfield, Town of	350,000	4.50%	11/15/96	09/01/16	231,460
F	LL	Buena Vista, Town of	1,324,120	4.01%	06/01/98	08/01/18	926,883
F	DL	Chatfield South WD	728,500	4.50%	07/13/98	05/01/18	540,220
F	DL	Craig, City of	450,000	4.00%	12/15/00	Paid in Full	0
R	DL	Dillon, Town of	1,000,000	4.00%	10/18/02	11/01/12	766,861
S	DL	Elizabeth, Town of	500,000	4.50%	10/01/95	01/01/15	312,496
S	DL	Empire, Town of	331,432	4.50%	08/24/95	03/01/16	202,821
F	LL	Englewood, City of	15,292,636	4.14%	10/01/97	08/01/18	10,651,894
F	LL	Evergreen MD (00)	5,577,982	4.39%	04/15/00	08/01/20	4,484,154
F	LL	Evergreen MD (02)	2,036,130	4.00%	04/01/02	08/01/22	1,783,671
S	DL	Fairplay, Town of (95)	250,000	4.50%	08/01/95	06/01/15	147,442
S	DL	Fairplay, Town of (97)	200,000	4.50%	07/30/97	12/01/17	140,515
S	DL	Firestone, Town of	95,000	4.50%	06/13/96	06/01/06	5,922
F	LL	Florence, City of (03)	12,999,093	3.51%	11/01/03	06/01/25	12,985,198
R	DL	Florence, City of (05)	800,000	3.50%	01/25/05	12/01/25	800,000
F	LL	Fort Collins, City of (97)	10,125,300	4.12%	10/01/97	06/01/17	6,711,721
F	LL	Fort Collins, City of (99)	4,998,395	3.81%	05/01/99	06/01/19	3,657,693
F	LL	Fort Morgan, City of	15,433,355	4.02%	06/01/98	06/01/19	11,207,228
F	LL	Fountain Valley Auth (00)	7,607,966	4.40%	04/15/00	08/01/20	6,095,143
F	LL	Fountain Valley Auth (03)	3,221,862	3.03%	06/01/03	08/01/24	2,941,700
S	DL	Fraser, Town of	\$200,000	4.50%	04/15/96	Paid in Full	0
F	LL	Glenwood Springs, City of	4,999,017	3.77%	05/01/99	04/01/18	3,568,413
F	LL	Grand County W&SD	2,998,566	3.78%	05/01/99	08/01/18	2,215,157
F	LL	Grand Junction, City of	3,566,522	4.02%	04/01/02	08/01/22	3,259,435
F	DL	Grand Lake, Town of	495,000	4.50%	10/29/97	11/01/17	350,280
F	LL	Greeley, City of	14,999,038	3.80%	05/01/99	08/01/19	11,335,854
R	DL	Hayden, Town of	1,000,000	4.00%	04/30/02	11/01/22	817,811
F	LL	Idaho Springs, City of (02)	2,339,797	3.99%	04/01/02	08/01/22	2,042,506
S	DL	Idaho Springs, City of (97)	500,000	4.50%	10/15/97	05/01/17	350,960
S	DL	Idledale W&SD	250,000	4.50%	07/10/95	03/01/15	148,577
F	DL	Julesburg, Town of (99)	693,000	4.00%	05/01/99	Paid in Full	0
F	LL	Julesburg, Town of (99L)	994,600	3.81%	05/01/99	08/01/19	748,682
R	DC	La Jara, Town of	200,000	0.00%	04/20/05	05/01/25	195,000
F	LL	La Junta, City of (02)	9,812,211	4.00%	04/01/02	08/01/22	8,970,078
F	DL	La Junta, City of (99)	490,000	4.50%	11/01/99	Paid in Full	0
S	DL	Lake Creek MD	500,000	4.50%	01/12/96	09/01/15	297,757
F	DL	Left Hand W&SD	188,700	4.50%	09/11/98	05/01/18	138,783
F	LL	Left Hand WD	6,571,538	3.80%	05/01/99	05/15/19	4,839,922
F	LL	Limon, Town of	1,440,809	4.41%	04/15/00	08/01/20	1,159,147
S	DL	Lochbuie, Town of	351,889	4.50%	08/28/96	09/01/16	227,778
R	DC	Log Lane Village, Town of	1,000,000	1.75%	10/14/05	11/01/35	1,000,000
F	LL	Longmont, City of	14,998,044	3.11%	06/01/03	08/01/23	14,986,988
F	LL	Lyons, Town of (03)	4,915,599	3.03%	06/01/03	08/01/24	4,490,587
S	DL	Lyons, Town of (96)	500,000	4.50%	08/19/96	06/01/17	340,108
S	DL	Minturn, Town of	300,000	4.50%	08/11/95	03/01/16	183,585
R	DL	Mustang Water Auth	700,000	4.00%	12/08/03	05/01/24	664,533
S	DL	Nunn, Town of	330,260	4.50%	08/12/96	12/01/16	216,470
R	DL	Oak Creek, Town of	900,689	4.00%	11/18/03	11/01/23	833,735
R	DC	Olde Stage WD	100,000	3.50%	06/01/05	08/01/25	99,132
R	DL	Ouray, City of	1,000,000	4.00%	12/19/03	05/01/24	957,323
R	DL	Pinewood Springs WD	123,200	3.50%	07/26/04	12/01/24	118,857
F	LL	Pueblo Board of WW	9,558,795	4.60%	04/15/00	08/01/22	8,964,382
S	DL	Redstone W&SD	410,000	4.50%	12/01/97	11/01/17	292,423
F	DL	Sedalia W&SD	326,000	4.50%	03/09/00	11/01/19	263,442
F	DL	Springfield, Town of	349,471	4.50%	07/28/00	05/01/20	282,270
R	DL	Swink, Town of	669,000	3.50%	04/20/04	05/01/24	638,944
R	DL	Thunderbird W&SD (02)	343,684	4.00%	08/27/02	11/01/22	304,041
F	DL	Thunderbird W&SD (99)	285,000	4.50%	06/01/99	05/01/19	243,974
R	DC	Victor, City of	283,000	0.00%	06/17/05	12/01/15	283,000

Colorado Water Resources and Power Development Authority
2005 Annual Report - Appendix B
Drinking Water Revolving Fund Program (DWRP)
Loan Status Report as of December 31, 2005

DETAIL OF LOANS FUNDED (Continued)

Source of Funding	Type of Loan	Borrower	Original / Amended Amount	Effective Loan Rate (a)	Loan Date	Final Payment Date	Outstanding Balance
F	DL	Wellington, Town of	\$ 1,000,000	4.00%	11/01/01	05/01/22	\$ 881,515
S	DL	Westlake W&SD	250,000	4.50%	08/19/97	05/01/17	152,900
F	LL	Westminster, City of	14,998,357	4.40%	04/15/00	06/01/20	11,738,199
R	DL	Westwood Lakes WD	500,000	4.00%	05/15/03	05/01/23	456,921
F	DL	Woodland Park, City of	800,000	4.000%	03/13/02	05/01/22	711,378

SUMMARY OF LOANS FUNDED

Total Loans Funded			Loans Outstanding	
Loan Type	Amount	Number of Loans	Balances	Number of Loans
State Funded Direct Loans (S-DL)	\$ 5,818,581	17	\$ 3,251,214	15
Federal Direct Loans:				
Using EPA Grants (F-DL)	5,805,671	11	3,411,862	8
Using Reloan (R-DL)	7,984,819	11	7,220,155	11
Disadvantaged Communities (R-DC)	1,583,000	4	1,577,132	4
Leveraged Loans:				
Using EPA Grants (F-LL)	186,857,964	25	150,210,970	25
Using Reloan (R-LL)	-	0	-	0
Totals	\$ 208,050,034	68	\$165,671,333	63

PROGRAM STATISTICS

Loan Type	From Inception Through 2005		Loans Funded in 2005		
	Average Loan Amount	Weighted Average Loan Rate (a)	Number of Loans	Weighted Average Loan Rate (a)	Average Loan Amount
State Funded Direct Loans	\$ 342,269	4.500%	0	0.0%	\$ -
Federal Direct Loans:					
Using EPA Grants	527,788	4.318%	0	0.0%	-
Using Reloan	725,893	3.864%	1	3.5%	800,000
Disadvantaged Communities	395,750	1.313%	4	1.3%	395,750
Leveraged Loans:					
Using EPA Grants	7,474,319	3.910%	0	0	-
Using Reloan	0	0.000%	0	0	-

(a) The effective loan rates shown in this schedule are the computed rates upon loan execution. These rates do not take into effect any additional credits, including the savings produced by refunding bond issues that are passed through to the borrowers.

Source of Funding Code:

S = State funds only - issued prior to the reauthorization of the 1996 Safe Drinking Water Act
F = Federal - subsidized from EPA Drinking Water State Revolving Fund (DW SRF) Capitalization Grants (Grants)
R = Reloan - funded by or subsidized from recycled DW SRF funds

Type of Loan Code:

LL = Leveraged Loan - Funded from bond proceeds
DL = Direct Loan - Funded from available sources: (1) Authority state funds, (2) Grant Funds or (3) Drinking Water SRF Reloan funds.
DC = Disadvantaged Communities: Low- or zero-interest direct loans funded from Drinking Water SRF Reloan funds.

Local Government and Special District Abbreviations:

MD = Metropolitan District WD = Water District W&SdD = Water & Sewer District
WW = Waterworks W&SD = Water & Sanitation District

APPENDIX C

SWRP Loan Status as
of December 31, 2005

Colorado Water Resources & Power Development Authority
2005 Annual Report - Appendix C
Small Water Resources Projects Program (SWRP)
Loan Status Report as of December 31, 2005

DETAIL OF SWRP FUNDED LOANS							
Type of Loan	Borrower	Original / Amended Amount	Effective Loan Rate (a)	Loan Date	Final Payment Date	Outstanding Balance	
LL	Avon MD	\$ 930,000	6.51%	04/01/92	Defeased	\$ -	
LL	Berthoud, Town of	1,030,000	5.39%	04/01/94	10/01/09	336,667	
LL	Brush, City of	810,000	6.61%	04/01/92	10/01/12	490,000	
LL	Canon City, City of	4,600,000	5.28%	02/01/96	10/01/15	2,822,499	
LL	Carbondale, Town of	1,910,000	6.15%	10/01/94	10/01/15	1,192,500	
LL	Central Weld County WD	1,540,000	5.58%	09/15/92	10/01/12	725,833	
LL	Clifton WD	5,555,000	4.17%	10/01/03	10/01/23	5,457,500	
LL	Dillon, Town of	815,000	3.87%	09/15/98	Paid in Full	-	
LL	Eagle River W&SD (02A)	4,560,000	4.74%	06/01/02	10/01/22	4,065,000	
LL	Eagle River W&SD (90A)	2,000,000	7.19%	10/01/90	10/01/10	746,250	
LL	East Dillon WD	825,000	6.82%	10/01/90	Paid in Full	-	
LL	Eaton, Town of	2,530,000	3.99%	10/01/03	10/01/23	2,501,667	
LL	Edwards MD	1,225,000	6.82%	07/15/91	10/01/10	480,000	
LL	Estes Park, Town of (90A)	2,155,000	7.19%	10/01/90	10/01/10	835,000	
LL	Estes Park, Town of (91A)	1,200,000	6.84%	07/15/91	10/01/11	530,000	
LL	Evans, City of	300,000	6.82%	10/01/90	Paid in Full	-	
LL	Fort Collins - Loveland WD	2,565,000	7.18%	10/01/90	10/01/10	971,666	
LL	Fort Lupton, City of	3,000,000	6.54%	04/01/92	10/01/12	1,480,000	
LL	Fort Morgan, City of	2,500,000	5.65%	04/01/94	10/01/14	1,424,167	
LL	Glenwood Springs, City of	2,700,000	5.58%	09/15/92	10/01/12	1,300,000	
LL	Gypsum, Town of	715,000	5.65%	04/01/94	10/01/14	406,250	
LL	Johnstown, Town of	1,785,000	5.31%	02/01/96	10/01/16	1,170,834	
LL	La Salle, Town of	1,780,000	6.55%	04/01/92	10/01/12	900,000	
LL	Little Thompson WD	4,800,000	5.57%	09/15/92	10/01/08	1,455,000	
LL	Louisville, City of	7,500,000	6.54%	04/01/92	10/01/12	3,618,333	
LL	Minturn, Town of (91A)	400,000	6.85%	07/15/91	10/01/11	180,000	
LL	Minturn, Town of (92B)	100,000	5.33%	09/15/92	10/01/12	35,000	
LL	Monument, Town of	1,800,000	5.37%	06/01/97	10/01/17	1,280,000	
LL	Morgan County QWD (96B)	1,040,000	6.34%	02/01/96	10/01/06	120,000	
LL	Morgan County QWD (98A)	2,950,000	4.65%	09/15/98	10/01/18	2,195,000	
LL	Mount Werner W&SD	4,630,000	5.58%	09/15/92	10/01/12	2,179,999	
LL	North Weld County WD (01A)	15,510,000	4.86%	01/15/01	10/01/23	14,355,000	
LL	North Weld County WD (90A)	3,000,000	7.19%	10/01/90	10/01/10	1,143,750	
LL	North Weld County WD (92B)	1,055,000	5.58%	09/15/92	10/01/12	490,000	
LL	North Weld County WD (98A)	5,000,000	4.65%	09/15/98	10/18/18	3,671,250	
LL	Parker W&SD (00A)	13,365,000	5.71%	02/15/00	10/01/19	11,950,000	
LL	Parker W&SD (02A)	10,055,000	5.21%	06/01/02	10/01/22	10,055,000	
LL	Parker W&SD (94A)	600,000	5.65%	04/01/94	10/01/14	337,500	
LL	Parker W&SD (97A)	4,925,000	5.37%	06/01/97	10/01/17	3,446,250	
LL	Platteville, Town of	990,000	5.65%	04/01/94	10/01/14	562,500	
LL	Project 7 Water Auth	4,100,000	6.15%	10/01/94	10/01/15	2,577,499	
LL	Rifle, City of (03A)	1,525,000	3.96%	10/01/03	10/01/23	1,395,000	
LL	Rifle, City of (94B)	1,295,000	6.10%	10/01/94	10/01/14	715,000	
LL	Roxborough Park MD	3,000,000	5.34%	06/01/97	10/01/16	2,060,000	
LL	Steamboat Springs, City of	1,175,000	6.85%	07/15/91	10/01/11	520,000	
LL	Upper Eagle RWA	1,000,000	6.82%	10/01/90	Defeased	-	
LL	Upper Eagle RWA	2,000,000	6.10%	10/01/94	Defeased	-	
LL	Upper Eagle RWA	10,745,000	5.77%	02/15/00	10/01/20	10,320,000	

SUMMARY OF SWRP LOAN PROGRAM			
Total Amount of Loans Funded	\$ 149,590,000	Total Number of Loans Funded	48
Total Outstanding Loan Balances	\$ 102,497,914	Total Number of Loans Outstanding	42
Average Loan Amount	\$ 3,116,458	Weighted Average Loan Rate (a)	5.585%
Total Amount of Loans Issued in 2005	\$ -	Number of Loans Issued in 2005	0

* The effective interest rates shown in this schedule are the computed rates upon loan execution. These rates do not take into effect any additional credits, including the savings produced by refunding bond issues that are passed through to the borrowers.

Type of Loan Code:

LL = Leveraged Loan - Funded from bond proceeds

Local Government and Special District Abbreviations:

MD = Metropolitan District

QWD = Quality Water District

WD = Water District

RWA = Regional Water Authority

W&SD = Water & Sanitation District

APPENDIX D

WPCRF Loan Status as
of December 31, 2005

Colorado Water Resources and Power Development Authority
2005 Annual Report - Appendix D
Water Pollution Control Revolving Fund Program (WPCRF)
Loan Status Report as of December 31, 2005

DETAIL OF WPCRF LOANS							
Source of Funding	Type of Loan	Borrower	Original / Amended Amount	Effective Loan Rate (a)	Loan Date	Final Payment Date	Outstanding Balance
F	LL	Alamosa, City of	\$ 3,197,216	3.77%	08/01/94	08/01/09	\$ 1,036,640
F	LL	Aurora, City of	24,124,366	4.04%	07/01/99	08/01/14	15,598,485
R	DL	Baca Grande W&SD	800,000	4.00%	12/20/01	06/01/22	701,719
R	LL	Berthoud, Town of (02A)	6,325,000	3.85%	05/01/02	08/01/23	6,050,000
R	LL	Berthoud, Town of (04A)	2,385,000	3.55%	05/01/04	08/01/25	2,285,000
F	LL	Black Hawk-Central City SD	24,107,369	3.71%	05/01/02	08/01/22	21,412,733
F	LL	Breckenridge SD (05B)	8,160,000	3.48%	10/20/05	08/01/26	8,160,000
F	LL	Breckenridge SD (97A)	8,093,617	4.53%	05/01/97	08/01/17	5,452,767
R	LL	Breckenridge, Town of	4,320,000	3.35%	05/25/05	08/01/26	4,320,000
F	LL	Brighton, City of	5,080,484	4.58%	05/01/95	08/01/15	3,232,557
F	DL	Broomfield, City of	2,514,119	4.71%	12/05/96	09/01/16	1,592,681
F	LL	Buena Vista SD	3,896,505	3.96%	04/01/98	08/01/17	2,683,191
F	DL	Byers W&SD	435,000	4.50%	08/28/98	05/01/18	321,692
F	LL	Carbondale, Town of	2,327,490	4.22%	05/01/97	08/01/07	530,180
F	LL	Castle Rock, Town of	4,319,911	5.20%	06/15/90	08/01/10	1,480,948
F	LL	Colorado City MD	1,878,538	3.26%	05/01/03	08/01/24	1,713,754
F	LL	Colorado Springs, City of	22,204,270	4.06%	04/01/98	05/15/19	18,187,015
R	DL	Columbine W&SD	424,230	4.50%	03/31/00	11/01/15	319,205
R	LL	Cortez SD	9,775,000	3.99%	05/01/01	08/01/20	8,210,000
F	LL	Craig, City of	1,096,820	4.58%	05/01/95	08/01/15	625,990
F	LL	Crested Butte, Town of	2,499,120	4.73%	06/01/96	08/01/16	1,623,360
R	LL	Denver SE Sub W&SD (02B)	7,045,000	3.21%	10/01/02	08/01/23	6,160,000
R	LL	Denver SE Sub W&SD (05A)	4,800,000	3.35%	05/25/05	08/01/26	4,800,000
F	LL	Denver SE Sub W&SD (89A)	6,905,000	4.63%	12/01/89	08/01/11	3,009,713
F	DL	Divide W&SD	69,000	4.50%	07/15/92	Paid in Full	0
F	DL	Durango West MD	500,000	4.50%	07/29/91	07/15/11	168,569
F	LL	Eagle River W&SD (92A)	7,368,840	5.17%	06/15/92	08/01/13	3,718,428
F	LL	Eagle River W&SD (95A)	6,099,183	4.58%	05/01/95	08/01/15	3,511,166
F	LL	Eagle River W&SD (98A)	17,685,396	3.94%	04/01/98	08/01/16	12,019,618
F	LL	Eagle, Town of	2,345,204	4.53%	05/01/97	08/01/17	1,567,048
F	DL	East Alamosa W&SD	180,000	4.50%	12/02/98	Paid in Full	0
F	LL	Eaton, Town of	4,824,431	3.38%	05/25/05	08/01/27	4,824,431
F	LL	Englewood, City of (04A)	29,564,275	3.87%	05/01/04	08/01/25	29,558,924
F	LL	Englewood, City of (91A)	12,750,000	4.64%	11/15/90	08/01/12	6,335,650
F	LL	Erie, Town of (97A)	1,821,690	4.54%	05/01/97	08/01/17	1,228,706
F	DL	Erie, Town of (97DL)	500,000	4.50%	10/08/97	08/01/17	358,581
F	LL	Evans, City of (98A)	1,141,617	4.03%	04/01/98	08/01/18	806,165
F	DL	Evans, City of (98DL)	396,249	4.50%	11/16/98	02/01/19	305,065
R	LL	Fort Collins, City of (01A)	9,845,000	4.02%	05/01/01	06/01/21	8,105,000
F	LL	Fort Collins, City of (92B)	24,540,580	4.05%	07/15/92	09/01/14	11,575,223
F	LL	Fort Lupton, City of (92A)	4,200,000	5.17%	06/15/92	08/01/13	2,077,113
F	DL	Fort Lupton, City of (94DL)	200,000	5.17%	01/12/94	09/01/13	103,726
F	LL	Fort Morgan, City of	9,146,685	4.59%	05/01/95	08/01/15	5,522,025
F	LL	Fountain SD	1,716,099	4.71%	06/01/96	Paid in Full	0
R	LL	Fraser SD	2,445,000	3.99%	05/01/01	08/01/20	2,045,000
F	LL	Fremont SD	8,094,568	4.20%	07/01/99	08/01/19	6,382,255
F	LL	Frisco SD	4,500,000	5.17%	06/15/92	Paid in Full	0
F	DL	Fruita, City of	155,435	4.50%	04/27/95	03/01/15	59,467
R	DL	Garden Valley W&SD	300,000	4.00%	12/03/04	11/01/24	293,222
F	LL	Genesee W&SD	1,498,152	4.86%	08/01/94	08/01/14	799,725
F	LL	Glendale, City of	9,190,000	3.50%	10/20/05	08/01/27	10,034,562
F	LL	Grand County W&SD	3,999,978	4.17%	07/01/99	08/01/18	2,950,185
F	LL	Greeley, City of	13,457,960	4.97%	08/01/94	08/01/14	9,026,616
F	DL	Holyoke, City of	489,700	4.50%	12/01/97	11/01/17	307,883
F	LL	Idaho Springs, City of	1,541,237	4.74%	06/01/96	08/01/16	1,002,605

Colorado Water Resources and Power Development Authority
2005 Annual Report - Appendix D
Water Pollution Control Revolving Fund Program (WPCRF)
Loan Status Report as of December 31, 2005

DETAIL OF WPCRF LOANS (cont'd)							
Source of Funding	Type of Loan	Borrower	Original / Amended Amount	Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance
R	DL	Julesburg, Town of	\$ 800,000	4.00%	05/15/02	11/01/22	\$ 720,472
R	DL	Kersey, Town of	163,000	4.50%	12/29/99	05/01/20	131,854
R	DL	Kremmling SD	950,000	3.50%	09/13/05	11/01/25	950,000
R	DL	La Junta, City of	358,400	4.50%	10/15/99	05/01/20	289,918
F	LL	Lafayette, City of	7,861,139	4.04%	05/01/01	08/01/21	7,442,022
F	DL	Las Animas, City of	1,070,000	4.50%	11/12/98	11/01/18	799,632
R	DL	Left Hand W&SD (00DL)	56,900	4.50%	09/20/00	05/01/20	42,771
F	DL	Left Hand W&SD (99DL)	126,300	4.50%	03/05/99	11/01/18	96,164
F	LL	Littleton, City of (04AREV)	29,677,780	3.82%	05/01/04	08/01/25	29,672,423
F	LL	Littleton, City of (91AGO)	7,750,000	4.64%	11/15/90	08/01/12	3,851,082
F	LL	Littleton, City of (91AREV)	5,000,694	4.64%	11/15/90	08/01/12	2,484,914
F	DL	Log Lane Village, Town of	250,000	4.50%	06/01/95	06/01/16	156,904
F	LL	Longmont, City of	3,500,000	3.97%	07/15/92	08/01/12	1,355,058
F	DL	Lyons, Town of	506,311	4.50%	10/07/96	06/01/17	340,788
F	DL	Manzanola, Town of	80,360	4.50%	06/01/97	05/01/17	55,488
R	LL	Mesa County	13,490,000	3.62%	05/01/02	08/01/24	11,470,000
F	LL	Metropolitan WWRD	21,910,000	4.58%	05/01/91	04/01/11	8,674,108
F	LL	Milliken, Town of	5,897,275	3.28%	05/01/03	08/01/24	5,886,345
F	DL	Monte Vista, Town of	968,000	4.50%	09/01/99	05/01/19	751,601
F	DL	Montrose County	257,919	4.50%	10/30/92	07/01/13	62,164
F	LL	Mount Crested Butte W&SD (01A)	5,161,581	4.02%	05/01/01	08/01/21	4,352,555
F	LL	Mount Crested Butte W&SD (96A)	1,399,080	4.74%	06/01/96	Paid in Full	0
F	LL	Mount Werner W&SD	3,034,627	4.20%	07/01/99	Defeased	0
F	DL	Mountain Range Shadows	1,721,489	3.15%	12/01/89	06/15/10	501,368
F	DL	Mountain W&SD	200,000	1.43%	04/17/90	08/01/10	51,951
R	DL	New Castle, Town of	917,076	4.50%	01/01/99	05/01/19	363,294
R	DL	Niwot SD	1,000,000	4.00%	02/16/01	05/01/21	847,915
F	DL	Nucla SD	180,000	1.50%	05/11/92	04/30/12	65,061
F	DL	Ordway, Town of	350,000	4.50%	10/15/96	09/01/16	232,293
F	DL	Ourray, City of	800,000	4.50%	09/17/92	06/01/12	344,623
R	DL	Pagosa Springs GID, Town of (02D)	200,000	4.00%	07/15/02	11/01/22	181,626
F	DL	Pagosa Springs GID, Town of (97D)	640,000	4.50%	06/03/97	11/01/16	434,103
F	LL	Parker W&SD (00A)	12,063,546	4.66%	05/15/00	08/01/20	9,758,916
F	LL	Parker W&SD (01A)	4,913,424	4.01%	05/01/01	08/01/21	4,151,736
F	LL	Parker W&SD (02B)	14,112,800	3.62%	10/01/02	08/01/25	13,613,424
F	LL	Parker W&SD (94A)	1,781,883	4.89%	08/01/94	08/01/14	947,128
F	DL	Parker W&SD (95DL)	500,000	4.89%	03/16/95	Paid in Full	0
F	LL	Parker W&SD (97A)	3,271,642	4.54%	05/01/97	08/01/17	2,198,884
R	DL	Pikes Peak America's Mntn	1,000,000	4.00%	07/23/03	11/01/20	914,193
R	LL	Plum Creek WW Auth (01A)	25,525,000	4.02%	05/01/01	08/01/21	21,710,000
R	LL	Plum Creek WW Auth (02B)	3,390,000	3.22%	10/01/02	08/01/23	2,960,000
R	LL	Plum Creek WW Auth (05A)	1,510,000	3.35%	05/25/05	08/01/26	1,510,000
F	LL	Pueblo, City of	8,402,620	3.25%	05/01/03	08/01/24	7,677,214
R	LL	Roxborough Park MD (05A)	9,600,000	3.35%	05/25/05	08/01/26	9,600,000
F	DL	Roxborough Park MD (94DL)	600,000	4.50%	11/18/94	Paid in Full	0
F	DL	Saint Mary's Glacier W&SD	150,000	4.50%	07/15/94	06/01/14	81,126
R	DL	Salida, City of	550,000	4.00%	11/21/03	11/01/13	456,703
R	LL	South Adams County W&SD	6,270,000	3.79%	05/01/02	06/01/22	6,252,500
R	DL	Springfield, Town of	200,000	4.00%	11/01/00	11/01/20	165,581
F	LL	Steamboat Springs, City of (01A)	5,895,654	4.01%	05/01/01	08/01/21	4,974,459
F	LL	Steamboat Springs, City of (95A)	1,563,550	4.58%	05/01/95	08/01/15	896,506
F	LL	Steamboat Springs, City of (99A)	2,935,636	4.20%	07/01/99	08/01/19	2,223,155
F	LL	Sterling, City of	2,499,524	4.53%	05/01/97	08/01/16	1,621,746
F	LL	Summit County	17,086,830	4.65%	05/15/00	08/01/20	13,786,570
F	LL	Three Lakes W&SD	6,498,576	4.64%	05/15/00	08/01/19	5,164,992

Colorado Water Resources and Power Development Authority
 2005 Annual Report - Appendix D
 Water Pollution Control Revolving Fund Program (WPCRF)
 Loan Status Report as of December 31, 2005

DETAIL OF WPCRF LOANS (cont'd)							
Source of Funding	Type of Loan	Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance
F	LL	Trinidad, City of	\$ 6,670,909	3.99%	04/01/98	08/01/18	\$ 4,849,628
F	DL	Vona, Town of	85,000	4.50%	01/29/97	09/01/16	57,653
F	LL	Wellington, Town of (02A)	4,826,281	3.71%	05/01/02	08/01/22	4,268,360
F	DL	Wellington, Town of (90A)	375,000	1.43%	06/01/90	Paid in Full	0
R	LL	Westminster, City of (05A)	15,440,000	3.32%	05/25/05	06/01/25	15,147,500
F	LL	Westminster, City of (97A)	13,246,525	4.54%	05/01/97	06/01/17	9,367,564
F	LL	Westminster, City of (98A)	4,085,697	3.98%	04/01/98	06/01/17	2,704,959
F	LL	Windsor, Town of	3,998,853	4.62%	08/01/94	08/01/09	1,357,603
F	LL	Winter Park W&SD	3,050,000	4.59%	05/01/95	08/01/15	1,857,439
F	LL	Winter Park West W&SD	2,406,249	3.68%	05/01/02	08/01/21	2,108,847

SUMMARY OF WPCRF FUNDED LOANS					
<i>Total Amount of Loans Funded</i>			<i>Loans Outstanding</i>		
Loan Type	Original Loan Amount	Number of Loans	Outstanding Balances	Number of Loans	
Federal Direct Loans:					
Using EPA Grants (F-DL)	\$ 14,299,882	28	\$ 7,248,583	23	
Using Reloan (R-DL)	7,719,606	14	6,378,473	14	
Disadvantage Communities (R-DC)	0	0	0	0	
Leveraged Loans:					
Using EPA Grants (F-LL)	493,878,976	63	354,935,415	59	
Using Reloan (R-LL)	122,165,000	15	110,625,000	15	
TOTAL	638,063,464	120	479,187,471	111	

PROGRAM STATISTICS					
Loan Type	<i>From Inception through 2005</i>		<i>Loans Funded in 2005</i>		
	Average Loan Amount	Weighted Average Loan Rate (a)	Number of Loans	Weighted Average Loan Rate	Average Loan Amount
Federal Direct Loans:					
Using EPA Grants (F-DL)	\$ 510,710	4.236%	0	0.000%	\$ -
Using Reloan (R-DL)	551,400	3.675%	1	3.500%	300,000
Disadvantage Communities	0	0.000%	0	0.000%	
Leveraged Loans:					
Using EPA Grants (F-LL)	7,839,349	4.192%	3	3.467%	7,391,477
Using Reloan (R-LL)	8,144,333	3.675%	5	3.337%	7,134,000

* The effective loan rates do not reflect the true interest rate, and, on this report, have not been reduced for those borrowers who are receiving the savings from refunding bond issues.

Source of Funding Code:

F = Federal - Subsidized from EPA Clean Water State Revolving Fund (CW SRF) Capitalization Grants (EPA Grant)
 R = Reloan - Funded by or subsidized from recycled CW SRF funds

Type of Loan Code:

LL = Leveraged Loan - Funded from bond proceeds
 DL = Direct Loan - Funded from available sources: (1) EPA Grant Funds or (2) Clean Water SRF Reloan funds.

DC = Disadvantaged Communities: Low- or zero-interest direct loans funded from available sources: (1) EPA Grant Funds or (2) Clean Water SRF Reloan funds.

Local Government and Special District Abbreviations:

W&SD = Water & Sanitation District GID = General Improvement District SD = Sanitation District
 MD = Metropolitan District WW = Wastewater WWRD = Wastewater Reclamation District

APPENDIX E

WRBP Loan Status as
of December 31, 2005

Colorado Water Resources & Power Development Authority
 2005 Annual Report - Appendix E
 Water Revenue Bonds Program (WRBP)
 Loan Status Report as of December 31, 2005

DETAIL OF WRBP LOANS						
Type of Loan	Borrower	Original / Amended Amount	Effective Loan Rate (a)	Loan Date	Final Payment Date	Outstanding Balance
LL	Arapahoe County W&W PID	\$ 26,270,000	4.72%	11/01/05	11/26/35	\$ 26,270,000
LL	Aurora, City of	100,000,000	4.35%	09/29/05	07/27/35	100,000,000
LL	Copper Mountain CMD (04E)	3,540,000	3.95%	09/16/04	08/01/24	3,540,000
LL	Copper Mountain CMD (05F)	3,690,000	4.24%	11/30/05	08/01/24	3,690,000
LL	East Cherry Creek W&SD	53,970,000	4.36%	02/05/05	11/14/35	53,970,000
LL	Englewood, City of	19,715,000	4.11%	05/01/04	08/01/17	19,585,000
LL	Erie, Town of	14,500,000	4.21%	04/01/04	12/01/23	13,855,000
LL	Fort Lupton, City of	2,300,000	4.38%	02/01/05	11/01/25	1,345,000
LL	Fountain, City of	8,170,000	4.56%	05/24/05	11/01/35	8,170,000
LL	Littleton, City of	19,695,000	3.70%	05/01/04	08/01/15	19,690,000
LL	Longmont, City of	3,960,000	1.91%	06/01/03	08/01/09	2,825,000
LL	Louisville, City of	13,800,000	3.63%	06/01/03	11/01/24	12,790,000
LL	Parker W&SD	105,420,000	5.12%	06/15/04	08/01/43	104,780,000
LL	Rio Blanco WCD	3,140,000	7.08%	05/01/98	11/15/13	2,015,000

SUMMARY OF WRB LOAN PROGRAM			
Total Amount of Loans Funded	\$ 378,170,000	Total Number of Loans Issued in 2005	14
Total Outstanding Loan Balance	\$ 372,525,000	Total Number of Outstanding Loans	14
Average Loan Amount	\$ 27,012,143	Weighted Average Loan Rate	4.510%
Total Amount of Loans Issued in 2005	\$ 194,400,000	Number of Loans Issued in 2005	6

Type of Loan Code:

LL = Leveraged Loan - Funded from bond proceeds

Local Government and Special District Abbreviations:

WCD = Water Conservation District	CMD = Consolidated Metropolitan District
PID = Public Improvement District	W&SD = Water & Sanitation District
W&W = Water & Wastewater	

APPENDIX F

Interim Loan Status as
of December 31, 2005

Colorado Water Resources and Power Development Authority
2005 Annual Report - Appendix F
Authority Funded Interim Loans
Loan Status Report as of December 31, 2005

Loan Information	Borrower	
	Plum Creek Wastewater Authority	Cortez Sanitation District
<u>Interim Loan Information:</u>		
Amount of Authorized Interim Loan	\$1,900,000	\$2,000,000
Interim Loan Rate	3.50%	3.50%
Date of Interim Loan Authorization	12/17/04	05/04/05
<u>Amount Due to the Authority (Outstanding Obligation) *</u>		
Amount Outstanding as of 12/31/04	\$0	\$0
Plus: Draws on Interim Loan Funds for 2005	\$1,485,728	\$1,099,845
Less Loan Payoff:		
Repayment made to Authority		
Converted to permanent loan in the		
Water Pollution Control Revolving Fund	(\$1,485,728)	
Date of payoff	05/25/05	
Total Amount Due to the Authority as of 12/31/05	\$0.00	\$1,099,845

* Interim loan principal is recorded as draws are made, not for the total loan amount authorized.

APPENDIX G

Audited Financial
Statements as of
December 31, 2005



**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Basic Financial Statements

December 31, 2005 and 2004

(With Independent Auditors' Reports Thereon)

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

December 31, 2005 and 2004

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2
Basic Financial Statements	
Statements of Net Assets	23
Statements of Revenues, Expenses, and Changes in Fund Net Assets	25
Statements of Cash Flows	27
Notes to Basic Financial Statements	29



KPMG LLP
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, 2005 and 2004, 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2005 and 2004, and the results of each major fund's operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the basic financial statements, during 2005 the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*.

The Management's Discussion and Analysis on pages 3 through 23 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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

Denver, Colorado
March 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

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, 2005 and 2004.

Financial Highlights

- ▶ Combined net assets of the Authority's enterprise funds increased \$26.5 million (6.7%) bringing the total to \$420.0 million at December 31, 2005. Capitalization grant revenue received from the United States Environmental Protection Agency (EPA) totaling \$17.9 million was the largest source of funds contributing to this increase.
- ▶ Operating income totaled \$8.6 million during 2005, an increase of \$1.8 million (26.6%) from 2004. Operating revenue increased to \$58.9 million, while expenses rose to \$50.3 million for the fiscal year. Although total restricted assets increased by \$91.0 million, the majority of the increase resulted from the investment of 2005 Water Revenue Bonds Program (WRBP) bond proceeds. The structure of the WRBP program allows borrowers to requisition accumulated investment income to pay for project costs, or to reduce their loan interest payable. The earnings on these investments are recorded as a liability (accounts payable – borrower) rather than as income. Accounts payable – borrowers rose \$2.3 million in 2005, due to the WRBP investment earnings. Investment income increased by \$1.6 million (10.5%) to \$17.1 million.
- ▶ Bonds payable, net of unamortized refunding costs, at December 31, 2005, totaled \$1.06 billion. During 2005, revenue bonds, excluding refunding bonds, totaling \$251.8 million were issued, contributing to the increase of \$213.9 million (25.3%) in bonds payable, net of unamortized refunding costs. Revenue bonds were issued in the following enterprise funds, during 2005:
 - ✦ Water Revenue Bonds Program (WRBP) in the Water Operations Enterprise Fund – \$194.4 million
 - ✦ Water Pollution Control Revolving Fund (WPCRF), within the Water Pollution Control Enterprise Fund, – \$57.4 million.
- ▶ During 2005, market conditions provided opportunities for the Authority to issue advance refunding revenue bonds in both the Water Pollution Control Fund and the Drinking Water Fund. The reduction in bond debt service (refunding savings) realized from these activities is passed through to associated borrowers by reductions to loan repayments. The results of the refundings are summarized below:

Program	Refunding Revenue Bonds Issued			Revenue Bonds Refunded		
	Par Value of Bonds Issued	No. of Issues	Present Value of Refunding Savings	Par Value of Bonds Refunded	No. of Issues	No. of Associated Borrowers
WPCRF	\$115.6 million	3	\$5.9 million	\$117.0 million	7	29
DWRF	\$20.3 million	1	\$1.0 million	\$20.5 million	1	5

- ▶ Total loans receivable were \$1.12 billion at December 31, 2005. During 2005, loans totaling \$259.0 million were executed, resulting in a net increase in loans receivable of \$217.0 million (24.0%). New loans were executed in the following enterprise funds:
 - ✦ Water Operations \$ 197.0 million
 - ✦ Water Pollution Control 59.6 million
 - ✦ Drinking Water 2.4 million

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

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 years 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 enterprise funds. These enterprise funds 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 fund are included in this report. Each fund is considered a major fund.

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

Overview

The Authority's basic financial statements are comprised of three enterprise funds. To better assist the user of these statements, a separate schedule and analysis for each of the funds is presented below. These schedules summarize the financial position of each enterprise fund as of December 31, 2005 and 2004 in a comparative format. Furthermore, schedules of total enterprise fund data and analyses is provided in comparative year format for 2005-2004 and 2004-2003.

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, and other assets and receivables. Restricted assets are comprised of current and noncurrent cash and cash equivalents, investments, and investment income receivable. Restricted assets include amounts relating to borrowers' project accounts, debt service reserve funds, debt service funds and other accounts legally restricted by the revenue bond resolutions. Noncurrent loans receivable includes loan principal payments due more than one year subsequent to the fiscal year-end. Loans receivable provide security for associated bonds; and loan payments received, net of state match principal and administrative feeds, are restricted for payment of bond debt service.

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 the total (current and noncurrent) remaining borrower loan proceeds available for loans financed with bond proceeds. Noncurrent debt is the total of bonds payable more than one year subsequent to the fiscal year-end. Net assets are classified into three categories: invested in capital assets, restricted, and unrestricted.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

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 additional loan-bond financing package directly increases four major line items on the respective fund's summary statement of net assets: bonds payable, restricted assets, loans receivable, and project costs payable – leveraged loans.

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 for total enterprise funds and for each enterprise fund.

Total Enterprise Funds

Schedules 1A and 1B show the summary net assets for the three enterprise funds of the Authority in total and on a comparative year basis. Total assets of these funds grew by \$304.5 million in 2005, as compared to an increase of \$352.8 million in 2004. Financing new projects each year contributed to the increases in assets. In 2005, new loans totaled \$259.0 million, while \$226.8 million in loans were made in 2004. However, project draws paid to borrowers totaling \$202.8 million and \$101.5 million in 2005 and 2004 respectively, limited the net increase in total assets.

Total Enterprise Funds (2005 - 2004)		Schedule 1A		
Summary of Net Assets as of December 31				
	2005	2004	Change	Pct Chg
Unrestricted current and other assets	\$ 172,524,131	167,549,261	4,974,870	3.0%
Restricted assets	585,102,753	494,084,452	91,018,301	18.4%
Capital assets, net	30,410	43,149	(12,739)	(29.5%)
Noncurrent loans receivable	1,073,562,535	865,039,393	208,523,142	24.1%
Total assets	<u>\$ 1,831,219,829</u>	<u>1,526,716,255</u>	<u>304,503,574</u>	<u>19.9%</u>
Current and other liabilities	\$ 83,368,407	73,564,621	9,803,786	13.3%
Project costs payable-leveraged loans	312,952,958	251,826,999	61,125,959	24.3%
Noncurrent debt outstanding, net	1,014,948,438	807,851,405	207,097,033	25.6%
Total liabilities	<u>1,411,269,803</u>	<u>1,133,243,025</u>	<u>278,026,778</u>	<u>24.5%</u>
Fund net assets:				
Invested in capital assets	30,410	43,149	(12,739)	(29.5%)
Restricted	350,672,449	323,562,710	27,109,739	8.4%
Unrestricted	69,247,167	69,867,371	(620,204)	(0.9%)
Total fund net assets	<u>419,950,026</u>	<u>393,473,230</u>	<u>26,476,796</u>	<u>6.7%</u>
Total liabilities and fund net assets	<u>\$ 1,831,219,829</u>	<u>1,526,716,255</u>	<u>304,503,574</u>	<u>19.9%</u>

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Total Enterprise Funds (2004 - 2003)		Schedule 1B			
Summary of Net Assets as of December 31					
	2004	2003	Change	Pct Chg	
Unrestricted current and other assets	\$ 167,549,261	145,373,310	22,175,951	15.3%	
Restricted assets	494,084,452	348,926,160	145,158,292	41.6%	
Capital assets, net	43,149	56,462	(13,313)	(23.6%)	
Noncurrent loans receivable	865,039,393	679,526,210	185,513,183	27.3%	
Total assets	<u>\$ 1,526,716,255</u>	<u>1,173,882,142</u>	<u>352,834,113</u>	<u>30.1%</u>	
Current and other liabilities	\$ 73,564,621	65,439,838	8,124,783	12.4%	
Project costs payable-leveraged loans	251,826,999	122,187,070	129,639,929	106.1%	
Noncurrent debt outstanding, net	807,851,405	623,168,895	184,682,510	29.6%	
Total liabilities	<u>1,133,243,025</u>	<u>810,795,803</u>	<u>322,447,222</u>	<u>39.8%</u>	
Fund net assets:					
Invested in capital assets	43,149	56,462	(13,313)	(23.6%)	
Restricted	323,562,710	289,208,103	34,354,607	11.9%	
Unrestricted	69,867,371	73,821,774	(3,954,403)	(5.4%)	
Total fund net assets	<u>393,473,230</u>	<u>363,086,339</u>	<u>30,386,891</u>	<u>8.4%</u>	
Total liabilities and fund net assets	<u>\$ 1,526,716,255</u>	<u>1,173,882,142</u>	<u>352,834,113</u>	<u>30.1%</u>	

Similarly, total liabilities increased by \$278.0 million in 2005, and increased by \$322.4 million in 2004. Bonds, excluding refunding bonds, totaling \$251.8 million were issued in 2005, while \$220.6 million were issued in 2004. This new debt added to the net increases in total liabilities for both years. In 2005, project draws of \$202.8 million limited the net increase in Project costs payable-leveraged loans to \$61.1 million, whereas, 2004 project draws of \$101.5 million limited the net increase in Project costs payable-leveraged loans to \$129.6 million. Total fund net assets increased by \$26.5 million in 2005, down from the \$30.4 million increase in 2004. Although total operating income increased by \$1.8 million in 2005, the \$3.9 million decrease in the change in net assets was the direct result of the \$5.7 million decrease in EPA capitalization grant revenue received in 2005. Although total operating income decreased by \$0.8 million in 2004, the \$3.8 million increase in the change in net assets was the direct result of the \$4.5 million increase in EPA capitalization grant revenue received in 2004.

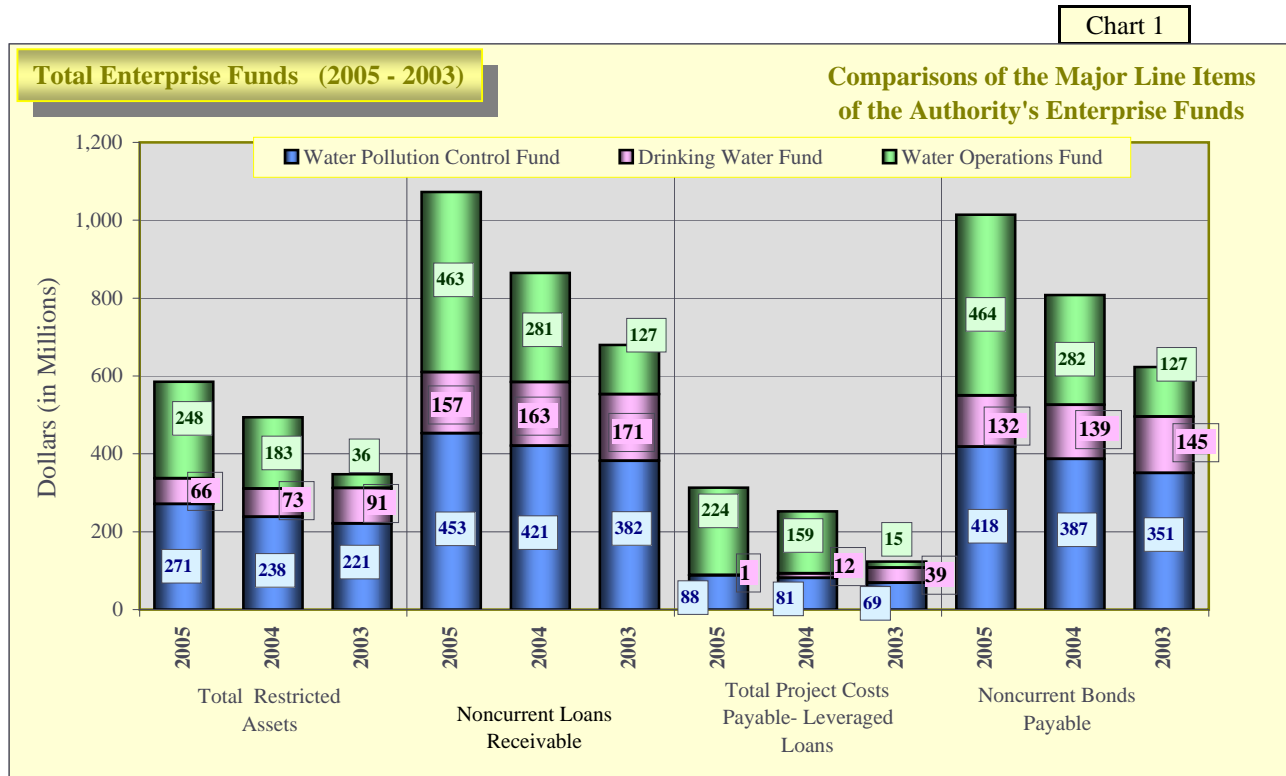
Chart 1 is a graphical representation of the four major accounts affected by new project financing, as discussed in the overview section of this discussion. The totals of these four accounts are compared for the years 2005, 2004, and 2003. Each bar is subdivided by colors that represent the amounts that each of the three enterprise funds contributes to the total for that year. The chart shows that, the WRBP, in the Water Operations Enterprise Fund (blue), had the largest impact on total enterprise fund assets and liabilities during 2005. This chart also illustrates the increase of loans receivable and bonds payable, over the three-year period, resulting from additional new project financing. The balances of restricted assets and project costs payable, however, are subject to fluctuations caused by the demands of borrower project draws.

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

The discussion below describes the changes to each of the three enterprise fund's summary schedule of net assets for the current year and associated charts provide visual information of the effects of new financing activities in 2005.



Water Operations Fund

The Water Operations Fund is described 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 Program (SWRP) and the 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. To reduce the cost of financing for these borrowers, the Authority began absorbing the total cost of issuing these bonds in 2003. In 2005, issuance costs totaled \$3.0 million for six WRBP bond issues totaling \$194.4 million. Loans made from these programs are not subsidized by EPA capitalization grants.

SWRP leveraged loans are generally more cost effective when a pool of approved borrowers is formed prior to issuing the bonds. Unlike SWRP, WRBP bonds are issued to fund each loan. In addition, 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. Two interim loans were funded in 2005 totaling \$2.6 million, of which \$1.5 million was repaid, leaving a balance of \$1.1 million outstanding at year-end. During 2004, the Authority loaned \$1.3 million, and by year-end, all interim loans had been repaid.

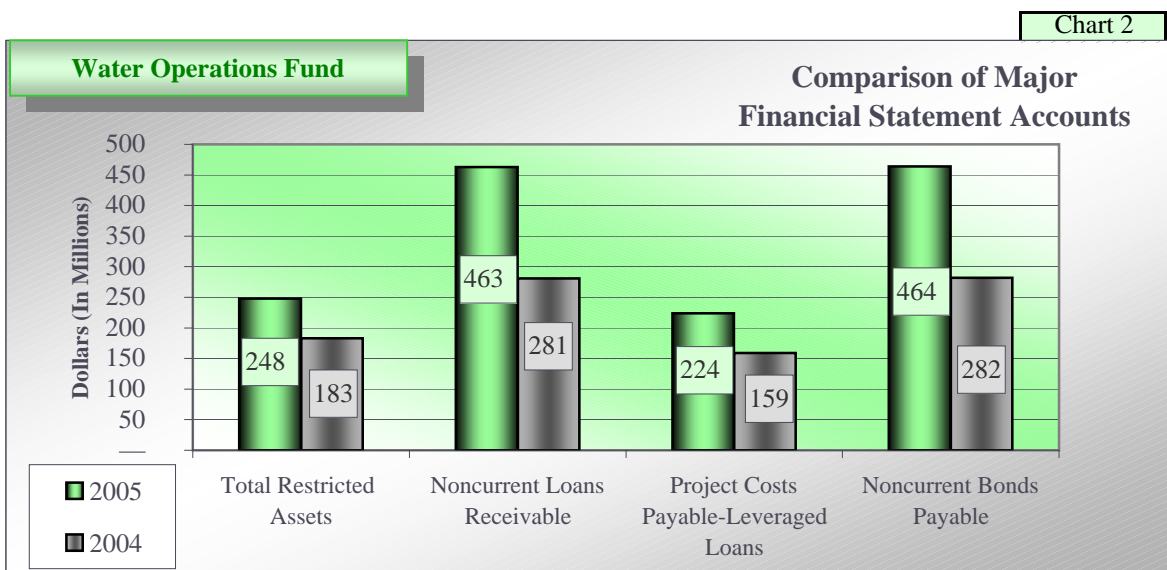
**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

The comparative balances of the four major accounts affected by leveraged loans are shown in Chart 2. The increases in loans receivable and bonds payable are the result of issuing \$194.4 million of WRBP bonds, investing the bond proceeds and executing corresponding loans to the communities. No SWRP bonds were issued or loans executed in 2005. SWRP and WRBP construction draws totaling \$132.5 million limited the increase in Restricted assets to \$64.9 million and Project costs payable-leveraged loans to \$65.4 million.

Water Operations Fund		Summary of Net Assets as of December 31				Schedule 2
		2005	2004	Change	Pct Chg	
Unrestricted current and other assets	\$	89,096,528	78,693,380	10,403,148	13.2%	
Restricted assets		248,180,605	183,291,317	64,889,288	35.4%	
Capital assets, net		13,444	19,397	(5,953)	(30.7%)	
Noncurrent loans receivable		463,378,333	280,833,333	182,545,000	65.0%	
Total assets	\$	<u>800,668,910</u>	<u>542,837,427</u>	<u>257,831,483</u>	<u>47.5%</u>	
Current and other liabilities	\$	26,657,628	18,008,239	8,649,389	48.0%	
Project costs payable-leveraged loans		223,918,878	158,561,517	65,357,361	41.2%	
Noncurrent debt outstanding, net		464,488,333	281,826,667	182,661,666	64.8%	
Total liabilities		<u>715,064,839</u>	<u>458,396,423</u>	<u>256,668,416</u>	<u>56.0%</u>	
Fund net assets:						
Invested in capital assets		13,444	19,397	(5,953)	(30.7%)	
Restricted		24,991,340	25,209,524	(218,184)	(0.9%)	
Unrestricted		60,599,287	59,212,083	1,387,204	2.3%	
Total fund net assets		<u>85,604,071</u>	<u>84,441,004</u>	<u>1,163,067</u>	<u>1.4%</u>	
Total liabilities and fund net assets	\$	<u>800,668,910</u>	<u>542,837,427</u>	<u>257,831,483</u>	<u>47.5%</u>	



**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Also included in Restricted Assets of the Water Operations fund is the \$4.6 million unexpended balance of the Animas-La Plata escrow account. During 2005, \$0.2 million was paid to the Bureau of Reclamation (Bureau) bringing the total payments to \$3.6 million. 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. These progress payments are recorded as Water depletion rights and are included in current and other assets.

Water Pollution Control Fund

The most significant changes in Unrestricted current and other assets are caused by transfers to or from Restricted assets and the unrestricted reloan account. The financial model for the WPCRf program allows for reductions in debt service reserve fund balances annually in September, after bond principal and interest payments have been made. This process is referred to as "deallocation" and consists of the liquidation of debt service reserve fund restricted investments and depositing the cash proceeds, along with the state match portion of loan principal repayments, in the unrestricted reloan account (cash equivalent investment). In 2005, \$11.1 million was deallocated and transferred to the reloan account and \$22.1 million of reloan funds were used to fund loans, causing a \$10.0 million reduction to Unrestricted current and other assets. The current portion of loans receivable increased \$3.4 million in 2005, offsetting a portion of the reduction in reloan funds, resulting in a net \$6.0 million decrease in Unrestricted current and other assets.

Water Pollution Control Fund		Schedule 3			
Summary of Net Assets as of December 31					
	2005	2004	Change	Pct Chg	
Unrestricted current and other assets	\$ 53,638,852	59,617,676	(5,978,824)	(10.0%)	
Restricted assets	271,388,323	237,848,583	33,539,740	14.1%	
Capital assets, net	8,483	11,876	(3,393)	(28.6%)	
Noncurrent loans receivable	452,891,856	420,767,059	32,124,797	7.6%	
Total assets	<u>\$ 777,927,514</u>	<u>718,245,194</u>	<u>59,682,320</u>	<u>8.3%</u>	
Current and other liabilities	\$ 45,730,367	43,391,876	2,338,491	5.4%	
Project costs payable-leveraged loans	87,891,524	80,917,704	6,973,820	8.6%	
Noncurrent debt outstanding, net	418,467,372	387,214,738	31,252,634	8.1%	
Total liabilities	<u>552,089,263</u>	<u>511,524,318</u>	<u>40,564,945</u>	<u>7.9%</u>	
Fund net assets:					
Invested in capital assets	8,483	11,876	(3,393)	(28.6%)	
Restricted	225,829,768	206,709,000	19,120,768	9.3%	
Total fund net assets	<u>225,838,251</u>	<u>206,720,876</u>	<u>19,117,375</u>	<u>9.2%</u>	
Total liabilities and fund net assets	<u>\$ 777,927,514</u>	<u>718,245,194</u>	<u>59,682,320</u>	<u>8.3%</u>	

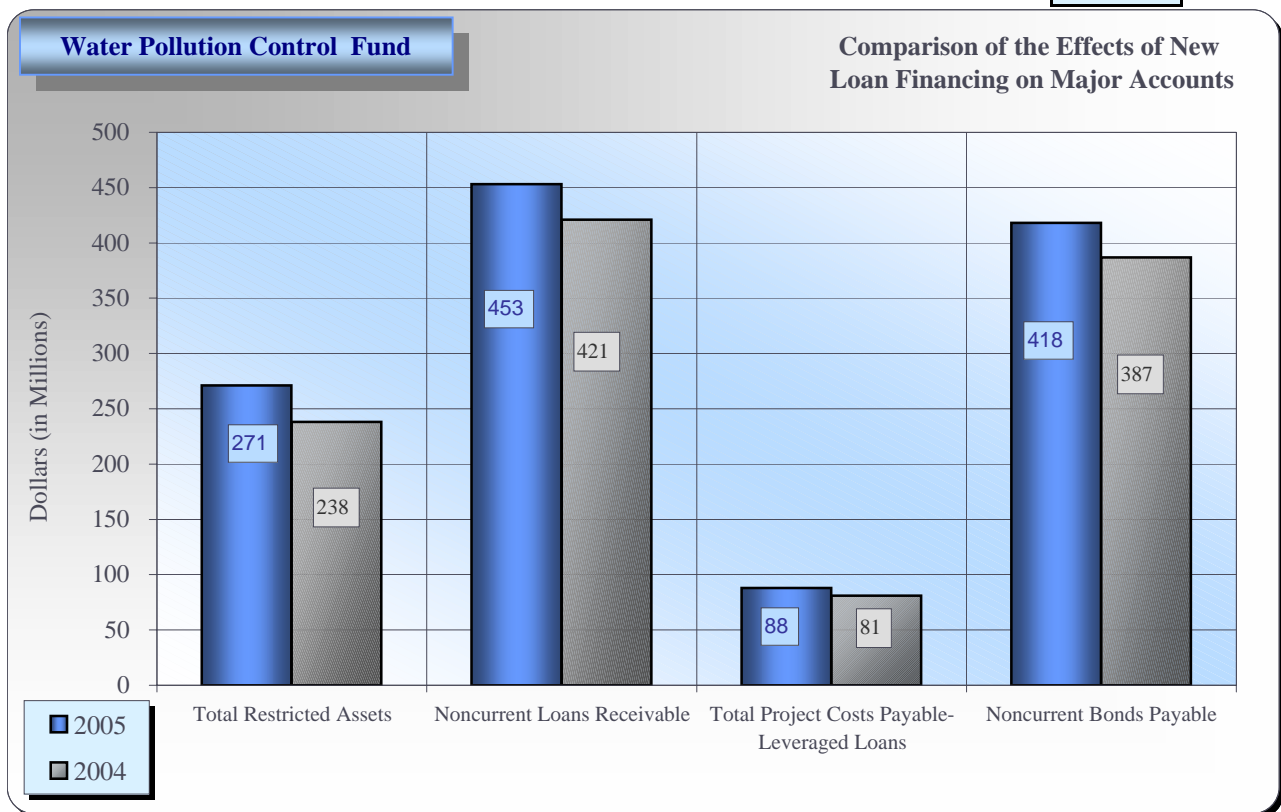
**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Chart 3 displays the comparative balances of the four major accounts affected by loan activities. During 2005, the WPCRF issued revenue bonds totaling \$57.4 million. The bond proceeds, plus \$1.2 million of state match dollars, funded new leveraged loans totaling \$58.7 million. These loans and bonds added to the balances of each of the four major accounts; however, net increases in restricted assets (\$33.5 million) and project costs payable-leveraged loans (\$7.0 million) were limited by construction draws totaling \$53.1 million. Net increases in noncurrent loans receivable (\$32.1 million), and noncurrent debt (\$31.3 million) were the result of the new loans, net of loan principal repayments (\$24.0 million) and bond principal payments (\$22.8 million). Operating income of \$5.4 million and EPA capitalization grant revenue of \$13.7 million resulted in the increase in restricted net assets of \$19.1 million.

Chart 3



**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Drinking Water Fund

Unrestricted current and other assets increased \$0.6 million in 2005. The net increase was the result of several factors, such as, increases from the deallocation of investments from debt service reserve funds totaling \$3.9 million, receipts of administrative loan fees totaling \$1.7 million, and decreases resulting from funding direct loans totaling \$2.3 million and transferring state grant matching dollars totaling \$2.7 million. During 2005, no leveraged loans were executed; therefore, no Drinking Water Revolving Fund (DWRF) bonds were issued. Chart 4 displays the comparative balances of the four major accounts and the following decreases: restricted assets (\$7.4 million), noncurrent loans receivable (\$6.1 million), project costs payable-leveraged loans (\$11.2 million), and noncurrent debt (\$6.8 million). Construction draws totaling \$11.2 million reduced restricted assets and project costs payable-leveraged loans. Annual principal receipts and payments reduced loans receivable and bonds payable. The DWRF operating income of \$2.0 million and EPA capitalization grant revenue of \$4.2 million resulted in the \$6.2 million (6.1%) increase in total fund net assets.

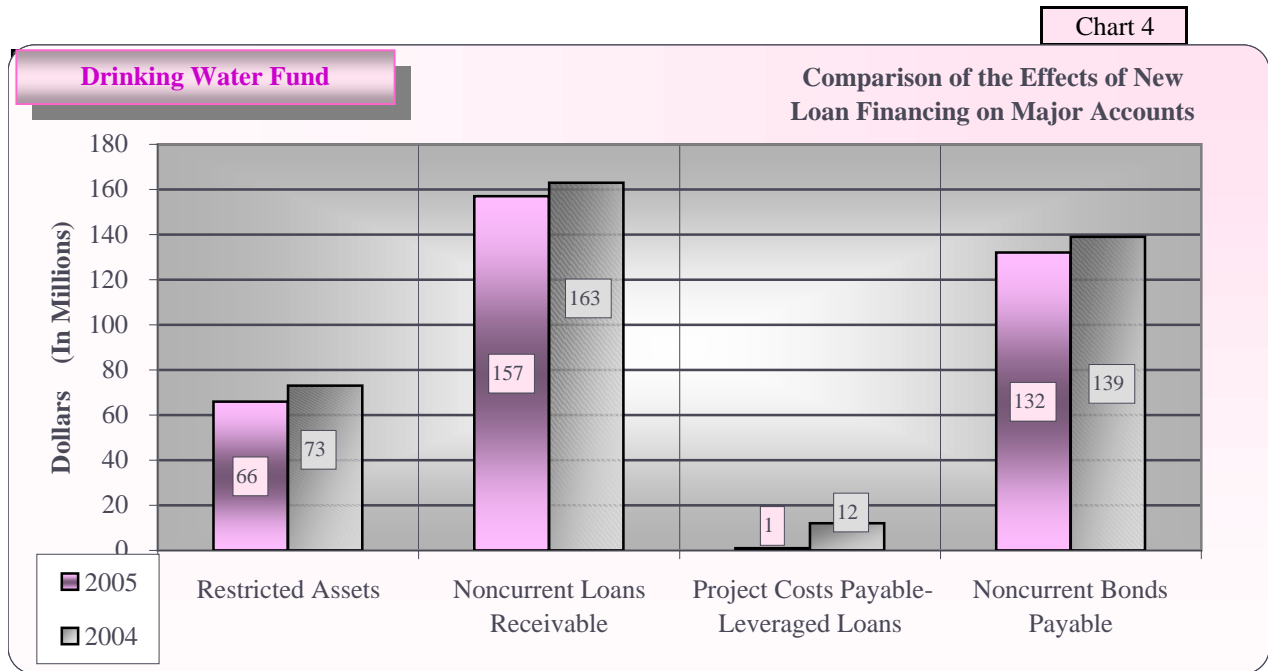
Schedule 4

Drinking Water Fund		Summary of Net Assets as of December 31			
	2005	2004	Change	Pct Chg	
Unrestricted current and other assets	\$ 29,788,751	29,238,205	550,546	1.9%	
Restricted assets	65,533,825	72,944,552	(7,410,727)	(10.2%)	
Capital assets, net	8,483	11,876	(3,393)	(28.6%)	
Noncurrent loans receivable	157,292,346	163,439,001	(6,146,655)	(3.8%)	
Total assets	<u>\$ 252,623,405</u>	<u>265,633,634</u>	<u>(13,010,229)</u>	<u>(4.9%)</u>	
Current and other liabilities	\$ 10,980,412	12,164,506	(1,184,094)	(9.7%)	
Project costs payable-leveraged loans	1,142,556	12,347,778	(11,205,222)	(90.7%)	
Noncurrent debt outstanding, net	131,992,733	138,810,000	(6,817,267)	(4.9%)	
Total liabilities	<u>144,115,701</u>	<u>163,322,284</u>	<u>(19,206,583)</u>	<u>(11.8%)</u>	
Fund net assets:					
Invested in capital assets	8,483	11,876	(3,393)	(28.6%)	
Restricted	99,851,341	91,644,186	8,207,155	9.0%	
Unrestricted	8,647,880	10,655,288	(2,007,408)	(18.8%)	
Total fund net assets	<u>108,507,704</u>	<u>102,311,350</u>	<u>6,196,354</u>	<u>6.1%</u>	
Total liabilities and fund net assets	<u>\$ 252,623,405</u>	<u>265,633,634</u>	<u>(13,010,229)</u>	<u>(4.9%)</u>	

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004



Summary of Changes in Fund Net Assets

Overview

As described in the notes to the basic financial statements, the Authority issues bonds to fund program loans. All bonds are repaid from loan repayments (principal and interest); however, in the WPCRF and DWRF, a portion of bond interest is paid by investment income earned on restricted assets held in the borrowers' project accounts and in bond debt service reserve funds. This investment income, used to pay 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 fund and in total. Like the complete statements located in the basic financial statements, these summary schedules show operating revenues, operating expenses, operating 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 2005, investment income and loan interest income made up more than 83.1% of operating revenues, bond interest expense was 87.9% of operating expense, and 67.7% of total changes in net assets came from EPA capitalization grant revenue.

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

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

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 EPA capitalization grant revenue 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.

Total Enterprise Funds

Schedules 5A and 5B combine the results of operations of the three enterprise funds, shown in a comparative year format. Although restrictions exist on transfers of monies among the enterprise funds, these schedules provide information about the overall financial operating results.

Interest on investments totaled \$17.1 million, \$15.4 million, and \$16.6 million for 2005, 2004, and 2003, respectively. Both the investment balances and changing interest rates impacted the amounts of interest earned. As described in the following Water Pollution Control Fund section, the WPCRF interest on investments increased \$1.3 million, and was the major factor in the \$1.6 million total increase for 2005. Similarly, in 2004, the \$1.2 million decrease was largely the result of the \$0.9 million decrease in investment income in the WPCRF. Although the Water Operations Fund restricted assets increased by \$64.9 million in 2005, the earnings on these investments are recorded as accounts payable-borrowers, as explained in the following Water Operations Fund section.

Interest on loans totaled \$31.9 million, \$25.7 million, and \$19.3 million for 2005, 2004, and 2003, respectively. As expected, the combined loan interest income increased 24.1% and 33.1% in 2005 and 2004, respectively, as a result of the new financing activities in the WRBP in the Water Operations Fund. The 2004 WPCRF interest on loans increased \$1.8 million, adding to the \$5.1 million increase by the Water Operations Fund. Because no leveraged loans were made in 2004 and 2005, the DWRF did not significantly impact the combined interest on loans for either year.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Total Enterprise Funds (2005 - 2004)					Schedule 5A
Summary of Changes in Fund Net Assets as of December 31					
	2005	2004	Change	Pct Chg	
Operating revenues:					
Interest on investments	\$ 17,060,365	15,441,590	1,618,775	10.5%	
Interest on loans	31,914,844	25,712,359	6,202,485	24.1%	
Administrative fee and other income	6,713,776	6,625,327	88,449	1.3%	
EPA grants	3,242,616	2,327,343	915,273	39.3%	
Total operating revenues	<u>58,931,601</u>	<u>50,106,619</u>	<u>8,824,982</u>	<u>17.6%</u>	
Operating expenses:					
Interest on bonds	44,260,282	38,388,285	5,871,997	15.3%	
Grant administration	2,429,438	2,270,249	159,189	7.0%	
General, administrative, and other expenses	1,320,597	1,095,438	225,159	20.6%	
EPA set asides	2,370,844	1,596,738	774,106	48.5%	
Total operating expenses	<u>50,381,161</u>	<u>43,350,710</u>	<u>7,030,451</u>	<u>16.2%</u>	
Operating income	8,550,440	6,755,909	1,794,531	26.6%	
EPA capitalization grants	17,926,356	23,630,982	(5,704,626)	(24.1%)	
Change in net assets	<u>26,476,796</u>	<u>30,386,891</u>	<u>(3,910,095)</u>	<u>(12.9%)</u>	
Net assets – beginning of year	393,473,230	363,086,339	30,386,891	8.4%	
Net assets – end of year	<u>\$ 419,950,026</u>	<u>393,473,230</u>	<u>26,476,796</u>	<u>6.7%</u>	

Total Enterprise Funds (2004 - 2003)					Schedule 5B
Summary of Changes in Fund Net Assets as of December 31					
	2004	2003	Change	Pct Chg	
Operating revenues:					
Interest on investments	\$ 15,441,590	16,592,162	(1,150,572)	(6.9%)	
Interest on loans	25,712,359	19,313,722	6,398,637	33.1%	
Administrative fee and other income	6,625,327	6,246,854	378,473	6.1%	
EPA grants	2,327,343	3,145,799	(818,456)	(26.0%)	
Total operating revenues	<u>50,106,619</u>	<u>45,298,537</u>	<u>4,808,082</u>	<u>10.6%</u>	
Operating expenses:					
Interest on bonds	38,388,285	32,200,865	6,187,420	19.2%	
Grant administration	2,270,249	2,251,592	18,657	0.8%	
General, administrative, and other expenses	1,095,438	901,404	194,034	21.5%	
EPA set asides	1,596,738	2,429,366	(832,628)	(34.3%)	
Total operating expenses	<u>43,350,710</u>	<u>37,783,227</u>	<u>5,567,483</u>	<u>14.7%</u>	
Operating income	6,755,909	7,515,310	(759,401)	(10.1%)	
EPA capitalization grants	23,630,982	19,092,849	4,538,133	23.8%	
Change in net assets	<u>30,386,891</u>	<u>26,608,159</u>	<u>3,778,732</u>	<u>14.2%</u>	
Net assets – beginning of year	363,086,339	336,478,180	26,608,159	7.9%	
Net assets – end of year	<u>\$ 393,473,230</u>	<u>363,086,339</u>	<u>30,386,891</u>	<u>8.4%</u>	

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

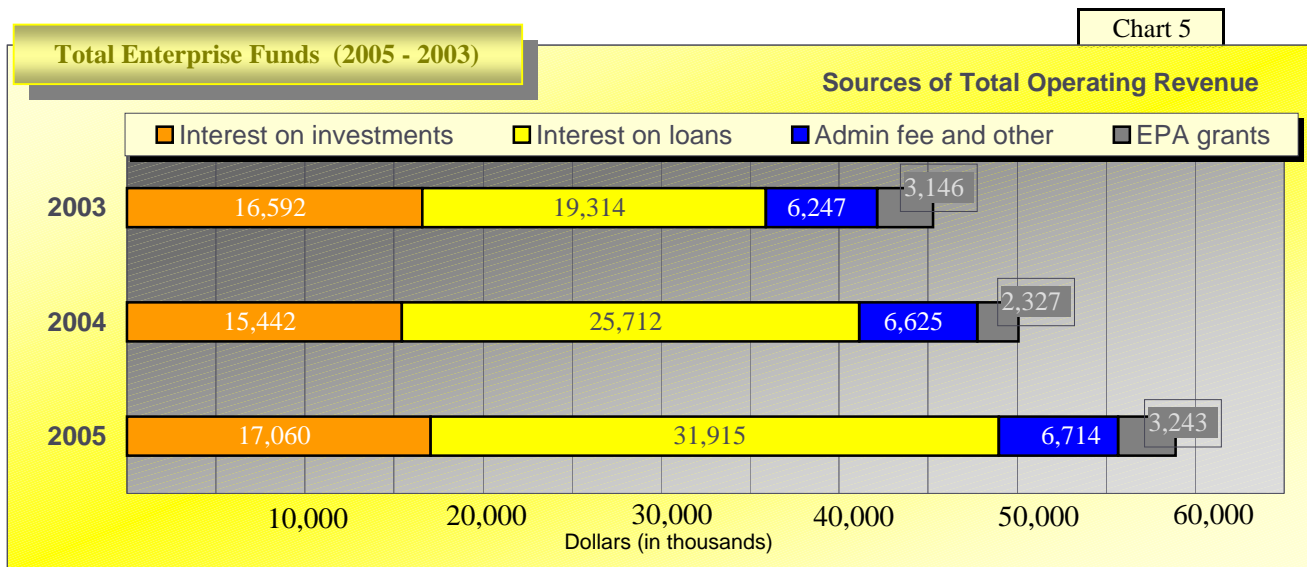
Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Total outstanding bonds payable (at par) were \$1.06 billion, \$845.3 million, and \$658.2 million, at December 31, 2005, 2004, and 2003, respectively. The increases in outstanding debt resulted in the corresponding rise in bond interest expense to \$44.3 million, \$38.4 million, and \$32.2 million, for those years, respectively. The \$5.9 million increase in interest on bonds in 2005 was limited by the three WPCRF and one DWRF advance refunding bond issues that reduced 2005 interest expense.

Chart 5 compares the major sources of total operating revenue among the years and illustrates the effects of investment and loan interest earnings discussed above. Note the decrease in interest on investments and the increase in interest on loans in 2005 and 2004. Leveraged loans in the WPCRF and the DWRF are subsidized by investment income earned in the debt service reserve funds (reserve fund financing model). The reserve fund earnings make up a significant portion of total interest on investments. The investment income plus loan interest income provides the funds to pay the bond interest expense in each corresponding year. As expected, administrative fee income, collected on loans, increased in proportion to the additional WPCRF and DWRF loans executed. The EPA grant revenue shown in operating income is comprised of grant funds drawn for program administration, and for funding the DWRF set aside activities as discussed in the notes to basic financial statements. EPA capitalization grants used for the loan programs are not part of operating income.

EPA capitalization grants totaled \$17.9 million, \$23.6 million, and \$19.1 million, for 2005, 2004, and 2003, respectively. As explained earlier in this section, grant funds are drawn as requisitions are paid to borrowers with projects financed with capitalization grant monies. These grant amounts are consistent with the project draws made in WPCRF and the DWRF for those years. The Water Operations Fund loans are not subsidized by EPA capitalization grants. Capitalization grant revenue contributed 67.7%, 77.8%, and 71.7% of the total change in net assets for 2005, 2004, and 2003, respectively.



**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

The discussion below describes the changes to each of the three-enterprise fund's summary schedule of changes in net assets and associated charts to provide visual information of the components of income and expense that impact the change in fund net assets for 2005 and 2004.

Water Operations Fund

The Summary of Net Assets (Schedule 2) for the Water Operations Fund reflects the noncurrent loans receivable and bonds payable increase of \$182.5 million (65.0%) and \$182.7 (64.8%), respectively. Loan interest income and bond interest expense shown below increased 54.0% and 64.7%, respectively. These increases are proportional to the increases in loans receivable and bonds payable. The largest source of investment income in the Water Operations Fund is generated by the \$56.0 million investment in the pool managed by the Colorado State Treasurer. During 2005, the average interest rate on this pool increased by 0.7% contributing to the net \$0.3 million increase in interest on investments.

Water Operations Fund		Summary of Changes in Fund Net Assets as of December 31			Schedule 6
	2005	2004	Change	Pct Chg	
Operating revenues:					
Interest on investments	\$ 2,315,711	2,054,558	261,153	12.7%	
Interest on loans	17,866,572	11,604,418	6,262,154	54.0%	
Other income	371	1,266	(895)	(70.7%)	
Total operating revenues	<u>20,182,654</u>	<u>13,660,242</u>	<u>6,522,412</u>	<u>47.7%</u>	
Operating expenses:					
Interest on bonds	18,053,914	10,959,948	7,093,966	64.7%	
General, administrative, and other expenses	965,673	861,970	103,703	12.0%	
Total operating expenses	<u>19,019,587</u>	<u>11,821,918</u>	<u>7,197,669</u>	<u>60.9%</u>	
Operating income	<u>1,163,067</u>	<u>1,838,324</u>	<u>(675,257)</u>	<u>(36.7%)</u>	
Change in net assets	<u>1,163,067</u>	<u>1,838,324</u>	<u>(675,257)</u>	<u>(36.7%)</u>	
Net assets – beginning of year	<u>84,441,004</u>	<u>82,602,680</u>	<u>1,838,324</u>	<u>2.2%</u>	
Net assets – end of year	<u>\$ 85,604,071</u>	<u>84,441,004</u>	<u>1,163,067</u>	<u>1.4%</u>	

As explained in the financial highlights of this discussion, investment earnings in WRBP are recorded as a liability (accounts payable – borrower), since those earnings are accumulated for use by the borrower for project costs or reductions to their loan interest payable. If a borrower elects to reduce scheduled loan interest payments by applying investment earnings from its project account, those earnings are recorded as loan interest income. However, if a borrower elects to use these earnings for payment of project costs, the reimbursement to the borrower reduces the liability accordingly.

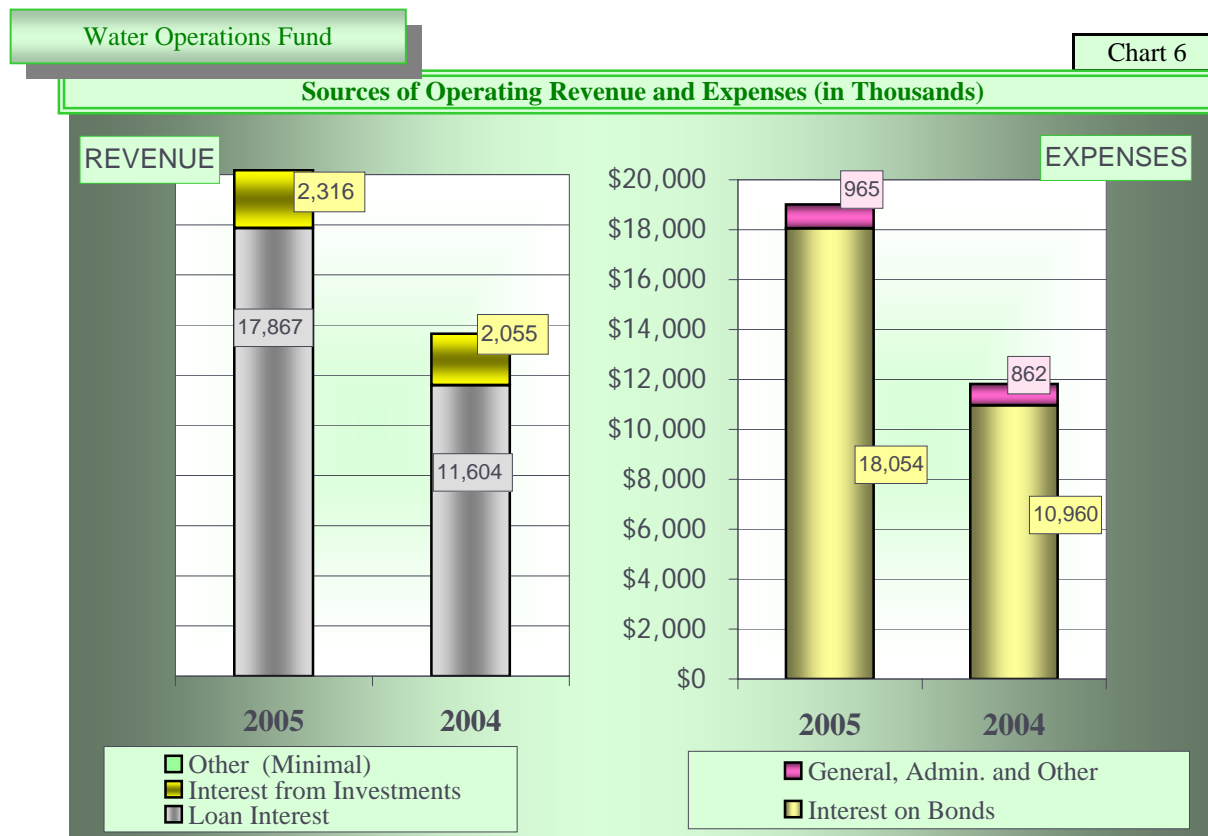
**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

As shown in Chart 6, investment and loan interest income are the principal sources of operating revenue in the Water Operations Fund. As discussed above, investment income increased 12.7% and loan interest income increased by 54.0% in 2005. General, administrative and other expenses increased 12.0% due to additional staff time and overhead costs attributable to the increased activity of the WRBP program. During 2005, six additional WRBP bond issues, funding six corresponding loans, were closed. Bond interest expense rose 64.7% due to the issuance of WRBP bonds totaling \$194.4 million. Operating income for 2005 decreased \$0.7 million. In addition to the increase in general and administrative expenses, the amortization of increased WRBP bond issuance costs, included in bond interest expense, contributed to the decrease in operating income.

The \$7.3 million balance of the Animas-La Plata account contributed to the Water Operations Fund in 2002 is contractually committed for payment to the Bureau. In exchange for the payments, the Authority will receive rights to an average annual depletion of 2,600 acre-feet of water from the reservoir project. During 2005, only investment income earned on the escrow account affected the changes in fund net assets. Payments of \$0.2 million to the Bureau were recorded as additions to water depletion rights on the Statement of Net Assets in the basic financial statements.



**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Water Pollution Control Fund

Interest on loans decreased \$0.4 million (3.4%) in 2005. The net decrease was the result of the application of additional credits, generated in borrower project accounts and the pass-through of bond debt service savings resulting from closing three advance refunding bond issues in 2005, against loan interest. The decrease was limited by increased loan interest from loans made in 2004, plus interest on the new loans in 2005. Bond interest expense decreased by \$0.7 million in 2005 for reasons similar to the loan interest decrease. Bond interest expense decreased due to lower bond interest rates on three refunding bond issues. However, this decrease was limited by increases in bond interest expense from the 2004 bonds as well as the new bonds issued in 2005.

Water Pollution Control Fund		Schedule 7		
Summary of Changes in Fund Net Assets				
as of December 31				
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Pct Chg</u>
Operating revenues:				
Interest on investments	\$ 11,257,578	9,985,821	1,271,757	12.7%
Interest on loans	10,039,246	10,394,944	(355,698)	(3.4%)
Administrative fee and other income	5,009,281	4,920,097	89,184	1.8%
EPA grants-administrative	479,744	410,303	69,441	16.9%
Total operating revenues	<u>26,785,849</u>	<u>25,711,165</u>	<u>1,074,684</u>	<u>4.2%</u>
Operating expenses:				
Interest on bonds	19,709,705	20,388,121	(678,416)	(3.3%)
Grant administration	1,413,551	1,316,329	97,222	7.4%
General, administrative, and other expenses	256,281	129,048	127,233	98.6%
Total operating expenses	<u>21,379,537</u>	<u>21,833,498</u>	<u>(453,961)</u>	<u>(2.1%)</u>
Operating income	5,406,312	3,877,667	1,528,645	39.4%
EPA capitalization grants	13,711,063	12,572,671	1,138,392	9.1%
Change in net assets	<u>19,117,375</u>	<u>16,450,338</u>	<u>2,667,037</u>	<u>16.2%</u>
Net assets – beginning of year	<u>206,720,876</u>	<u>190,270,538</u>	<u>16,450,338</u>	<u>8.6%</u>
Net assets – end of year	<u>\$ 225,838,251</u>	<u>206,720,876</u>	<u>19,117,375</u>	<u>9.2%</u>

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Interest on investments increased \$1.3 million (12.7%) in 2005. Although the balance invested in the COLOTRUST decreased by \$8.4 million to \$35.4 million in 2005, the average annual interest rate on this fund rose from 1.3% to 3.1%, resulting in \$0.6 million additional interest income for 2005. Other investments increased by \$31.2 million, and resulted in increased investment earnings of \$0.7 million.

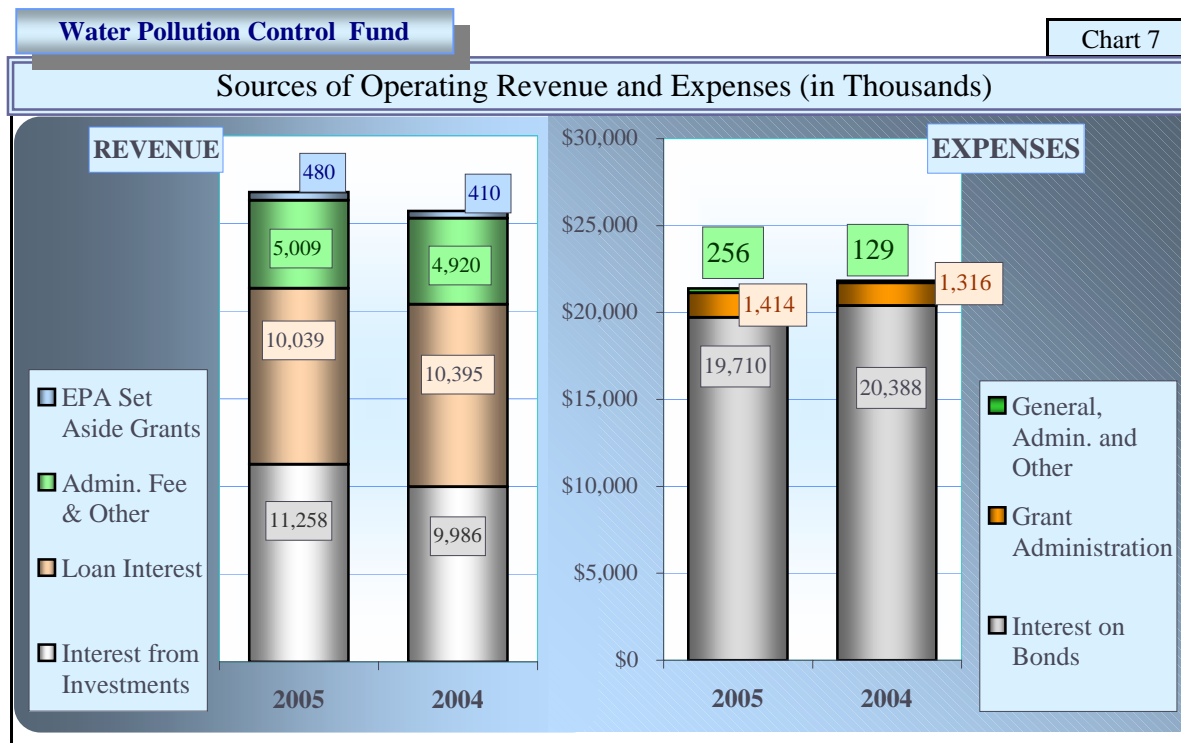


Chart 7 shows the components of operating income and expenses in a comparative format. As discussed above, loan interest income decreased \$0.4 million and bond interest expense decreased \$0.7 million, while investment income increased \$1.3 million. Loan administrative fee income, which is computed based upon the original loan balances, rose 1.8%, due to the addition of the 2005 loans.

The cost to administer the WPCRF for 2005 was \$1.4 million. Included in this amount are reimbursed costs paid to the Water Quality Control Division of the Colorado Department of Public Health and Environment (\$0.7 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, outreach and financial analysis services in operating the WPCRF Program.

As previously discussed, a proportionate amount of EPA capitalization grant revenue is recognized for each borrower project requisition. EPA capitalization grant revenue totaled \$13.7 million, including \$3.3 million accrued at year-end, and is consistent with project draws totaling over \$36.1 million from grant funded loans. The \$1.1 million increase is directly related to the \$7.9 million increase in project requisitions of grant-funded loans.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

Drinking Water Fund

In 2005, interest on investments increased 2.5%. Investments in COLOTRUST and cash invested by the State Treasurer increased by \$3.5 million, coupled with rising interest rates, resulted in an increase in interest income of \$0.5 million; however, repurchase agreement balances decreased by \$10.0 million and resulted in a decrease in associated interest income of \$0.4 million.

Interest on loans increased \$0.3 million (8.0%) in 2005. No leveraged loans were executed in 2005 or 2004. The increase can be attributed to the additional credits applied against the 2004 interest portion of certain borrower's loan repayments, that were larger than similar credits applied in 2005. These borrowers had completed their projects and withdrew all remaining project funds. The additional credits occur when borrowers draw their project funds slower than the spend-down rate projected in the financing model, and the actual investment earnings in those accounts exceed the projected loan interest subsidy. Following project completion, these accumulated additional earnings are released to provide additional loan interest credits.

No DWRF bonds were issued in 2005 and 2004. Bond interest expense decreased \$0.5 million (7.7%) as a result of the 2005 refunding bond issue coupled with the usual decline of interest expense as the serial bonds mature according to the debt service schedules.

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 amount of set aside program income and expense is dependent upon the actions of the Water Quality Control Division. In 2005, these expenditures increased \$0.8 million (48.5%).

The cost to administer the DWRF for 2005 was \$1.0 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, outreach and financial analysis services in operating the DWRF.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

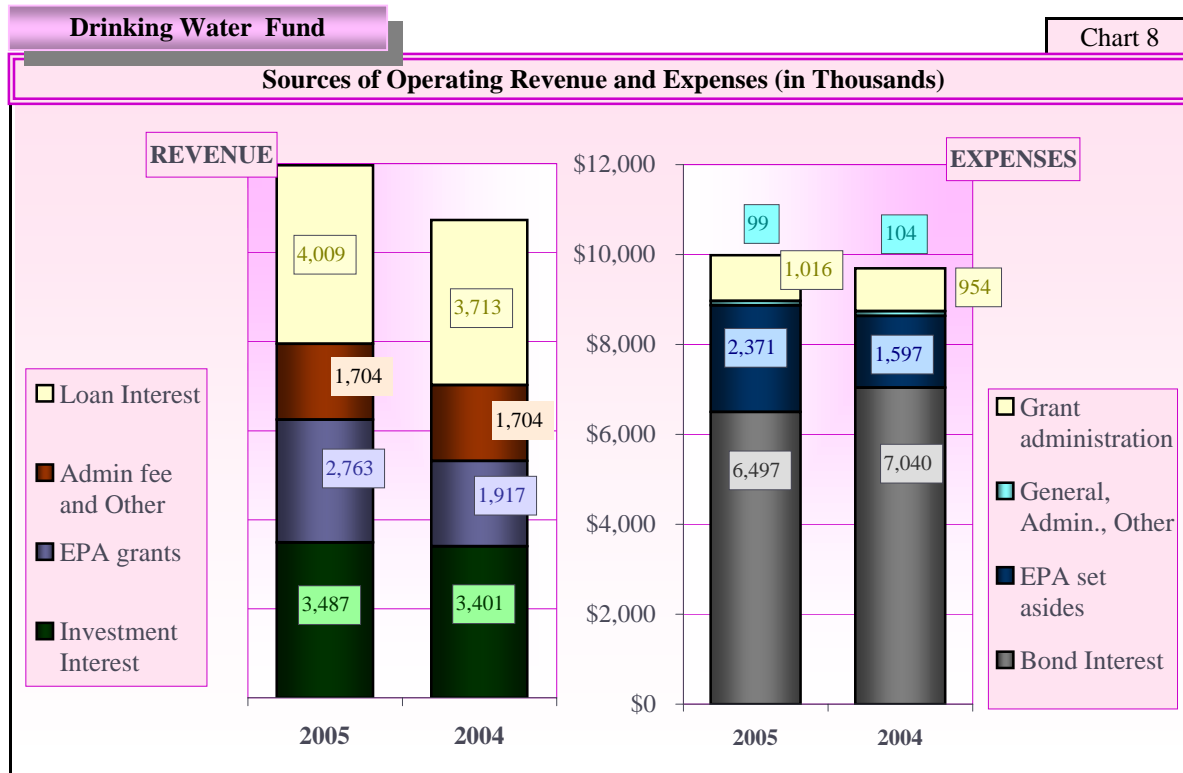
Drinking Water Fund					Schedule 8
Summary of Changes in Fund Net Assets					
as of December 31					
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Pct Chg</u>	
Operating revenues:					
Interest on investments	\$ 3,487,076	3,401,211	85,865	2.5%	
Interest on loans	4,009,026	3,712,997	296,029	8.0%	
Administrative fee and other income	1,704,124	1,703,964	160	0.0%	
EPA grants	2,762,872	1,917,040	845,832	44.1%	
Total operating revenues	<u>11,963,098</u>	<u>10,735,212</u>	<u>1,227,886</u>	<u>11.4%</u>	
Operating expenses:					
Interest on bonds	6,496,663	7,040,216	(543,553)	(7.7%)	
Grant administration	1,015,887	953,920	61,967	6.5%	
General, administrative, and other expenses	98,643	104,420	(5,777)	(5.5%)	
EPA set asides	2,370,844	1,596,738	774,106	48.5%	
Total operating expenses	<u>9,982,037</u>	<u>9,695,294</u>	<u>286,743</u>	<u>3.0%</u>	
Operating income	1,981,061	1,039,918	941,143	90.5%	
EPA capitalization grants	4,215,293	11,058,311	(6,843,018)	(61.9%)	
Change in net assets	6,196,354	12,098,229	(5,901,875)	(48.8%)	
Net assets – beginning of year	102,311,350	90,213,121	12,098,229	13.4%	
Net assets – end of year	<u>\$ 108,507,704</u>	<u>102,311,350</u>	<u>6,196,354</u>	<u>6.1%</u>	

EPA capitalization grant revenues decreased \$6.8 million (61.9%) in 2005. As discussed at the beginning of this section, a proportionate amount of EPA capitalization grant revenue is recognized for each borrower project requisition funded with grant dollars. Project requisitions for leveraged loans funded with grants decreased from \$26.3 million in 2004 to \$11.2 million in 2005. The decrease in EPA capitalization grant revenue was the direct result of the \$15.1 million decrease in project requisitions for grant funded loans.

COLORADO WATER RESOURCES AND POWER DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004



Economic Factors

The demand for financing water and wastewater infrastructure projects is not significantly affected by general economic conditions. The primary factors that bolster this demand are:

- More stringent, federal water quality standards often mandate the replacement of or upgrades to infrastructure.
- Colorado's population continues to increase, requiring plant expansions.
- Periods of drought affecting Colorado for the past few years has created interest in building additional reservoir storage, transmission projects and acquisition of water rights.
- Low interest rates on municipal bonds issued by the Authority result in lower loan interest rates, especially those loans subsidized by the WPCRF and DWRF, thereby making project financing more affordable for local communities.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2005 and 2004

The Authority plans to continue subsidizing loan interest rates for borrowers in both the WPCRF and DWRF in 2006. As of December 31, 2005, out of the total amount of EPA capitalization grant funds awarded to the DWRF through 2005, \$18.1 million remains unobligated and available for loans. As of December 31, 2005, out of the total amount of EPA capitalization grant funds awarded to the WPCRF through 2005, \$5.6 million remains unobligated and available for loans. Congress has appropriated funds for the 2006 EPA capitalization grants and the Authority submitted applications for the State's allotment in February 2006; \$6.7 million for WPCRF loans and \$10.5 million for DWRF loans. Estimated reloan funds of \$23.3 million and \$12.4 million for WPCRF and DWRF, respectively, will be available to augment the EPA grant funds for subsidizing loans in 2006.

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

BASIC FINANCIAL STATEMENTS

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statement of Net Assets

December 31, 2005

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
Cash and cash equivalents	\$ 52,137,619	18,479,003	19,432,997	90,049,619
Federal grants receivable	—	3,368,737	278,498	3,647,235
Investment income receivable	205,227	381,112	231,787	818,126
Loans receivable	12,744,429	26,295,615	8,378,988	47,419,032
Due from other funds	658,361	—	—	658,361
Accounts receivable – borrowers	5,124,383	5,114,385	1,466,481	11,705,249
Accounts receivable – other	5,556	—	—	5,556
Restricted assets:				
Cash and cash equivalents	153,298,968	11,098,556	10,585,618	174,983,142
Investments	63,539,039	78,692,650	2,519,675	144,751,364
Investment income receivable	1,541,938	1,423,324	185,479	3,150,741
Total current assets	<u>289,255,520</u>	<u>144,853,382</u>	<u>43,079,523</u>	<u>477,188,425</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	21,655,722	7,035,258	—	28,690,980
Investments	8,129,675	170,327,079	51,513,975	229,970,729
Investment income receivable	15,263	2,811,456	729,078	3,555,797
Advance receivable	7,974,023	—	—	7,974,023
Loans receivable	463,378,333	452,891,856	157,292,346	1,073,562,535
Water depletion rights – Animas-La Plata	3,633,591	—	—	3,633,591
Capital assets – equipment, net of accumulated depreciation of \$133,103	13,444	8,483	8,483	30,410
Other assets	6,613,339	—	—	6,613,339
Total noncurrent assets	<u>511,413,390</u>	<u>633,074,132</u>	<u>209,543,882</u>	<u>1,354,031,404</u>
Total assets	<u>\$ 800,668,910</u>	<u>777,927,514</u>	<u>252,623,405</u>	<u>1,831,219,829</u>
Liabilities and Fund Net Assets				
Current liabilities:				
Project costs payable – direct loans	\$ —	691,700	603,674	1,295,374
Project costs payable – leveraged loans	207,789,203	70,541,524	1,142,556	279,473,283
Bonds payable	12,010,000	24,425,000	6,630,000	43,065,000
Accrued interest payable	5,313,529	7,157,808	2,155,691	14,627,028
Accounts payable – borrowers	5,026,832	—	—	5,026,832
Accounts payable – other	625,105	73,016	—	698,121
Due to other funds	—	257,543	400,818	658,361
Other liabilities	384,480	766,000	—	1,150,480
Total current liabilities	<u>231,149,149</u>	<u>103,912,591</u>	<u>10,932,739</u>	<u>345,994,479</u>
Noncurrent liabilities:				
Project costs payable – leveraged loans	16,129,675	17,350,000	—	33,479,675
Bonds payable, net	464,488,333	418,467,372	131,992,733	1,014,948,438
Advance payable	—	7,974,023	—	7,974,023
Debt service reserve deposit	1,861,513	—	—	1,861,513
Deferred revenue	—	760,542	109,663	870,205
Other liabilities	1,436,169	3,624,735	1,080,566	6,141,470
Total noncurrent liabilities	<u>483,915,690</u>	<u>448,176,672</u>	<u>133,182,962</u>	<u>1,065,275,324</u>
Total liabilities	<u>715,064,839</u>	<u>552,089,263</u>	<u>144,115,701</u>	<u>1,411,269,803</u>
Fund net assets:				
Invested in capital assets	13,444	8,483	8,483	30,410
Restricted	24,991,340	225,829,768	99,851,341	350,672,449
Unrestricted	60,599,287	—	8,647,880	69,247,167
Total fund net assets	<u>85,604,071</u>	<u>225,838,251</u>	<u>108,507,704</u>	<u>419,950,026</u>
Total liabilities and fund net assets	<u>\$ 800,668,910</u>	<u>777,927,514</u>	<u>252,623,405</u>	<u>1,831,219,829</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statement of Net Assets

December 31, 2004

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
Cash and cash equivalents	\$ 49,022,641	28,945,518	18,543,494	96,511,653
Federal grants receivable	—	2,385,189	1,105,387	3,490,576
Investment income receivable	149,529	320,481	187,661	657,671
Loans receivable	8,154,583	22,909,698	7,893,133	38,957,414
Due from other funds	790,207	—	—	790,207
Accounts receivable – borrowers	3,389,136	5,056,790	1,504,678	9,950,604
Accounts receivable – other	32,628	—	3,852	36,480
Restricted assets:				
Cash and cash equivalents	27,389,713	6,405,383	6,362,489	40,157,585
Investments	64,619,987	56,839,104	14,781,168	136,240,259
Investment income receivable	848,164	974,043	278,522	2,100,729
Total current assets	154,396,588	123,836,206	50,660,384	328,893,178
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	14,784,768	10,032,100	1,570,714	26,387,582
Investments	74,840,566	160,964,397	49,281,786	285,086,749
Investment income receivable	808,119	2,633,556	669,873	4,111,548
Advance receivable	10,252,683	—	—	10,252,683
Loans receivable	280,833,333	420,767,059	163,439,001	865,039,393
Water depletion rights – Animas-La Plata	3,467,706	—	—	3,467,706
Capital assets – equipment, net of accumulated depreciation of \$139,785	19,397	11,876	11,876	43,149
Other assets	3,434,267	—	—	3,434,267
Total noncurrent assets	388,440,839	594,408,988	214,973,250	1,197,823,077
Total assets	\$ 542,837,427	718,245,194	265,633,634	1,526,716,255
Liabilities and Fund Net Assets				
Current liabilities:				
Project costs payable – direct loans	\$ —	53,050	1,564,705	1,617,755
Project costs payable – leveraged loans	83,720,951	50,517,704	12,347,778	146,586,433
Bonds payable	8,745,000	21,180,000	6,380,000	36,305,000
Accrued interest payable	3,838,930	6,915,244	2,280,715	13,034,889
Accounts payable – borrowers	2,693,984	—	—	2,693,984
Accounts payable – other	671,361	—	—	671,361
Due to other funds	—	194,654	595,553	790,207
Other liabilities	179,307	918,647	707,654	1,805,608
Total current liabilities	99,849,533	79,779,299	23,876,405	203,505,237
Noncurrent liabilities:				
Project costs payable – leveraged loans	74,840,566	30,400,000	—	105,240,566
Bonds payable, net	281,826,667	387,214,738	138,810,000	807,851,405
Advance payable	—	10,252,683	—	10,252,683
Debt service reserve deposit	1,685,331	—	—	1,685,331
Deferred revenue	12,951	306,717	—	319,668
Other liabilities	181,375	3,570,881	635,879	4,388,135
Total noncurrent liabilities	358,546,890	431,745,019	139,445,879	929,737,788
Total liabilities	458,396,423	511,524,318	163,322,284	1,133,243,025
Fund net assets:				
Invested in capital assets	19,397	11,876	11,876	43,149
Restricted	25,209,524	206,709,000	91,644,186	323,562,710
Unrestricted	59,212,083	—	10,655,288	69,867,371
Total fund net assets	84,441,004	206,720,876	102,311,350	393,473,230
Total liabilities and fund net assets	\$ 542,837,427	718,245,194	265,633,634	1,526,716,255

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

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

Year ended December 31, 2005

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 17,866,572	10,039,246	4,009,026	31,914,844
Interest on investments	2,315,711	11,257,578	3,487,076	17,060,365
Surcharge from borrowers	—	240,352	—	240,352
Administrative fee	—	4,737,700	1,704,124	6,441,824
EPA grants	—	479,744	2,762,872	3,242,616
Other	371	31,229	—	31,600
Total operating revenues	<u>20,182,654</u>	<u>26,785,849</u>	<u>11,963,098</u>	<u>58,931,601</u>
Operating expenses:				
Interest on bonds	18,053,914	19,709,705	6,496,663	44,260,282
Grant administration	—	1,413,551	1,015,887	2,429,438
Project expenses	323,040	—	—	323,040
General and administrative	642,633	3,393	3,393	649,419
EPA set asides	—	—	2,370,844	2,370,844
Other	—	252,888	95,250	348,138
Total operating expenses	<u>19,019,587</u>	<u>21,379,537</u>	<u>9,982,037</u>	<u>50,381,161</u>
Operating income	1,163,067	5,406,312	1,981,061	8,550,440
EPA capitalization grants	—	13,711,063	4,215,293	17,926,356
Change in fund net assets	1,163,067	19,117,375	6,196,354	26,476,796
Fund net assets – beginning of year	84,441,004	206,720,876	102,311,350	393,473,230
Fund net assets – end of year	<u>\$ 85,604,071</u>	<u>225,838,251</u>	<u>108,507,704</u>	<u>419,950,026</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

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

Year ended December 31, 2004

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 11,604,418	10,394,944	3,712,997	25,712,359
Interest on investments	2,054,558	9,985,821	3,401,211	15,441,590
Surcharge from borrowers	—	541,775	—	541,775
Administrative fee	—	4,352,601	1,684,614	6,037,215
EPA grants	—	410,303	1,917,040	2,327,343
Other	1,266	25,721	19,350	46,337
Total operating revenues	<u>13,660,242</u>	<u>25,711,165</u>	<u>10,735,212</u>	<u>50,106,619</u>
Operating expenses:				
Interest on bonds	10,959,948	20,388,121	7,040,216	38,388,285
Grant administration	—	1,316,329	953,920	2,270,249
Project expenses	289,312	—	—	289,312
General and administrative	572,658	3,393	3,393	579,444
EPA set asides	—	—	1,596,738	1,596,738
Other	—	125,655	101,027	226,682
Total operating expenses	<u>11,821,918</u>	<u>21,833,498</u>	<u>9,695,294</u>	<u>43,350,710</u>
Operating income	1,838,324	3,877,667	1,039,918	6,755,909
EPA capitalization grants	—	12,572,671	11,058,311	23,630,982
Change in fund net assets	1,838,324	16,450,338	12,098,229	30,386,891
Fund net assets – beginning of year	<u>82,602,680</u>	<u>190,270,538</u>	<u>90,213,121</u>	<u>363,086,339</u>
Fund net assets – end of year	<u>\$ 84,441,004</u>	<u>206,720,876</u>	<u>102,311,350</u>	<u>393,473,230</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statement of Cash Flows
Year ended December 31, 2005

	<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	\$ —	5,308,665	1,825,769	7,134,434
Federal funds received	—	472,068	3,015,905	3,487,973
Cash payments for salaries and related benefits	(481,268)	(377,451)	(208,652)	(1,067,371)
Cash payments to other state agencies for services	—	(740,583)	(614,563)	(1,355,146)
Cash payments to vendors	(368,267)	(354,143)	(2,849,649)	(3,572,059)
Net cash provided (used) by operating activities	<u>(849,535)</u>	<u>4,308,556</u>	<u>1,168,810</u>	<u>4,627,831</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	198,041,668	187,859,975	22,328,814	408,230,457
Deposits to refunding bond escrow accounts	—	(127,026,111)	(21,991,903)	(149,018,014)
Deposits for option to purchase water depletion rights	1,143,284	—	—	1,143,284
Federal funds received	—	12,735,191	4,789,149	17,524,340
Principal paid on bonds	(8,745,000)	(22,785,000)	(6,555,000)	(38,085,000)
Interest paid on bonds	(16,059,510)	(19,389,782)	(6,633,953)	(42,083,245)
Cash payment for bond issuance costs	(3,042,730)	(2,163,947)	(337,365)	(5,544,042)
Net cash provided (used) by noncapital financing activities	<u>171,337,712</u>	<u>29,230,326</u>	<u>(8,400,258)</u>	<u>192,167,780</u>
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	77,367,069	77,679,339	14,781,168	169,827,576
Interest received on investments	5,035,791	11,779,276	3,981,207	20,796,274
Interest received on loans	16,131,316	10,086,778	4,035,241	30,253,335
Principal repayments from localities on loans	9,850,728	24,020,000	7,906,975	41,777,703
Cash received from (paid to) other accounts	2,278,660	(2,278,660)	—	—
Purchase of investments	(9,575,229)	(109,242,826)	(4,751,864)	(123,569,919)
Investment in water rights	(165,885)	—	—	(165,885)
Cash disbursed to localities for loans	(135,135,605)	(53,343,158)	(14,412,428)	(202,891,191)
Cash payment for arbitrage rebate	(82,113)	(1,009,815)	(766,933)	(1,858,861)
Cash payments of interest to borrowers	(297,722)	—	—	(297,722)
Net cash provided (used) by investing activities	<u>(34,592,990)</u>	<u>(42,309,066)</u>	<u>10,773,366</u>	<u>(66,128,690)</u>
Net increase (decrease) in cash and cash equivalents	135,895,187	(8,770,184)	3,541,918	130,666,921
Cash and cash equivalents, beginning of year	91,197,122	45,383,001	26,476,697	163,056,820
Cash and cash equivalents, end of year	<u>\$ 227,092,309</u>	<u>36,612,817</u>	<u>30,018,615</u>	<u>293,723,741</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 1,163,067	5,406,312	1,981,061	8,550,440
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	5,952	3,393	3,393	12,738
Accrued sick leave expense	7,900	—	—	7,900
Interest on bonds	18,053,914	19,709,705	6,496,663	44,260,282
Cost of issuance proceeds	—	(31,229)	—	(31,229)
Interest on loans	(17,866,572)	(10,039,246)	(4,009,026)	(31,914,844)
Interest on investments	(2,315,711)	(11,257,578)	(3,487,076)	(17,060,365)
Put fees on Treasury bonds	—	49,985	—	49,985
Loan principal forgiven	—	81,178	—	81,178
Amortization of deferred revenue	12,951	491,317	109,663	613,931
Change in assets and liabilities:				
(Increase) in due from other funds	131,636	—	—	131,636
(Increase) in accounts receivable – borrowers	—	(160,704)	11,982	(148,722)
(Increase) in other receivables	(1,115)	(7,676)	256,885	248,094
Increase in accounts payable – other	(41,557)	—	—	(41,557)
Increase in due to other funds	—	63,099	(194,735)	(131,636)
Net cash provided (used) by operating activities	<u>\$ (849,535)</u>	<u>4,308,556</u>	<u>1,168,810</u>	<u>4,627,831</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Statement of Cash Flows
Year ended December 31, 2004

	<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	\$ —	4,763,059	1,650,012	6,413,071
Federal funds received	—	404,668	1,526,786	1,931,454
Cash payments for salaries and related benefits	(490,102)	(289,412)	(190,006)	(969,520)
Cash payments to other state agencies for services	—	(780,050)	(635,987)	(1,416,037)
Cash payments to vendors	(413,307)	(312,171)	(1,478,372)	(2,203,850)
Net cash provided (used) by operating activities	<u>(903,409)</u>	<u>3,786,094</u>	<u>872,433</u>	<u>3,755,118</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	165,886,725	58,896,430	—	224,783,155
Federal funds received	—	10,233,059	10,447,081	20,680,140
Principal paid on bonds	(6,690,000)	(20,450,000)	(6,300,000)	(33,440,000)
Interest paid on bonds	(8,095,851)	(19,822,008)	(7,041,175)	(34,959,034)
Cash payment for bond issuance costs	(2,973,867)	(239,605)	(59,707)	(3,273,179)
Net cash provided (used) by noncapital financing activities	<u>148,127,007</u>	<u>28,617,876</u>	<u>(2,953,801)</u>	<u>173,791,082</u>
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	11,970,947	55,722,777	27,676,325	95,370,049
Interest received on investments	3,052,477	10,941,889	3,621,183	17,615,549
Interest received on loans	8,761,270	9,733,518	3,818,357	22,313,145
Principal repayments from localities on loans	11,838,932	23,471,264	7,674,165	42,984,361
Cash received from (paid to) other accounts	(716,902)	716,902	—	—
Purchase of investments	(143,570,466)	(73,355,542)	(10,450,528)	(227,376,536)
Investment in water rights	(1,224,428)	—	—	(1,224,428)
Cash disbursed to localities for loans	(22,247,581)	(50,759,242)	(28,573,398)	(101,580,221)
Cash payment for arbitrage rebate	—	(346,545)	(1,010,266)	(1,356,811)
Cash payments of interest to borrowers	(661,716)	—	—	(661,716)
Net cash provided (used) by investing activities	<u>(132,797,467)</u>	<u>(23,874,979)</u>	<u>2,755,838</u>	<u>(153,916,608)</u>
Net increase in cash and cash equivalents	14,426,131	8,528,991	674,470	23,629,592
Cash and cash equivalents, beginning of year	76,770,991	36,854,010	25,802,227	139,427,228
Cash and cash equivalents, end of year	<u>\$ 91,197,122</u>	<u>45,383,001</u>	<u>26,476,697</u>	<u>163,056,820</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 1,838,324	3,877,667	1,039,918	6,755,909
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	6,527	3,393	3,393	13,313
Accrued sick leave expense	21,700	—	—	21,700
Interest on bonds	10,959,948	20,388,121	7,040,216	38,388,285
Cost of issuance proceeds	—	(25,721)	(19,350)	(45,071)
Interest on loans	(11,604,418)	(10,394,944)	(3,712,997)	(25,712,359)
Interest on investments	(2,054,558)	(9,985,821)	(3,401,211)	(15,441,590)
Put fees on Treasury bonds	—	49,985	—	49,985
Amortization of deferred revenue	(14,128)	(57,406)	—	(71,534)
Change in assets and liabilities:				
(Increase) in due from other funds	(361,748)	—	—	(361,748)
(Increase) in accounts receivable – borrowers	—	(74,121)	(34,602)	(108,723)
(Increase) in other receivables	—	(5,635)	(394,106)	(399,741)
Increase in accounts payable – other	304,944	—	—	304,944
Increase in due to other funds	—	10,576	351,172	361,748
Net cash provided (used) by operating activities	<u>\$ (903,409)</u>	<u>3,786,094</u>	<u>872,433</u>	<u>3,755,118</u>

See accompanying notes to basic financial statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(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 (the Board) 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, or 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 basic financial statements issued by the State.

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 that constitute its debt and not debt of the State.

Water Operations Enterprise Fund

One of the activities of the Water Operations Enterprise Fund is to administer the Small Water Resources Projects Program (SWRP). Although the Authority is statutorily authorized to finance individual water resources project loans up to \$500 million, the SWRP is currently limited by contract to \$150 million of total outstanding debt (excluding refunding bonds). 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 governmental agencies. 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 governmental agencies 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.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

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 Enterprise 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 or there is insufficient loan capacity under the DWRF or the WPCRF. The Authority is authorized to finance individual water resources project loans of \$500 million or less without approval from the State legislature. All costs of project development may be financed through the WRBP. Each local government evidences its obligations 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 governmental agencies, are sufficient to pay the principal and interest on the bonds issued by the Authority. During the construction period, investment interest earned in the borrowers' project accounts may be requisitioned for project costs or to decrease loan interest payable to the Authority. Therefore, the Authority records investment interest as a liability in the accounts payable – borrowers account in the Statement of Net Assets.

Animas-La Plata Project

In a 2001 contract with the Animas-La Plata Water Conservancy District (the District), the Authority agreed to fund the District's payment of the nontribal water capital obligation of the reconfigured Animas-La Plata Project in exchange for the District's 2,600 ac-ft of average annual 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. Approximately \$7.3 million was transferred to the Water Operations Fund in 2002 to capitalize this obligation. During 2002, construction was initiated on the project. The Authority makes construction progress payments to the Bureau for the construction of Animas-La Plata Project facilities. Payments to the Bureau totaled \$165,885 and \$1,124,428 in 2005 and 2004, respectively. These payments are capitalized as Water depletion rights on the Statement of Net Assets.

In 2002, the Authority entered into a marketing agreement with the District to promote the sale of these water depletion rights. In early 2005, the 2,600 ac-ft of average annual depletion was committed to two entities. The District contracted to purchase 700 ac-ft of average annual depletion and provided an earnest money deposit of \$90,453. In addition, the City of Durango executed an agreement giving it the option to purchase 1,900 ac-ft of average annual depletion and provided an option payment of \$1,051,175. Both parties will be required to pay the remaining amounts due at project completion.

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 the 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 governmental

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

agencies for the construction of publicly owned wastewater treatment projects and nonpoint source 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 Agreement 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 by 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 for the federal grants is provided by the Authority in the form of cash.

When a loan to a local governmental agency is funded 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. In lieu of federal grant funds, the Authority may deposit a predetermined amount "reloan" (recycled grant funds) to the reserve account upon bond closing. Earnings on such reserve are used to reduce the loan interest payable by the borrower.

Each local governmental agency 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 loan repayments made by the local governmental agencies pursuant to direct loan agreements are structured, in the aggregate, to provide amounts sufficient to repay the Authority principal and stated interest (which includes an administrative surcharge). The loan repayments made by the local governmental agencies pursuant to leveraged loan agreements are structured, in the aggregate, to provide amounts sufficient to repay principal, premium (if any) and interest (less certain expected investment earnings) on the bonds issued by the Authority for the leveraged loans, as well as cash advances or bonds issued to provide the state matching requirements (if needed), and an administrative surcharge.

Loans are made at or below market interest rates (at terms generally not exceeding 20 years plus the construction period) with principal and interest payments commencing not later than one year after completion of the borrowers' projects. During 2005, the Board approved a Disadvantaged Community Loan Program, whereby local governmental entities, with populations of 5,000 or less, may receive loans

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

up to \$2 million for a term of 20 years. This program will become effective January 1, 2006. These loans carry a 0% interest rate, if the community's median household income is less than or equal to 60% of the State's median household income, and an interest rate of 50% of the approved direct loan rate, if the community's median household income is 61% to 80% of the State's median household income.

Drinking Water Enterprise Fund

Drinking Water Revolving Fund

The Drinking Water Enterprise Fund 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 fund 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 Agreement 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 by 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 agencies, either individually or in pools. Loans/grants to borrowers may be provided from federal grants and/or from bond proceeds. The matching requirement for the federal grants is provided by the Authority in the form of cash.

When a loan to a local governmental agency is funded 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. In lieu of federal grant funds, the Authority may deposit a predetermined amount "reloan" (recycled grant funds) to the reserve account upon bond closing. Earnings on such reserve are used to reduce the loan interest payable by the borrower.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

Each local governmental agency 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 loan repayments made by the local governmental agencies pursuant to direct loan agreements are structured, in the aggregate, to provide amounts sufficient to repay the Authority principal and stated interest (which includes an administrative surcharge). The loan repayments made by the local governmental agencies pursuant to leveraged loan agreements are structured, in the aggregate, to provide amounts sufficient to repay principal, premium (if any) and interest (less certain expected investment earnings) on the bonds issued by the Authority for the leveraged loans, as well as cash advances or bonds issued to provide the state matching requirements (if needed), and an administrative surcharge.

Loans are made at or below market interest rates (at terms generally not exceeding 20 years plus the construction period) with principal and interest payments commencing not later than one year after completion of the borrowers' projects. During 2005, a Disadvantaged Community Loan Program was implemented, whereby local governmental entities, with populations of 5,000 or less, may receive loans up to \$2 million for a term of 30 years. These loans carry a 0% interest rate, if the community's median household income is less than or equal to 60% of the State's median household income, and an interest rate of 50% of the approved direct loan rate, if the community's median household income is 61% to 80% of the State's median household income.

Set Asides

The SDWA allows the State to "set aside" up to 31% of the annual capitalization grant for water quality 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. Up to 4% of the Authority's capitalization grants may be used for administration, and up to 2% of the capitalization 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 governmental agencies.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(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 activities. To account for these activities, the accounts of the Authority are organized on the basis of three separate enterprise funds, each of which is considered a separate accounting entity. 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*.

(b) Basis of Accounting

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting where revenues are recognized when earned and expenses when incurred. As permitted by 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.

(c) Cash Equivalents

The Authority considers cash deposits held by the 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.

During the year ended December 31, 2005, the Authority implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. This statement addresses common deposit and investment risks and requires governmental entities to provide disclosures related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. This information is designed to inform financial statement users about deposit and investment risks that could affect the Authority's ability to provide services and meet its obligations as they become due.

(d) Loans Receivable

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

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(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, state match holding accounts and the Animas-La Plata earnest money deposits and escrow accounts. Leveraged loans receivable provide security for the associated bonds and loan payments received, net of state match principal and administrative fees, are restricted for payment of bond debt service.

(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. The cost of issuing bonds in the Water Operations Fund is recorded as other assets and is being amortized over the life of the bonds, and amortization is a component of bond interest expense. 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. Prepaid loan interest, resulting from a negotiated early loan pay off, is being amortized over the number of years for which interest was prepaid.

Depending on the bond pricing structure, original issue discounts or premiums subtract from, or add to, net bond proceeds. The net proceeds are deposited in borrowers' project accounts and are made available for requisitions. Therefore, the monetary effects of the discounts and premiums are flowed to the borrowers, and the Authority makes no provision for amortization of these amounts.

(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.

(i) *Project Costs Payable*

Project costs payable represents the liability of amounts loaned to borrowers that have not been requisitioned by the borrowers for their projects as of year-end. Project costs payable – leveraged loans is the liability for loans funded from bond proceeds, while project costs payable – direct loans is the liability for loans funded with available cash (reloan) within the respected fund.

(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.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(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 EPA capitalization grants 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) *Advance Refunding of Bonds*

When favorable market conditions develop, the Authority considers advance refunding earlier bond issues having higher interest rates. The Authority's refunding policy includes a targeted 5% present value savings rate, before the refunding process is considered cost beneficial. Proceeds from the refunding bonds are used to pay bond issuance costs, including estimated future administrative costs of the Authority, and the balance of the proceeds is deposited into the refunded bonds escrow account. Transferring the bonds to an escrow account constitutes a legal defeasance; therefore, the refunded bonds are removed from the general ledger. The Authority's current policy is to pass the refunding benefits through to respective leveraged loan borrowers. The reduction in bond debt service is credited to the loan repayments of the borrowers.

(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. State regulators determine the eligibility of depositories. 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.

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.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

At December 31, 2005 and 2004, the Authority's deposits had a bank balance of \$424,201 and \$3,478,014 and a carrying amount of \$124,563 and \$3,075,831, respectively. The differences between the bank balances and carrying amounts are due to outstanding reconciling items (primarily outstanding checks) at year-end. Of the bank balances \$100,000 was insured by federal depository insurance at December 31, 2005 and 2004.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy (the policy) does not limit the amount of deposit custodial credit risk. Of the bank balances, the following amounts were exposed to custodial credit risk:

	2005	2004
Collateralized by bank's single collateral pool for all public entities, but not held in the Authority's name	\$ 216,077	409,588
Collateralized with securities held by bank's trust department or agent, but not in the Authority's name.	108,124	2,968,426
Total	\$ 324,201	3,378,014

(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 at no less than 102% by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- Local government investment pools

The Authority's investment policy authorizes similar investments, although certain investments such as guaranteed investment contracts are not authorized by the policy. The policy also differentiates the allowable investments for operating funds and the investment of bond proceeds and contributions to debt service reserve funds.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

Colorado Local Government Liquid Asset Trust (the COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds and is considered a 2a7-like investment pool. 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.

Various schedules shown below contain information relating to investment risk disclosure, as of December 31, 2005; however, similar information for 2004 was not readily available.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is evidenced by a rating issued by a nationally recognized statistical rating organization (NRSRO), which regularly rates such obligations. The table below shows minimum rating required by State statutes, the policy, debt agreements or investment agreements, and the actual rating at year-end. The investment in pooled funds managed by the State Treasurer is not rated and direct obligations of the U.S. government and debt guaranteed by the U.S. government are exempt from credit risk disclosure.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

Although the policy requires repurchase agreements to be collateralized by authorized securities with a market value no less than 102% of the carrying value of the investment, all existing repurchase agreements specify a collateralization rate of 103% if the securities are direct obligations of the U.S. government and most agreements specify a 105% collateralization rate for authorized agency securities, if allowed. Repurchase agreements provide the flexibility needed by the Authority's loan programs for on-demand principal redemption from borrower project accounts as well as scheduled annual redemptions, over a twenty-year period, from bond debt service reserve funds. The ratings of the repurchase agreements below, as of December 31, 2005, reflect the rating of the underlying securities held as collateral.

<u>Investment type</u>	<u>Fair value</u>	<u>Minimum legal rating</u>	<u>Exempt from disclosure</u>	<u>Not rated</u>	<u>NRSRO rating</u>
Deposits	\$ 124,029		X		
Cash held by State Treasurer	67,124,830	N/A		X	See detail below
COLOTRUST PLUS	134,424,255	N/A			AAA
COLOTRUST PRIME	<u>92,050,627</u>	N/A			AAA
Total cash and cash equivalents	<u>293,723,741</u>				
U.S. Treasury Notes – SLGS	18,236,943	N/A	X		
U.S. Treasury Bonds	9,493,041	N/A	X		
Repurchase Agreements – collateralized	<u>346,992,109</u>			X	See detail below
Total investments	<u>374,722,093</u>				
Total cash and invested funds	<u>\$ 668,445,834</u>				

Below is a schedule that summarizes the credit quality of the securities held as collateral for the repurchase agreements, as of December 31, 2005:

	<u>Collateral securities</u>		
	<u>Exempt from disclosure</u>	<u>Custodian portfolio percent</u>	<u>NRSRO rating</u>
U.S. Treasuries and other direct obligations	X	12.2%	
Government agencies		74.5	AAA
Sequoia Mortgage Trust		6.1	AAA
Tennessee Valley Authority Bonds		0.3	AAA
Structured Asset Investment Loans		4.3	AAA
Impact Trust		2.5	AAA
Financial Corporation (FDIC)		<u>0.1</u>	AAA
Total		<u>100.0%</u>	

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

The cash held by the State Treasurer is invested in the types of securities shown below as disclosed in the State Treasurer's report, as of December 31, 2005:

	Credit rating of pool securities					Portfolio percent
	AAA	AA	A	BBB	Other	
Asset backed	100.0%					16.4%
Corporates	8.4%	26.5%	66.0%			12.0%
Commercial paper	9.7%	34.2%	48.0%	8.1%		14.6%
Treasuries	100.0%					16.4%
Federal agencies	100.0%					38.9%
Certificates of deposit						0.6%
Money market funds	100.0%				100.0%	1.1%
Total portfolio	75.2%	8.1%	14.9%	1.2%	0.6%	100.0%

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The schedule below shows repurchase agreements totaling \$346,992,109 were acquired by the Authority's trustee, and the investments are held in the trustee's bank account at the Federal Reserve in book entry form. Consequently, the trustee is considered to be the purchaser as well as the custodian of the investments. Because the investments are not held in the Authority's name, the entire balance of repurchase agreements is subject to custodial credit risk. The policy does not limit custodial credit risk; however, the Board approves each repurchase agreement in conjunction with an associated bond resolution.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. Pooled investments and direct obligations of the U.S. government are exempt from concentration of credit risk disclosure. Investments that represent 5% or more of total investments are shown in the table below.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

The schedule below shows that four repurchase agreement providers (eligible providers) exceed 5% of total funds invested, as of December 31, 2005. Only a limited number of eligible providers offer this type of investment agreement, which results in a higher level of investment concentration. To ensure a price that equals fair market value the Authority makes a good faith effort to meet the safe harbor provision of Treasury Regulation Sec. 1.148-5(d)(6)(iii), which requires a minimum of three bids be obtained from eligible providers. The fair market value is then used to determine the yield for arbitrage purposes. The policy does not limit the concentration of repurchase agreements with any one eligible provider.

<u>Investment type</u>	<u>Fair value</u>	<u>Exempt from disclosure</u>	<u>Pct of total invested</u>
Cash held by State Treasurer	\$ 67,124,830		10.0%
COLOTRUST PLUS	134,424,255	X	N/A
COLOTRUST PRIME	92,050,627	X	N/A
U.S. Treasury Notes – SLGS	18,236,943	X	N/A
U.S. Treasury Bonds	9,493,041	X	N/A
Repurchase Agreements – collateralized:			
Trinity Plus Funding Company LLC	84,679,843		12.7%
MBIA Asset Management LLC	43,243,809		6.5%
HSBC Bank USA N.A.	608,516	X	N/A
Westdeutsche Landesbank	1,424,614	X	N/A
Salomon Reinvestment Co./Citigroup Global	74,976,612		11.2%
American International Group	142,058,715		21.3%
Total funds invested	<u>\$ 668,321,805</u>		

Interest Rate Risk. Interest rate risk is the risk that the fair value of investments may be adversely affected by changes in interest rates. The Authority's investment policy, in accordance with Colorado law, limits the purchase of investments to securities with maturity dates of five years or less, unless the Board authorizes maturities in excess of five years. Pursuant to the terms of bond resolutions, the Board approves investments, held in debt service reserve funds, with maturities coinciding with bond maturities, normally of twenty years or more. These investments are exposed to interest rate risk; however, that risk is considered acceptable because the fixed earnings from these investments, included in the cash flow model, is required for future bond debt service.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

As of December 31, 2005, the Authority had the following investments and maturities.

<u>Maturity</u>	<u>U.S. Treasury notes – SLGS</u>	<u>U.S. Treasury bonds</u>	<u>Repurchase agreements</u>	<u>Total investments</u>
2006	\$ 4,154,449	65,391	140,531,523	144,751,363
2007	3,235,642	—	34,386,883	37,622,525
2008	3,350,963	53,201	11,242,567	14,646,731
2009	3,322,155	420,569	10,613,770	14,356,494
2010	2,489,256	1,698,262	11,074,927	15,262,445
2011-2015	1,684,478	7,255,618	58,782,915	67,723,011
2016-2020	—	—	49,944,547	49,944,547
2021-2025	—	—	27,667,986	27,667,986
2026-2027	—	—	2,746,991	2,746,991
Total	<u>\$ 18,236,943</u>	<u>9,493,041</u>	<u>346,992,109</u>	<u>374,722,093</u>

The U.S. treasury bonds, with maturity dates after 2006, are held in debt service reserve funds, that secure certain revenue bonds in the WPCRF, and are subject to put agreements. These agreements allow the Authority to sell or “put” treasury bonds to the counterparty in the event of a loan receivable default, and the proceeds would be used to pay bond debt service. The agreements include schedules containing put prices that correspond to the WPCRF bond debt service dates. Each agreement also contains mandatory put dates and prices that allow for the sale of the treasury bonds, thereby allowing the Authority to use the proceeds to fund future loans. The current put prices are greater than par value, but are less than the current fair value included in this table as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

In addition to the investments shown above, the Authority had \$67,124,830 invested in the pool maintained by the State Treasurer, and that pool has an average maturity of 15.4 months. The Authority’s investment represents approximately 1.6% of the total pool.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(4) Loans Receivable

The following is an analysis of changes in loans receivable for the years ended December 31, 2005 and 2004:

	Balance January 1, 2005	New loans	Repayments/ loans canceled	Balance December 31, 2005
Water Operations Fund:				
Small Water Resources Program	\$ 107,927,916	—	5,430,000	102,497,916
Water Revenue Bond Program	181,060,000	194,400,000	2,935,000	372,525,000
Interim loans	—	2,585,573	1,485,728	1,099,845
Water Pollution Control Fund:				
Direct loans	13,591,649	950,000	914,593	13,627,056
Leveraged loans	430,085,108	58,688,993	23,213,686	465,560,415
Drinking Water Fund:				
Direct loans	14,118,860	2,383,000	1,041,497	15,460,363
Leveraged loans	157,213,274	—	7,002,303	150,210,971
	903,996,807	\$ 259,007,566	42,022,807	1,120,981,566
Less current portion	38,957,414			47,419,031
Noncurrent portion	\$ 865,039,393			1,073,562,535
	Balance January 1, 2004	New loans	Repayments/ loans canceled	Balance December 31, 2004
Water Operations Fund:				
Small Water Resources Program	\$ 113,104,583	—	5,176,667	107,927,916
Water Revenue Bond Program	20,135,000	162,870,000	1,945,000	181,060,000
Interim loans	3,446,382	1,270,883	4,717,265	—
Water Pollution Control Fund:				
Direct loans	14,355,136	300,000	1,063,487	13,591,649
Leveraged loans	390,865,830	61,627,055	22,407,777	430,085,108
Drinking Water Fund:				
Direct loans	14,123,571	792,200	796,911	14,118,860
Leveraged loans	164,090,528	—	6,877,254	157,213,274
	720,121,030	\$ 226,860,138	42,984,361	903,996,807
Less current portion	40,594,820			38,957,414
Noncurrent portion	\$ 679,526,210			865,039,393

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

Scheduled maturities of the loans receivable are as follows:

	<u>Water operations</u>		<u>WPCRF</u>		<u>DWRF</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 12,744,428	21,547,189	26,295,615	11,280,198	8,378,988	4,114,350	47,419,031	36,941,737
2007	12,382,500	22,004,707	27,287,118	12,756,494	8,853,535	4,097,756	48,523,153	38,858,957
2008	12,877,500	21,423,289	28,110,183	12,019,816	9,066,128	3,899,720	50,053,811	37,342,825
2009	12,959,167	20,818,361	29,374,359	11,328,987	9,299,309	3,688,157	51,632,835	35,835,505
2010	14,915,834	20,208,896	29,624,426	10,551,513	10,490,135	3,459,383	55,030,395	34,219,792
2011-2015	86,835,834	89,841,565	134,418,770	41,059,687	55,474,287	12,936,644	276,728,891	143,837,896
2016-2020	74,984,167	70,221,688	121,072,969	22,115,863	46,097,895	5,504,379	242,155,031	97,841,930
2021-2025	66,083,331	52,512,074	79,315,790	6,902,665	17,618,868	955,897	163,017,989	60,370,636
2026-2030	51,580,000	39,441,175	3,688,241	114,265	187,558	9,049	55,455,799	39,564,489
2031-2035	90,480,000	25,105,769	—	—	204,631	4,977	90,684,631	25,110,746
2036-2040	23,215,000	8,260,612	—	—	—	—	23,215,000	8,260,612
2041-2043	17,065,000	1,822,275	—	—	—	—	17,065,000	1,822,275
Total	<u>\$ 476,122,761</u>	<u>393,207,600</u>	<u>479,187,471</u>	<u>128,129,488</u>	<u>165,671,334</u>	<u>38,670,312</u>	<u>1,120,981,566</u>	<u>560,007,400</u>

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

The Water Operations Fund – Small Water Resources Program loans receivable have interest rates of 3.96% to 7.19% and have scheduled final maturity dates of 2006 to 2023. The Water Revenue Bond Program loans receivable have interest rates of 1.92% to 7.08% and have scheduled maturity dates of 2009-2043.

The WPCRF direct loans receivable, have interest rates of 1.43% to 5.17% and have maturity dates of 2010 to 2025. The WPCRF leveraged loans receivable have interest rates of 3.21% to 5.20% and have scheduled final maturity dates of 2007 to 2027.

The Drinking Water Fund direct loans receivable have interest rates of 0.0% to 4.5% and have scheduled final maturity dates of 2006 to 2035. The Drinking Water Fund leveraged loans receivable have interest rates of 3.03% to 4.6% and have scheduled final maturity dates of 2014 to 2025.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

Noncurrent Liabilities, Other Than Bonds

Noncurrent liability activity, other than bonds, for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Current portion
Water operations:					
Project costs payable – leveraged loans	\$ 158,561,517	197,865,487	132,508,126	223,918,878	207,789,203
Debt service reserve deposit	1,685,331	176,182	—	1,861,513	—
Deferred revenue	12,951	—	12,951	—	—
Other liabilities	360,682	1,157,600	82,113	1,436,169	—
Total water operations	<u>\$ 160,620,481</u>	<u>199,199,269</u>	<u>132,603,190</u>	<u>227,216,560</u>	<u>207,789,203</u>
Water pollution control:					
Project costs payable – direct loans	\$ 53,050	950,000	311,350	691,700	691,700
Project costs payable – leveraged loans	80,917,704	60,032,728	53,058,908	87,891,524	70,541,524
Advance payable	10,252,683	1,721,340	4,000,000	7,974,023	—
Deferred revenue	306,717	543,305	89,480	760,542	—
Other liabilities	4,489,528	952,136	1,050,929	4,390,735	766,000
Total water pollution control	<u>\$ 96,019,682</u>	<u>64,199,509</u>	<u>58,510,667</u>	<u>101,708,524</u>	<u>71,999,224</u>
Drinking water:					
Project costs payable – direct loans	\$ 1,564,705	2,383,000	3,344,031	603,674	603,674
Project costs payable – leveraged loans	12,347,778	—	11,205,222	1,142,556	1,142,556
Deferred revenue	—	111,856	2,193	109,663	—
Other liabilities	1,343,533	503,965	766,932	1,080,566	—
Total drinking water	<u>\$ 15,256,016</u>	<u>2,998,821</u>	<u>15,318,378</u>	<u>2,936,459</u>	<u>1,746,230</u>
Total enterprise funds:					
Project costs payable – direct loans	\$ 1,617,755	3,333,000	3,655,381	1,295,374	1,295,374
Project costs payable – leveraged loans	251,826,999	257,898,215	196,772,256	312,952,958	279,473,283
Debt service reserve deposit	1,685,331	176,182	—	1,861,513	—
Advance payable	10,252,683	1,721,340	4,000,000	7,974,023	—
Deferred revenue	319,668	655,161	104,624	870,205	—
Other liabilities	6,193,743	2,613,701	1,899,974	6,907,470	766,000
Total enterprise funds	<u>\$ 271,896,179</u>	<u>266,397,599</u>	<u>206,432,235</u>	<u>331,861,543</u>	<u>281,534,657</u>

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

Noncurrent liability activity, other than bonds, for the year ended December 31, 2004 was as follows:

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2004</u>	<u>Current portion</u>
Water operations:					
Project costs payable – leveraged loans	\$ 15,005,994	164,455,142	20,899,619	158,561,517	83,720,951
Debt service reserve deposit	600,000	1,085,331	—	1,685,331	—
Deferred revenue	27,079	—	14,128	12,951	—
Other liabilities	383,735	28,261	51,314	360,682	179,307
Total water operations	<u>\$ 16,016,808</u>	<u>165,568,734</u>	<u>20,965,061</u>	<u>160,620,481</u>	<u>83,900,258</u>
Water pollution control:					
Project costs payable – direct loans	\$ 528,387	300,000	775,337	53,050	53,050
Project costs payable – leveraged loans	68,501,609	62,400,000	49,983,905	80,917,704	50,517,704
Advance payable	9,535,781	4,716,902	4,000,000	10,252,683	—
Deferred revenue	270,635	93,488	57,406	306,717	—
Other liabilities	4,152,849	843,969	507,290	4,489,528	918,647
Total water pollution control	<u>\$ 82,989,261</u>	<u>68,354,359</u>	<u>55,323,938</u>	<u>96,019,682</u>	<u>51,489,401</u>
Drinking water:					
Project costs payable – direct loans	\$ 3,014,214	792,200	2,241,709	1,564,705	1,564,705
Project costs payable – leveraged loans	38,679,467	—	26,331,689	12,347,778	12,347,778
Other liabilities	2,146,771	425,825	1,229,063	1,343,533	707,654
Total drinking water	<u>\$ 43,840,452</u>	<u>1,218,025</u>	<u>29,802,461</u>	<u>15,256,016</u>	<u>14,620,137</u>
Total enterprise funds:					
Project costs payable – direct loans	\$ 3,542,601	1,092,200	3,017,046	1,617,755	1,617,755
Project costs payable – leveraged loans	122,187,070	226,855,142	97,215,213	251,826,999	146,586,433
Debt service reserve deposit	600,000	1,085,331	—	1,685,331	—
Advance payable	9,535,781	4,716,902	4,000,000	10,252,683	—
Deferred revenue	297,714	93,488	71,534	319,668	—
Other liabilities	6,683,355	1,298,055	1,787,667	6,193,743	1,805,608
Total enterprise funds	<u>\$ 142,846,521</u>	<u>235,141,118</u>	<u>106,091,460</u>	<u>271,896,179</u>	<u>150,009,796</u>

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(5) Noncurrent Liabilities

Bonds Payable

The following is an analysis of changes in bonds payable for the year ended December 31, 2005:

	Balance January 1, 2005	New issues	Retirements	Balance December 31, 2005
Water Operations:				
Small Water Resources Program:				
1992 Series B	\$ 845,000	—	170,000	675,000
1993 Series A	4,570,000	—	675,000	3,895,000
1994 Series A	3,440,000	—	310,000	3,130,000
1996 Series A/B	4,580,000	—	415,000	4,165,000
1997 Series A	7,255,000	—	415,000	6,840,000
1997 Series B	9,475,000	—	1,060,000	8,415,000
1998 Series A	6,255,000	—	335,000	5,920,000
1998 Series B	11,755,000	—	1,200,000	10,555,000
2000 Series A	22,965,000	—	540,000	22,425,000
2001 Series A	14,700,000	—	275,000	14,425,000
2002 Series A	14,290,000	—	170,000	14,120,000
2003 Series A	9,510,000	—	110,000	9,400,000
	<u>109,640,000</u>	<u>—</u>	<u>5,675,000</u>	<u>103,965,000</u>
Water Revenue Bonds Program:				
1998 Taxable Series	2,200,000	—	185,000	2,015,000
2003 Series A	13,300,000	—	510,000	12,790,000
2003 Series B	3,335,000	—	640,000	2,695,000
2004 Series A	14,500,000	—	645,000	13,855,000
2004 Series B	19,715,000	—	5,000	19,710,000
2004 Series C	19,695,000	—	—	19,695,000
2004 Series D	105,420,000	—	955,000	104,465,000
2004 Series E	3,540,000	—	130,000	3,410,000
2005 Series A	—	53,970,000	—	53,970,000
2005 Series B	—	2,300,000	—	2,300,000
2005 Series C	—	8,170,000	—	8,170,000
2005 Series D	—	100,000,000	—	100,000,000
2005 Series E	—	26,270,000	—	26,270,000
2005 Series F	—	3,690,000	—	3,690,000
	<u>181,705,000</u>	<u>194,400,000</u>	<u>3,070,000</u>	<u>373,035,000</u>
Total Water Operations	291,345,000	\$ 194,400,000	8,745,000	477,000,000
Less deferred costs	(773,333)			(501,667)
Less current portion	(8,745,000)			(12,010,000)
Noncurrent bonds payable – Water Operations	\$ 281,826,667			464,488,333
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	\$ 420,000	—	95,000	325,000
1990 Series A	170,000	—	50,000	120,000
1991 Series A	1,745,000	—	360,000	1,385,000
1991 Series B	1,255,000	—	295,000	960,000
1992 Series A	660,000	—	115,000	545,000
1992 Series B	1,850,000	—	300,000	1,550,000
1994 Series A	1,065,000	—	190,000	875,000
1995 Series A	1,455,000	—	205,000	1,250,000
1996 Series A	4,620,000	—	3,040,000	1,580,000
1997 Series A	22,235,000	—	16,250,000	5,985,000
1998 Series A	23,125,000	—	16,920,000	6,205,000
1998 Series B	17,665,000	—	14,250,000	3,415,000
1999 Series A	27,260,000	—	17,445,000	9,815,000
2000 Series A	28,410,000	—	19,270,000	9,140,000

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

	<u>Balance January 1, 2005</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2005</u>
2001 Series A	\$ 62,305,000	—	39,860,000	22,445,000
2002 Series A	51,685,000	—	1,995,000	49,690,000
2002 Series B	22,325,000	—	665,000	21,660,000
2003 Series A	14,340,000	—	410,000	13,930,000
2004 Series A	57,710,000	—	110,000	57,600,000
2005 Series A	—	40,090,000	—	40,090,000
2005 Series B	—	17,350,000	—	17,350,000
	<u>340,300,000</u>	<u>57,440,000</u>	<u>131,825,000</u>	<u>265,915,000</u>
Wastewater Revolving Fund Refunding Revenue Bonds:				
1996 Series A	21,820,000	—	2,265,000	19,555,000
2001 Series A	46,690,000	—	4,065,000	42,625,000
2004 Series A and A2	—	36,705,000	780,000	35,925,000
2005 Series A	—	78,865,000	825,000	78,040,000
	<u>68,510,000</u>	<u>115,570,000</u>	<u>7,935,000</u>	<u>176,145,000</u>
Total Water Pollution Control Revolving Fund	408,810,000	\$ <u>173,010,000</u>	<u>139,760,000</u>	442,060,000
Deferred (costs) / benefits	(415,262)			832,372
Less current portion	<u>(21,180,000)</u>			<u>(24,425,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	\$ <u>387,214,738</u>			<u>418,467,372</u>
Drinking Water Revolving Fund:				
Revenue Bonds:				
1997 Series A	\$ 17,925,000	—	1,105,000	16,820,000
1998 Series A	11,995,000	—	670,000	11,325,000
1999 Series A	36,135,000	—	2,320,000	33,815,000
2000 Series A	31,475,000	—	21,800,000	9,675,000
2002 Series A	15,455,000	—	695,000	14,760,000
2003 Series A	20,515,000	—	320,000	20,195,000
2003 Series B	11,690,000	—	5,000	11,685,000
	<u>145,190,000</u>	<u>—</u>	<u>26,915,000</u>	<u>118,275,000</u>
Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	—	20,305,000	175,000	20,130,000
Total Drinking Water Revolving Fund	145,190,000	\$ <u>20,305,000</u>	<u>27,090,000</u>	138,405,000
Deferred (costs) / benefits	—			217,733
Less current portion	<u>(6,380,000)</u>			<u>(6,630,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	\$ <u>138,810,000</u>			<u>131,992,733</u>
Total enterprise funds:				
Revenue bonds at par	\$ 845,345,000	387,715,000	175,595,000	1,057,465,000
Deferred (costs) / benefits	(1,188,595)			548,438
Less:				
Current portion	<u>(36,305,000)</u>			<u>(43,065,000)</u>
Noncurrent bonds payable, net	\$ <u>807,851,405</u>			<u>1,014,948,438</u>

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

The following is an analysis of changes in bonds payable for the year ended December 31, 2004:

	<u>Balance January 1, 2004</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2004</u>
Water Operations:				
Small Water Resources Program:				
1992 Series B	\$ 1,005,000	—	160,000	845,000
1993 Series A	5,220,000	—	650,000	4,570,000
1994 Series A	3,735,000	—	295,000	3,440,000
1994 Series B	310,000	—	310,000	—
1996 Series A/B	4,970,000	—	390,000	4,580,000
1997 Series A	7,655,000	—	400,000	7,255,000
1997 Series B	10,485,000	—	1,010,000	9,475,000
1998 Series A	6,725,000	—	470,000	6,255,000
1998 Series B	12,600,000	—	845,000	11,755,000
2000 Series A	23,290,000	—	325,000	22,965,000
2001 Series A	14,970,000	—	270,000	14,700,000
2002 Series A	14,455,000	—	165,000	14,290,000
2003 Series A	9,610,000	—	100,000	9,510,000
	<u>115,030,000</u>	<u>—</u>	<u>5,390,000</u>	<u>109,640,000</u>
Water Revenue Bonds Program:				
1998 Taxable Series	2,375,000	—	175,000	2,200,000
2003 Series A	13,800,000	—	500,000	13,300,000
2003 Series B	3,960,000	—	625,000	3,335,000
2004 Series A	—	14,500,000	—	14,500,000
2004 Series B	—	19,715,000	—	19,715,000
2004 Series C	—	19,695,000	—	19,695,000
2004 Series D	—	105,420,000	—	105,420,000
2004 Series E	—	3,540,000	—	3,540,000
	<u>20,135,000</u>	<u>162,870,000</u>	<u>1,300,000</u>	<u>181,705,000</u>
Total Water Operations	135,165,000	\$ 162,870,000	6,690,000	291,345,000
Less deferred costs	(1,086,667)			(773,333)
Less current portion	<u>(6,690,000)</u>			<u>(8,745,000)</u>
Noncurrent bonds payable – Water Operations	\$ 127,388,333			281,826,667
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	\$ 520,000	—	100,000	420,000
1990 Series A	225,000	—	55,000	170,000
1991 Series A	2,130,000	—	385,000	1,745,000
1991 Series B	1,580,000	—	325,000	1,255,000
1992 Series A	785,000	—	125,000	660,000
1992 Series B	2,170,000	—	320,000	1,850,000
1994 Series A	1,270,000	—	205,000	1,065,000
1995 Series A	2,620,000	—	1,165,000	1,455,000
1996 Series A	4,940,000	—	320,000	4,620,000
1997 Series A	23,760,000	—	1,525,000	22,235,000
1998 Series A	24,630,000	—	1,505,000	23,125,000
1998 Series B	18,260,000	—	595,000	17,665,000
1999 Series A	29,220,000	—	1,960,000	27,260,000
2000 Series A	29,735,000	—	1,325,000	28,410,000
2001 Series A	64,835,000	—	2,530,000	62,305,000
2002 Series A	53,555,000	—	1,870,000	51,685,000
2002 Series B	22,990,000	—	665,000	22,325,000
2003 Series A	14,750,000	—	410,000	14,340,000
2004 Series A	—	57,710,000	—	57,710,000
	<u>297,975,000</u>	<u>57,710,000</u>	<u>15,385,000</u>	<u>340,300,000</u>

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

	<u>Balance January 1, 2004</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2004</u>
Water Pollution Control Revolving Fund – Wastewater Revolving Fund Refunding Revenue Bonds:				
1996 Series A	\$ 23,915,000	—	2,095,000	21,820,000
2001 Series A	49,660,000	—	2,970,000	46,690,000
	<u>73,575,000</u>	<u>—</u>	<u>5,065,000</u>	<u>68,510,000</u>
 Total Water Pollution Control Revolving Fund	 371,550,000	 57,710,000	 20,450,000	 408,810,000
Less deferred costs	(509,438)			(415,262)
Less current portion	<u>(20,450,000)</u>			<u>(21,180,000)</u>
 Noncurrent bonds payable – Water Pollution Control Revolving Fund	 \$ <u>350,590,562</u>			 <u>387,214,738</u>
 Drinking Water Revolving Fund:				
Revenue Bonds:				
1997 Series A	\$ 19,000,000	—	1,075,000	17,925,000
1998 Series A	12,655,000	—	660,000	11,995,000
1999 Series A	38,390,000	—	2,255,000	36,135,000
2000 Series A	32,780,000	—	1,305,000	31,475,000
2002 Series A	16,135,000	—	680,000	15,455,000
2003 Series A	20,835,000	—	320,000	20,515,000
2003 Series B	11,695,000	—	5,000	11,690,000
	<u>151,490,000</u>	<u>—</u>	<u>6,300,000</u>	<u>145,190,000</u>
Less current portion	<u>(6,380,000)</u>			<u>(6,380,000)</u>
 Noncurrent bonds payable – Drinking Water Revolving Fund	 \$ <u>145,110,000</u>			 <u>138,810,000</u>
 Total enterprise funds:				
Revenue bonds at par	\$ 658,205,000	220,580,000	33,440,000	845,345,000
Less:				
Deferred cost	(1,596,105)			(1,188,595)
Current portion	<u>(33,440,000)</u>			<u>(36,305,000)</u>
 Noncurrent bonds payable, net	 \$ <u>623,168,895</u>			 <u>807,851,405</u>

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

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 Water Resources Revenue Bonds Series 2003A, Series 2003B, Series 2004A, Series 2004B, Series 2004C, Series 2004D, Series 2004E, Series 2005A, Series 2005E and Series 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B and Series 2005C are insured as to payment of principal and interest by Assured Guaranty Corp. The Water Resources Revenue Bonds Series 2005D are insured as to payment of principal and interest by Financial Security Assurance Inc.

The outstanding bonds of the Authority had original principal amounts of \$143,355,000 for the Small Water Resources Program, \$378,170,000 for the Water Revenue Bonds Program, \$582,880,000 for the Clean Water Revenue Bonds, \$196,140,000 for the Wastewater Revolving Fund Refunding Revenue Bonds, \$171,115,000 for the Drinking Water Revolving Fund Bonds and \$20,305,000 for Drinking Water Revolving Fund Refunding Revenue Bonds, for a total of \$1,600,925,000. The bonds are payable semiannually with interest rates ranging from 1.3% to 7.4% and serial and term principal maturities, including mandatory sinking fund call provisions, through the year 2043. All bonds, except the Small Water Resources Series 1996B, the Water Revenue Bonds Series 2003B, the Wastewater Revolving Fund Refunding Revenue Bonds Series 1996A, 2001A, 2005 A and A-2 and the Drinking Water Revolving Fund Refunding Revenue Bonds Series 2005A, have optional initial call provisions, generally eight to ten 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		DWRF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 12,010,000	21,654,892	24,425,000	21,692,069	6,630,000	6,467,074	43,065,000	49,814,035
2007	12,500,000	21,866,465	25,090,000	20,619,345	7,295,000	6,187,156	44,885,000	48,672,966
2008	13,045,000	21,349,697	25,885,000	19,442,563	7,460,000	5,880,041	46,390,000	46,672,301
2009	12,980,000	20,799,857	26,780,000	18,203,483	7,625,000	5,557,649	47,385,000	44,560,989
2010	14,910,000	20,264,548	26,845,000	16,858,449	8,675,000	5,222,249	50,430,000	42,345,246
2011-2015	86,650,000	90,181,904	123,380,000	64,228,653	45,760,000	19,882,645	255,790,000	174,293,202
2016-2020	74,635,000	70,528,388	110,605,000	35,338,185	40,290,000	8,969,802	225,530,000	114,836,375
2021-2025	67,930,000	52,718,409	75,515,000	11,121,507	14,670,000	1,544,404	158,115,000	65,384,320
2026-2030	51,580,000	39,441,175	3,535,000	197,775	—	—	55,115,000	39,638,950
2031-2035	90,480,000	25,105,769	—	—	—	—	90,480,000	25,105,769
2036-2040	23,215,000	8,260,613	—	—	—	—	23,215,000	8,260,613
2041-2043	17,065,000	1,822,275	—	—	—	—	17,065,000	1,822,275
Total	\$ 477,000,000	393,993,992	442,060,000	207,702,029	138,405,000	59,711,020	1,057,465,000	661,407,041

Total interest expense for 2005 and 2004 amounted to \$18,053,914, \$19,709,705, and \$6,496,663 and \$10,959,948, \$20,388,121, and \$7,040,216 for the Water Operations, Water Pollution Control, and Drinking Water Funds, respectively.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

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 Account at least equal to the debt service reserve requirement under the Small Water Resources Bond Resolution. At December 31, 2005 and 2004, the Small Water Resources Debt Service Reserve Account 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 (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds at the current funding level for the Small Water Resources Debt Service Reserve Account. At December 31, 2005 and 2004, the Authority had \$103,965,000 and \$109,640,000 of outstanding Small Water Resources Revenue Bonds, respectively.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

Defeased Debt

During 2005, the Authority closed four advance refunding bond issues, one in the DWRF and three in the WPCRF. Note that the Wastewater Revolving Fund Refunding Revenue Bonds 2005 Series A and A2 were separate issues, but were combined into one official statement. The schedule below shows the closing dates, the refunding bonds issued, the refunded bonds by series, difference between the new debt and the carrying value of the old debt, and the economic gain resulting from the refunding issues. Market conditions for these issues required higher than normal coupon rates on the bonds, which resulted in the bonds sold at premiums. The premiums reduced the number of bonds (par value) sold, yet provided sufficient proceeds to fund the refunded bonds escrow accounts. In the case of the Drinking Water Revolving Fund Refunding Revenue Bonds 2005 Series A and the Wastewater Revolving Fund Refunding Revenue Bonds 2005 Series A and A2, refunding bond principal was less than the bond principal refunded – a net refunding benefit. The refunding (cost) / benefit is being netted against the new debt and amortized over the remaining life of the old debt. The economic gain from each refunding is passed through to the borrowers, that were funded by the issues that were refunded, in the form of credits reducing loan interest.

	<u>DWRF</u>	<u>WPCRF</u>	
		<u>2004AR</u>	<u>2005 A & A2</u>
Bond closing date	April 28, 2005	January 6, 2005	May 17, 2005
Refunding bonds:			
Wastewater Revolving Fund Refunding Revenue Bonds:			
2004 Series A	\$ —	36,705,000	—
2005 Series A and A2	—	—	78,865,000
Drinking Water Revolving Fund Refunding Revenue Bonds:			
2005 Series A	<u>20,305,000</u>	<u>—</u>	<u>—</u>
Total refunding bonds	<u>20,305,000</u>	<u>36,705,000</u>	<u>78,865,000</u>
Refunded bonds:			
Clean Water Revenue Bonds 1996 Series A	—	2,710,000	—
Clean Water Revenue Bonds 1997 Series B	—	14,675,000	—
Clean Water Revenue Bonds 2000 Series A	—	17,900,000	—
Clean Water Revenue Bonds 1998 Series A	—	—	15,375,000
Clean Water Revenue Bonds 1998 Series B	—	—	13,630,000
Clean Water Revenue Bonds 1999 Series A	—	—	15,435,000
Clean Water Revenue Bonds 2001 Series A	—	—	37,250,000
Drinking Water Revolving Fund Revenue Bonds 2000 Series A	<u>20,535,000</u>	<u>—</u>	<u>—</u>
Total Refunded Bonds	<u>20,535,000</u>	<u>35,285,000</u>	<u>81,690,000</u>
Refunding (cost) / benefit	<u>\$ (230,000)</u>	<u>1,420,000</u>	<u>(2,825,000)</u>
Economic gain from refunding (PV savings)	\$ 1,038,856	2,102,000	3,810,781

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

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, 2005 and year of final maturity of the defeased bonds (if called) are as follows:

	Amount	Year of redemption
1996 Series A Clean Water Revenue Bonds	\$ 2,710,000	2006
1997 Series A Clean Water Revenue Bonds	14,675,000	2007
1998 Series A Clean Water Revenue Bonds	15,375,000	2008
1998 Series B Clean Water Revenue Bonds	13,630,000	2008
1999 Series A Clean Water Revenue Bonds	17,560,000	2009
2000 Series A Clean Water Revenue Bonds	17,900,000	2010
2000 Series A Drinking Water Revenue Bonds	20,535,000	2010
2001 Series A Clean Water Revenue Bonds	37,250,000	2011
Total Refunded Debt	\$ 139,635,000	

(6) Board-Designated Accounts

Included in the balance of unrestricted net assets of the Water Operations Enterprise Fund are monies designated by 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:

	2005	2004
Self-insurance account	\$ 800,000	800,000
La Plata River escrow account	16,867,078	16,392,613
Total Board-designated accounts	\$ 17,667,078	17,192,613

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(7) EPA Capitalization Grants

The following table details the EPA capitalization grants and matching requirements of \$1 of state match for every \$5 of capitalization grants recognized by the project during 2005:

	Federal grants recognized in 2005	Matching requirement for 2005
Water Pollution Control Revolving Fund Projects:		
1999A – City of Aurora	\$ 271,477	54,295
2001A – City of Lafayette	94,272	18,854
2002A – Black Hawk-Central City Sanitation District	867,802	173,560
2002A – Winter Park West Water and Sanitation District	22,044	4,409
2002B – Parker Water and Sanitation District	152,999	30,600
2003A – Colorado City Metropolitan District	707,953	141,591
2003A – Town of Milliken	640,488	128,098
2003A – City of Pueblo	934,749	186,950
2004A – City of Englewood	3,107,757	621,551
2004A – City of Littleton	3,321,760	664,352
2005A – Town of Eaton	1,128,304	225,661
2005B – City of Glendale	2,461,458	492,292
	<u>13,711,063</u>	<u>2,742,213</u>
Drinking Water Revolving Fund Projects:		
FDL – City of Woodland Park	37,285	7,457
2002A – City of Grand Junction	54,119	10,824
2002A – City of La Junta	83,460	16,692
2003A – Fountain Valley Authority	66,826	13,365
2003A – Town of Lyons	1,486,850	297,370
2003B – City of Florence	2,486,753	497,351
	<u>4,215,293</u>	<u>843,059</u>
Total	<u>\$ 17,926,356</u>	<u>3,585,272</u>

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

The following table details the EPA capitalization grants and matching requirements of \$1 of state match for every \$5 of capitalization grants recognized by the project during 2004:

	Federal grants recognized in 2004	Matching requirement for 2004
	<u> </u>	<u> </u>
Water Pollution Control Revolving Fund Projects:		
1999A – City of Aurora	\$ 419,934	83,987
1999A – Fremont Sanitation District	47,334	9,467
1999A – Grand County Water and Sanitation District	360,648	72,130
2001A – City of Lafayette	192,509	38,502
2002A – Black Hawk-Central City Sanitation District	3,805,768	761,154
2002A – Winter Park West Water and Sanitation District	152,146	30,429
2002B – Parker Water and Sanitation District	970,105	194,021
2003A – Colorado City Metropolitan District	125,599	25,120
2003A – Town of Milliken	1,534,050	306,810
2003A – City of Pueblo	2,314,371	462,874
2004A – City of Englewood	1,306,011	261,202
2004A – City of Littleton	1,344,196	268,839
	<u>12,572,671</u>	<u>2,514,535</u>
Drinking Water Revolving Fund Projects:		
1998A – Town of Buena Vista	8,809	1,762
1999A – Grand County Water and Sanitation District No. 1	14,755	2,951
1999A – City of Greeley	105,726	21,145
2000A – Evergreen Metropolitan District	178,608	35,722
2000A – City of Westminster	45,490	9,098
2002A – City of Grand Junction	498,546	99,709
2002A – City of La Junta	1,529,773	305,955
2003A – Fountain Valley Authority	396,064	79,213
2003A – City of Longmont	4,965,777	993,155
2003A – Town of Lyons	299,014	59,803
2003B – City of Florence	3,015,749	603,150
	<u>11,058,311</u>	<u>2,211,663</u>
Total	\$ <u>23,630,982</u>	<u>4,726,198</u>

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(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 and the employer is statutorily committed to pay these contributions to CSSDTF. 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% of covered salary (see below table for the Authority's contribution rates). Beginning with payroll periods ending after January 1, 2001, and before June 1, 2004, the employer contributions 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 (see below table for matchmaker rates). Any unused defined contribution match money is forwarded to the CSSDTF. With the passage and signing of Senate Bill 04-132, the employer match was suspended on June 1, 2004. Also, a portion of the Authority's contribution (1.10% of covered salary January 1, 2004 through June 30, 2004 and 1.02% of covered salary July 1, 2004 through December 31, 2004) is allocated for the Health Care Trust Fund (see note 9). The Authority's contributions to CSSDTF for the years ended December 31, 2005, 2004, and 2003 were \$86,352, \$79,268, and \$75,727, respectively, equal to their required contributions for each year.

Contribution rates from July 1, 2003 to December 31, 2005 are as follows:

PERA employer rates		Matchmaker rates	
7/1/03-6/30/04	10.15%	1/1/03-12/31/03	2%
7/1/04-12/31/05	10.15%	1/1/04-5/31/04	1%

(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 healthcare premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51,

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

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 and the employer is statutorily committed to pay these contributions to the HCTF. Benefits and refunds are recognized when due and payable in accordance with the terms of 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 1.1% of covered salary from January 1, 2004 through June 30, 2004, and 1.02% from July 1, 2004 through December 30, 2004 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, 2005, 2004, and 2003 were \$8,678, \$8,283, and \$12,307, 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 (\$14,000 in 2005 and up to an additional \$4,000 for participants over age 50). Beginning January 1, 2001, an employer match was legislated that would match 100% of a member's eligible tax-deferred retirement program contributions limited by 1% through May 31, 2004 per payroll of the PERA-includable salary. With the passage and signing of Senate Bill 04-132, the employer match was suspended on June 1, 2004. The contribution requirements for the Authority are established under Title 24, Article 51, and Section 1402 of the CRS, as amended. The 401(k) Plan member contributions from the Authority for the years ended December 31, 2005 and 2004 were \$62,888 and \$58,818, respectively. The employer contributions to the 401(k) Plan from the Authority for the years ended December 31, 2005 and 2004 were \$0 and \$2,910, respectively.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Notes to Basic Financial Statements

December 31, 2005 and 2004

(11) Commitments

Leases

The Authority leases office facilities under an operating lease that expires in 2006. Rent expense totaled \$122,338 and \$119,488 for 2005 and 2004, respectively. The future minimum annual rental commitment under this lease is \$37,591 for 2006. Pursuant to the lease agreement executed in 2002, the landlord made a \$42,384 payment to the Authority in lieu of providing tenant finish improvements. The payment was amortized over the 36-month lease term that ended November 30, 2005, and, accordingly, reduced rent expense.

Real Estate Purchase

On December 13, 2005, the Authority entered into a contract to purchase condominium office space in the property under construction at 450 Seventeenth Avenue in Denver, Colorado. The purchase price of the property was \$225 per square foot, for approximately 8,544 salable square feet, resulting in a cost of \$1,922,400. Included in the purchase price is an interior finish allowance of \$44.50 per square foot that will be available for interior construction or other purposes at the sole discretion of the Authority. To secure the purchase contract, the Authority executed an earnest money promissory note payable to the seller in the amount of \$384,480. The closing of this real estate purchase is anticipated to be mid May 2006.

(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 that apply to the State of Colorado and all local governmental agencies.

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 governmental agencies combined, are excluded from the provisions of TABOR. The Authority's management believes that its operations qualify for this 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. The Authority is fully insured for employee healthcare through PERA.

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.