



**COLORADO WATER RESOURCES
AND
POWER DEVELOPMENT AUTHORITY**

2006 ANNUAL REPORT





COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

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April 30, 2007

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

Dear Governor Ritter:

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 2006. The 2006 report includes a description of the Authority's 2006 accomplishments and activities, and a copy of the Authority's 2006 financial statements audited by BKD, LLP.

During 2006 the Authority executed \$52,482,937 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 \$64,324,962 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.

In 2006, the Authority issued \$13,470,000 in Small Water Resources Projects refunding revenue bonds to refund the bonds involved with three loans for Parker Water and Sanitation District. The refunding bonds were insured and rated "AAA". The present value savings of approximately \$950,000 were passed through to the District.

On April 9, 2007, a ballot initiative was submitted for consideration by the directors of Legislative Council and the Office of Legislative Legal Services of the Colorado General Assembly. The intent of the ballot initiative is to dissolve the Authority and terminate all activities and services on January 1, 2009, and transfer its funding and administrative operations to divisions within the Department of Public Health and Environment and the Department of Natural Resources. The filing of this initiative may adversely affect the Authority's ability to continue to fund low interest loans for municipal water and wastewater facilities in 2007.

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. Travis Smith, Chair, Colorado Water Conservation Board

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Cover Photo Courtesy of Justin Noll, Staff Sr. Accountant

NARRATIVE

The 2006 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, 2006.

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. The Authority has provided \$17.7 million of additional capital. 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. The Authority and the EPA have signed an Operating Agreement which outlines the financing structure and the procedures for operation of the program.

Projects qualify for assistance by meeting certain criteria developed by the WQCD and approved by the Colorado Water Quality Control Commission ("Commission"). Once these criteria have been met, the Commission authorizes projects to be added to the DWRF eligibility list. The DWRF eligibility list is submitted to the General Assembly for final approval. For 2007, there were 291 projects on the DWRF project eligibility list representing a cumulative need of over \$880 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 2006. Through 2006, 51 grants have been awarded which have resulted in \$50.2 million of DWRF loans. For 2007, \$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. Through 2006, twelve disadvantaged community loans totaling \$6.5 million have been executed.

As of December 31, 2006, the EPA has awarded \$125,835,600 in capitalization grants to Colorado. Of this amount, \$98,978,255 have been deposited in the DWRF. The remaining \$26,857,345 have been set aside for administration (\$5,033,424), technical assistance to small communities (\$2,235,180), public water system supervision (\$5,567,928), in kind services (\$150,000), source water protection (\$1,678,410) and local set-asides (\$12,192,403) which includes capacity development and wellhead protection. The FY2007 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, 2006, 89 loans have been executed under the DWRF program totaling \$272,344,896 with an outstanding principal balance of

\$221,551,668. (See Appendix B for details.) In 2007, the Authority anticipates issuing up to \$30 million in loans using grant funds and loan repayments. As of December 31, 2006, 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 initial construction, expansion or 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 2006, the Authority had issued 48 loans totaling \$149,590,000 with an outstanding balance of \$96,685,830. (See Appendix C for tabulation of project loans.) As of December 31, 2006, 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 Commission. These projects are then added to the WPCRF eligibility list approved initially by the Commission and finally by the General Assembly. For 2007, there are 280 projects on the WPCRF project eligibility list representing a cumulative need of over \$1.5 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 2006. Through 2006, 51 grants have been awarded which have resulted in \$44.1 million of WPCRF loans. For 2007, \$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. Through 2006, nine disadvantaged community loans totaling \$7.2 million have been executed.

As of December 31, 2006, the EPA has awarded \$203,246,523 in capitalization grants to Colorado, and the Authority has provided over \$39 million as state match in the form of bonds and cash. At this time, no state match bonds are outstanding.

The FY2007 capitalization grant is estimated at \$8.5 million. Appropriations for this program may be reduced for 2008.

Through December 31, 2006, 139 loans have been executed under the WPCRF Program totaling \$691,270,085 with an outstanding principal balance of \$504,371,593. (See Appendix D for details.) In 2007, the Authority anticipates issuing up to \$45 million in loans using grant funds and loan repayments. As of December 31, 2006, 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 may purchase a surety bond in lieu of a cash-funded Debt Service Reserve Fund, if available. Through 2006, fifteen loans have been executed under the WRB program totaling \$384,970,000 and having an outstanding loan balance of \$366,570,000. (See Appendix E for details.) As of December 31, 2006, all borrowers were current with loan payments.

In 2006, the Authority's Board set the annual maximum cost of issuance subsidy at \$150,000 per borrower. For 2007 the maximum subsidy level was raised to \$250,000 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 2006, one interim loan for approximately \$1.8 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 ("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 DWRF to provide the 20% state match for the DWRF capitalization grants.

In December 2000, legislation was passed by Congress to implement a modified 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 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 Project began in 2002, and through 2006, draws on the Authority's escrow have totaled \$5,133,853. The escrow balance at the end of 2006 was \$3,292,286 including accrued interest income.

On July 31, 2003, the Bureau of Reclamation issued a notice that the cost estimate for the 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.

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 respective amounts due at project completion.

As of December 31, 2006, construction of the Project is approximately 45 percent complete. Work is continuing on the pumping plant and dam embankment. Construction of the inlet conduit will begin in 2007. The Project is anticipated to be finished and operational in 2012.

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, 2006, this escrow contained \$17,385,691 including accrued interest income.

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 (\$38,111,257) and Drinking Water cash (\$2,144,225). The "Income from All Funds" column includes earnings from cash balances in all Authority funds, state match loan repayments from the WPCRF and repayment of interim loans. The costs for "DWRP" and "WPCRF" represent the required 20 percent state match, respectively, for these federally-funded programs. The values in these columns represent the Authority's cash contribution for the state match. For 2008 to 2011, most of the required state match for the DWRP and all of the state match for the WPCRF will come from loan administration fees. The federal capitalization grants for the DWRP were projected to remain at approximately \$14.5 million for 2007 through 2011. The WPCRF capitalization grant for 2007 is expected to be \$8.5 million, and for 2008 – 2011, is projected at \$7.0 million per year. 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 2007 and \$40,000,000 per year through 2011. For the DWRP, the Authority expects to execute loans amounting to \$30,000,000 in 2007 and \$40,000,000 annually thereafter through 2011. For SWRP and WRB, the Authority expects to execute loans amounting to \$50 million in 2007 through 2011.

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
2007	\$ 40,255,482	\$ 8,672,774	\$ 2,450,000	\$ 1,700,000	\$ 4,000,000	\$ 1,000,000	\$ 704,760	\$ 39,073,496
2008	\$ 39,073,496	\$ 10,672,774	\$ 350,000	-	\$ 4,000,000	\$ 1,000,000	\$ 739,998	\$ 43,656,272
2009	\$ 43,656,272	\$ 7,022,774	\$ 350,000	-	\$ 4,000,000	\$ 1,000,000	\$ 776,623	\$ 44,552,423
2010	\$ 44,552,423	\$ 6,672,774	\$ 350,000	-	\$ 4,000,000	\$ 1,000,000	\$ 815,848	\$ 45,059,350
2011	\$ 45,059,350	\$ 6,672,774	\$ 350,000	-	\$ 4,000,000	\$ 1,000,000	\$ 856,640	\$ 45,525,484

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, 2006, are listed below:

For terms expiring October 1, 2006:

*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.

*Stephen T. LaBonde of Grand Junction, Colorado, Republican, to serve as a representative of the Main Colorado Drainage Basin.

**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:

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.

Clair B. Orr of Kersey, Colorado, Republican, 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, 2009:

Douglas B. Monger of Hayden, Colorado, Democrat, to serve as a representative of the Yampa-White Drainage Basin and as an individual experienced in planning and developing water projects.

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

*On January 5, 2007, then Governor Owens re-appointed Mr. LaBonde and Mr. Harris. These re-appointments are being reviewed by Governor Ritter. Colorado Senate confirmation hearings have not been scheduled at this time.

**Mr. Palmgren chose not to seek re-appointment, but will serve until a replacement has been named by Governor Ritter and confirmed by the Colorado Senate.

OFFICERS

Officers as of December 31, 2006

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

STAFF

As of April 30, 2007

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	Brittany Marty
Assistant Controller	Claudia L. Walters
Senior Accountant	Valerie Lovato
Senior Accountant	Justin Noll
Accounting Technician	Jennifer Flores
Record Systems Clerk/Secretary	Sabrina Speed

APPENDIX B

DWRF Loan Status as
of December 31, 2006

Colorado Water Resources & Power Development Authority
2006 Annual Report - Appendix B
Drinking Water Revolving Fund
Loan Status Report as of December 31, 2006

DETAIL OF DWRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Palisade, Town of (1)	2,000,000	0.00%	05/26/06	11/01/36	2,000,000	F	DC
Chatfield South WD	728,500	4.50%	07/13/98	05/01/18	507,184	F	DL
Craig, City of (1)	450,000	4.00%	12/15/00	Paid in Full	-	F	DL
Grand Lake, Town of	495,000	4.50%	10/29/97	11/01/17	327,695	F	DL
Julesburg, Town of (1)	693,000	4.00%	05/01/99	Paid in Full	-	F	DL
La Junta, City of (1)	490,000	4.50%	11/01/99	Paid in Full	-	F	DL
Left Hand W&SD	188,700	4.50%	09/11/98	05/01/18	130,296	F	DL
Sedalia W&SD	326,000	4.50%	03/09/00	11/01/19	249,575	F	DL
Springfield, Town of	349,471	4.50%	07/28/00	05/01/20	268,100	F	DL
Thunderbird W&SD (1)	285,000	4.50%	06/01/99	05/01/19	230,492	F	DL
Wellington, Town of	1,000,000	4.00%	11/01/01	05/01/22	842,899	F	DL
Woodland Park, City of	800,000	4.00%	03/13/02	05/01/22	680,215	F	DL
Alamosa, City of	11,865,063	3.42%	11/02/06	08/01/27	11,865,063	F	LL
Arapahoe County W&WW PID	16,049,975	3.31%	11/02/06	08/01/22	16,049,975	F	LL
Arapahoe Estates WD	1,048,333	4.15%	10/01/97	08/01/17	640,035	F	LL
Aurora, City of	14,999,899	3.63%	05/01/99	08/01/14	8,796,005	F	LL
Buena Vista, Town of	1,324,120	4.01%	06/01/98	08/01/18	866,194	F	LL
Cottonwood W&SD	9,996,005	3.42%	11/02/06	08/01/27	9,996,005	F	LL
Craig, City of (2)	6,056,378	3.65%	04/27/06	08/01/27	6,056,378	F	LL
Englewood, City of	15,292,636	4.14%	10/01/97	08/01/18	9,950,913	F	LL
Evergreen MD (1)	5,577,982	4.39%	04/15/00	08/01/20	4,244,709	F	LL
Evergreen MD (2)	2,036,130	4.00%	04/01/02	08/01/22	1,695,859	F	LL
Florence, City of (2)	769,899	3.50%	01/25/05	12/01/25	743,987	F	LL
Fort Collins, City of (1)	10,125,300	4.12%	10/01/97	06/01/17	6,211,503	F	LL
Fort Collins, City of (2)	4,998,395	3.81%	05/01/99	06/01/19	3,431,977	F	LL
Fort Morgan, City of	15,433,355	4.02%	06/01/98	06/01/19	10,504,710	F	LL
Fountain Valley Auth (1)	7,607,966	4.40%	04/15/00	08/01/20	5,766,268	F	LL
Fountain Valley Auth (2)	3,221,862	3.03%	06/01/03	08/01/24	2,801,619	F	LL
Glenwood Springs, City of	4,999,017	3.77%	05/01/99	04/01/18	3,328,179	F	LL
Grand County W&SD	2,998,566	3.78%	05/01/99	08/01/18	2,069,281	F	LL
Grand Junction, City of	3,566,522	4.02%	04/01/02	08/01/22	3,108,585	F	LL
Greeley, City of	14,999,038	3.80%	05/01/99	08/01/19	10,670,312	F	LL
Idaho Springs, City of (1)	500,000	4.50%	10/15/97	05/01/17	327,060	F	LL
Julesburg, Town of (2)	994,600	3.81%	05/01/99	08/01/19	704,963	F	LL
La Junta, City of (2)	9,812,211	4.00%	04/01/02	08/01/22	8,540,862	F	LL
Left Hand WD	6,571,538	3.80%	05/01/99	05/15/19	4,546,838	F	LL
Limon, Town of	1,440,809	4.41%	04/15/00	08/01/20	1,099,565	F	LL
Little Thompson WD	6,383,774	3.65%	04/27/06	06/01/27	6,383,774	F	LL
Longmont, City of	14,998,044	3.11%	06/01/03	08/01/23	14,981,460	F	LL
Lyons, Town of (1)	500,000	4.50%	08/19/96	06/01/17	316,980	F	LL
Palisade, Town of (2)	3,976,045	3.47%	11/02/06	08/01/28	3,976,045	F	LL
Pueblo Board of Waterworks	9,558,795	4.60%	04/15/00	08/01/22	8,718,049	F	LL
Westminster, City of	14,998,357	4.40%	04/15/00	06/01/20	11,082,905	F	LL
Bethune, Town of	418,000	0.00%	07/18/06	11/01/36	418,000	R	DC
Boone, Town of	514,297	0.00%	08/15/06	11/01/36	514,297	R	DC
Bristol W&SD	200,000	0.00%	02/08/06	11/01/35	193,333	R	DC
Genoa, Town of	175,000	0.00%	12/20/06	05/01/37	175,000	R	DC
La Jara, Town of	200,000	0.00%	04/20/05	05/01/25	185,000	R	DC
Log Lane Village, Town of	1,000,000	1.75%	10/14/05	11/01/35	972,900	R	DC
Ordway, Town of	200,000	0.00%	12/20/06	05/01/37	200,000	R	DC
Pritchett, Town of	200,000	0.00%	03/31/06	05/01/36	196,667	R	DC
Sedgwick, Town of	419,000	0.00%	05/15/06	05/01/36	412,017	R	DC
Victor, City of	283,000	0.00%	06/17/05	12/01/15	254,700	R	DC
Walden, Town of	900,000	1.75%	09/06/06	11/01/31	900,000	R	DC
Basalt, Town of	948,246	4.00%	12/19/02	11/01/22	824,915	R	DL
Castle Pines MD (1)	2,000,000	3.75%	02/25/06	09/15/26	2,000,000	R	DL
Castle Pines MD (2)	250,000	3.75%	11/06/06	03/15/27	250,000	R	DL
Cucharas S&WD	269,000	3.75%	11/29/06	05/01/27	269,000	R	DL
Dillon, Town of	1,000,000	4.00%	10/18/02	11/01/12	669,887	R	DL
Florence, City of (1)	12,999,093	3.51%	11/01/03	06/01/25	12,687,869	R	DL

Colorado Water Resources & Power Development Authority
2006 Annual Report - Appendix B
Drinking Water Revolving Fund
Loan Status Report as of December 31, 2006

DETAIL OF DWRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Hayden, Town of	1,000,000	4.00%	04/30/02	11/01/22	783,419	R	DL
Mustang Water Auth	700,000	4.00%	12/08/03	05/01/24	639,690	R	DL
Oak Creek, Town of	900,689	4.00%	11/18/03	11/01/23	801,344	R	DL
Olde Stage WD	100,000	3.50%	06/01/05	08/01/25	95,582	R	DL
Ouray, City of	1,000,000	4.00%	12/19/03	05/01/24	921,535	R	DL
Pinewood Springs WD (1)	123,200	3.50%	07/26/04	12/01/24	114,361	R	DL
Pinewood Springs WD (2)	752,425	3.50%	04/03/06	06/01/26	739,279	R	DL
Platte Canyon W&SD SubDist No.1	400,000	3.75%	06/30/06	11/01/26	400,000	R	DL
Ralston Valley W&SD	1,300,000	3.75%	08/09/06	05/01/27	1,300,000	R	DL
Swink, Town of	669,000	3.50%	04/20/04	05/01/24	613,881	R	DL
Thunderbird W&SD (2)	343,684	4.00%	08/27/02	11/01/22	291,255	R	DL
Westwood Lakes WD	500,000	4.00%	05/15/03	05/01/23	438,459	R	DL
Baca Grande W&SD	500,000	4.50%	02/01/96	Paid in Full	-	S	DL
Bayfield, Town of	350,000	4.50%	11/15/96	09/01/16	214,313	S	DL
Elizabeth, Town of	500,000	4.50%	10/01/95	01/01/15	287,066	S	DL
Empire, Town of	331,432	4.50%	08/24/95	03/01/16	186,872	S	DL
Fairplay, Town of (1)	250,000	4.50%	08/01/95	06/01/15	134,705	S	DL
Fairplay, Town of (2)	200,000	4.50%	07/30/97	12/01/17	131,468	S	DL
Firestone, Town of	95,000	4.50%	06/13/96	Paid in Full	-	S	DL
Fraser, Town of	200,000	4.50%	04/15/96	Paid in Full	-	S	DL
Idaho Springs, City of (2)	2,339,797	3.99%	04/01/02	08/01/22	1,943,409	S	DL
Idledeale W&SD	250,000	4.50%	07/10/95	03/01/15	135,727	S	DL
Lake Creek MD	500,000	4.50%	01/12/96	09/01/15	273,582	S	DL
Lochbuie, Town of	351,889	4.50%	08/28/96	09/01/16	210,904	S	DL
Lyons, Town of (2)	4,915,599	3.03%	06/01/03	08/01/24	4,278,081	S	DL
Minturn, Town of	300,000	4.50%	08/11/95	03/01/16	169,148	S	DL
Nunn, Town of	330,260	4.50%	08/12/96	12/01/16	200,893	S	DL
Redstone W&SD	410,000	4.50%	12/01/97	11/01/17	273,568	S	DL
Westlake W&SD	250,000	4.50%	08/19/97	05/01/17	137,028	S	DL

SUMMARY OF LOANS FUNDED				
Loan Type	Total Loans Funded		Loans Outstanding	
	Original Loan Amount	Number of Loans Funded	Number of Loans Outstanding	Outstanding Balances
State Funded Direct Loans (S-DL)	\$ 12,073,977	17	14	\$ 8,576,764
Federal Direct Loans:				
Using EPA Grants (F-DL)	5,805,671.00	11	8	3,236,456.00
Using Reloan (R-DL)	25,255,337.00	18	18	23,840,476.00
Disadvantage Communitis (F-DC)	2,000,000.00	1	1	2,000,000.00
Disadvantage Communitis (R-DC)	4,509,297.00	11	11	4,421,914.00
Leveraged Loans:				
Using EPA Grants (F-LL)	222,700,614.00	31	31	179,476,058.00
Using Reloan (R-LL)	-	0	0	-
	272,344,896.00	89	83	221,551,668.00

PROGRAM STATISTICS					
Loan Type	SINCE INCEPTION		LOANS FUNDED IN 2006		
	Average Loan Amount Funded	Effective Loan Rate **	Effective Loan Rate **	Average Loan Amount Executed	Number of Loans funded
State Funded Direct Loans (S-DL)	\$ 710,234	3.803%	0.00%	\$ -	0
Federal Direct Loans:					
Using EPA Grants (F-DL)	527,788	4.247%	0.00%	0	0
Using Reloan (R-DL)	1,403,074	3.673%	3.71%	828,571	6
Disadvantage Communitis (F-DC)	2,000,000	0.000%	0.00%	2,000,000	1
Disadvantage Communitis (R-DC)	409,936	0.737%	0.52%	378,287	8
Leveraged Loans:					
Using EPA Grants (F-LL)	7,183,891	3.830%	3.44%	9,054,540	6
Using Reloan (R-LL)	0	0.000%	0.00%	0	0

Colorado Water Resources & Power Development Authority
 2006 Annual Report - Appendix B
 Drinking Water Revolving Fund
 Loan Status Report as of December 31, 2006

DETAIL OF DWRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan

* Original loan rates, on this report, have not been reduced for those borrowers who are receiving the savings from refunding bond issues.

** Effective Loan Rate is based on the weighted average loan rate of all loans in the category.

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) Auth state funds, (2) Grant Funds or (3) Drinking 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.

Entity Abbreviations:

Auth = Authority

MD = Metropolitan District

PID = Public Improvement District

S&WD = Sanitation & Water District

WD = Water District

W&SD = Water & Sanitation District

W&SwD = Water & Sewer District

W&WW = Water & Wastewater

WW = Waterworks

APPENDIX C

SWRP Loan Status as
of December 31, 2006

Colorado Water Resources & Power Development Auth
2006 Annual Report - Appendix C
Small Water Resources Projects (SWRP)
Loan Status Report as of December 31, 2006

DETAIL OF SWRP FUNDED LOANS						
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Type of Loan
Eagle River W&SD (1)	2,000,000	7.19%	10/01/90	10/01/10	620,833	LL
East Dillon WD	825,000	6.82%	10/01/90	Paid in Full	0	LL
Estes Park, Town of (1)	2,155,000	7.19%	10/01/90	10/01/10	690,000	LL
Evans, City of	300,000	6.82%	10/01/90	Paid in Full	0	LL
Fort Collins-Loveland WD	2,565,000	7.18%	10/01/90	10/01/10	799,166	LL
North Weld County WD (1)	3,000,000	7.19%	10/01/90	10/01/10	935,000	LL
Upper Eagle RWA (1)	1,000,000	6.82%	10/01/90	Defeased	0	LL
Edwards MD	1,225,000	6.82%	07/15/91	10/01/10	395,000	LL
Estes Park, Town of (2)	1,200,000	6.84%	07/15/91	10/01/11	455,000	LL
Minturn, Town of (1)	400,000	6.85%	07/15/91	10/01/11	155,000	LL
Steamboat Springs, City of	1,175,000	6.85%	07/15/91	10/01/11	450,000	LL
Avon MD	\$930,000	6.51%	04/01/92	Defeased	\$0	LL
Brush, City of	810,000	6.61%	04/01/92	10/01/12	435,000	LL
Fort Lupton, City of	3,000,000	6.54%	04/01/92	10/01/12	1,310,000	LL
LaSalle, Town of	1,780,000	6.55%	04/01/92	10/01/12	795,000	LL
Louisville, City of	7,500,000	6.54%	04/01/92	10/01/12	3,183,333	LL
Central Weld County WD	1,540,000	5.58%	09/15/92	10/01/12	639,166	LL
Glenwood Springs, City of	2,700,000	5.58%	09/15/92	10/01/12	1,140,000	LL
Little Thompson WD	4,800,000	5.57%	09/15/92	10/01/08	1,002,500	LL
Minturn, Town of (2)	100,000	5.33%	09/15/92	10/01/12	30,000	LL
Mount Werner W&SD	4,630,000	5.58%	09/15/92	10/01/12	1,908,332	LL
North Weld County WD (2)	1,055,000	5.58%	09/15/92	10/01/12	428,750	LL
Berthoud, Town of	1,030,000	5.39%	04/01/94	10/01/09	255,834	LL
Fort Morgan, City of	2,500,000	5.65%	04/01/94	10/01/14	1,297,500	LL
Gypsum, Town of	715,000	5.65%	04/01/94	10/01/14	370,000	LL
Parker W&SD (1)	600,000	5.65%	04/01/94	10/01/14	310,000	LL
Platteville, Town of	990,000	5.65%	04/01/94	10/01/14	515,833	LL
Carbondale, Town of	1,910,000	6.15%	10/01/94	10/01/15	1,101,250	LL
Project 7 Water Auth	4,100,000	6.15%	10/01/94	10/01/15	2,380,832	LL
Rifle, City of (1)	1,295,000	6.10%	10/01/94	10/01/14	659,167	LL
Upper Eagle RWA (2)	2,000,000	6.10%	10/01/94	Defeased	0	LL
Canon City, City of	4,600,000	5.28%	02/01/96	10/01/15	2,595,832	LL
Johnstown, Town of	1,785,000	5.31%	02/01/96	10/01/16	1,085,834	LL
Morgan County QWD (1)	1,040,000	6.34%	02/01/96	Paid in Full	0	LL
Monument, Town of	1,800,000	5.37%	06/01/97	10/01/17	1,200,000	LL
Parker W&SD (2)	4,925,000	5.37%	06/01/97	10/01/17	3,247,500	LL
Roxborough Park MD	3,000,000	5.34%	06/01/97	10/01/16	1,915,000	LL
Dillon, Town of	815,000	3.87%	09/15/98	Paid in Full	0	LL
Morgan County QWD (2)	2,950,000	4.65%	09/15/98	10/01/18	2,070,000	LL
North Weld County WD (3)	5,000,000	4.65%	09/15/98	10/18/18	3,453,750	LL
Parker W&SD (3)	13,365,000	5.71%	02/15/00	10/01/19	11,654,167	LL
Upper Eagle RWA (3)	10,745,000	5.77%	02/15/00	10/01/20	10,036,667	LL
North Weld County WD (4)	15,510,000	4.86%	01/15/01	10/01/23	14,076,250	LL
Eagle River W&SD (2)	4,560,000	4.74%	06/01/02	10/01/22	3,890,000	LL
Parker W&SD (4)	10,055,000	5.21%	06/01/02	10/01/22	10,055,000	LL
Clifton WD	5,555,000	4.17%	10/01/03	10/01/23	5,411,667	LL
Eaton, Town of	2,530,000	3.99%	10/01/03	10/01/23	2,391,667	LL
Rifle, City of (2)	1,525,000	3.96%	10/01/03	10/01/23	1,340,000	LL

Colorado Water Resources & Power Development Auth
 2006 Annual Report - Appendix C
 Small Water Resources Projects (SWRP)
 Loan Status Report as of December 31, 2006

SWRP LOAN PROGRAM STATISTICS	Number of Loans	Average Effective Interest *	Dollar Amount	Average Loan Amount
TOTAL LOANS FUNDED	48	5.58%	\$ 149,590,000	\$ 3,116,458
TOTAL OUTSTANDING LOANS	41		\$ 96,685,830	
LOANS ISSUED IN 2006	0	N/A	\$ -	N/A

* Effective Loan rates, on this report, have not been adjusted for borrowers receiving savings from refunding bond issues.

** Based on the weighted average interest rate of all loans made.

Type of Loan Code:

LL = Leveraged Loan - Funded from bond proceeds

Entity Abbreviations:

MD = Metropolitan District

QWD = Quality Water District

W&SD = Water & Sanitation District

WD = Water District

RWA = Regional Water Authority

APPENDIX D

WPCRF Loan Status as
of December 31, 2006

Colorado Water Resources & Power Development Authority
2006 Annual Report - Appendix D
Water Pollution Control Revolving Fund
Loan Status Report as of December 31, 2006

DETAIL OF WPCRF LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Alamosa, City of	3,197,216	0.00%	08/01/94	08/01/09	0	F	LL
Ault, Town of	1,396,850	1.75%	03/30/06	05/01/26	1,367,533	R	DC
Aurora, City of	24,124,366	4.04%	07/01/99	08/01/14	14,059,090	F	LL
Baca Grande W&SD	800,000	4.00%	12/20/01	06/01/22	671,030	R	DL
Bennett, Town of	161,000	3.75%	07/14/06	11/01/26	161,000	R	DL
Berthoud, Town of (1)	6,325,000	3.85%	05/01/02	08/01/23	5,870,000	R	LL
Berthoud, Town of (2)	2,385,000	3.55%	05/01/04	08/01/25	2,185,000	R	LL
Black Hawk-Central City SD	24,107,369	3.71%	05/01/02	08/01/22	20,466,402	F	LL
Boulder County	1,651,808	3.50%	07/28/06	12/15/25	1,651,808	R	DL
Breckenridge SD (1)	8,093,617	4.53%	05/01/97	08/01/17	5,078,558	F	LL
Breckenridge SD (2)	8,160,000	3.48%	10/20/05	08/01/26	7,820,000	R	LL
Breckenridge, Town of	4,320,000	3.35%	05/25/05	08/01/26	4,165,000	R	LL
Brighton, City of	5,080,484	4.58%	05/01/95	08/01/15	2,964,055	F	LL
Broomfield, City of	2,514,119	4.71%	12/05/96	09/01/16	1,479,193	F	DL
Buena Vista SD	3,896,505	3.96%	04/01/98	08/01/17	2,496,116	F	LL
Byers W&SD	435,000	4.50%	08/28/98	05/01/18	302,020	F	DL
Carbondale, Town of	2,327,490	4.22%	05/01/97	08/01/07	275,694	F	LL
Castle Rock, Town of	4,319,911	5.20%	06/15/90	08/01/10	1,190,675	F	LL
Cherokee MD	15,249,690	3.49%	11/08/06	08/01/27	15,249,690	F	LL
Clifton SD (1)	9,800,000	3.64%	05/24/06	08/01/27	9,800,000	R	LL
Clifton SD (2)	2,000,000	0.00%	08/10/06	11/01/27	2,000,000	R	DC
Colorado City MD	1,878,538	3.26%	05/01/03	08/01/24	1,631,362	F	LL
Colorado Springs, City of	22,204,270	4.06%	04/01/98	05/15/19	17,498,800	F	LL
Columbine W&SD	424,230	4.50%	03/31/00	11/01/15	293,290	R	DL
Cortez SD	9,775,000	3.99%	05/01/01	08/01/20	7,785,000	R	LL
Craig, City of	1,096,820	4.58%	05/01/95	08/01/15	572,487	F	LL
Crested Butte, Town of	2,499,120	4.73%	06/01/96	08/01/16	1,500,540	F	LL
Cucharas San & WD	768,000	3.75%	11/29/06	05/01/27	768,000	R	DL
Denver SE Suburban W&SD (1)	6,905,000	4.63%	12/01/89	08/01/11	2,567,215	F	LL
Denver SE Suburban W&SD (2)	7,045,000	3.21%	10/01/02	08/01/23	5,860,000	R	LL
Denver SE Suburban W&SD (3)	4,800,000	3.35%	05/25/05	08/01/26	4,630,000	R	LL
Divide W&SD	69,000	4.50%	07/15/92	Paid in Full	0	F	DL
Donala W&SD	4,906,910	3.64%	05/24/06	08/01/27	4,906,910	F	LL
Durango West MD	500,000	4.50%	07/29/91	07/15/11	142,279	F	DL
Eagle River W&SD (1)	7,368,840	5.17%	06/15/92	08/01/13	3,323,729	F	LL
Eagle River W&SD (2)	6,099,183	4.58%	05/01/95	08/01/15	3,212,343	F	LL
Eagle River W&SD (3)	17,685,396	3.94%	04/01/98	08/01/16	11,073,530	F	LL
Eagle, Town of	2,345,204	4.53%	05/01/97	08/01/17	1,459,716	F	LL
East Alamosa W&SD	180,000	4.50%	12/02/98	Paid in Full	0	F	DL
Eaton, Town of	4,824,431	3.38%	05/25/05	08/01/27	4,742,568	F	LL
Englewood, City of (1)	12,750,000	4.64%	11/15/90	08/01/12	5,571,914	F	LL
Englewood, City of (2)	29,564,275	3.87%	05/01/04	08/01/25	29,553,573	F	LL
Erie, Town of (1)	1,821,690	4.54%	05/01/97	08/01/17	1,143,231	F	LL
Erie, Town of (2)	500,000	4.50%	10/08/97	08/01/17	335,460	F	DL
Evans, City of (1)	1,141,617	4.03%	04/01/98	08/01/18	752,060	F	LL
Evans, City of (2)	396,249	4.50%	11/16/98	02/01/19	288,208	F	DL
Fort Collins, City of (1)	24,540,580	4.05%	07/15/92	09/01/14	10,287,545	F	LL
Fort Collins, City of (2)	9,845,000	4.02%	05/01/01	06/01/21	7,690,000	R	LL
Fort Lupton, City of (1)	4,200,000	5.17%	06/15/92	08/01/13	1,854,968	F	LL
Fort Lupton, City of (2)	200,000	5.17%	01/12/94	09/01/13	92,493	F	DL
Fort Morgan, City of	9,146,685	4.59%	05/01/95	08/01/15	5,054,327	F	LL
Fountain SD	1,716,099	4.71%	06/01/96	Paid in Full	0	F	LL
Fraser SD	2,445,000	3.99%	05/01/01	08/01/20	1,935,000	R	LL
Fremont SD	8,094,568	4.20%	07/01/99	08/01/19	6,011,880	F	LL
Frisco SD	4,500,000	5.17%	06/15/92	Paid in Full	0	F	LL
Fruita, City of	155,435	4.50%	04/27/95	03/01/15	52,132	F	DL
Garden Valley W&SD	300,000	4.00%	12/03/04	11/01/24	282,667	R	DL
Genesee W&SD	1,498,152	4.86%	08/01/94	08/01/14	725,084	F	LL
Glendale, City of	10,034,562	3.50%	10/20/05	08/01/27	9,630,559	F	LL
Granby SD	4,810,728	3.64%	05/24/06	08/01/27	4,810,728	F	LL
Grand County W&SD	3,999,978	4.17%	07/01/99	08/01/18	2,761,761	F	LL
Greeley, City of	13,337,082	4.97%	08/01/94	08/01/14	8,098,877	F	LL

Colorado Water Resources & Power Development Authority
2006 Annual Report - Appendix D
Water Pollution Control Revolving Fund
Loan Status Report as of December 31, 2006

DETAIL OF WPCRF LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Haxtun, Town of	305,041	1.88%	12/01/06	05/01/27	305,041	R	DC
Holyoke, City of	489,700	4.50%	12/01/97	11/01/17	263,240	F	DL
Idaho Springs, City of	1,541,237	4.74%	06/01/96	08/01/16	927,943	F	LL
Julesburg, Town of	800,000	4.00%	05/15/02	11/01/22	690,173	R	DL
Kersey, Town of (1)	163,000	4.50%	12/29/99	05/01/20	125,235	R	DL
Kersey, Town of (2)	1,800,000	3.50%	03/06/06	11/01/26	1,800,000	R	DL
Kremmling SD	950,000	3.50%	09/13/05	11/01/25	916,513	R	DL
La Jara, Town of	750,000	0.00%	02/23/06	05/01/26	731,250	R	DC
La Junta, City of	358,400	4.50%	10/15/99	05/01/20	275,364	R	DL
Lafayette, City of	7,861,139	4.04%	05/01/01	08/01/21	7,076,638	F	LL
Las Animas, City of	1,070,000	4.50%	11/12/98	11/01/18	753,182	F	DL
Left Hand W&SD (1)	126,300	4.50%	03/05/99	11/01/18	90,578	F	DL
Left Hand W&SD (2)	56,900	4.50%	09/20/00	05/01/20	40,624	R	DL
Littleton, City of (1a)	5,000,694	4.64%	11/15/90	08/01/12	2,185,368	F	LL
Littleton, City of (1b)	7,750,000	4.64%	11/15/90	08/01/12	3,386,850	F	LL
Littleton, City of (2)	29,677,780	3.82%	05/01/04	08/01/25	29,667,066	F	LL
Log Lane Village, Town of	250,000	4.50%	06/01/95	06/01/16	144,932	F	DL
Longmont, City of	3,500,000	3.97%	07/15/92	08/01/12	1,164,409	F	LL
Lyons, Town of	506,311	4.50%	10/07/96	06/01/17	317,613	F	DL
Manzanola, Town of	80,360	4.50%	06/01/97	05/01/17	51,709	F	DL
Mesa County	13,490,000	3.62%	05/01/02	08/01/24	10,765,000	R	LL
Metro WRD	21,910,000	4.58%	05/01/91	04/01/11	7,381,786	F	LL
Milliken, Town of	5,897,275	3.28%	05/01/03	08/01/24	5,613,070	F	LL
Monte Vista, Town of	968,000	4.50%	09/01/99	05/01/19	710,069	F	DL
Montrose County	257,919	4.50%	10/30/92	Paid in Full	0	F	DL
Mount Crested Butte W&SD (1)	1,399,080	4.74%	06/01/96	Paid in Full	0	F	LL
Mount Crested Butte W&SD (2)	5,161,581	4.02%	05/01/01	08/01/21	4,136,815	F	LL
Mount Werner W&SD	3,034,627	4.20%	07/01/99	Defeased	0	F	LL
Mountain Range Shadows	1,721,489	3.15%	12/01/89	06/15/10	402,869	F	DL
Mountain W&SD	200,000	1.43%	04/17/90	08/01/10	41,065	F	DL
New Castle, Town of	917,076	4.50%	01/01/99	05/01/19	343,219	R	DL
Niwot SD	1,000,000	4.00%	02/16/01	05/01/21	807,499	R	DL
Nucla SD	180,000	1.50%	05/11/92	04/30/12	55,459	F	DL
Ordway, Town of (1)	350,000	4.50%	10/15/96	09/01/16	215,555	F	DL
Ordway, Town of (2)	599,000	0.00%	12/20/06	05/01/27	599,000	R	DC
Ouray, City of	800,000	4.50%	09/17/92	06/01/12	297,904	F	DL
Pagosa Springs San GID, Town of (2)	640,000	4.50%	06/03/97	11/01/16	402,822	F	DL
Pagosa Springs San GID, Town of (1)	200,000	4.00%	07/15/02	11/01/22	173,988	R	DL
Parker W&SD (1)	1,781,883	4.89%	08/01/94	08/01/14	856,161	F	LL
Parker W&SD (2)	500,000	4.89%	03/16/95	Paid in Full	0	F	DL
Parker W&SD (3)	3,271,642	4.54%	05/01/97	08/01/17	2,049,445	F	LL
Parker W&SD (4)	12,063,546	4.66%	05/15/00	08/01/20	9,260,904	F	LL
Parker W&SD (5)	4,913,424	4.01%	05/01/01	08/01/21	3,947,904	F	LL
Parker W&SD (6)	14,112,800	3.62%	10/01/02	08/01/25	13,363,736	F	LL
Pierce, Town of	895,000	1.88%	12/05/06	11/01/27	895,000	R	DC
Pikes Peak America's Mountain	1,000,000	4.00%	07/23/03	11/01/20	868,673	R	DL
Plum Creek WWA (1)	25,525,000	4.02%	05/01/01	08/01/21	20,680,000	R	LL
Plum Creek WWA (2)	3,390,000	3.22%	10/01/02	08/01/23	2,820,000	R	LL
Plum Creek WWA (3)	1,510,000	3.35%	05/25/05	08/01/26	1,455,000	R	LL
Pueblo, City of	8,402,620	3.25%	05/01/03	08/01/24	7,314,511	F	LL
Ralston Valley W&SD	1,200,000	3.75%	09/15/06	11/01/26	1,200,000	R	DL
Roxborough Park MD (1)	600,000	4.50%	11/18/94	Paid in Full	0	F	DL
Roxborough Park MD (2)	9,600,000	3.35%	05/25/05	08/01/26	9,265,000	R	LL
Saint Mary's Glacier W&SD	150,000	4.50%	07/15/94	06/01/14	73,104	F	DL
Salida, City of	550,000	4.00%	11/21/03	11/01/13	407,209	R	DL
South Adams County W&SD	6,270,000	3.79%	05/01/02	06/01/22	6,247,500	R	LL
Springfield, Town of (1)	200,000	4.00%	11/01/00	11/01/20	157,335	R	DL
Springfield, Town of (2)	534,000	0.00%	12/20/06	05/01/27	534,000	R	DC
Steamboat Springs, City of (1)	1,563,550	4.58%	05/01/95	08/01/15	821,797	F	LL
Steamboat Springs, City of (2)	2,935,636	4.20%	07/01/99	08/01/19	2,094,587	F	LL
Steamboat Springs, City of (3)	5,895,654	4.01%	05/01/01	08/01/21	4,725,194	F	LL
Sterling, City of	2,499,524	4.53%	05/01/97	08/01/16	1,498,643	F	LL

Colorado Water Resources & Power Development Authority
2006 Annual Report - Appendix D
Water Pollution Control Revolving Fund
Loan Status Report as of December 31, 2006

DETAIL OF WPCRF LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Stratton	442,000	1.88%	11/20/06	05/01/27	442,000	R	DC
Sugar City Town of	306,000	0.00%	07/06/06	11/01/26	306,000	R	DC
Summit County	17,086,830	4.65%	05/15/00	08/01/20	13,073,288	F	LL
Three Lakes W&SD	6,498,576	4.64%	05/15/00	08/01/19	4,879,224	F	LL
Trinidad, City of	6,670,909	3.99%	04/01/98	08/01/18	4,539,850	F	LL
Triview MD	4,906,910	3.64%	05/24/06	08/01/27	4,906,910	F	LL
Vona, Town of	85,000	4.50%	01/29/97	09/01/16	53,500	F	DL
Wellington, Town of (1)	375,000	1.43%	06/01/90	Paid in Full	0	F	DL
Wellington, Town of (2)	4,826,281	3.71%	05/01/02	08/01/22	4,073,359	F	LL
Westminster, City of (1)	13,246,525	4.54%	05/01/97	06/01/17	8,739,542	F	LL
Westminster, City of (2)	4,085,697	3.98%	04/01/98	06/01/17	2,503,097	F	LL
Westminster, City of (3)	15,440,000	3.32%	05/25/05	06/01/25	14,555,000	R	LL
Windsor, Town of	3,998,853	4.62%	08/01/94	08/01/09	1,040,653	F	LL
Winter Park W&SD	3,050,000	4.59%	05/01/95	08/01/15	1,704,411	F	LL
Winter Park West W&SD	2,406,249	3.68%	05/01/02	08/01/21	2,006,108	F	LL

SUMMARY OF WPCRF FUNDED LOANS				
Loan Type	Total Loans Funded		Loans Outstanding	
	Original Loan Amount	Number of Loans Funded	Number of Loans Outstanding	Outstanding Balances
Federal Direct Loans:				
Using EPA Grants (F-DL)	\$ 14,299,882	28	22	\$ 6,565,386
Using Reloan (R-DL)	13,300,414.00	19	19	11,633,627
Disadvantage Communities (R-DC)	7,227,891.00	9	9	7,179,824
Leveraged Loans:				
Using EPA Grants (F-LL)	516,316,898.00	66	61	355,465,256
Using Reloan (R-LL)	140,125,000.00	17	17	123,527,500
TOTAL	691,270,085.00	139	128	504,371,593

PROGRAM STATISTICS					
Loan Type	From Inception		Loans Funded in 2006		
	Average Loan Amount Funded	Average Effective Loan Rate *	Average Effective Interest Rate	Average Loan Amount	Number of Loans Funded
Federal Direct Loans:					
Using EPA Grants (F-DL)	\$ 510,710	4.24%	0.00%	-	0
Using Reloan (R-DL)	700,022	3.87%	3.60%	1,116,162	5
Disadvantage Communities (R-DC)	803,099	0.77%	0.77%	803,099	9
Leveraged Loans:					
Using EPA Grants (F-LL)	7,822,983	4.14%	3.56%	7,468,560	4
Using Reloan (R-LL)	8,242,647	3.66%	3.64%	9,800,000	1

Local Government and Special District Abbreviations

GID = General Improvement District SD = Sanitation District WD = Water District
MD = Metropolitan District San = Sanitation WWA = Wastewater Authority
PID = Public Improvement District WRD = Wastewater Reclamation District W&SD = Water and Sanitation District

* Original loan rates, on this report, have not been reduced for those borrowers who are receiving the savings from refunding bond issues.

** Effective Loan Rate is based on the weighted average loan rate of all loans in the category.

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.

APPENDIX E

WRBP Loan Status as
of December 31, 2006

Colorado Water Resources & Power Development Authority
 2006 Annual Report - Appendix E
 Water Revenue Bonds Program
 Loan Status Report as of December 31, 2006

DETAIL OF WRBP FUNDED LOANS						
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Type of Loan
Arapahoe County W&WW PID	26,270,000	4.72%	11/01/05	11/26/35	26,270,000	L
Aurora, City of	100,000,000	4.35%	09/29/05	07/27/35	100,000,000	L
Copper Mountain CMD (1)	3,540,000	3.95%	09/16/04	08/01/24	3,275,000	L
Copper Mountain CMD (2)	3,690,000	4.24%	11/30/05	08/01/24	3,590,000	L
East Cherry Creek W&SD	53,970,000	4.36%	02/05/05	11/14/35	53,115,000	L
Englewood, City of	19,715,000	4.11%	05/01/04	08/01/17	19,705,000	L
Erie, Town of	14,500,000	4.21%	04/01/04	12/01/23	12,820,000	L
Fort Lupton, City of	2,300,000	4.38%	02/01/05	11/01/25	2,220,000	L
Fountain, City of	8,170,000	4.56%	05/24/05	11/01/35	8,020,000	L
Littleton, City of	19,695,000	3.70%	05/01/04	08/01/15	17,965,000	L
Longmont, City of	3,960,000	1.91%	06/01/03	08/01/09	2,040,000	L
Louisville, City of	13,800,000	3.63%	06/01/03	11/01/24	12,270,000	L
Parker W&SD	105,420,000	5.12%	06/15/04	08/01/43	103,465,000	L
Rio Blanco WCD	3,140,000	7.08%	05/01/98	11/15/13	1,815,000	L
Stagecoach	6,800,000	var.	06/30/86	Defeased	-	L

WRBP LOAN PROGRAM STATISTICS	Number of Loans	Average Effective Interest *	Dollar Amount	Average Loan Amount
TOTAL LOANS FUNDED	15	4.110%	\$ 384,970,000	\$ 25,664,667
TOTAL OUTSTANDING LOANS	14		366,570,000	
LOANS ISSUED IN 2006	0	N/A	-	N/A

* Original loan rates, on this report, have not been reduced for those borrowers who are receiving the savings from refunding bond issues.

** Effective Loan Rate is based on the weighted average loan rate of all loans in the category.

Type of Loan Code:

LL = Leveraged Loan - Funded from bond proceeds

Entity Abbreviations:

CMD = Consolidated Metropolitan District
 PID = Public Improvement District

WCD = Water Conservancy District
 W&SD = Water & Sanitation District

W&WW = Water & Wastewater

APPENDIX F

Interim Loan Status as
of December 31, 2006

Colorado Water Resources and Power Development Auth
2006 Annual Report - Appendix F
Interim Loans
Loan Status Report as of December 31, 2006

Borrower	Cortez SD		
<i>Interim Loan Information:</i>			
Amount of Authorized Interim Loan	\$ 2,000,000.00		
Interim Loan Rate	3.50%		
Date of Interim Loan Authorization	05/04/05		
<u>Amount Due to the Auth (Outstanding Obligation) *</u>			
Amount Outstanding as of 12/31/05	\$ 1,099,845.00		
Plus: Draws on Interim Loan Funds for 2006	717,214		
Less Loan Payoff:			
Repayment made to Authority			
Converted to permanent loan in:			
Water Pollution Control Revolving Fund			
Drinking Water Revolving Fund			
Water Revenue Bonds Program			
Date of payoff			
Total Amount Due to the Auth as of 12/31/06	\$ 1,817,059.00	\$0.00	\$0.00

* 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, 2006

**Colorado Water Resources
and Power Development Authority**

Independent Accountants' Report and Basic Financial Statements

December 31, 2006 and 2005

**Colorado Water Resources
and Power Development Authority**
December 31, 2006 and 2005

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Management's Discussion and Analysis	3
Basic Financial Statements	
Statements of Net Assets	28
Statements of Revenues, Expenses and Changes in Fund Net Assets.....	30
Statements of Cash Flows	32
Notes to Financial Statements	36



Independent Accountants' Report on Financial Statements

The Board of Directors
Colorado Water Resources and
Power Development Authority
Denver, Colorado

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 year ended December 31, 2006, 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 audit. The financial statements of each major fund of the Authority as of and for the year ended December 31, 2005, were audited by other accountants whose report dated March 29, 2006, expressed an unqualified opinion on those statements.

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

In our opinion, the 2006 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, 2006, and the respective changes in financial position and the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Colorado Water Resources and
Power Development Authority

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

\s\ **BKD, LLP**

April 10, 2007

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Management's Discussion And Analysis

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis
Years ended December 31, 2006 and 2005

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, 2006 and 2005.

Financial Highlights

- ▶ Combined net assets of the Authority's enterprise funds increased \$22.5 million (5.4%) bringing the total to \$442.5 million at December 31, 2006. Capitalization grant revenue received from the United States Environmental Protection Agency (EPA) totaling \$12.5 million was the largest source of funds contributing to this increase.
- ▶ Operating income totaled \$10.0 million during 2006, an increase of \$1.4 million (16.9%) from 2005. Operating revenues increased to \$68.9 million, while expenses rose to \$58.9 million for the fiscal year. Total restricted assets decreased by \$71.2 million; the net decrease resulted from the borrower project requisitions in the Water Revenue Bonds Program (WRBP). 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 \$4.3 million in 2006, due to the WRBP investment earnings. Total interest on investments increased by \$3.1 million (18.3%) to \$20.2 million.
- ▶ Bonds payable, net of unamortized refunding costs, at December 31, 2006, totaled \$1.10 billion. During 2006, revenue bonds, excluding refunding bonds, totaling \$86.8 million were issued, contributing to the increase of \$42.9 million (4.1%) in bonds payable, net of unamortized refunding costs. Revenue bonds were issued in the following enterprise funds, during 2006:
 - ✦ Water Pollution Control Revolving Fund (WPCRF), within the Water Pollution Control Enterprise Fund, – \$37.5 million.
 - ✦ Drinking Water Revolving Fund (DWRP), within the Drinking Water Enterprise Fund, – \$49.3 million.
- ▶ During 2006, market conditions provided opportunities for the Authority to issue advance refunding revenue bonds in the Small Water Resources Projects Program (SWRP). The reduction in bond debt service (refunding savings) realized from these activities is passed through to the associated borrower by reductions to loan repayments. The results of the refunding is summarized below:

Program	Refunding Revenue Bonds Issued			Revenue Bonds Refunded		
	No. of Issues	Par Value of Bonds Issued	Present Value of Refunding Savings	Par Value of Bonds Refunded	No. of Issues	No. of Associated Borrowers
SWRP	1	\$14.0 million	\$0.9 million	\$13.6 million	3	1

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis
Years ended December 31, 2006 and 2005

▶ Total loans receivable were \$1.19 billion at December 31, 2006. During 2006, loans totaling \$117.5 million were executed, resulting in a net increase in loans receivable of \$70.0 million (6.2%). New loans were executed in the following enterprise funds:

+	Water Operations	\$	0.7	million
+	Water Pollution Control	\$	52.5	million
+	Drinking Water	\$	64.3	million

Overview of the Basic Financial Statements

Management's discussion and analysis is intended to serve as an introduction of the Authority's basic financial statements. Prior 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.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis
Years ended December 31, 2006 and 2005

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 in the following pages. These schedules summarize the financial position of each enterprise fund as of December 31, 2006 and 2005 in a comparative format. Furthermore, schedules of total enterprise fund data and analyses is provided in comparative year format for 2006-2005 and 2005-2004.

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 fees, 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.

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.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis
Years ended December 31, 2006 and 2005

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 Enterprise Funds (2006 - 2005)				Schedule 1A
Summary of Net Assets as of December 31				
	2006	2005	Change	Pct Chg
Unrestricted current and other assets	\$ 179,069,039	\$ 172,524,131	\$ 6,544,908	3.8%
Restricted assets	513,944,900	585,102,753	(71,157,853)	(12.2%)
Capital assets, net	23,431	30,410	(6,979)	(22.9%)
Noncurrent loans receivable	1,136,674,375	1,073,562,535	63,111,840	5.9%
Total assets	1,829,711,745	1,831,219,829	(1,508,084)	(0.1%)
Current and other liabilities	106,565,475	83,368,407	23,197,068	27.8%
Project costs payable-leveraged loans	228,024,650	312,952,958	(84,928,308)	(27.1%)
Noncurrent debt outstanding, net	1,052,672,409	1,014,948,438	37,723,971	3.7%
Total liabilities	1,387,262,534	1,411,269,803	(24,007,269)	(1.7%)
Fund net assets:				
Invested in capital assets	23,431	30,410	(6,979)	(22.9%)
Restricted	372,926,857	350,672,449	22,254,408	6.3%
Unrestricted	69,498,923	69,247,167	251,756	0.4%
Total fund net assets	\$ 442,449,211	\$ 419,950,026	\$ 22,499,185	5.4%

Total Enterprise Funds (2005 - 2004)				Schedule 1B
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	1,831,219,829	1,526,716,255	304,503,574	19.9%
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	1,411,269,803	1,133,243,025	278,026,778	24.5%
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	\$ 419,950,026	\$ 393,473,230	\$ 26,476,796	6.7%

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

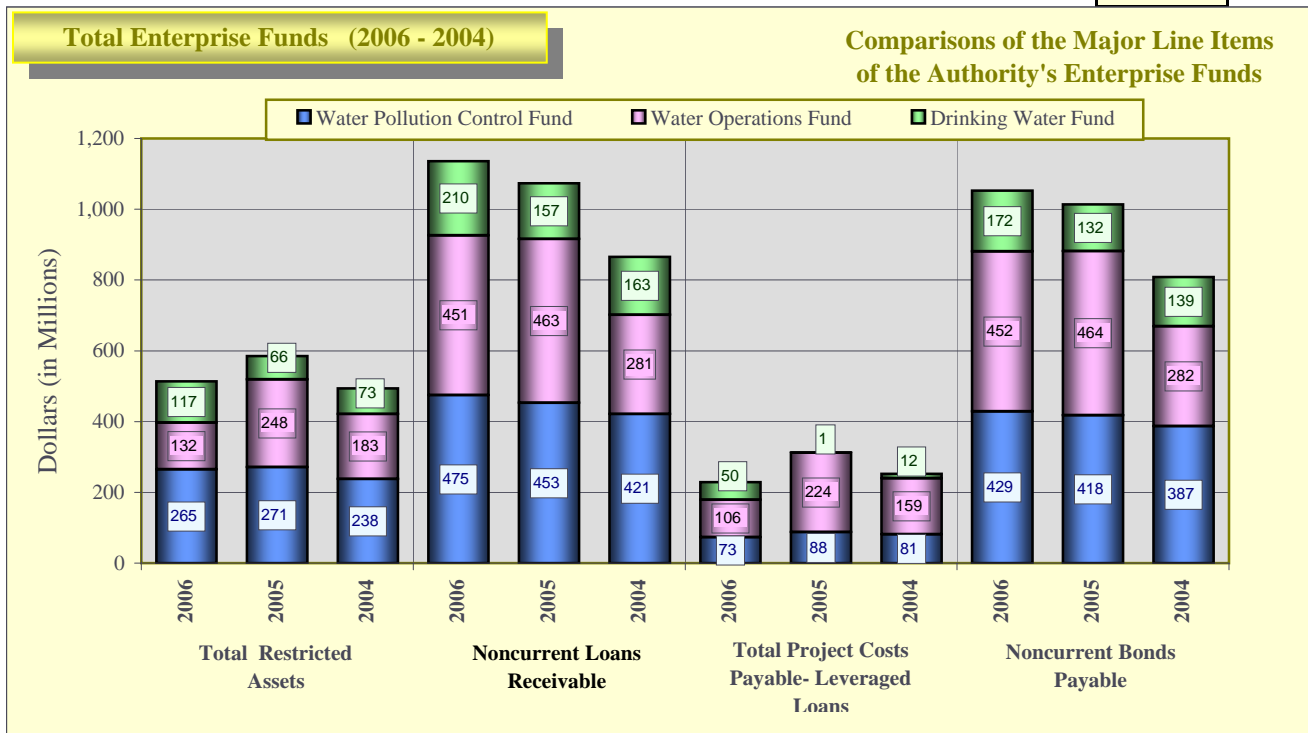
Management's Discussion and Analysis

Years ended December 31, 2006 and 2005

Total assets of these funds decreased by \$1.5 million in 2006, as compared to an increase of \$304.5 million in 2005. Financing new projects each year contributed to the changes in assets. In 2006 new loans totaled \$117.5 million, while \$259.0 million in loans were made in 2005. However, project draws paid to borrowers totaling \$189.7 million and \$202.8 million in 2006 and 2005 respectively, contributed to the net decrease in 2006 total assets and limited the increase in 2005.

Similarly, total liabilities decreased by \$24.0 million in 2006, and increased by \$278.0 million in 2005. Bonds, excluding refunding bonds, totaling \$86.8 million were issued in 2006, while \$251.8 million were issued in 2005. In 2006, project draws of \$189.9 million led to the net decrease in 2006 total liabilities and project draws of \$202.8 million limited the net increase in 2005 total liabilities. Project costs payable-leveraged loans are directly impacted in the same manner resulting in a 2006 net decrease of \$84.9 million and a 2005 net increase of \$61.1 million. Total fund net assets increased by \$22.5 million in 2006, down from the \$26.5 million increase in 2005. Although total operating income increased by \$1.4 million in 2006, the \$4.0 million decrease in the change in net assets was the direct result of the \$5.4 million decrease in EPA capitalization grant revenue received in 2006. Similarly, 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.

Chart 1



**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis

Years ended December 31, 2006 and 2005

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 2006, 2005, and 2004. 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 Fund and the Water Pollution Control Fund have the largest impact on total enterprise fund assets and liabilities. However, the Drinking Water Fund experienced a larger net growth in 2006. 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.

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 2006.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**

Management's Discussion and Analysis
Years ended December 31, 2006 and 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.

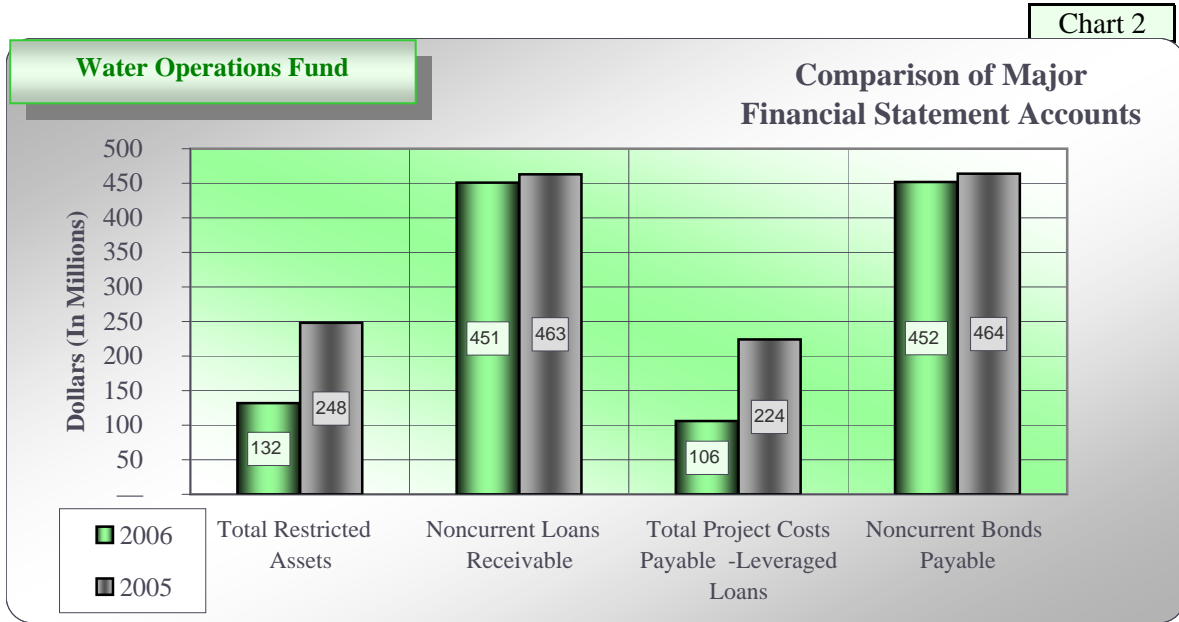
To reduce the cost of financing for these borrowers, the Authority began absorbing the a portion or all costs of issuing these bonds in 2003. In 2006, there were no new bonds issued, other than refunding bonds, or loans made in this fund. An advance refunding was conducted in the SWRP, the details of which are discussed in the notes to the basic financial statements. 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. One interim loan totaling \$1.8 million was outstanding at year-end.

Water Operations Fund	Schedule 2			
Summary of Net Assets as of December 31				
	2006	2005	Change	Pct Chg
Unrestricted current and other assets	\$ 94,529,766	\$ 89,096,528	\$ 5,433,238	6.1%
Restricted assets	132,018,162	248,180,605	(116,162,443)	(46.8%)
Capital assets, net	13,251	13,444	(193)	(1.4%)
Noncurrent loans receivable	450,995,833	463,378,333	(12,382,500)	(2.7%)
Total assets	<u>677,557,012</u>	<u>800,668,910</u>	<u>(123,111,898)</u>	(15.4%)
Current and other liabilities	32,532,100	26,657,628	5,874,472	22.0%
Project costs payable-leveraged loans	105,805,897	223,918,878	(118,112,981)	(52.7%)
Noncurrent debt outstanding, net	452,006,646	464,488,333	(12,481,687)	(2.7%)
Total liabilities	<u>590,344,643</u>	<u>715,064,839</u>	<u>(124,720,196)</u>	(17.4%)
Fund net assets:				
Invested in capital assets	13,251	13,444	(193)	(1.4%)
Restricted	23,953,490	24,991,340	(1,037,850)	(4.2%)
Unrestricted	63,245,628	60,599,287	2,646,341	4.4%
Total fund net assets	<u>\$ 87,212,369</u>	<u>\$ 85,604,071</u>	<u>\$ 1,608,298</u>	1.9%

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Also included in Restricted Assets of the Water Operations fund is the \$3.3 million unexpended balance of the Animas-La Plata escrow account. During 2006, \$1.5 million was paid to the Bureau of Reclamation (Bureau) bringing the total payments to \$5.1 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.

The comparative balances of the four-major accounts affected by leveraged loans are shown in Chart 2. Since no new bonds, other than refunding bonds, were issued or loans made, loans receivable and bonds payable decreased by current year principal payments. SWRP and WRBP construction draws totaling \$118.1 million caused the \$116.2 million decrease in Restricted assets and the corresponding \$118.1 decrease in Project costs payable-leveraged loans.

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Water Pollution Control Fund

The \$0.4 million decrease in Unrestricted current and other assets is the net effect of several factors. First, the financial model for the WPCRF program allows for reductions in debt service reserve fund balances annually in September, after bond debt service has been paid. 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. In 2006, \$14.3 million was deallocated and transferred to the reloan account and \$17.2 million of reloan funds were used to fund loans, resulting in a net \$2.9 million reduction to Unrestricted current and other assets.

Second, the current portion of loans receivable increased \$2.7 million in 2006, offsetting the net reloan account decrease. These items plus other miscellaneous changes resulted in the net decrease in Unrestricted current and other assets.

Water Pollution Control Fund		Summary of Net Assets as of December 31				Schedule 3
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>Pct Chg</u>		
Unrestricted current and other assets	\$ 53,233,456	\$ 53,638,852	\$ (405,396)	(0.8%)		
Restricted assets	264,911,882	271,388,323	(6,476,441)	(2.4%)		
Capital assets, net	5,090	8,483	(3,393)	(40.0%)		
Noncurrent loans receivable	475,405,287	452,891,856	22,513,431	5.0%		
Total assets	<u>793,555,715</u>	<u>777,927,514</u>	<u>15,628,201</u>	2.0%		
Current and other liabilities	52,419,067	45,730,367	6,688,700	14.6%		
Project costs payable-leveraged loans	72,700,969	87,891,524	(15,190,555)	(17.3%)		
Noncurrent debt outstanding, net	428,516,156	418,467,372	10,048,784	2.4%		
Total liabilities	<u>553,636,192</u>	<u>552,089,263</u>	<u>1,546,929</u>	0.3%		
Fund net assets:						
Invested in capital assets	5,090	8,483	(3,393)	(40.0%)		
Restricted	239,914,433	225,829,768	14,084,665	6.2%		
Total fund net assets	<u>\$ 239,919,523</u>	<u>\$ 225,838,251</u>	<u>\$ 14,081,272</u>	6.2%		

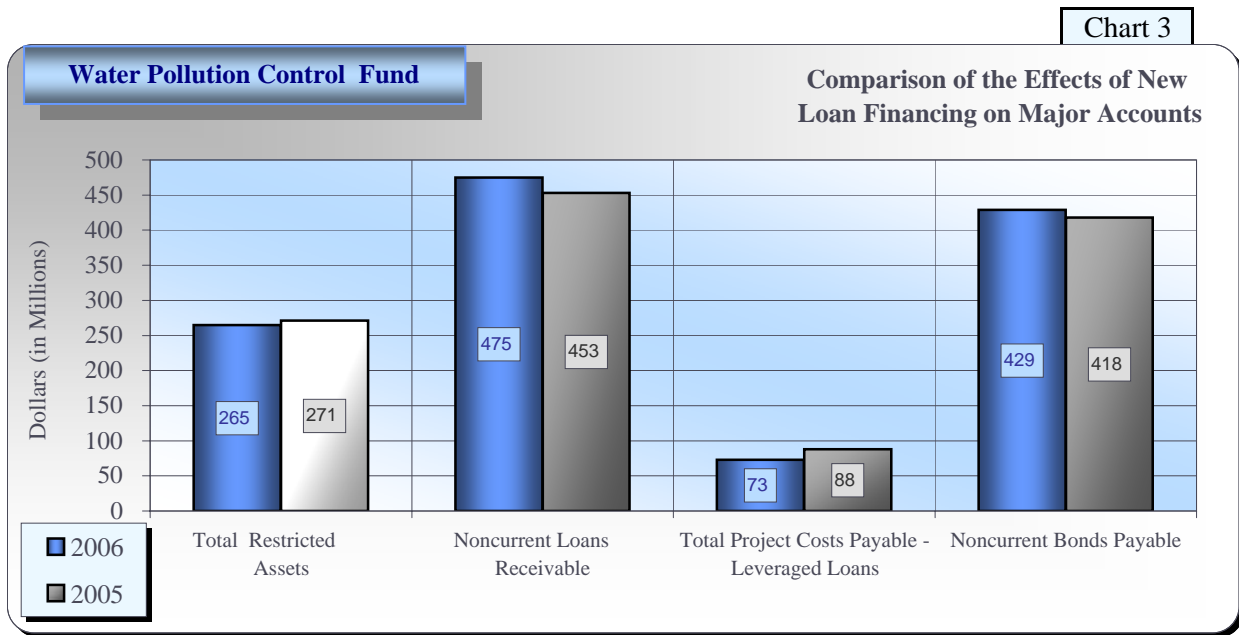
During 2006, 14 new direct loans were executed that resulted an increase of \$6.7 million in direct loan project costs payable, which in turn caused the increase in current and other liabilities.

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Chart 3 displays the comparative balances of the four-major accounts affected by loan activities. During 2006, the WPCRf issued revenue bonds totaling \$37.5 million. The bond proceeds, plus \$2.2 million of state match dollars, funded new leveraged loans totaling \$39.7 million. These loans and bonds added to the balances of each of the four major accounts; however, net decreases in restricted assets (\$6.5 million) and project costs payable-leveraged loans (\$15.2 million) were the results of construction draws totaling \$55.1 million.

Net increases in noncurrent loans receivable (\$22.5 million), and noncurrent debt (\$10.0 million) were the result of the new loans and bonds, net of current principal reclassifications of \$29.0 million for loans and \$26.5 million for bonds. Operating income of \$5.2 million and EPA capitalization grant revenue of \$8.9 million resulted in the increase in restricted net assets of \$14.1 million.



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Drinking Water Fund

Unrestricted current and other assets increased \$1.5 million in 2006. The net increase was the result of several factors; however, the single largest reason was the \$2.9 million increase in the current portion of loans receivable, resulting from 15 direct loans and 6 leveraged loans executed during 2006. During 2006, DWRF bonds totaling \$49.3 were issued. The bond proceeds plus \$5.0 million of state match dollars, funded leveraged loans totaling \$54.3 million.

Schedule 4

Drinking Water Fund

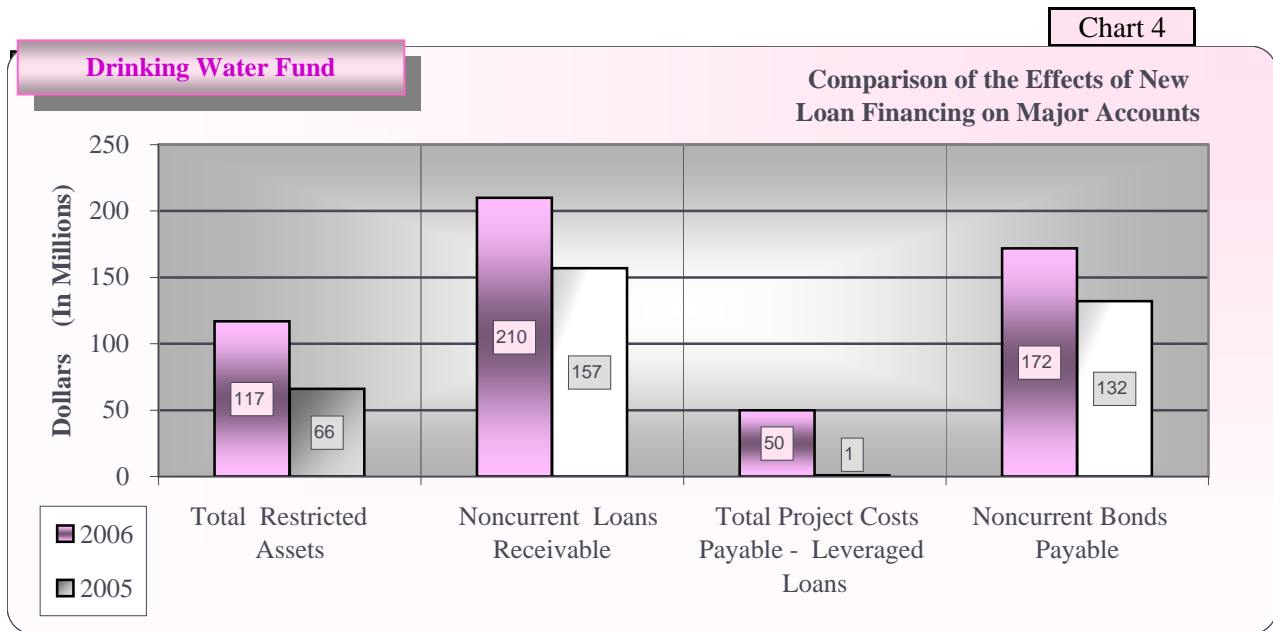
Summary of Net Assets as of December 31

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>Pct Chg</u>
Unrestricted current and other assets	\$ 31,305,817	\$ 29,788,751	\$ 1,517,066	5.1%
Restricted assets	117,014,856	65,533,825	51,481,031	78.6%
Capital assets, net	5,090	8,483	(3,393)	(40.0%)
Noncurrent loans receivable	210,273,255	157,292,346	52,980,909	33.7%
Total assets	<u>358,599,018</u>	<u>252,623,405</u>	<u>105,975,613</u>	42.0%
Current and other liabilities	21,614,308	10,980,412	10,633,896	96.8%
Project costs payable-leveraged loans	49,517,784	1,142,556	48,375,228	4233.9%
Noncurrent debt outstanding, net	172,149,607	131,992,733	40,156,874	30.4%
Total liabilities	<u>243,281,699</u>	<u>144,115,701</u>	<u>99,165,998</u>	68.8%
Fund net assets:				
Invested in capital assets	5,090	8,483	(3,393)	(40.0%)
Restricted	109,058,934	99,851,341	9,207,593	9.2%
Unrestricted	6,253,295	8,647,880	(2,394,585)	(27.7%)
Total fund net assets	<u>\$ 115,317,319</u>	<u>\$ 108,507,704</u>	<u>\$ 6,809,615</u>	6.3%

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Chart 4 displays the comparative balances of the four-major accounts and the following increases: restricted assets (\$51.5 million), noncurrent loans receivable (\$53.0 million), project costs payable-leveraged loans (\$48.4 million), and noncurrent debt (\$40.2 million). Construction draws totaling \$6.5 million limited the increase in restricted assets and project costs payable-leveraged loans. Increases in noncurrent loans receivable and bonds payable were limited by current year principal payments and reclassifications. The DWRF operating income of \$3.2 million and EPA capitalization grant revenue of \$3.6 million resulted in the \$6.8 million (6.3%) increase in total fund net assets.



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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 2006, investment income and loan interest income made up 84.8% of operating revenues, bond interest expense was 87.9% of operating expense, and 55.6% 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.

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 revenues have been recorded as nonoperating 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 funded with grant monies for the year; and 2) the demand for project cost reimbursements, including projects funded in prior years.

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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 \$20.2 million, \$17.1 million, and \$15.4 million for 2006, 2005, and 2004, respectively. Both the investment balances and changing interest rates impact the amounts of interest earned. The \$3.1 million increase in interest on investments was the sum of increases from all funds: Water Operations (\$0.8 million), WPCRF (\$1.3 million) and DWRP (\$1.0 million). One of the major factors for the increase in income was the increasing average annual interest rates for COLOTRUST, which were 4.88%, 3.12% and 1.28% respectively, for 2006, 2005 and 2004.

The WPCRF interest on investments increased \$1.3 million in 2005, and was the major factor in the \$1.6 million total increase in interest on investments for 2005. Although the Water Operations Fund restricted assets decreased by \$116.2 million in 2006 and increased \$64.9 million in 2005, the earnings on the investments in the SWRP and WRBP are recorded as accounts payable-borrowers, as explained in the following Water Operations Fund section, and therefore, do not affect interest on investments.

Interest on loans totaled \$38.2 million, \$31.9 million, and \$25.7 million for 2006, 2005, and 2004, respectively. The increases in both 2006 and 2005 were largely the result of the new loans executed in the WRBP in the Water Operations Fund in 2004 (\$162.9 million) and 2005 (\$194.4 million). In the years subsequent to the year of execution, these loans produced a full year's interest income.

As shown in the Water Operations Fund section below, interest on loans increased \$4.4 million in 2006 and in 2005 that interest increased by \$6.3 million. The WPCRF and DWRP sections discussed below, both show increases to interest on loans; however, those increases are significantly less than the effect of the WRBP loans.

Total outstanding bonds payable (at par) were \$1.10 billion, \$1.06 billion, and \$845.3 million, at December 31, 2006, 2005, and 2004, respectively. The increases in outstanding debt resulted in the corresponding rise in bond interest expense to \$51.8 million, \$44.3 million, and \$38.4 million, for those years, respectively. Like interest on loans discussed above, the bonds issued to fund the WRBP loans result in similar increases in interest on bonds.

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Total Enterprise Funds (2006 - 2005)				Schedule 5A
Summary of Changes in Fund Net Assets as of December 31				
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>Pct Chg</u>
Operating revenues:				
Interest on investments	\$ 20,175,434	\$ 17,060,365	\$ 3,115,069	18.3%
Interest on loans	38,207,397	31,914,844	6,292,553	19.7%
Administrative fee and other income	7,205,852	6,713,776	492,076	7.3%
EPA grants	3,271,788	3,242,616	29,172	0.9%
Total operating revenues	<u>68,860,471</u>	<u>58,931,601</u>	<u>9,928,870</u>	16.8%
Operating expenses:				
Interest on bonds	51,764,073	44,260,282	7,503,791	17.0%
Grant administration	2,397,033	2,429,438	(32,405)	(1.3%)
General, administrative, and other expenses	2,284,712	1,320,597	964,115	73.0%
EPA set asides	2,417,598	2,370,844	46,754	2.0%
Total operating expenses	<u>58,863,416</u>	<u>50,381,161</u>	<u>8,482,255</u>	16.8%
Operating income	9,997,055	8,550,440	1,446,615	16.9%
EPA capitalization grants	12,502,130	17,926,356	(5,424,226)	(30.3%)
Change in net assets	22,499,185	26,476,796	(3,977,611)	(15.0%)
Net assets – beginning of year	419,950,026	393,473,230	26,476,796	6.7%
Net assets – end of year	<u>\$ 442,449,211</u>	<u>\$ 419,950,026</u>	<u>\$ 22,499,185</u>	5.4%

Total Enterprise Funds (2005 - 2004)				Schedule 5B
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	\$ 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>	17.6%
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>	16.2%
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	26,476,796	30,386,891	(3,910,095)	(12.9%)
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>	6.7%

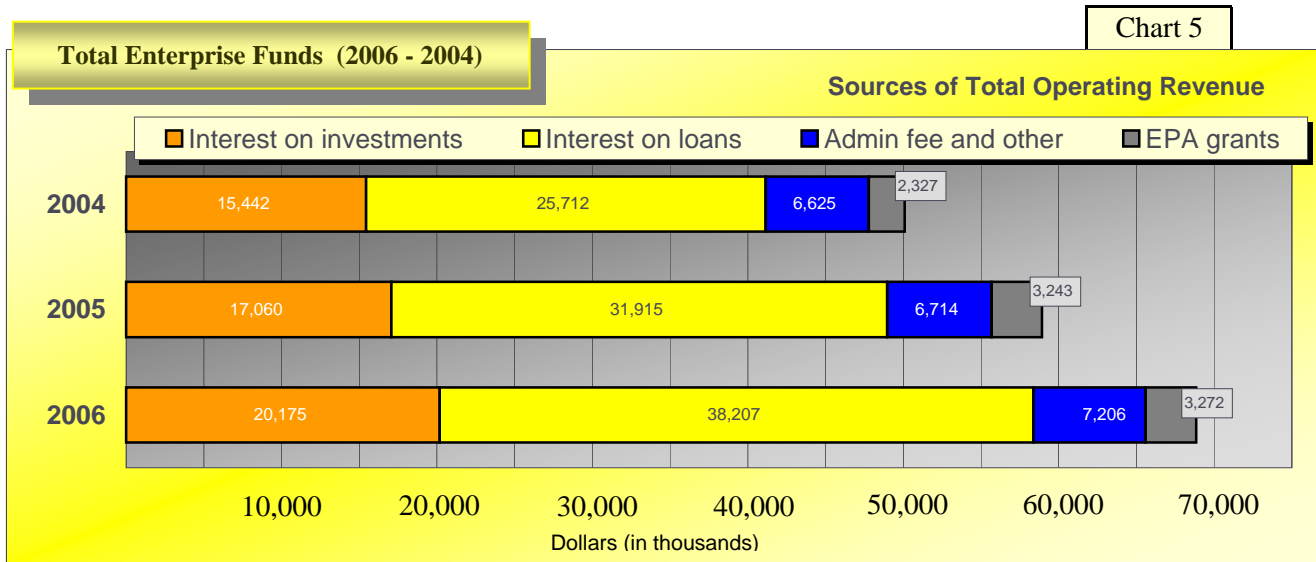
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Interest expense in the Water Operations Fund (WRBP bonds) increased \$4.6 million in 2006 and \$7.1 million in 2005. The \$5.9 million increase in interest on bonds in 2005 for all enterprise funds was limited by the three WPCRF and one DWRF advance 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 increase in interest on investments and in interest on loans in 2006 and 2005. 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.



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EPA capitalization grants totaled \$12.5 million, \$17.9 million, and \$23.6 million, for 2006, 2005, and 2004, 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. Since no DWRF grant-funded loans were executed in 2005 or 2004, total capitalization grant revenue decreased in 2006 and 2005, accordingly. The Water Operations Fund loans are not subsidized by EPA capitalization grants. Capitalization grant revenue contributed 55.6%, 67.7%, and 77.8% of the total change in net assets for 2006, 2005, and 2004, respectively.

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 2006 and 2005.

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Water Operations Fund

The Summary of Net Assets (Schedule 2) for the Water Operations Fund reflects the noncurrent loans receivable and bonds payable decrease of \$12.4 million (2.7%) and \$12.5 (2.7%), respectively. No bonds were issued, other than the 2006 refunding bonds, or loans executed in this fund during 2006. However, both loan interest income and bond interest expense, shown below, increased 24.6% and 25.6%, respectively. These increases are generated by the WRBP bonds issued (\$194.4 million) and loans executed (\$194.4 million) in 2005.

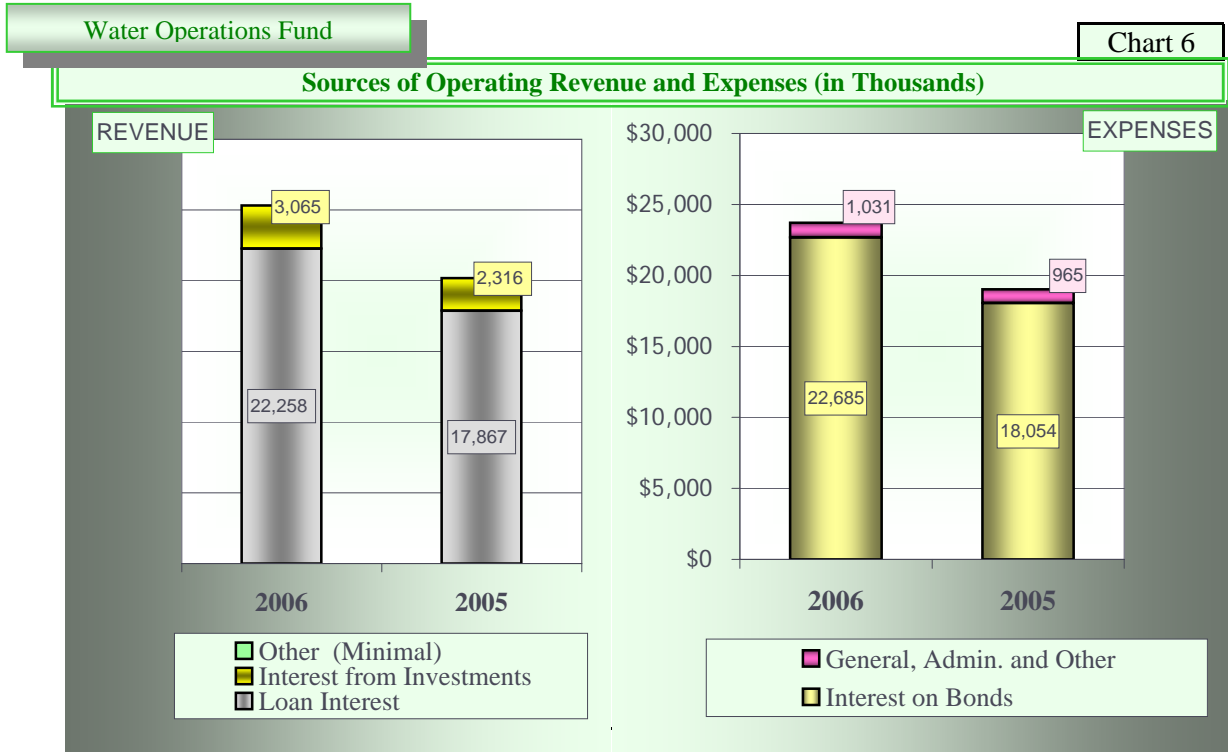
During 2006 these loans and bonds were outstanding for the entire year. The largest source of investment income in the Water Operations Fund is generated by the \$55.5 million investment in the pool managed by the Colorado State Treasurer. During 2006, the average interest rate on this pool increased by 0.9% contributing to the net \$0.7 million increase in interest on investments.

Water Operations Fund	Schedule 6			
Summary of Changes in Fund Net Assets as of December 31				
	2006	2005	Change	Pct Chg
Operating revenues:				
Interest on investments	\$ 3,064,960	\$ 2,315,711	\$ 749,249	32.4%
Interest on loans	22,258,478	17,866,572	4,391,906	24.6%
Other income	820	371	449	121.0%
Total operating revenues	<u>25,324,258</u>	<u>20,182,654</u>	<u>5,141,604</u>	<u>25.5%</u>
Operating expenses:				
Interest on bonds	22,684,637	18,053,914	4,630,723	25.6%
General, administrative, and other expenses	1,031,323	965,673	65,650	6.8%
Total operating expenses	<u>23,715,960</u>	<u>19,019,587</u>	<u>4,696,373</u>	<u>24.7%</u>
Operating income	<u>1,608,298</u>	<u>1,163,067</u>	<u>445,231</u>	<u>38.3%</u>
Change in net assets	1,608,298	1,163,067	445,231	38.3%
Net assets – beginning of year	85,604,071	84,441,004	1,163,067	1.4%
Net assets – end of year	<u>\$ 87,212,369</u>	<u>\$ 85,604,071</u>	<u>\$ 1,608,298</u>	<u>1.9%</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.

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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 32.4% and loan interest income increased by 24.6% in 2006. General, administrative and other expenses increased 6.8%, the increase is a combination of annual inflationary type costs and the portion of costs allocated to other funds. Operating income for 2006 increased \$0.4 million (38.3%) due to rising interest rates on unrestricted investments. The average interest rate earned on funds invested with the State Treasurer increased 0.9%, while the COLOTRUST rate increased 1.7%.

The Animas-La Plata account 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 2006, only \$0.2 million in investment income earned on the escrow account affected the changes in fund net assets. Payments of \$1.5 million to the Bureau were recorded as additions to water depletion rights on the Statement of Net Assets in the basic financial statements.

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Water Pollution Control Fund

Interest on loans increased \$1.4 million (14.2%) in 2006. Loans executed in 2001 and 2005 contributed to this net increase. Two loans funded in 2001 paid no interest in 2005, because additional interest credits, generated in borrower project accounts offset the loan interest. In 2006, those loans generated over \$0.8 million in interest. The \$58.7 million in leveraged loans executed in 2005, outstanding throughout 2006, produced \$0.7 million in additional loan interest. Bond interest expense increased \$2.4 million in 2006 for reasons similar to the loan interest decrease. In 2005, bonds totaling \$57.4 million were issued and were outstanding throughout 2006. These bonds added \$1.3 million to the total increase, and 2006 bonds issued totaling \$37.5 million added \$0.7 million.

Interest on investments increased \$1.3 million (11.9%) in 2006. The 2006 and 2005 year-end balances in cash and equivalents (COLOTRUST) were nearly the same; however, the average annual COLOTRUST interest rate increased from 3.1% to 4.9%, resulting in \$0.7 million additional interest income for 2006. Although restricted assets decreased \$6.5 million in 2006, other investments added a net additional \$0.6 million to interest income. Interest on investments relating to the 2006 and 2005 leveraged loan/bond account produced that net increase.

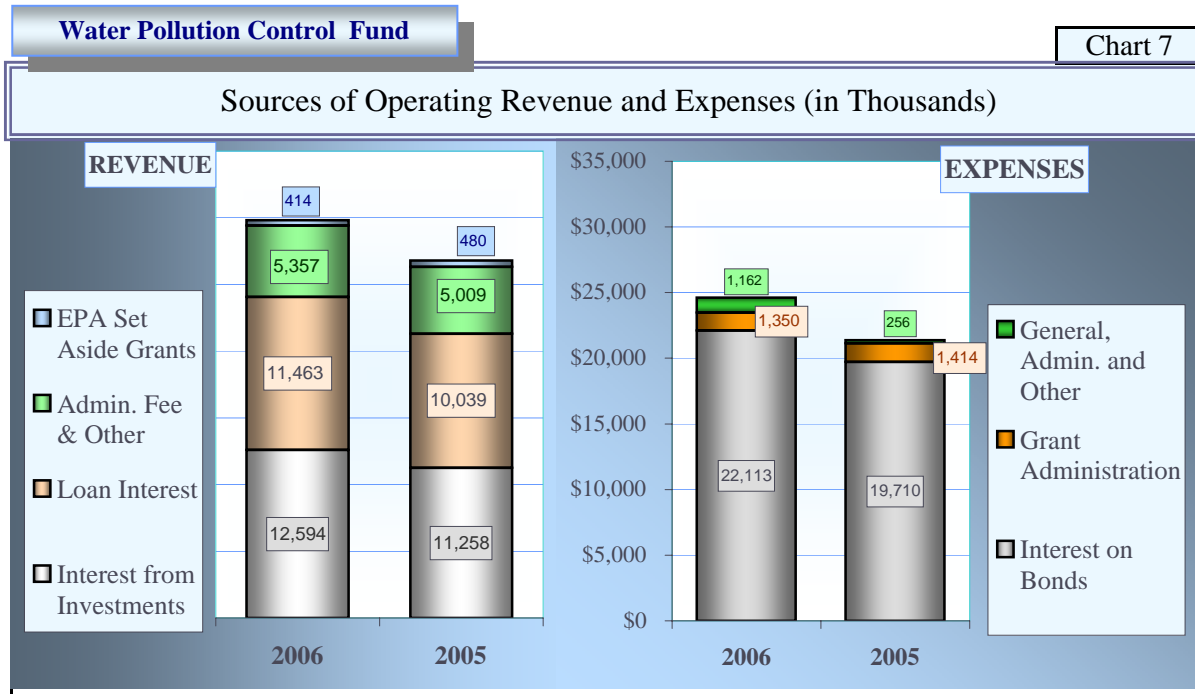
Water Pollution Control Fund				Schedule 7
Summary of Changes in Fund Net Assets as of December 31				
	2006	2005	Change	Pct Chg
Operating revenues:				
Interest on investments	\$ 12,593,698	\$ 11,257,578	\$ 1,336,120	11.9%
Interest on loans	11,462,880	10,039,246	1,423,634	14.2%
Administrative fee and other income	5,356,786	5,009,281	347,505	6.9%
EPA grants-administrative	414,411	479,744	(65,333)	(13.6%)
Total operating revenues	<u>29,827,775</u>	<u>26,785,849</u>	<u>3,041,926</u>	11.4%
Operating expenses:				
Interest on bonds	22,113,311	19,709,705	2,403,606	12.2%
Grant administration	1,350,070	1,413,551	(63,481)	(4.5%)
General, administrative, and other expenses	1,161,996	256,281	905,715	353.4%
Total operating expenses	<u>24,625,377</u>	<u>21,379,537</u>	<u>3,245,840</u>	15.2%
Operating income	5,202,398	5,406,312	(203,914)	(3.8%)
EPA capitalization grants	8,878,874	13,711,063	(4,832,189)	(35.2%)
Change in net assets	14,081,272	19,117,375	(5,036,103)	(26.3%)
Net assets – beginning of year	225,838,251	206,720,876	19,117,375	9.2%
Net assets – end of year	<u>\$ 239,919,523</u>	<u>\$ 225,838,251</u>	<u>\$ 14,081,272</u>	6.2%

**COLORADO WATER RESOURCES
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Chart 7 shows the components of operating income and expenses in a comparative format. As discussed above, loan interest income increased \$1.4 million and bond interest expense increased \$2.4 million, while investment income increased \$1.3 million. Loan administrative fee income, which is computed based upon the original loan balances, increased 6.9%, due to the addition of the 2006 loans. Interest on investments plus interest on loans comprised 80.7% of operating income in 2006 and 79.5% in 2005. Bond interest expense contributed 89.8% and 92.2% to operating expense in 2006 and 2005, respectively.

The cost to administer the WPCRF for 2006 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 (\$0.6 million), and the Division of Local Government of the Colorado Department of Local Affairs (\$0.1 million). These agencies of the State provide environmental, technical, 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 \$8.9 million, including \$1.0 million accrued at year-end, and is consistent with project draws totaling over \$31.5 million from grant funded loans. The \$4.8 million decrease is the net result of a \$4.5 million decrease in project draws and a \$2.4 million decrease in accrued grant funds for 2006.

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Drinking Water Fund

In 2006, interest on investments increased \$1.0 million (29.5%). Although the cash and equivalent (COLOTRUST) balances decreased by \$1.4 million in 2006, as discussed above the average annual interest rate increased by 1.8%, which added \$0.6 million to interest on investments. Restricted assets increased \$51.5 million in 2006 due to the investment of proceeds from bonds issued during 2006. These proceeds invested in repurchase agreement added \$0.6 million to interest on investments.

Interest on loans increased \$0.5 million (11.9%) in 2006. Loans executed in 2002 and 2006 contributed to this net increase. During 2005, two loans executed in 2002 received additional interest credits, generated in borrower project accounts, but paid scheduled loan interest amounts in 2006. Interest on these two loans increased by \$0.3 million in 2006. In 2006, six leveraged loans totaling \$54.3 million were executed and for the portion of the year the loans were outstanding \$0.3 million was added to interest on loans.

Drinking Water Fund				Schedule 8
Summary of Changes in Fund Net Assets as of December 31				
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>Pct Chg</u>
Operating revenues:				
Interest on investments	\$ 4,516,776	\$ 3,487,076	\$ 1,029,700	29.5%
Interest on loans	4,486,039	4,009,026	477,013	11.9%
Administrative fee and other income	1,848,246	1,704,124	144,122	8.5%
EPA grants	2,857,377	2,762,872	94,505	3.4%
Total operating revenues	<u>13,708,438</u>	<u>11,963,098</u>	<u>1,745,340</u>	14.6%
Operating expenses:				
Interest on bonds	6,966,125	6,496,663	469,462	7.2%
Grant administration	1,046,963	1,015,887	31,076	3.1%
General, administrative, and other expenses	91,393	98,643	(7,250)	(7.3%)
EPA set asides	2,417,598	2,370,844	46,754	2.0%
Total operating expenses	<u>10,522,079</u>	<u>9,982,037</u>	<u>540,042</u>	5.4%
Operating income	3,186,359	1,981,061	1,205,298	60.8%
EPA capitalization grants	3,623,256	4,215,293	(592,037)	(14.0%)
Change in net assets	6,809,615	6,196,354	613,261	9.9%
Net assets – beginning of year	108,507,704	102,311,350	6,196,354	6.1%
Net assets – end of year	<u>\$ 115,317,319</u>	<u>\$ 108,507,704</u>	<u>\$ 6,809,615</u>	6.3%

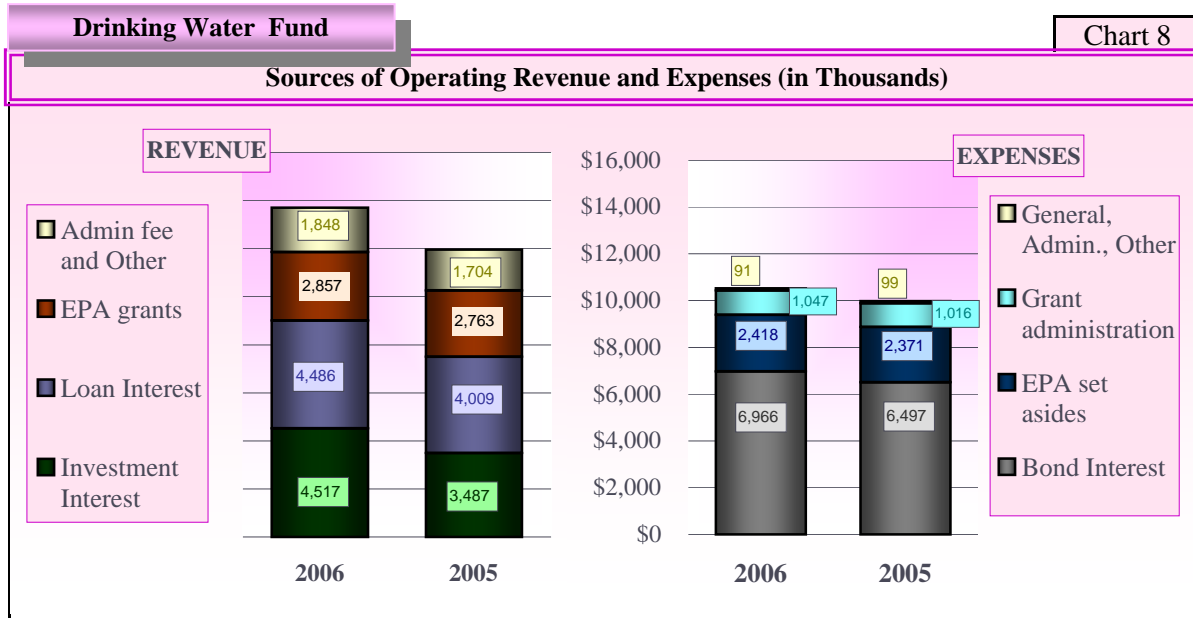
No DWRF bonds were issued in 2005, however, \$49.3 million were issued in 2006. For the portion of the 2006 that these bonds were outstanding, \$0.6 million was added to bond interest expense. The interest on these new bonds produced the net \$0.5 million (7.2%) increase in interest on bonds for 2006.

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Please refer to the notes to the basic financial statements for an explanation of the set aside programs funded by the DWRP. 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. The set aside activity between 2006 and 2005 was relatively constant, with only a 2% increase in expenditures.

The cost to administer the DWRP for 2006 was \$1.0 million that included a 3.1% increase from 2005. 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 DWRP.



EPA capitalization grant revenues decreased \$0.6 million (14.0%) in 2006. 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 \$11.2 million in 2005 to \$6.5 million in 2006. The decrease in EPA capitalization grant revenue was the net effect of the \$4.7 million decrease in project requisitions of grant funded loans and a \$0.9 million increase in accrued grant revenue.

Chart 8 shows the components of operating income and expenses in a comparative format. Interest on investments plus interest on loans comprised 65.7% of operating income in 2006 and 62.7% in 2005. While bond interest expense contributed 66.2% and 65.1% to operating expense in 2006 and 2005, respectively.

**COLORADO WATER RESOURCES
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Economic Factors

The demand for financing water and wastewater infrastructure projects is not significantly affected by general economic conditions. The primary factors that affect 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.
- The need to replace aging infrastructure
- 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.

The Authority plans to continue subsidizing loan interest rates for borrowers in both the WPCRF and DWRF in 2007. As of December 31, 2006, out of the total amount of EPA capitalization grant funds awarded to the DWRF through 2006, \$5.8 million remains unobligated and available for loans. As of December 31, 2006, out of the total amount of EPA capitalization grant funds awarded to the WPCRF through 2006, \$1.3 million remains unobligated and available for loans.

Congress has appropriated funds for the 2007 EPA capitalization grants and the Authority submitted an application to the EPA for the WPCRF capitalization grant in March 2007. The expected grant award is approximately \$8.5 million. The Authority is in the process of submitting an application for the 2007 DWRF capitalization grant and the loan portion of the grant is expected to be approximately \$10.3 million. Estimated reloan funds of \$25.5 million and \$12.3 million for WPCRF and DWRF, respectively, will be available to augment the EPA grant funds for loans in 2007.

During 2005 and 2006, disadvantaged community (DC) loan programs were implemented in the DWRF and WPCRF programs. These programs are explained in note 1 in the basic financial statements. Both revolving fund programs strongly support assistance to small communities. By the end of 2006, 21 DC loans had been executed, 12 in the DWRF and nine in the WPCRF with original principal amounts of \$6.5 million and \$7.2 million, respectively. Of the 21 loans, 15 contain zero percent interest rates, and six contain reduced rates. Administrative fees are not assessed on zero percent loans. The foregone loan interest and administrative fees reduce the funds available for new loans and to pay administrative expenses; however, the financial impact to the programs is currently deemed acceptable in light of the benefits to the disadvantaged communities.

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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

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Basic Financial Statements

Colorado Water Resources and Power Development Authority

Statement of Net Assets December 31, 2006

	Water Operations	Water Pollution Control	Drinking Water	Totals
Assets				
Current Assets				
Cash and cash equivalents	\$ 56,624,499	\$ 16,989,483	\$ 16,521,062	\$ 90,135,044
Federal grants receivable	—	958,949	1,375,797	2,334,746
Investment income receivable	249,955	562,129	342,950	1,155,034
Loans receivable	14,077,060	28,966,305	11,278,414	54,321,779
Due from other funds	1,013,587	—	—	1,013,587
Accounts receivable – borrowers	5,761,925	5,756,590	1,787,594	13,306,109
Other assets	88,749	—	—	88,749
Restricted assets				
Cash and cash equivalents	86,951,812	11,984,513	11,301,341	110,237,666
Investments	27,554,808	69,392,145	48,135,922	145,082,875
Investment income receivable	781,727	1,342,150	692,988	2,816,865
Total current assets	<u>193,104,122</u>	<u>135,952,264</u>	<u>91,436,068</u>	<u>420,492,454</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	15,939,804	7,601,059	839,000	24,379,863
Investments	775,000	171,636,606	55,390,024	227,801,630
Investment income receivable	15,011	2,955,409	655,581	3,626,001
Advance receivable	5,369,103	—	—	5,369,103
Loans receivable	450,995,833	475,405,287	210,273,255	1,136,674,375
Water depletion rights – Animas-La Plata	5,133,853	—	—	5,133,853
Capital assets – equipment, net of accumulated depreciation of \$141,738	13,251	5,090	5,090	23,431
Other assets	6,211,035	—	—	6,211,035
Total noncurrent assets	<u>484,452,890</u>	<u>657,603,451</u>	<u>267,162,950</u>	<u>1,409,219,291</u>
Total assets	<u>677,557,012</u>	<u>793,555,715</u>	<u>358,599,018</u>	<u>1,829,711,745</u>
Liabilities				
Current Liabilities				
Project costs payable – direct loans	—	5,561,412	6,538,430	12,099,842
Project costs payable – leveraged loans	101,435,711	58,362,969	45,482,784	205,281,464
Bonds payable	12,620,000	26,465,000	9,145,000	48,230,000
Accrued interest payable	5,802,659	7,308,228	2,502,755	15,613,642
Accounts payable – borrowers	9,316,673	—	—	9,316,673
Accounts payable – other	1,090,298	97,590	124,524	1,312,412
Due to other funds	—	318,603	694,984	1,013,587
Other liabilities	384,480	917,000	435,000	1,736,480
Total current liabilities	<u>130,649,821</u>	<u>99,030,802</u>	<u>64,923,477</u>	<u>294,604,100</u>
Noncurrent Liabilities				
Project costs payable – direct loans	—	1,830,808	839,000	2,669,808
Project costs payable – leveraged loans	4,370,186	14,338,000	4,035,000	22,743,186
Bonds payable, net	452,006,646	428,516,156	172,149,607	1,052,672,409
Advance payable	—	5,369,103	—	5,369,103
Debt service reserve deposit	1,861,513	—	—	1,861,513
Deferred revenue	—	682,890	103,083	785,973
Other liabilities	1,456,477	3,868,433	1,231,532	6,556,442
Total noncurrent liabilities	<u>459,694,822</u>	<u>454,605,390</u>	<u>178,358,222</u>	<u>1,092,658,434</u>
Total liabilities	<u>590,344,643</u>	<u>553,636,192</u>	<u>243,281,699</u>	<u>1,387,262,534</u>
Fund Net Assets				
Invested in capital assets	13,251	5,090	5,090	23,431
Restricted	23,953,490	239,914,433	109,058,934	372,926,857
Unrestricted	63,245,628	—	6,253,295	69,498,923
Total fund net assets	<u>\$ 87,212,369</u>	<u>\$ 239,919,523</u>	<u>\$ 115,317,319</u>	<u>\$ 442,449,211</u>

Colorado Water Resources and Power Development Authority

Statement of Net Assets

December 31, 2005

	Water Operations	Water Pollution Control	Drinking Water	Totals
Assets				
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	12,744,428	26,295,615	8,378,988	47,419,031
Due from other funds	658,361	—	—	658,361
Accounts receivable – borrowers	5,124,383	5,114,385	1,466,481	11,705,249
Other assets	5,557	—	—	5,557
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				
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>

Colorado Water Resources and Power Development Authority

Statement of Revenues, Expenses and Changes in Fund Net Assets Year Ended December 31, 2006

	Water Operations	Water Pollution Control	Drinking Water	Totals
Operating Revenues				
Interest on loans	\$ 22,258,478	\$ 11,462,880	\$ 4,486,039	\$ 38,207,397
Interest on investments	3,064,960	12,593,698	4,516,776	20,175,434
Surcharge from borrowers	—	43,201	—	43,201
Administrative fee	—	5,215,015	1,836,567	7,051,582
EPA grants	—	414,411	2,857,377	3,271,788
Other	820	98,570	11,679	111,069
Total operating revenues	<u>25,324,258</u>	<u>29,827,775</u>	<u>13,708,438</u>	<u>68,860,471</u>
Operating Expenses				
Interest on bonds	22,684,637	22,113,311	6,966,125	51,764,073
Grant administration	—	1,350,070	1,046,963	2,397,033
Project expenses	354,172	—	—	354,172
General and administrative	677,151	3,393	3,393	683,937
EPA set asides	—	—	2,417,598	2,417,598
Other	—	1,158,603	88,000	1,246,603
Total operating expenses	<u>23,715,960</u>	<u>24,625,377</u>	<u>10,522,079</u>	<u>58,863,416</u>
Operating income	1,608,298	5,202,398	3,186,359	9,997,055
Nonoperating Revenues – EPA Capitalization Grants	<u>—</u>	<u>8,878,874</u>	<u>3,623,256</u>	<u>12,502,130</u>
Change in fund net assets	1,608,298	14,081,272	6,809,615	22,499,185
Fund Net Assets, Beginning of Year	<u>85,604,071</u>	<u>225,838,251</u>	<u>108,507,704</u>	<u>419,950,026</u>
Fund Net Assets, End of Year	<u>\$ 87,212,369</u>	<u>\$ 239,919,523</u>	<u>\$ 115,317,319</u>	<u>\$ 442,449,211</u>

Colorado Water Resources and Power Development Authority

Statement of Revenues, Expenses and Changes in Fund Net Assets Year Ended December 31, 2005

	Water Operations	Water Pollution Control	Drinking Water	Totals
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
Nonoperating Revenues – EPA Capitalization Grants	<u>—</u>	<u>13,711,063</u>	<u>4,215,293</u>	<u>17,926,356</u>
Change in fund net assets	1,163,067	19,117,375	6,196,354	26,476,796
Fund Net Assets, Beginning of Year	<u>84,441,004</u>	<u>206,720,876</u>	<u>102,311,350</u>	<u>393,473,230</u>
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>

Colorado Water Resources and Power Development Authority

Statement of Cash Flows Year Ended December 31, 2006

	Water Operations	Water Pollution Control	Drinking Water	Totals
Cash Flows From Operating Activities				
Loan administrative fees received	\$ —	\$ 5,096,864	\$ 1,743,273	\$ 6,840,137
Federal funds received	—	467,664	2,633,754	3,101,418
Cash payments for salaries and related benefits	(464,026)	(379,850)	(263,609)	(1,107,485)
Cash payments to other state agencies for services	—	(696,327)	(517,570)	(1,213,897)
Cash payments to vendors	(535,739)	(418,300)	(2,477,215)	(3,431,254)
Net cash provided by (used in) operating activities	(999,765)	4,070,051	1,118,633	4,188,919
Cash Flows From Noncapital Financing Activities				
Proceeds from the sale of bonds	14,724,998	38,137,443	50,382,472	103,244,913
Deposits to refunding bond escrow accounts	(14,420,135)	—	—	(14,420,135)
Deposits for option to purchase water depletion rights	4,070	—	—	4,070
Federal funds received	—	11,235,410	2,749,581	13,984,991
Principal paid on bonds	(12,010,000)	(25,355,000)	(6,630,000)	(43,995,000)
Interest paid on bonds	(21,654,892)	(21,993,406)	(6,637,187)	(50,285,485)
Cash payment for bond issuance costs	(227,917)	(326,200)	(379,502)	(933,619)
Net cash provided by (used in) noncapital financing activities	(33,583,876)	1,698,247	39,485,364	7,599,735
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	(5,758)	—	—	(5,758)
Cash Flows From Investing Activities				
Proceeds from sales or maturities of investments	90,025,696	64,390,731	8,132,285	162,548,712
Interest received on investments	8,467,193	14,039,972	4,558,557	27,065,722
Interest received on loans	21,620,936	10,904,376	4,251,638	36,776,950
Principal repayments from localities on loans	11,767,083	26,328,008	8,414,528	46,509,619
Cash received from (paid to) other accounts	2,604,920	(2,604,920)	—	—
Purchase of investments	(46,686,792)	(56,798,367)	(57,624,580)	(161,109,739)
Investment in water rights	(1,500,262)	—	—	(1,500,262)
Cash disbursed to localities for loans	(119,077,438)	(61,198,734)	(9,693,637)	(189,969,809)
Cash payment for arbitrage rebate	—	(867,126)	—	(867,126)
Cash payments of interest to borrowers	(208,131)	—	—	(208,131)
Net cash used in investing activities	(32,986,795)	(5,806,060)	(41,961,209)	(80,754,064)
Net decrease in cash and cash equivalents	(67,576,194)	(37,762)	(1,357,212)	(68,971,168)
Cash and Cash Equivalents, Beginning of Year	<u>227,092,309</u>	<u>36,612,817</u>	<u>30,018,615</u>	<u>293,723,741</u>
Cash and Cash Equivalents, End of Year	<u>\$ 159,516,115</u>	<u>\$ 36,575,055</u>	<u>\$ 28,661,403</u>	<u>\$ 224,752,573</u>

(continued)

**Colorado Water Resources
and Power Development Authority**
Statement of Cash Flows (continued)
Year Ended December 31, 2006

	Water Operations	Water Pollution Control	Drinking Water	Totals
Reconciliation of Operating Income to Net Cash Provided By (Used in) Operating Activities				
Operating income	\$ 1,608,298	\$ 5,202,398	\$ 3,186,359	\$ 9,997,055
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation expense	5,954	3,393	3,393	12,740
Accrued sick leave expense	7,301	—	—	7,301
Interest on bonds	22,684,637	22,113,311	6,966,125	51,764,073
Cost of issuance proceeds	—	(98,570)	(11,679)	(110,249)
Interest on loans	(22,258,478)	(11,462,880)	(4,486,039)	(38,207,397)
Interest on investments	(3,064,529)	(12,593,698)	(4,516,776)	(20,175,003)
Put fees on Treasury bonds	—	49,985	—	49,985
Loan principal forgiven	—	970,807	—	970,807
Amortization of deferred revenue	—	(56,509)	(6,580)	(63,089)
Change in assets and liabilities				
Increase in due from other funds	(287,570)	—	—	(287,570)
Increase in accounts receivable – borrowers	—	(104,843)	(86,713)	(191,556)
(Increase) decrease in other receivables	(18,609)	53,253	(223,623)	(188,979)
Increase in accounts payable – other	323,231	—	—	323,231
Increase (decrease) in due to other funds	—	(6,596)	294,166	287,570
Net cash provided by (used in) operating activities	<u>\$ (999,765)</u>	<u>\$ 4,070,051</u>	<u>\$ 1,118,633</u>	<u>\$ 4,188,919</u>
Noncash Investing Activities				
Loans receivable issued related to projects payable	<u>\$ —</u>	<u>\$ 44,592,498</u>	<u>\$ 56,234,254</u>	<u>\$ 100,826,752</u>

Colorado Water Resources and Power Development Authority

Statement of Cash Flows Year Ended December 31, 2005

	Water Operations	Water Pollution Control	Drinking Water	Totals
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 by (used in) operating activities	(849,535)	4,308,556	1,168,810	4,627,831
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 by (used in) noncapital financing activities	171,337,712	29,230,326	(8,400,258)	192,167,780
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 by (used in) investing activities	(34,592,990)	(42,309,066)	10,773,366	(66,128,690)
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	<u>91,197,122</u>	<u>45,383,001</u>	<u>26,476,697</u>	<u>163,056,820</u>
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>

(continued)

**Colorado Water Resources
and Power Development Authority**
Statement of Cash Flows (Continued)
Year Ended June 30, 2005

	Water Operations	Water Pollution Control	Drinking Water	Totals
Reconciliation of Operating Income to Net Cash Provided By (Used in) 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 by (used in) 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) decrease in accounts receivable – borrowers	—	(160,704)	11,982	(148,722)
(Increase) decrease in other receivables	(1,115)	(7,676)	256,885	248,094
Decrease in accounts payable – other	(41,557)	—	—	(41,557)
Increase (decrease) in due to other funds	—	63,099	(194,735)	(131,636)
Net cash provided by (used in) operating activities	<u>\$ (849,535)</u>	<u>\$ 4,308,556</u>	<u>\$ 1,168,810</u>	<u>\$ 4,627,831</u>
Noncash Investing Activities				
Loans receivable issued related to projects payable	<u>\$ 152,387,108</u>	<u>\$ 334,730</u>	<u>\$ 49,922,722</u>	<u>\$ 202,644,560</u>

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

Note 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 which 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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

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 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.

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 Drinking Water Revolving Fund (DWRF) or the Water Pollution Control Revolving Fund (WPCRF), two other funds administered by the Authority. 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 non-tribal 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. 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 \$1,500,262 and \$165,885 in 2006 and 2005, respectively. These payments are capitalized as Water depletion rights on the Statement of Net Assets.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

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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 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 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. In 2006 and 2005, the Authority paid \$679,750 and \$766,227, respectively, in accordance with the agreement. 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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

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 up to \$2 million for a term of 20 years. This program became effective January 1, 2006. These loans carry a 0% interest rate, if the community's median household income 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 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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

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. In 2006 and 2005, the Authority paid \$2,147,091 and \$2,654,001 in accordance with the agreement, which includes set-asides paid to the Water Quality Control Division of the Colorado Department of Public Health and Environment as discussed below. 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.

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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

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 up to \$2 million for a term of up to 30 years. These loans carry a 0% interest rate, if the community's median household income 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 DWRF loaned State-funded monies directly to local governmental agencies.

**Colorado Water Resources
and Power Development Authority**
Notes to Financial Statements
December 31, 2006 and 2005

Note 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 for all exchange transactions, while those from government-mandated nonexchange transactions (principally federal grants) are recognized when all applicable eligibility requirements are met. 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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

(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.

(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 are recorded as other assets, and are 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. Because the monetary effects of the discounts and premiums are passed through to the borrowers, 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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

(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) or federal grant dollars, within the respective 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.

(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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements December 31, 2006 and 2005

(o) Resource Use

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

(p) Arbitrage Rebate Payable

The Authority accrues a liability for its estimated arbitrage rebate liability due the Federal government. An arbitrage rebate liability is created when, in certain circumstances, the Authority reinvests the proceeds of tax-exempt securities in materially higher yielding taxable securities. The amount the Authority will be required to remit to the Federal government could differ materially from the estimated liability in the near term.

Note 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 102% of 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.

At December 31, 2006 and 2005, the Authority's deposits had a bank balance of \$552,552 and \$424,201 and a carrying amount of \$211,045 and \$124,029, 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, 2006 and 2005.

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. Under the provisions of GASB 40, deposits collateralized under PDPA are not deemed to be exposed to custodial credit risk. Accordingly, only the \$108,124 for 2005 presented below is deemed to be exposed to custodial credit risk.

	2006	2005
Collateralized by bank's single collateral pool for all public entities, but not held in the Authority's name	\$ 452,552	\$ 216,077
Collateralized with securities held by bank's trust department or agent, but not in the Authority's name	—	108,124
Total	\$ 452,552	\$ 324,201

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

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 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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

Credit Risk. Credit risk is the risk than 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 rate 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 other debt guaranteed by the U.S. government are exempt from credit risk disclosure.

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, 2006 and 2005, reflect the rating of the underlying securities held as collateral.

Description	2006				
	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 211,045		X		
Cash held by State Treasurer	60,812,697	N/A		X	See detail below
COLOTRUST PLUS	106,452,166	N/A			AAA
COLOTRUST PRIME	<u>57,276,665</u>	N/A			AAA
Total cash and cash equivalents	<u>224,752,573</u>				
U.S. Treasury Notes – SLGS	14,758,704	N/A	X		
U.S. Treasury Bonds	9,029,428	N/A	X		
Repurchase Agreements – collateralized	<u>349,096,373</u>			X	See detail below
Total investments	<u>372,884,505</u>				
Total cash and invested funds	<u>\$ 597,637,078</u>				

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

2005					
Description	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
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 Repurchase	9,493,041	N/A	X		
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>				

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

Below is a schedule that summarizes the credit quality of the securities held as collateral for the repurchase agreements, as of December 31, 2006 and 2005:

2006			
Collateral Securities			
	Exempt From Disclosure	Custodian Portfolio Percent	NRSRO Rating
U.S. Treasuries and other direct obligations	X	7.6%	
Government agencies		92.3	AAA
Financial Corporation (FDIC)		0.1	AAA
Total		100.0%	

2005			
Collateral Securities			
	Exempt From Disclosure	Custodian Portfolio Percent	NRSRO Rating
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)		0.1	AAA
Total		100.0%	

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

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, 2006 and 2005:

	2006				Portfolio Percent
	Credit Rating of Pool Securities				
	AAA	AA	A	Other	
Asset backed	100.0%				17.0%
Corporates	8.9%	37.6%	53.5%		11.3%
Mortgage Securities	100.0%				2.1%
Commercial paper	18.7%	24.2%	23.7%	33.4% *	26.1%
Treasuries	100.0%				11.9%
Federal agencies	100.0%				26.4%
Certificates of deposit				100.0%	0.9%
Money market funds	100.0%			100.0%	4.3%
Total portfolio	63.3%	10.6%	12.2%	13.9%	100.0%

* The senior debt of the issuers are Ba1 & B1, but the asset backed commercial paper programs are rated A1+, P1

	2005					Portfolio Percent
	Credit Rating of Pool Securities					
	AAA	AA	A	BBB	Other	
Asset backed	100.0%					16.4%
Corporates	8.4%	25.6%	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	100.0%					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 schedules below show repurchase agreements totaling \$349,096,373 and \$346,992,109, as of December 31, 2006 and 2005, respectively, 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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

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 tables below.

The schedules below show that five and four repurchase agreement providers (eligible providers) exceed 5% of total funds invested as of December 31, 2006 and 2005, respectively. 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.

2006			
Investment Type	Fair Value	Exempt From Disclosure	Percent of Total Invested
Cash held by State Treasurer	\$ 60,812,697		10.2%
COLOTRUST PLUS	106,452,166	X	N/A
COLOTRUST PRIME	57,276,665	X	N/A
U.S. Treasury Notes – SLGS	14,758,704	X	N/A
U.S. Treasury Bonds	<u>9,029,428</u>	X	N/A
	<u>248,329,660</u>		
Repurchase Agreements – collateralized			
Trinity Plus Funding Company LLC	87,399,107		14.6%
MBIA Asset Management LLC	30,759,663		5.1%
HSBC Bank USA N.A.	809,351	X	N/A
Westdeutsche Landesbank	1,020,710	X	N/A
Salomon Reinvestment Co./Citigroup Global	49,076,690		8.2%
American International Group	94,931,877		15.9%
FSA Capital Management Services LLC	<u>85,098,975</u>		14.2%
	<u>349,096,373</u>		
Total funds invested	<u>\$ 597,426,033</u>		

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

2005			
Investment Type	Fair Value	Exempt From Disclosure	Percent of Total Invested
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	<u>9,493,041</u>	X	N/A
	<u>321,329,696</u>		
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	<u>142,058,715</u>		21.3%
	<u>346,992,109</u>		
Total funds invested	<u>\$ 668,321,805</u>		

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 Financial Statements

December 31, 2006 and 2005

As of December 31, 2006 and 2005, the Authority had the following investments and maturities.

2006				
Maturity	U.S. Treasury Notes – SLGS	U.S. Treasury Bonds	Repurchase Agreements	Total Investments
2007	\$ 3,453,268	\$ —	\$ 141,629,607	\$ 145,082,875
2008	3,572,453	50,870	24,662,955	28,286,278
2009	3,559,249	402,144	16,468,953	20,430,346
2010	2,489,256	1,623,861	11,639,668	15,752,785
2011	1,047,857	3,164,190	11,944,416	16,156,463
2012-2016	636,621	3,788,363	61,729,755	66,154,739
2017-2021	—	—	51,458,287	51,458,287
2022-2026	—	—	26,334,229	26,334,229
2027-2028	—	—	<u>3,228,503</u>	<u>3,228,503</u>
Total	<u>\$ 14,758,704</u>	<u>\$ 9,029,428</u>	<u>\$ 349,096,373</u>	<u>\$ 372,884,505</u>

2005				
Maturity	U.S. Treasury Notes – SLGS	U.S. Treasury Bonds	Repurchase Agreements	Total Investments
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	—	—	<u>2,746,991</u>	<u>2,746,991</u>
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 2007, 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.

Colorado Water Resources and Power Development Authority

Notes to Financial Statements December 31, 2006 and 2005

As previously discussed, the Authority had \$60,812,697 and \$67,124,830 as of December 31, 2006 and 2005, respectively, invested in the pool maintained by the State Treasurer, and that pool had an average maturity of 15.4 months as of December 31, 2006 and 2005. The Authority's investment represents approximately 1.3% and 1.6% of the total pool as of December 31, 2006 and 2005, respectively.

Note 4: Loans Receivable

The following is an analysis of changes in loans receivable for the years ended December 31, 2006 and 2005:

	<u>Balance January 1, 2006</u>	<u>New Loans</u>	<u>Repayments/ Loans Canceled</u>	<u>Balance December 31, 2006</u>
Water Operations Fund				
Small Water				
Resources Program	\$ 102,497,916	\$ —	\$ 5,812,083	\$ 96,685,833
Water Revenue Bond				
Program	372,525,000	—	5,955,000	366,570,000
Interim loans	1,099,845	717,215	—	1,817,060
Water Pollution				
Control Fund				
Direct loans	13,627,056	12,808,699	1,056,918	25,378,837
Leveraged loans	465,560,415	39,674,238	26,241,898	478,992,755
Drinking Water Fund				
Direct loans	15,460,363	9,997,722	903,806	24,554,279
Leveraged loans	<u>150,210,971</u>	<u>54,327,241</u>	<u>7,540,822</u>	<u>196,997,390</u>
	1,120,981,566	<u>\$ 117,525,115</u>	<u>\$ 47,510,527</u>	1,190,996,154
Less current portion	<u>47,419,031</u>			<u>54,321,779</u>
Noncurrent portion	<u>\$ 1,073,562,535</u>			<u>\$ 1,136,674,375</u>

Colorado Water Resources and Power Development Authority

Notes to Financial Statements December 31, 2006 and 2005

	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	<u>157,213,274</u>	<u>—</u>	<u>7,002,303</u>	<u>150,210,971</u>
	903,996,807	<u>\$ 259,007,566</u>	<u>\$ 42,022,807</u>	1,120,981,566
Less current portion	<u>38,957,414</u>			<u>47,419,031</u>
Noncurrent portion	<u>\$ 865,039,393</u>			<u>\$ 1,073,562,535</u>

Scheduled maturities of the loans receivable are as follows as of December 31, 2006:

	Water Operations		WPCRF		DWRP		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 14,077,060	\$ 21,830,023	\$ 28,966,305	\$ 12,084,272	\$ 11,278,414	\$ 4,701,155	\$ 54,321,779	\$ 38,615,450
2008	12,877,500	21,326,618	29,771,760	12,616,458	11,197,997	5,131,802	53,847,257	39,074,878
2009	12,959,167	20,718,287	31,151,010	11,965,215	11,587,096	4,980,040	55,697,273	37,663,542
2010	14,915,834	20,108,182	31,725,790	11,214,895	12,591,953	4,710,511	59,233,577	36,033,588
2011	17,268,333	19,452,832	32,308,885	10,383,296	13,662,488	4,402,917	63,239,706	34,239,045
2012-2016	85,565,834	85,348,414	140,623,653	39,226,402	71,051,227	16,680,598	297,240,714	141,255,414
2017-2021	74,620,000	66,373,976	128,566,388	20,499,200	57,357,461	7,605,402	260,543,849	94,478,578
2022-2026	59,854,165	49,411,550	77,449,819	6,107,451	28,131,136	1,831,799	165,435,120	57,350,800
2027-2031	53,980,000	37,039,994	3,807,982	97,848	3,851,795	85,507	61,639,777	37,223,349
2032-2036	82,855,000	20,823,725	—	—	835,852	3,568	83,690,852	20,827,293
2037-2041	24,435,000	7,041,825	—	—	6,250	2,858	24,441,250	7,044,683
2042-2043	<u>11,665,000</u>	<u>926,362</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,665,000</u>	<u>926,362</u>
Total	<u>\$ 465,072,893</u>	<u>\$ 370,401,788</u>	<u>\$ 504,371,592</u>	<u>\$ 124,195,037</u>	<u>\$ 221,551,669</u>	<u>\$ 50,136,157</u>	<u>\$ 1,190,996,154</u>	<u>\$ 544,732,982</u>

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

The Water Operations Fund – Small Water Resources Program loans receivable have interest rates of 3.96% to 7.19% and have scheduled final maturity dates of 2008 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 to 2043.

Colorado Water Resources and Power Development Authority

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December 31, 2006 and 2005

The WPCRF direct loans receivable have interest rates of 0.00% to 5.17% and have maturity dates of 2010 to 2027. 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 0.00% to 4.50% and have scheduled final maturity dates of 2012 to 2037. The Drinking Water Fund leveraged loans receivable have interest rates of 3.03% to 4.60% and have scheduled final maturity dates of 2014 to 2028.

Note 5: Noncurrent Liabilities

Other than Bonds

Noncurrent liability activity, other than bonds, for the year ended December 31, 2006, was as follows:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Current Portion
Water Operations					
Project costs payable – leveraged loans	\$ 223,918,878	\$ —	\$ 118,112,981	\$ 105,805,897	\$ 101,435,711
Debt service reserve deposit	1,861,513	—	—	1,861,513	—
Other liabilities	<u>1,820,649</u>	<u>20,921</u>	<u>613</u>	<u>1,840,957</u>	<u>384,480</u>
Total water operations	<u>\$ 227,601,040</u>	<u>\$ 20,921</u>	<u>\$ 118,113,594</u>	<u>\$ 109,508,367</u>	<u>\$ 101,820,191</u>
Water Pollution Control					
Project costs payable – direct loans	\$ 691,700	\$ 12,808,699	\$ 6,108,179	\$ 7,392,220	\$ 5,561,412
Project costs payable – leveraged loans	87,891,524	39,900,000	55,090,555	72,700,969	58,362,969
Advance payable	7,974,023	1,395,080	4,000,000	5,369,103	—
Deferred revenue	760,542	—	77,652	682,890	—
Other liabilities	<u>4,390,735</u>	<u>1,598,770</u>	<u>1,204,072</u>	<u>4,785,433</u>	<u>917,000</u>
Total water pollution control	<u>\$ 101,708,524</u>	<u>\$ 55,702,549</u>	<u>\$ 66,480,458</u>	<u>\$ 90,930,615</u>	<u>\$ 64,841,381</u>
Drinking Water					
Project costs payable – direct loans	\$ 603,674	\$ 9,997,722	\$ 3,223,966	\$ 7,377,430	\$ 6,538,430
Project costs payable – leveraged loans	1,142,556	54,875,000	6,499,772	49,517,784	45,482,784
Deferred revenue	109,663	—	6,580	103,083	—
Other liabilities	<u>1,080,566</u>	<u>734,890</u>	<u>148,924</u>	<u>1,666,532</u>	<u>435,000</u>
Total drinking water	<u>\$ 2,936,459</u>	<u>\$ 65,607,612</u>	<u>\$ 9,879,242</u>	<u>\$ 58,664,829</u>	<u>\$ 52,456,214</u>
Total Enterprise Funds					
Project costs payable – direct loans	\$ 1,295,374	\$ 22,806,421	\$ 9,332,145	\$ 14,769,650	\$ 12,099,842
Project costs payable – leveraged loans	312,952,958	94,775,000	179,703,308	228,024,650	205,281,464
Debt service reserve deposit	1,861,513	—	—	1,861,513	—
Advance payable	7,974,023	1,395,080	4,000,000	5,369,103	—
Deferred revenue	870,205	—	84,232	785,973	—
Other liabilities	<u>7,291,950</u>	<u>2,354,581</u>	<u>1,353,609</u>	<u>8,292,922</u>	<u>1,736,480</u>
Total enterprise funds	<u>\$ 332,246,023</u>	<u>\$ 121,331,082</u>	<u>\$ 194,473,294</u>	<u>\$ 259,103,811</u>	<u>\$ 219,117,786</u>

**Colorado Water Resources
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Notes to Financial Statements
December 31, 2006 and 2005

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	<u>360,682</u>	<u>1,542,080</u>	<u>82,113</u>	<u>1,820,649</u>	<u>384,480</u>
Total water operations	<u>\$ 160,620,481</u>	<u>\$ 199,583,749</u>	<u>\$ 132,603,190</u>	<u>\$ 227,601,040</u>	<u>\$ 208,173,683</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	<u>4,489,528</u>	<u>952,136</u>	<u>1,050,929</u>	<u>4,390,735</u>	<u>766,000</u>
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	<u>1,343,533</u>	<u>503,965</u>	<u>766,932</u>	<u>1,080,566</u>	<u>—</u>
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	<u>6,193,743</u>	<u>2,998,181</u>	<u>1,899,974</u>	<u>7,291,950</u>	<u>1,150,480</u>
Total enterprise funds	<u>\$ 271,896,179</u>	<u>\$ 266,782,079</u>	<u>\$ 206,432,235</u>	<u>\$ 332,246,023</u>	<u>\$ 281,919,137</u>

Colorado Water Resources and Power Development Authority

Notes to Financial Statements

December 31, 2006 and 2005

Bonds Payable

The following is an analysis of changes in bonds payable for the year ended December 31, 2006:

	Balance January 1, 2006	New Issues	Retirements	Balance December 31, 2006
Water Operations				
Small Water Resources Program				
1992 Series B	\$ 675,000	\$ —	\$ 180,000	\$ 495,000
1993 Series A	3,895,000	—	705,000	3,190,000
1994 Series A	3,130,000	—	635,000	2,495,000
1996 Series A	4,165,000	—	430,000	3,735,000
1997 Series A	6,840,000	—	3,500,000	3,340,000
1997 Series B	8,415,000	—	1,095,000	7,320,000
1998 Series A	5,920,000	—	340,000	5,580,000
1998 Series B	10,555,000	—	1,265,000	9,290,000
2000 Series A	22,425,000	—	10,865,000	11,560,000
2001 Series A	14,425,000	—	280,000	14,145,000
2002 Series A	14,120,000	—	175,000	13,945,000
2003 Series A	9,400,000	—	220,000	9,180,000
2006 Series A	<u>—</u>	<u>13,970,000</u>	<u>—</u>	<u>13,970,000</u>
	<u>103,965,000</u>	<u>13,970,000</u>	<u>19,690,000</u>	<u>98,245,000</u>
Water Revenue Bonds Program				
1998 Taxable Series	2,015,000	—	200,000	1,815,000
2003 Series A	12,790,000	—	520,000	12,270,000
2003 Series B	2,695,000	—	655,000	2,040,000
2004 Series A	13,855,000	—	510,000	13,345,000
2004 Series B	19,710,000	—	5,000	19,705,000
2004 Series C	19,695,000	—	1,730,000	17,965,000
2004 Series D	104,465,000	—	1,000,000	103,465,000
2004 Series E	3,410,000	—	135,000	3,275,000
2005 Series A	53,970,000	—	855,000	53,115,000
2005 Series B	2,300,000	—	80,000	2,220,000
2005 Series C	8,170,000	—	150,000	8,020,000
2005 Series D	100,000,000	—	—	100,000,000
2005 Series E	26,270,000	—	—	26,270,000
2005 Series F	<u>3,690,000</u>	<u>—</u>	<u>100,000</u>	<u>3,590,000</u>
	<u>373,035,000</u>	<u>—</u>	<u>5,940,000</u>	<u>367,095,000</u>

Colorado Water Resources and Power Development Authority

Notes to Financial Statements December 31, 2006 and 2005

	Balance January 1, 2006	New Issues	Retirements	Balance December 31, 2006
Total Water Operations	477,000,000	\$ <u>13,970,000</u>	\$ <u>25,630,000</u>	465,340,000
Less deferred costs	(501,667)			(713,354)
Less current portion	<u>(12,010,000)</u>			<u>(12,620,000)</u>
Noncurrent bonds payable – Water Operations	<u>\$ 464,488,333</u>			<u>\$ 452,006,646</u>
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds				
1989 Series A	\$ 325,000	\$ —	\$ 85,000	\$ 240,000
1990 Series A	120,000	—	40,000	80,000
1991 Series A	1,385,000	—	330,000	1,055,000
1991 Series B	960,000	—	265,000	695,000
1992 Series A	545,000	—	110,000	435,000
1992 Series B	1,550,000	—	285,000	1,265,000
1994 Series A	875,000	—	175,000	700,000
1995 Series A	1,250,000	—	195,000	1,055,000
1996 Series A	1,580,000	—	1,270,000	310,000
1997 Series A	5,985,000	—	1,620,000	4,365,000
1998 Series A	6,205,000	—	1,580,000	4,625,000
1998 Series B	3,415,000	—	645,000	2,770,000
1999 Series A	9,815,000	—	2,070,000	7,745,000
2000 Series A	9,140,000	—	1,410,000	7,730,000
2001 Series A	22,445,000	—	2,935,000	19,510,000
2002 Series A	49,690,000	—	2,050,000	47,640,000
2002 Series B	21,660,000	—	670,000	20,990,000
2003 Series A	13,930,000	—	655,000	13,275,000
2004 Series A	57,600,000	—	110,000	57,490,000
2005 Series A	40,090,000	—	1,375,000	38,715,000
2005 Series B	17,350,000	—	710,000	16,640,000
2006 Series A	—	23,270,000	—	23,270,000
2006 Series B	<u>—</u>	<u>14,195,000</u>	<u>—</u>	<u>14,195,000</u>
	<u>265,915,000</u>	<u>37,465,000</u>	<u>18,585,000</u>	<u>284,795,000</u>

Colorado Water Resources and Power Development Authority

Notes to Financial Statements December 31, 2006 and 2005

	Balance January 1, 2006	New Issues	Retirements	Balance December 31, 2006
Wastewater Revolving Fund Refunding Revenue Bonds				
1996 Series A	19,555,000	—	2,470,000	17,085,000
2001 Series A	42,625,000	—	4,175,000	38,450,000
2004 Series A	35,925,000	—	125,000	35,800,000
2005 Series A and A2	<u>78,040,000</u>	<u>—</u>	<u>—</u>	<u>78,040,000</u>
	<u>176,145,000</u>	<u>—</u>	<u>6,770,000</u>	<u>169,375,000</u>
Total Water Pollution Control Revolving Fund				
	442,060,000	<u>\$ 37,465,000</u>	<u>\$ 25,355,000</u>	454,170,000
Deferred (costs)/benefits	832,372			811,156
Less current portion	<u>(24,425,000)</u>			<u>(26,465,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund				
	<u>\$ 418,467,372</u>			<u>\$ 428,516,156</u>
Drinking Water Revolving Fund				
Revenue Bonds				
1997 Series A	\$ 16,820,000	\$ —	\$ 1,130,000	\$ 15,690,000
1998 Series A	11,325,000	—	685,000	10,640,000
1999 Series A	33,815,000	—	2,380,000	31,435,000
2000 Series A	9,675,000	—	1,400,000	8,275,000
2002 Series A	14,760,000	—	705,000	14,055,000
2003 Series A	20,195,000	—	320,000	19,875,000
2003 Series B	11,685,000	—	5,000	11,680,000
2006 Series A	—	11,275,000	—	11,275,000
2006 Series B	<u>—</u>	<u>38,045,000</u>	<u>—</u>	<u>38,045,000</u>
	118,275,000	<u>49,320,000</u>	<u>6,625,000</u>	160,970,000
Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	<u>20,130,000</u>	<u>—</u>	<u>5,000</u>	<u>20,125,000</u>
Total Drinking Water Revolving Fund				
	138,405,000	<u>\$ 49,320,000</u>	<u>\$ 6,630,000</u>	181,095,000

Colorado Water Resources and Power Development Authority

Notes to Financial Statements December 31, 2006 and 2005

	Balance January 1, 2006	New Issues	Retirements	Balance December 31, 2006
Deferred (costs)/benefits	217,733			199,607
Less current portion	<u>(6,630,000)</u>			<u>(9,145,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	<u>\$ 131,992,733</u>			<u>\$ 172,149,607</u>
Total Enterprise Funds				
Revenue bonds at par	\$ 1,057,465,000	<u>\$ 100,755,000</u>	<u>\$ 57,615,000</u>	\$ 1,100,605,000
Deferred (costs)/benefits	548,438			297,409
Less: Current portion	<u>(43,065,000)</u>			<u>(48,230,000)</u>
Noncurrent bonds payable, net	<u>\$ 1,014,948,438</u>			<u>\$ 1,052,672,409</u>

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	<u>9,510,000</u>	<u>—</u>	<u>110,000</u>	<u>9,400,000</u>
	<u>109,640,000</u>	<u>—</u>	<u>5,675,000</u>	<u>103,965,000</u>

Colorado Water Resources and Power Development Authority

Notes to Financial Statements December 31, 2006 and 2005

	Balance			Balance
	January 1, 2005	New Issues	Retirements	December 31, 2005
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	 \$ <u>194,400,000</u>	 \$ <u>8,745,000</u>	 477,000,000
Less deferred costs	(773,333)			(501,667)
Less current portion	<u>(8,745,000)</u>			<u>(12,010,000)</u>
 Noncurrent bonds payable – Water Operations				 \$ <u>464,488,333</u>
	 \$ <u>281,826,667</u>			

Colorado Water Resources and Power Development Authority

Notes to Financial Statements December 31, 2006 and 2005

	Balance January 1, 2005	New Issues	Retirements	Balance December 31, 2005
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
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	173,010,000	139,760,000	442,060,000

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Notes to Financial Statements

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	<u>Balance</u> <u>January 1, 2005</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2005</u>
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	<u>11,690,000</u>	<u>—</u>	<u>5,000</u>	<u>11,685,000</u>
	145,190,000	<u>—</u>	<u>26,915,000</u>	118,275,000
Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	<u>—</u>	<u>20,305,000</u>	<u>175,000</u>	<u>20,130,000</u>
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	<u>\$ 387,715,000</u>	<u>\$ 175,595,000</u>	\$ 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 Financial Statements December 31, 2006 and 2005

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.

As of December 31, 2006, the outstanding bonds of the Authority had original principal amounts of \$156,285,000 for the Small Water Resources Program, \$378,170,000 for the Water Revenue Bonds Program, \$620,345,000 for the Clean Water Revenue Bonds, \$196,140,000 for the Wastewater Revolving Fund Refunding Revenue Bonds, \$220,435,000 for the Drinking Water Revolving Fund Bonds and \$20,305,000 for Drinking Water Revolving Fund Refunding Revenue Bonds, for a total of \$1,591,680,000. 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 2006A, 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 as of December 31, 2006:

	Water Operations		WPCRF		DWRF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 12,620,000	\$ 21,661,544	\$ 26,465,000	\$ 22,125,031	\$ 9,145,000	\$ 8,066,706	\$ 48,230,000	\$ 51,853,281
2008	13,110,000	21,188,609	27,115,000	21,000,946	9,080,000	7,968,288	49,305,000	50,157,843
2009	13,040,000	20,640,271	28,125,000	19,712,054	9,380,000	7,581,095	50,545,000	47,933,420
2010	14,965,000	20,107,036	28,220,000	18,312,597	10,255,000	7,175,495	53,440,000	45,595,128
2011	17,200,000	19,460,435	28,775,000	16,875,342	11,185,000	6,711,327	57,160,000	43,047,104
2012-2016	85,560,000	85,552,567	125,920,000	64,151,145	58,110,000	25,685,955	269,590,000	175,389,667
2017-2021	74,060,000	66,795,925	115,860,000	34,200,870	48,805,000	12,015,190	238,725,000	113,011,985
2022-2026	61,850,000	49,550,751	70,335,000	9,608,469	22,500,000	2,862,305	154,685,000	62,021,525
2027-2031	53,980,000	37,039,994	3,355,000	157,669	2,635,000	129,100	59,970,000	37,326,763
2032-2036	82,855,000	20,823,725	—	—	—	—	82,855,000	20,823,725
2037-2041	24,435,000	7,041,825	—	—	—	—	24,435,000	7,041,825
2042-2043	11,665,000	926,362	—	—	—	—	11,665,000	926,362
Total	<u>\$ 465,340,000</u>	<u>\$ 370,789,044</u>	<u>\$ 454,170,000</u>	<u>\$ 206,144,123</u>	<u>\$ 181,095,000</u>	<u>\$ 78,195,461</u>	<u>\$ 1,100,605,000</u>	<u>\$ 655,128,628</u>

**Colorado Water Resources
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Total interest expense for 2006 and 2005 amounted to \$22,684,637, \$22,113,311, \$6,966,125 and \$18,053,914, and \$19,709,705 and \$6,496,663 for the Water Operations, Water Pollution Control and Drinking Water Funds, respectively.

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

The Authority has provided a Debt Service Bond Reserve Account at least equal to the debt service reserve requirement under the Small Water Resources Bond Resolution. At December 31, 2006 and 2005, 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, 2006 and 2005, the Authority had \$98,245,000 and \$103,965,000 of outstanding Small Water Resources Revenue Bonds, respectively.

Defeased Debt

During 2006, the Authority closed an advance refunding bond issue in the SWRP. The schedule below shows the closing date, 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. The refunding cost is being netted against the new debt and amortized over the remaining life of the old debt. The economic gain from the refunding is passed through to the borrower that was funded by the issues that were refunded, in the form of credits reducing loan interest.

	SWRP
Bond closing date	November 29, 2006
Refunding bonds	
Small Water Resources Bonds 2006 Series A	\$ <u>13,970,000</u>
Total refunding bonds	<u>13,970,000</u>
Refunded bonds	
Small Water Resources Revenue Bonds	
1994 Series A	315,000
1997 Series A	3,060,000
2000 Series A	<u>10,245,000</u>
Total refunded bonds	<u>13,620,000</u>
Refunding benefit	\$ <u>350,000</u>
Economic gain from refunding (PV savings)	\$ <u>946,435</u>

**Colorado Water Resources
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Note 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:

	<u>2006</u>	<u>2005</u>
Self-insurance account	\$ 800,000	\$ 800,000
La Plata River escrow account	<u>17,316,018</u>	<u>16,867,078</u>
Total board-designated accounts	<u>\$ 18,116,018</u>	<u>\$ 17,667,078</u>

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Note 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 2006:

	Federal grants recognized in 2006	Matching requirement for 2006
Water Pollution Control Revolving Fund Projects		
1999A – City of Aurora	\$ 45,185	\$ 9,037
2001A – City of Lafayette	29,635	5,927
2002A – Black Hawk-Central City Sanitation District	958,097	191,619
2003A – Town of Milliken	34,955	6,991
2003A – City of Pueblo	65,633	13,127
2004A – City of Englewood	2,919,516	583,903
2004A – City of Littleton	2,812,931	562,586
2005A – Town of Eaton	853,404	170,681
2005B – City of Glendale	46,251	9,250
2006A – Donala Water and Sanitation District	385,750	77,150
2006A – Granby Sanitation District	202,711	40,542
2006A – Triview Metropolitan District	<u>524,806</u>	<u>104,961</u>
	<u>8,878,874</u>	<u>1,775,774</u>
Drinking Water Revolving Fund Projects		
DLF – Town of Palisade	911,050	182,210
2003A – Fountain Valley Authority	72,837	14,567
2003A – Town of Lyons	217,671	43,534
2006A – Little Thompson Water District	<u>2,421,698</u>	<u>484,340</u>
	<u>3,623,256</u>	<u>724,651</u>
Total	\$ <u>12,502,130</u>	\$ <u>2,500,425</u>

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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
	<hr/>	<hr/>
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	<u>2,461,458</u>	<u>492,292</u>
	<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	<u>2,486,753</u>	<u>497,351</u>
	<u>4,215,293</u>	<u>843,059</u>
Total	<u>\$ 17,926,356</u>	<u>\$ 3,585,272</u>

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Note 8: Defined Benefit Pension Plan, Health Care Program and Life Insurance Program

Defined Benefit Pension Plan – Plan Description

The Authority's employees and Board members participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The Authority contributes to the State Division Trust Fund, which is included in PERA's financial statements. Copies of these statements may be obtained by writing at PERA, P.O. Box 5800, Denver, Colorado 80217 or by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Employees hired by the Authority after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the state's Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population).

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If members die before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If a member does not have eligible children or a spouse, then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Defined Benefit Pension Plan – Funding Policy

The contribution requirements for plan members and their employers are established, and may be amended, by the General Assembly. The amount of an employee's salary that is subject to PERA contribution is his or her gross earnings less any voluntary reduction in pay contribution to the Authority's flexible benefit plan established under Section 125 of the Internal Revenue Code.

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All employees are required to contribute 8.0% of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. The Authority's contribution rates were 10.65% in 2006 and 10.15% in 2005 and 2004. Included in the 2006 rate was an additional 0.5% for the Amortization Equalization Disbursement, as discussed below. Also included in these rates was 1.02% that was allocated to the Health Care Trust Fund, discussed herein.

Per Colorado Revised Statutes, an amortization period of 30 years for a defined benefit pension plan is deemed actuarially sound. At December 31, 2005, the division of PERA in which the Authority participates contained an infinite amortization period, meaning that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED required PERA employers to contribute an additional 0.5% of eligible salary beginning January 1, 2006, another 0.5% in 2007, and subsequent year increases of 0.4% until the additional AED rate reaches 3.0% in 2012.

In the 2006 legislative session, the general assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional 0.5% of eligible salaries beginning January 1, 2008. The SAED is scheduled to increase by 0.5% annually, through 2013, resulting in a cumulative increase of three percentage points. For the Authority, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to its employees' salaries, and used by the Authority to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically, members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The Authority's contributions to the Defined Benefit Plan for 2006, 2005 and 2004 were \$93,647, \$86,352 and \$79,268, respectively. These contributions met the contribution requirement for each year.

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Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from his or her monthly retirement benefit. Effective July 1, 2000, the maximum monthly subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; and \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5% for each year less than 20 years.

The Health Care Trust Fund is maintained by an employer's contribution rate as discussed above. The Authority's contributions to the Health Care Trust Fund for 2006, 2005 and 2004 were \$9,088, \$8,678, and \$8,283, respectively. These contributions met the contribution requirement for each year.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical benefit plans, and another carrier for prescription benefits, and with several health maintenance organizations providing services within Colorado. As of December 31, 2005, there were 41,080 enrollees in the plan.

Life Insurance Program

During Fiscal Year 2005-06, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,180 members participated. Active members may join the UnumProvident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 13,375 members under closed group plans underwritten by Anthem Life, Prudential and New York Life.

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Note 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, 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 online at www.copera.org or 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. 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 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 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending December 31, 2006, 2005 and 2004, the Authority's employer contributions to the HCTF were \$9,088, \$8,678 and \$8,283, respectively, equal to their required contributions for each year.

Note 10: Defined Contribution Pension Plan

Employees 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 (\$15,000 in 2006 and \$14,000 in 2005 and up to an additional \$5,000 for participants over age 50). The contribution requirements for the Authority are established under Title 24, Article 51, and Section 1402 of the CRS, as amended. For the years ended December 31, 2006 and 2005, the 401(k) Plan member contributions from the Authority were \$66,875 and \$62,888, respectively.

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Note 11: Commitments

Leases

The Authority leases office facilities under an operating lease that was set to expire in 2006, but was extended to March 31, 2007. Rent expense totaled \$115,058 and \$122,338 for 2006 and 2005, respectively. 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. The Authority is negotiating a new lease arrangement for the office facilities currently being leased under the aforementioned lease agreement.

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. To secure the purchase contract, the Authority executed an earnest money promissory note payable to the seller in the amount of \$384,480. Pursuant to the third amendment of the purchase contract, the project completion and the closing of this real estate purchase was scheduled for June 9, 2006; however, the Sellers failed to meet the terms of the contract, since the building construction was not completed by that date. Following independent engineering inspections, during the remaining months of 2006 and January 2007, the Board, at its January 26, 2007, regularly scheduled meeting, decided to terminate the purchase contract, demand the return of the promissory note and notify the sellers that the Authority intended to preserve its remedies under the purchase contract.

Note 12: Tax, Spending and Debt Limitations

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

Note 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.

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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.