



2007 ANNUAL REPORT





COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

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April 30, 2008

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 2007. The 2007 report includes a description of the Authority's 2007 accomplishments and activities, and a copy of the Authority's 2007 financial statements audited by BKD, LLP.

During 2007 the Authority executed \$42,348,024 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 \$1,592,397 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.

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,

Steven C. Harris
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: Montgomery Reservoir
 Courtesy of: Daniel L. Law
 Executive Director

NARRATIVE

The 2007 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 and for the years ended December 31, 2007 and 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 executed an Operating Agreement which outlines the financing structure and the procedures for operation of the DWRF.

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 2008, there are 291 projects on the DWRF project eligibility list representing a cumulative need of over \$1.1 billion. 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 having a population of 10,000 or less, and 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 2007. Through 2007, 61 grants have been awarded which have resulted in \$51.8 million of DWRF loans. For 2008, \$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 2007, fifteen disadvantaged community loans totaling \$7.8 million have been executed.

As of December 31, 2007, the EPA has awarded \$140,332,600 in capitalization grants to Colorado. Of this amount, \$108,981,520 has been deposited in the DWRF. The remaining \$31,351,080 was set aside for administration (\$5,613,304), technical assistance to small communities (\$2,525,120), public water system supervision (\$7,017,628), in kind services (\$150,000), source water protection (\$1,678,410) and local set-asides (\$14,366,953) which includes capacity development and wellhead protection. The Authority submitted its FY2008 grant application and anticipates receiving \$14.3 million. Funding from Congress is likely to remain at the current level for the next few years. Through December

31, 2007, 92 loans have been executed under the DWRF program totaling \$273,937,293 with an outstanding principal balance of \$211,652,483. (See Appendix B for details.) In 2008, the Authority anticipates issuing up to \$25 million in loans using grant and re-loan funds. As of December 31, 2007, 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. Early in 2008, FGIC's ratings from all three bond rating agencies have been downgraded. The ongoing financial issues with FGIC may mean that no further loans will be issued from the SWRP in the future.

Through 2007, the Authority had issued 48 loans totaling \$149,590,000 with an outstanding balance of \$90,377,499. (See Appendix C for tabulation of project loans.) As of December 31, 2007, 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 provides 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 executed an Operating Agreement which outlines the financing structure and the procedures for operation of the WPCRF.

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 2008, there are 308 projects on the WPCRF project eligibility list representing a cumulative need of over \$1.8 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 2007. Through 2007, 61 grants have been awarded which have resulted in \$48.5 million of WPCRF loans. For 2008, \$100,000 is 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 2007, ten disadvantaged community loans totaling \$7.4 million have been executed.

As of December 31, 2007, the EPA has awarded \$211,794,423 in capitalization grants to Colorado, and the Authority has provided over \$42 million as state match in the form of bonds and cash. At this time, no state match bonds are outstanding.

The Authority submitted its FY2008 capitalization grant application and anticipates receiving \$5.4 million. Appropriations for this program may be reduced further for 2009.

Through December 31, 2007, 147 loans have been executed under the WPCRF Program totaling \$733,618,108 with an outstanding principal balance of \$517,429,665. (See Appendix D for details.) In 2008, the Authority anticipates issuing up to \$60 million in loans using grant and re-loan funds. As of December 31, 2007, 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 2007, fifteen loans have been executed under the WRB program totaling \$384,970,000 and having an outstanding loan balance of \$360,410,000. (See Appendix E for details.) As of December 31, 2007, all borrowers were current with loan payments.

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.

In 2007, the Authority's Board set the annual maximum cost of issuance subsidy at \$250,000 per borrower. No WRB loans were executed in 2007. For 2008 the maximum subsidy level was maintained at \$250,000 per borrower.

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 2007, no interim loans were outstanding.

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. Earnings above the \$42,400,000

(\$17.7 million) were transferred to the DWRP to provide the 20% state match for the DWRP capitalization grants.

In December 2000, legislation was passed by Congress to implement a modified 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.

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, 2007, construction of the Project is approximately 59 percent complete. Work is continuing on the pumping plant, the outlet works at the dam and the inlet conduit. The Project is anticipated to be finished and operational in 2012.

Through 2007, draws on the Authority's escrow and the Durango option payment totaled \$6,871,308. The escrow balance at the end of 2007 was \$1,986,754 including accrued interest income.

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, 2007, this escrow contained \$17,888,410 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 (\$44,217,050) and the Authority's Drinking Water cash (\$1,420,700). 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 2012, 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 \$14.3 million for 2008 through 2012. The WPCRF capitalization grant for 2008 is expected to be \$5.4 million, and for 2009 – 2012, is projected at \$4.4 million per year. The costs for "Interim Loans" represent interim loans made to entities for various projects and are funded from Authority cash. Although interim loans may be made for \$5-10 millions, the values in the table represent funds that would be carried over to the next year. The "SWRP and WRB" costs represent cost of issuance subsidies, 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 \$60,000,000 in 2008 and \$40,000,000 per year through 2012. For the DWRP, the Authority expects to execute loans amounting to \$25,000,000 in 2008 and \$25,000,000 annually thereafter through 2012. For SWRP and WRB, the Authority expects to execute loans amounting to \$50 million in 2008 through 2012.

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
2008	\$ 45,637,750	\$ 5,450,510	\$ 1,420,000	-	\$ 5,000,000	\$ 1,000,000	\$ 875,700	\$ 42,792,560
2009	\$ 42,792,560	\$ 9,450,510	\$ 350,000	-	\$ 5,000,000	\$ 1,000,000	\$ 919,485	\$ 44,973,585
2010	\$ 44,973,585	\$ 7,450,510	\$ 350,000	-	\$ 5,000,000	\$ 1,000,000	\$ 965,084	\$ 45,109,011
2011	\$ 45,109,011	\$ 7,450,510	\$ 350,000	-	\$ 5,000,000	\$ 1,000,000	\$ 1,013,732	\$ 45,195,789
2012	\$ 45,195,789	\$ 7,450,510	\$ 350,000	-	\$ 5,000,000	\$ 1,000,000	\$ 1,064,419	\$ 45,231,880

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, 2007, 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 and as a member experienced in public health issues related to drinking water or water quality matters.

*Gregory J. Higel of Alamosa, 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:

The City and County of Denver Board position is vacant.

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.

*Messrs. Harris, LaBonde and Higel were confirmed by the Colorado Senate on January 29, 2008, for terms expiring on October 1, 2010.

**Messrs. Carlstrom and Hokit have chosen not to reapply but will continue to serve until a replacement has been appointed and confirmed.

OFFICERS

Officers as of December 31, 2007

Chair	Steven C. Harris
Vice Chair	Stephen T. LaBonde
Secretary/Treasurer	Douglas B. Monger

STAFF

As of April 30, 2008

Executive Director	Daniel L. Law
Director of Finance	Michael W. Brod
Controller	Duane A. Dohrer
Office Manager	Carolyn Simon
Assistant Director of Finance	Keith S. McLaughlin
Senior Financial Analyst	Jamie Grisinger
Financial Analyst	Brittany Kloppel
Financial Analyst	Cassandra Eyestone
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, 2007

Colorado Water Resources & Power Development Authority
2007 Annual Report - Appendix B
Drinking Water Revolving Fund (DWRF)
Loan Status Report as of December 31, 2007

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
Alamosa, City of	\$ 11,865,062.50	3.42%	11/02/06	08/01/27	\$ 11,434,809.19	F	LL
Arapahoe County W&WW PID	16,049,975.43	3.31%	11/02/06	08/01/22	15,218,570.18	F	LL
Arapahoe Estates WD	1,048,332.75	4.15%	10/01/97	08/01/17	590,376.83	F	LL
Aurora, City of	14,999,898.55	3.63%	05/01/99	08/01/14	7,813,900.63	F	LL
Baca Grande W&SD	500,000.00	4.50%	02/01/96	Paid in Full	-	S	DL
Basalt, Town of	948,245.63	4.00%	12/19/02	11/01/22	787,238.04	R	DL
Bayfield, Town of	350,000.00	4.50%	11/15/96	09/01/16	196,381.25	S	DL
Bethune, Town of	418,000.00	0.00%	07/18/06	11/01/36	404,066.66	R	DC
Boone, Town of	514,297.00	0.00%	08/15/06	11/01/36	497,153.76	R	DC
Bristol W&SD	200,000.00	0.00%	02/08/06	11/01/35	186,666.68	R	DC
Buena Vista, Town of	1,324,119.65	4.01%	06/01/98	08/01/18	805,506.07	F	LL
Castle Pines MD (1)	2,000,000.00	3.75%	02/25/06	09/15/26	1,959,174.47	R	DL
Castle Pines MD (2)	250,000.00	3.75%	11/06/06	03/15/27	247,165.15	R	DL
Chatfield South WD	728,500.00	4.50%	07/13/98	05/01/18	472,645.85	F	DL
Cottonwood W&SD	9,996,005.27	3.42%	11/02/06	08/01/27	9,726,734.10	F	LL
Craig, City of (1)	450,000.00	4.00%	12/15/00	Paid in Full	-	F	DL
Craig, City of (2)	6,056,378.40	3.65%	04/27/06	08/01/27	5,853,401.95	F	LL
Cucharas S&WD	269,000.00	3.75%	11/29/06	05/01/27	265,949.70	R	DL
Dillon, Town of	1,000,000.00	4.00%	10/18/02	11/01/12	568,995.17	R	DL
Elizabeth, Town of	500,000.00	4.50%	10/01/95	01/01/15	260,489.59	S	DL
Empire, Town of	331,432.00	4.50%	08/24/95	03/01/16	170,191.95	S	DL
Englewood, City of	15,292,635.61	4.14%	10/01/97	08/01/18	9,233,470.59	F	LL
Evergreen MD (1)	5,577,981.71	4.39%	04/15/00	08/01/20	3,999,821.03	F	LL
Evergreen MD (2)	2,036,129.62	4.00%	04/01/02	08/01/22	1,608,048.46	F	LL
Fairplay, Town of (1)	250,000.00	4.50%	08/01/95	06/01/15	121,385.32	S	DL
Fairplay, Town of (2)	200,000.00	4.50%	07/30/97	12/01/17	122,008.15	S	DL
Firestone, Town of	95,000.00	4.50%	06/13/96	Paid in Full	-	S	DL
Florence, City of (1)	12,999,092.97	3.51%	11/01/03	06/01/25	12,095,992.19	R	DL
Florence, City of (2)	769,899.33	3.50%	01/25/05	12/01/25	715,843.36	F	LL
Fort Collins, City of (1)	10,125,299.77	4.12%	10/01/97	06/01/17	5,700,290.90	F	LL
Fort Collins, City of (2)	4,998,394.59	3.81%	05/01/99	06/01/19	3,200,821.75	F	LL
Fort Morgan, City of	15,433,355.38	4.02%	06/01/98	06/01/19	9,788,416.89	F	LL
Fountain Valley Auth (1)	7,607,966.23	4.40%	04/15/00	08/01/20	5,426,431.23	F	LL
Fountain Valley Auth (2)	3,221,861.82	3.03%	06/01/03	08/01/24	2,661,538.02	F	LL
Fraser, Town of	200,000.00	4.50%	04/15/96	Paid in Full	-	S	DL
Genoa, Town of	175,000.00	0.00%	12/20/06	05/01/37	172,083.33	R	DC
Glenwood Springs, City of	4,999,017.40	3.77%	05/01/99	04/01/18	3,082,547.42	F	LL
Grand County W&SD	2,998,566.15	3.78%	05/01/99	08/01/18	1,923,404.53	F	LL
Grand Junction, City of	3,566,521.69	4.02%	04/01/02	08/01/22	2,952,347.26	F	LL
Grand Lake, Town of	495,000.00	4.50%	10/29/97	11/01/17	304,081.41	F	DL
Greeley, City of	14,999,038.36	3.80%	05/01/99	08/01/19	9,988,537.04	F	LL
Hayden, Town of	1,000,000.00	4.00%	04/30/02	11/01/22	747,638.30	R	DL
Hillrose, Town of	995,097.00	0.00%	05/31/07	05/01/37	978,512.05	R	DC
Idaho Springs, City of (1)	500,000.00	4.50%	10/15/97	05/01/17	302,072.05	F	LL
Idaho Springs, City of (2)	2,339,796.89	3.99%	04/01/02	08/01/22	1,844,310.49	S	DL
Idledeale W&SD	250,000.00	4.50%	07/10/95	03/01/15	122,292.06	S	DL
Julesburg, Town of (1)	693,000.00	4.00%	05/01/99	Paid in Full	-	F	DL
Julesburg, Town of (2)	994,599.70	3.81%	05/01/99	08/01/19	661,244.78	F	LL
La Jara, Town of	200,000.00	0.00%	04/20/05	05/01/25	175,000.00	R	DC
La Junta, City of (1)	490,000.00	4.50%	11/01/99	Paid in Full	-	F	DL
La Junta, City of (2)	9,812,211.15	4.00%	04/01/02	08/01/22	8,106,212.09	F	LL
Lake Creek MD	500,000.00	4.50%	01/12/96	09/01/15	248,308.30	S	DL
Left Hand W&SD	188,700.00	4.50%	09/11/98	05/01/18	121,422.24	F	DL
Left Hand WD	6,571,538.04	3.80%	05/01/99	05/15/19	4,245,686.80	F	LL
Limon, Town of	1,440,808.84	4.41%	04/15/00	08/01/20	1,034,565.73	F	LL
Little Thompson WD	6,383,774.04	3.65%	04/27/06	06/01/27	6,042,677.50	F	LL
Lochbuie, Town of	351,889.00	4.50%	08/28/96	Paid in Full	-	S	DL
Log Lane Village, Town of	1,000,000.00	1.75%	10/14/05	11/01/35	946,889.56	R	DC
Longmont, City of	14,998,044.44	3.11%	06/01/03	08/01/23	14,975,931.60	F	LL
Lyons, Town of (1)	500,000.00	4.50%	08/19/96	06/01/17	292,792.45	F	LL

Colorado Water Resources & Power Development Authority
 2007 Annual Report - Appendix B
 Drinking Water Revolving Fund (DWRF)
 Loan Status Report as of December 31, 2007

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
Lyons, Town of (2)	4,915,599.18	3.03%	06/01/03	08/01/24	4,065,575.22	S	DL
Minturn, Town of	300,000.00	4.50%	08/11/95	03/01/16	154,051.46	S	DL
Mustang Water Auth	700,000.00	4.00%	12/08/03	05/01/24	613,843.93	R	DL
Nunn, Town of	330,260.00	4.50%	08/12/96	12/01/16	184,602.85	S	DL
Oak Creek, Town of	900,688.96	4.00%	11/18/03	11/01/23	767,645.18	R	DL
Olde Stage WD	100,000.00	3.50%	06/01/05	08/01/25	91,905.44	R	DL
Ordway, Town of (1)	200,000.00	0.00%	12/20/06	05/01/37	196,667.00	R	DC
Ordway, Town of (2)	114,300.00	0.00%	12/21/07	11/01/37	114,300.00	R	DC
Ouray, City of	1,000,000.00	4.00%	12/19/03	05/01/24	884,301.12	R	DL
Palisade, Town of (1)	2,000,000.00	0.00%	05/26/06	11/01/36	1,933,333.34	F	DC
Palisade, Town of (2)	3,976,045.10	3.47%	11/02/06	08/01/28	3,888,176.70	F	LL
Pinewood Springs WD (1)	123,200.00	3.50%	07/26/04	12/01/24	109,706.23	R	DL
Pinewood Springs WD (2)	752,425.00	3.50%	04/03/06	06/01/26	712,291.46	R	DL
Platte Canyon W&SD SubDist No.1	400,000.00	3.75%	06/30/06	11/01/26	385,151.18	R	DL
Pritchett, Town of	200,000.00	0.00%	03/31/06	05/01/36	190,000.34	R	DC
Pueblo Board of Waterworks	9,558,794.83	4.60%	04/15/00	08/01/22	8,466,361.13	F	LL
Ralston Valley W&SD	1,300,000.00	3.75%	08/09/06	05/01/27	1,285,258.76	R	DL
Redstone W&SD	410,000.00	4.50%	12/01/97	11/01/17	253,855.31	S	DL
Sedalia W&SD	326,000.00	4.50%	03/09/00	11/01/19	235,078.08	F	DL
Sedgwick, Town of	419,000.00	0.00%	05/15/06	05/01/36	398,050.01	R	DC
Springfield, Town of	349,470.76	4.50%	07/28/00	05/01/20	253,285.10	F	DL
Stratton, Town of	483,000.00	1.88%	12/20/07	05/01/38	483,000.00	R	DC
Swink, Town of	669,000.00	3.50%	04/20/04	05/01/24	587,933.80	R	DL
Thunderbird W&SD (1)	285,000.00	4.50%	06/01/99	05/01/19	216,397.84	F	DL
Thunderbird W&SD (2)	343,684.15	4.00%	08/27/02	11/01/22	277,952.72	R	DL
Victor, City of	283,000.00	0.00%	06/17/05	12/01/15	226,400.00	R	DC
Walden, Town of	900,000.00	1.75%	09/06/06	11/01/31	871,021.57	R	DC
Wellington, Town of	1,000,000.00	4.00%	11/01/01	05/01/22	802,721.90	F	DL
Westlake W&SD	250,000.00	4.50%	08/19/97	05/01/17	123,232.70	S	DL
Westminster, City of	14,998,357.36	4.40%	04/15/00	06/01/20	10,411,296.27	F	LL
Westwood Lakes WD	500,000.00	4.00%	05/15/03	05/01/23	419,252.41	R	DL
Woodland Park, City of	800,000.00	4.00%	03/13/02	05/01/22	647,792.22	F	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)	\$ 12,073,977.07	17	13	\$ 7,866,684.65
Federal Direct Loans:				
Using EPA Grants (F-DL)	5,805,670.76	11	8	3,053,424.64
Using Reloan (R-DL)	25,255,336.71	18	18	22,807,395.25
Disadvantage Communitis (F-DC)	2,000,000.00	1	1	1,933,333.34
Disadvantage Communitis (R-DC)	6,101,694.00	14	14	5,839,810.96
Leveraged Loans:				
Using EPA Grants (F-LL)	222,700,613.71	31	31	170,151,834.53
Using Reloan (R-LL)	-	0	0	-
	\$273,937,292.25	92	85	\$211,652,483.37

Colorado Water Resources & Power Development Authority
 2007 Annual Report - Appendix B
 Drinking Water Revolving Fund (DWRF)
 Loan Status Report as of December 31, 2007

PROGRAM STATISTICS					
Loan Type	SINCE INCEPTION		LOANS FUNDED IN 2007		
	Average Loan Amount Funded	Effective Loan Rate **	Effective Loan Rate **	Average Loan Amount Executed	Number of Loans funded
State Funded Direct Loans (S-DL)	\$ 710,233.95	3.800%	0.00%	\$ -	0
Federal Direct Loans:					
Using EPA Grants (F-DL)	527,788.25	4.250%	0.00%	-	0
Using Reloan (R-DL)	1,403,074.26	3.670%	0.00%	-	0
Disadvantage Communitites (F-DC)	2,000,000.00	0.000%	0.00%	-	0
Disadvantage Communitites (R-DC)	435,835.29	0.690%	0.57%	530,799.00	3
Leveraged Loans:					
Using EPA Grants (F-LL)	7,183,890.76	3.830%	0.00%	-	0
Using Reloan (R-LL)	-	0.000%	0.00%	-	0

* 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&SD = Water & Sewer District

W&WW = Water & Wastewater

WW = Waterworks

APPENDIX C

SWRP Loan Status as
of December 31, 2007

Colorado Water Resources & Power Development Auth
 2007 Annual Report - Appendix C
 Small Water Resources Projects (SWRP)
 Loan Status Report as of December 31, 2007

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)	\$ 2,000,000.00	7.19%	10/01/90	10/01/10	\$ 461,249.96	LL
East Dillon WD	825,000.00	6.82%	10/01/90	Paid in Full	-	LL
Estes Park, Town of (1)	2,155,000.00	7.19%	10/01/90	10/01/10	535,000.00	LL
Evans, City of	300,000.00	6.82%	10/01/90	Paid in Full	-	LL
Fort Collins-Loveland WD	2,565,000.00	7.18%	10/01/90	10/01/10	611,666.62	LL
North Weld County WD (1)	3,000,000.00	7.19%	10/01/90	10/01/10	710,000.00	LL
Upper Eagle RWA (1)	1,000,000.00	6.82%	10/01/90	Defeased	-	LL
Edwards MD	1,225,000.00	6.82%	07/15/91	10/01/10	305,000.00	LL
Estes Park, Town of (2)	1,200,000.00	6.84%	07/15/91	10/01/11	375,000.00	LL
Minturn, Town of (1)	400,000.00	6.85%	07/15/91	10/01/11	130,000.00	LL
Steamboat Springs, City of	1,175,000.00	6.85%	07/15/91	10/01/11	370,000.00	LL
Avon MD	930,000.00	6.51%	04/01/92	Defeased	-	LL
Brush, City of	810,000.00	6.61%	04/01/92	10/01/12	375,000.00	LL
Fort Lupton, City of	3,000,000.00	6.54%	04/01/92	10/01/12	1,125,000.00	LL
LaSalle, Town of	1,780,000.00	6.55%	04/01/92	10/01/12	685,000.00	LL
Louisville, City of	7,500,000.00	6.54%	04/01/92	10/01/12	2,718,333.30	LL
Central Weld County WD	1,540,000.00	5.58%	09/15/92	10/01/12	543,333.26	LL
Glenwood Springs, City of	2,700,000.00	5.58%	09/15/92	10/01/12	975,000.00	LL
Little Thompson WD	4,800,000.00	5.57%	09/15/92	10/01/08	442,499.99	LL
Minturn, Town of (2)	100,000.00	5.33%	09/15/92	10/01/12	25,000.00	LL
Mount Werner W&SD	4,630,000.00	5.58%	09/15/92	10/01/12	1,625,833.28	LL
North Weld County WD (2)	1,055,000.00	5.58%	09/15/92	10/01/12	362,499.99	LL
Berthoud, Town of	1,030,000.00	5.39%	04/01/94	10/01/09	169,999.97	LL
Fort Morgan, City of	2,500,000.00	5.65%	04/01/94	10/01/14	1,161,666.64	LL
Gypsum, Town of	715,000.00	5.65%	04/01/94	10/01/14	330,000.00	LL
Parker W&SD (1)	600,000.00	5.65%	04/01/94	10/01/14	279,166.65	LL
Platteville, Town of	990,000.00	5.65%	04/01/94	10/01/14	456,249.91	LL
Carbondale, Town of	1,910,000.00	6.15%	10/01/94	10/01/15	1,005,000.05	LL
Project 7 Water Auth	4,100,000.00	6.15%	10/01/94	10/01/15	2,173,333.33	LL
Rifle, City of (1)	1,295,000.00	6.10%	10/01/94	10/01/14	587,500.02	LL
Upper Eagle RWA (2)	2,000,000.00	6.10%	10/01/94	Defeased	-	LL
Canon City, City of	4,600,000.00	5.28%	02/01/96	10/01/15	2,358,333.33	LL
Johnstown, Town of	1,785,000.00	5.31%	02/01/96	10/01/16	999,999.94	LL
Morgan County QWD (1)	1,040,000.00	6.34%	02/01/96	Paid in Full	-	LL
Monument, Town of	1,800,000.00	5.37%	06/01/97	10/01/17	1,115,000.00	LL
Parker W&SD (2)	4,925,000.00	5.37%	06/01/97	10/01/17	3,019,999.99	LL
Roxborough Park MD	3,000,000.00	5.34%	06/01/97	10/01/16	1,765,000.00	LL
Dillon, Town of	815,000.00	3.87%	09/15/98	Paid in Full	-	LL
Morgan County QWD (2)	2,950,000.00	4.65%	09/15/98	10/01/18	1,935,000.00	LL
North Weld County WD (3)	5,000,000.00	4.65%	09/15/98	10/18/18	3,226,250.01	LL
Parker W&SD (3)	13,365,000.00	5.71%	02/15/00	10/01/19	11,315,833.28	LL
Upper Eagle RWA (3)	10,745,000.00	5.77%	02/15/00	10/01/20	9,632,500.01	LL
North Weld County WD (4)	15,510,000.00	4.86%	01/15/01	10/01/23	13,802,499.99	LL
Eagle River W&SD (2)	4,560,000.00	4.74%	06/01/02	10/01/22	3,710,000.00	LL
Parker W&SD (4)	10,055,000.00	5.21%	06/01/02	10/01/22	10,055,000.00	LL
Clifton WD	5,555,000.00	4.17%	10/01/03	10/01/23	5,357,499.91	LL
Eaton, Town of	2,530,000.00	3.99%	10/01/03	10/01/23	2,272,499.99	LL
Rifle, City of (2)	1,525,000.00	3.96%	10/01/03	10/01/23	1,273,749.99	LL

SWRP LOAN PROGRAM STATISTICS	Number of Loans	Average Effective Interest *	Dollar Amount	Average Loan Amount
TOTAL LOANS FUNDED	48	5.59%	\$ 149,590,000.00	\$ 3,116,458.33
TOTAL OUTSTANDING LOANS	41		90,377,499.41	
LOANS ISSUED IN 2007	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
 WD = Water District

QWD = Quality Water District
 RWA = Regional Water Authority

W&SD = Water & Sanitation District
 Auth = Authority

APPENDIX D

WPCRF Loan Status as
of December 31, 2007

Colorado Water Resources & Power Development Authority
2007 Annual Report - Appendix D
Water Pollution Control Revolving Fund (WPCRF)
Loan Status Report as of December 31, 2007

DETAIL OF WPCRF FUNDED 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	\$ 3,197,216.00	3.77%	08/01/94	08/01/09	\$ -	F	LL
Ault, Town of	1,396,850.00	1.75%	03/30/06	05/01/26	1,308,127.76	R	DC
Aurora, City of	24,124,365.80	4.04%	07/01/99	08/01/14	12,482,017.90	F	LL
Baca Grande W&SD	800,000.00	4.00%	12/20/01	06/01/22	639,097.36	R	DL
Bayfield San Dist.	4,780,000.00	3.50%	05/31/07	08/01/28	4,780,000.00	R	LL
Bennett, Town of	161,000.00	3.75%	07/14/06	11/01/26	157,356.96	R	DL
Berthoud, Town of (1)	6,325,000.00	3.85%	05/01/02	08/01/23	5,680,000.00	R	LL
Berthoud, Town of (2)	2,385,000.00	3.55%	05/01/04	08/01/25	2,085,000.00	R	LL
Black Hawk-Central City SD	24,107,369.40	3.71%	05/01/02	08/01/22	19,487,993.22	F	LL
Boulder County	1,651,808.00	3.50%	07/28/06	12/15/25	1,617,811.59	R	DL
Breckenridge SD (1)	8,093,616.90	4.53%	05/01/97	08/01/17	4,693,656.30	F	LL
Breckenridge SD (2)	8,160,000.00	3.48%	10/20/05	08/01/26	7,500,000.00	R	LL
Breckenridge, Town of	4,320,000.00	3.35%	05/25/05	08/01/26	4,005,000.00	R	LL
Brighton, City of	5,080,483.75	4.58%	05/01/95	08/01/15	2,685,022.50	F	LL
Broomfield, City of	2,514,119.34	4.71%	12/05/96	09/01/16	1,360,296.68	F	DL
Buena Vista SD	3,896,505.00	3.96%	04/01/98	08/01/17	2,303,695.00	F	LL
Byers W&SD	435,000.00	4.50%	08/28/98	05/01/18	281,452.66	F	DL
Carbondale, Town of	2,327,490.20	4.22%	05/01/97	Paid in Full	-	F	LL
Castle Rock, Town of	4,319,910.53	5.20%	06/15/90	08/01/10	887,277.66	F	LL
Cherokee MD	15,249,689.80	3.49%	11/08/06	08/01/27	14,642,710.25	F	LL
Clifton SD (1)	9,800,000.00	3.64%	05/24/06	08/01/27	9,395,000.00	R	LL
Clifton SD (2)	2,000,000.00	0.00%	08/10/06	11/01/27	1,904,761.90	R	DC
Colorado City MD	1,878,537.60	3.26%	05/01/03	08/01/24	1,548,969.60	F	LL
Colorado Springs, City of	22,204,270.00	4.06%	04/01/98	05/15/19	16,778,575.00	F	LL
Columbine W&SD	424,229.57	4.50%	03/31/00	11/01/15	266,194.04	R	DL
Cortez SD (1)	9,775,000.00	3.99%	05/01/01	08/01/20	7,350,000.00	R	LL
Cortez SD (2)	2,000,000.00	3.50%	04/30/07	05/01/27	1,965,638.22	R	DL
Craig, City of	1,096,820.00	4.58%	05/01/95	08/01/15	518,983.12	F	LL
Crested Butte, Town of	2,499,120.00	4.73%	06/01/96	08/01/16	1,372,380.00	F	LL
Cucharas San & WD	768,000.00	3.75%	11/29/06	05/01/27	759,291.33	R	DL
Denver SE Suburban W&SD (1)	6,905,000.00	4.63%	12/01/89	08/01/11	2,093,442.06	F	LL
Denver SE Suburban W&SD (2)	7,045,000.00	3.21%	10/01/02	08/01/23	5,560,000.00	R	LL
Denver SE Suburban W&SD (3)	4,800,000.00	3.35%	05/25/05	08/01/26	4,460,000.00	R	LL
Divide W&SD	69,000.00	4.50%	07/15/92	Paid in Full	-	F	DL
Donala W&SD (1)	4,906,910.00	3.64%	05/24/06	08/01/27	4,727,984.00	F	LL
Donala W&SD (2)	2,000,000.00	3.75%	12/11/07	02/01/28	2,000,000.00	R	DL
Durango West MD	500,000.00	4.50%	07/29/91	07/15/11	114,786.21	F	DL
Eagle River W&SD (1)	7,368,840.00	5.17%	06/15/92	08/01/13	2,912,018.48	F	LL
Eagle River W&SD (2)	6,099,183.00	4.58%	05/01/95	08/01/15	2,902,848.24	F	LL
Eagle River W&SD (3)	17,685,395.60	3.94%	04/01/98	08/01/16	10,105,940.34	F	LL
Eagle, Town of (1)	2,345,204.20	4.53%	05/01/97	08/01/17	1,347,016.60	F	LL
Eagle, Town of (2)	11,505,912.00	3.50%	05/31/07	08/01/28	11,505,912.00	F	LL
East Alamosa W&SD	180,000.00	4.50%	12/02/98	Paid in Full	-	F	DL
Eaton, Town of	4,824,431.00	3.38%	05/25/05	08/01/27	4,655,248.46	F	LL
Elizabeth, Town of	1,050,000.00	3.75%	09/14/07	11/01/27	1,050,000.00	R	DL
Englewood, City of (1)	12,750,000.00	4.64%	11/15/90	08/01/12	4,753,782.03	F	LL
Englewood, City of (2)	29,564,275.00	3.87%	05/01/04	08/01/25	29,548,222.00	F	LL
Erie, Town of (1)	1,821,690.20	4.54%	05/01/97	08/01/17	1,057,755.60	F	LL
Erie, Town of (2)	500,000.00	4.50%	10/08/97	08/01/17	311,288.15	F	DL
Evans, City of (1)	1,141,616.60	4.03%	04/01/98	08/01/18	697,955.08	F	LL
Evans, City of (2)	396,249.40	4.50%	11/16/98	02/01/19	270,582.91	F	DL
Fort Collins, City of (1)	24,540,580.00	4.05%	07/15/92	09/01/14	8,960,987.82	F	LL
Fort Collins, City of (2)	9,845,000.00	4.02%	05/01/01	06/01/21	7,265,000.00	R	LL
Fort Lupton, City of (1)	4,200,000.00	5.17%	06/15/92	08/01/13	1,623,789.01	F	LL
Fort Lupton, City of (2)	200,000.00	5.17%	01/12/94	09/01/13	80,668.16	F	DL
Fort Morgan, City of	9,146,685.00	4.59%	05/01/95	08/01/15	4,570,685.15	F	LL
Fountain SD	1,716,099.00	4.71%	06/01/96	Paid in Full	-	F	LL
Fraser SD	2,445,000.00	3.99%	05/01/01	08/01/20	1,825,000.00	R	LL
Fremont SD	8,094,567.60	4.20%	07/01/99	08/01/19	5,630,770.16	F	LL
Frisco SD	4,500,000.00	5.17%	06/15/92	Paid in Full	-	F	LL
Fruita, City of	155,435.23	4.50%	04/27/95	03/01/15	44,831.09	F	DL
Garden Valley W&SD	300,000.00	4.00%	12/03/04	11/01/24	271,684.60	R	DL
Genesee W&SD	1,498,151.50	4.86%	08/01/94	08/01/14	645,111.50	F	LL
Glendale, City of	10,034,562.00	3.50%	10/20/05	08/01/27	9,253,853.42	F	LL
Granby SD	4,810,728.00	3.64%	05/24/06	08/01/27	4,631,142.00	F	LL
Grand County W&SD	3,999,978.00	4.17%	07/01/99	08/01/18	2,567,953.55	F	LL
Greeley, City of	13,337,081.65	4.97%	08/01/94	08/01/14	7,229,831.49	F	LL
Haxtun, Town of	305,041.00	1.88%	12/01/06	05/01/27	301,880.71	R	DC
Holyoke, City of	489,700.00	4.50%	12/01/97	11/01/17	244,272.45	F	DL

Colorado Water Resources & Power Development Authority
2007 Annual Report - Appendix D
Water Pollution Control Revolving Fund (WPCRF)
Loan Status Report as of December 31, 2007

DETAIL OF WPCRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Idaho Springs, City of	1,541,237.00	4.74%	06/01/96	08/01/16	847,947.00	F	LL
Julesburg, Town of	800,000.00	4.00%	05/15/02	11/01/22	658,650.78	R	DL
Kersey, Town of (1)	163,000.00	4.50%	12/29/99	05/01/20	118,314.53	R	DL
Kersey, Town of (2)	1,800,000.00	3.50%	03/06/06	11/01/26	1,736,550.11	R	DL
Kremmling SD	950,000.00	3.50%	09/13/05	11/01/25	881,842.78	R	DL
La Jara, Town of	750,000.00	0.00%	02/23/06	05/01/26	693,750.00	R	DC
La Junta, City of	358,400.00	4.50%	10/15/99	05/01/20	260,146.75	R	DL
Lafayette, City of	7,861,138.80	4.04%	05/01/01	08/01/21	6,700,505.86	F	LL
Las Animas, City of	1,070,000.00	4.50%	11/12/98	11/01/18	704,618.87	F	DL
Left Hand W&SD (1)	126,300.00	4.50%	03/05/99	11/01/18	84,737.44	F	DL
Left Hand W&SD (2)	56,899.66	4.50%	09/20/00	05/01/20	38,378.68	R	DL
Littleton, City of (1a)	5,000,694.16	4.64%	11/15/90	08/01/12	1,864,487.11	F	LL
Littleton, City of (1b)	7,750,000.00	4.64%	11/15/90	08/01/12	2,889,553.85	F	LL
Littleton, City of (2)	29,677,780.00	3.82%	05/01/04	08/01/25	29,661,709.00	F	LL
Log Lane Village, Town of	250,000.00	4.50%	06/01/95	06/01/16	132,411.42	F	DL
Longmont, City of	3,500,000.00	3.97%	07/15/92	08/01/12	970,462.83	F	LL
Lyons, Town of	506,311.19	4.50%	10/07/96	06/01/17	293,378.20	F	DL
Manzanola, Town of	80,360.00	4.50%	06/01/97	05/01/17	47,758.26	F	DL
Mead, Town of	2,985,000.00	3.49%	05/31/07	08/01/28	2,985,000.00	R	LL
Mesa County	13,490,000.00	3.62%	05/01/02	08/01/24	10,035,000.00	R	LL
Metro WRD	21,910,000.00	4.58%	05/01/91	04/01/11	6,031,682.47	F	LL
Milliken, Town of	5,897,275.80	3.28%	05/01/03	08/01/24	5,339,794.68	F	LL
Monte Vista, Town of	968,000.00	4.50%	09/01/99	05/01/19	666,646.79	F	DL
Montrose County	257,919.26	4.50%	10/30/92	Paid in Full	-	F	DL
Mount Crested Butte W&SD (1)	1,399,080.00	4.74%	06/01/96	Paid in Full	-	F	LL
Mount Crested Butte W&SD (2)	5,161,580.60	4.02%	05/01/01	08/01/21	3,915,681.82	F	LL
Mount Werner W&SD	3,034,627.20	4.20%	07/01/99	Defeased	-	F	LL
Mountain Range Shadows	1,721,489.01	3.15%	12/01/89	Paid in Full	-	F	DL
Mountain W&SD	200,000.00	1.43%	04/17/90	08/01/10	30,024.00	R	DL
New Castle, Town of	917,076.00	4.50%	01/01/99	05/01/19	322,230.21	F	DL
Niwot SD	1,000,000.00	4.00%	02/16/01	05/01/21	765,451.48	R	DL
Nucla SD	180,000.00	1.50%	05/11/92	04/30/12	45,712.11	F	DL
Ordway, Town of (1)	350,000.00	4.50%	10/15/96	09/01/16	198,054.29	F	DL
Ordway, Town of (2)	599,000.00	0.00%	12/20/06	05/01/27	584,025.00	R	DC
Ouray, City of	800,000.00	4.50%	09/17/92	06/01/12	249,046.34	F	DL
Pagosa Springs San GID, Town of (2)	640,000.00	4.50%	06/03/97	11/01/16	370,118.03	F	DL
Pagosa Springs San GID, Town of (1)	200,000.00	4.00%	07/15/02	11/01/22	166,040.91	R	DL
Parker W&SD (1)	1,781,883.00	4.89%	08/01/94	08/01/14	765,193.00	F	LL
Parker W&SD (2)	500,000.00	4.89%	03/16/95	Paid in Full	-	F	DL
Parker W&SD (3)	3,271,642.30	4.54%	05/01/97	08/01/17	1,894,670.50	F	LL
Parker W&SD (4)	12,063,546.00	4.66%	05/15/00	08/01/20	8,746,998.00	F	LL
Parker W&SD (5)	4,913,424.00	4.01%	05/01/01	08/01/21	3,738,708.00	F	LL
Parker W&SD (6)	14,112,800.00	3.62%	10/01/02	08/01/25	13,108,620.00	F	LL
Pierce, Town of	895,000.00	1.88%	12/05/06	11/01/27	895,000.00	R	DC
Pikes Peak America's Mountain	1,000,000.00	4.00%	07/23/03	11/01/20	821,314.01	R	DL
Plum Creek WWA (1)	25,525,000.00	4.02%	05/01/01	08/01/21	19,615,000.00	R	LL
Plum Creek WWA (2)	3,390,000.00	3.22%	10/01/02	08/01/23	2,675,000.00	R	LL
Plum Creek WWA (3)	1,510,000.00	3.35%	05/25/05	08/01/26	1,400,000.00	R	LL
Pueblo, City of	8,402,620.20	3.25%	05/01/03	08/01/24	6,951,808.04	F	LL
Ralston Valley W&SD	1,200,000.00	3.75%	09/15/06	11/01/26	1,158,795.39	R	DL
Rifle, City of	17,852,112.00	3.50%	05/31/07	08/01/28	17,852,112.00	F-R	LL
Romeo, Town of	175,000.00	0.00%	11/30/07	05/01/28	175,000.00	R	DC
Roxborough Park MD (1)	600,000.00	4.50%	11/18/94	Paid in Full	-	F	DL
Roxborough Park MD (2)	9,600,000.00	3.35%	05/25/05	08/01/26	8,920,000.00	R	LL
Saint Mary's Glacier W&SD	150,000.00	4.50%	07/15/94	06/01/14	64,714.59	F	DL
Salida, City of	550,000.00	4.00%	11/21/03	11/01/13	355,714.21	R	DL
South Adams County W&SD	6,270,000.00	3.79%	05/01/02	06/01/22	6,080,000.00	R	LL
Springfield, Town of (1)	200,000.00	4.00%	11/01/00	11/01/20	148,758.88	R	DL
Springfield, Town of (2)	534,000.00	0.00%	12/20/06	05/01/27	520,650.00	R	DC
Steamboat Springs, City of (1)	1,563,550.00	4.58%	05/01/95	08/01/15	741,752.39	F	LL
Steamboat Springs, City of (2)	2,935,636.00	4.20%	07/01/99	08/01/19	1,960,662.00	F	LL
Steamboat Springs, City of (3)	5,895,654.40	4.01%	05/01/01	08/01/21	4,470,510.00	F	LL
Sterling, City of	2,499,524.10	4.53%	05/01/97	08/01/16	1,370,188.80	F	LL
Stratton	442,000.00	1.88%	11/20/06	05/01/27	434,367.98	R	DC
Sugar City Town of	306,000.00	0.00%	07/06/06	11/01/26	306,000.00	R	DC
Summit County	17,086,830.00	4.65%	05/15/00	08/01/20	12,338,714.00	F	LL
Three Lakes W&SD	6,498,576.00	4.64%	05/15/00	08/01/19	4,582,872.00	F	LL
Trinidad, City of	6,670,909.00	3.99%	04/01/98	08/01/18	4,224,731.00	F	LL
Triview MD	4,906,910.00	3.64%	05/24/06	08/01/27	4,727,984.00	F	LL

Colorado Water Resources & Power Development Authority
2007 Annual Report - Appendix D
Water Pollution Control Revolving Fund (WPCRF)
Loan Status Report as of December 31, 2007

DETAIL OF WPCRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Vona, Town of	85,000.00	4.50%	01/29/97	09/01/16	49,156.32	F	DL
Wellington, Town of (1)	375,000.00	1.43%	06/01/90	Paid in Full	-	F	DL
Wellington, Town of (2)	4,826,280.60	3.71%	05/01/02	08/01/22	3,872,941.20	F	LL
Westminster, City of (1)	13,246,525.00	4.54%	05/01/97	06/01/17	8,090,407.50	F	LL
Westminster, City of (2)	4,085,697.00	3.98%	04/01/98	06/01/17	2,295,849.50	F	LL
Westminster, City of (3)	15,440,000.00	3.32%	05/25/05	06/01/25	13,950,000.00	R	LL
Windsor, Town of	3,998,852.50	4.62%	08/01/94	08/01/09	713,137.50	F	LL
Winter Park W&SD	3,050,000.00	4.59%	05/01/95	08/01/15	1,546,107.25	F	LL
Winter Park West W&SD	2,406,249.20	3.68%	05/01/02	08/01/21	1,897,962.80	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)	\$ 14,299,883.43	28	21	\$ 5,644,554.97
Using Reloan (R-DL)	18,350,413.23	22	22	16,159,262.82
Disadvantage Communities (R-DC)	7,402,891.00	10	10	7,123,563.35
Leveraged Loans:				
Using EPA Grants (F-LL)	527,822,808.19	67	61	345,085,171.64
Using EPA Grants and Reloan (F-R LL)	17,852,112.00	1	1	17,852,112.00
Using Reloan (R-LL)	147,890,000.00	19	19	125,565,000.00
TOTAL	\$ 733,618,107.85	147	134	\$ 517,429,664.78

PROGRAM STATISTICS					
Loan Type	From Inception		Loans Funded in 2007		
	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)	\$ 510,710.12	4.24%	0.00%	\$ -	0
Using Reloan (R-DL)	834,109.69	3.81%	3.65%	1,683,333.33	3
Disadvantage Communities (R-DC)	740,289.10	0.75%	0.00%	175,000.00	1
Leveraged Loans:					
Using EPA Grants (F-LL)	7,877,952.36	4.15%	3.50%	11,505,912.00	1
Using EPA Grants and Reloan (F-R LL)	17,852,112.00	3.50%	3.50%	17,852,112.00	1
Using Reloan (R-LL)	7,783,684.21	3.65%	3.50%	3,882,500.00	2

* 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.

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

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, 2007

Colorado Water Resources & Power Development Authority
 2007 Annual Report - Appendix E
 Water Revenue Bonds Program (WRBP)
 Loan Status Report as of December 31, 2007

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	\$ 26,270,000.00	4.72%	11/01/05	11/26/35	\$ 26,270,000.00	L
Aurora, City of	100,000,000.00	4.35%	09/29/05	07/27/35	100,000,000.00	L
Copper Mountain CMD (1)	3,540,000.00	3.95%	09/16/04	08/01/24	3,135,000.00	L
Copper Mountain CMD (2)	3,690,000.00	4.24%	11/30/05	08/01/24	3,450,000.00	L
East Cherry Creek W&SD	53,970,000.00	4.36%	02/05/05	11/14/35	52,235,000.00	L
Englewood, City of	19,715,000.00	4.11%	05/01/04	08/01/17	19,700,000.00	L
Erie, Town of	14,500,000.00	4.21%	04/01/04	12/01/23	12,280,000.00	L
Fort Lupton, City of	2,300,000.00	4.38%	02/01/05	11/01/25	2,135,000.00	L
Fountain, City of	8,170,000.00	4.56%	05/24/05	11/01/35	7,870,000.00	L
Littleton, City of	19,695,000.00	3.70%	05/01/04	08/01/15	16,200,000.00	L
Longmont, City of	3,960,000.00	1.91%	06/01/03	08/01/09	1,375,000.00	L
Louisville, City of	13,800,000.00	3.63%	06/01/03	11/01/24	11,740,000.00	L
Parker W&SD	105,420,000.00	5.12%	06/15/04	08/01/43	102,415,000.00	L
Rio Blanco WCD	3,140,000.00	7.08%	05/01/98	11/15/13	1,605,000.00	L
Stagecoach	6,800,000.00	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	4.11%	\$ 384,970,000.00	\$ 25,664,666.67
TOTAL OUTSTANDING LOANS	14		360,410,000.00	
LOANS ISSUED IN 2007	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 WCD = Water Conservancy District W&WW = Water & Wastewater
 PID = Public Improvement District W&SD = Water & Sanitation District

APPENDIX F

Interim Loan Status as
of December 31, 2007

Colorado Water Resources and Power Development Auth
2007 Annual Report - Appendix F
Interim Loans
Loan Status Report as of December 31, 2007

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 12/31/06	\$1,817,059.00		
Plus: Draws on Interim Loan Funds for 2007	\$182,941.00		
Less Loan Payoff:			
Repayment made to Authority			
Converted to permanent loan in:			
Water Pollution Control Revolving Fund	(\$2,000,000)		
Drinking Water Revolving Fund			
Water Revenue Bonds Program			
Date of payoff	05/04/07		
Total Amount Due to the Auth as of 12/31/07	\$0.00	\$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 and for the
Years Ended
December 31, 2007 and 2006

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)**

Financial Statements and Independent Accountants' Report

December 31, 2007 and 2006

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
December 31, 2007 and 2006**

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Independent Accountants' Report on Financial Statements and Supplementary Information

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 years ended December 31, 2007 and 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Colorado Water Resources and Power Development Authority as of December 31, 2007 and 2006, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Directors
Colorado Water Resources and
Power Development Authority
Page 2

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.

BKD, LLP

April 14, 2008

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Colorado)

Management's Discussion and Analysis
Years ended December 31, 2007 and 2006

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, 2007 and 2006.

Financial Highlights

- ▶ Combined net assets of the Authority's enterprise funds increased \$35.2 million (7.9%) bringing the total to \$477.6 million at December 31, 2007. Capitalization grant revenue received from the United States Environmental Protection Agency (EPA) totaling \$18.9 million was the largest source of funds contributing to this increase.
- ▶ Total restricted assets decreased by \$102.1 million and total project costs payable-leveraged loans decreased by \$108.2 million. These net decreases are due to payments of project requisitions in the Water Revenue Bonds Program (WRBP), Water Pollution Control Revolving Fund (WPCRF) and Drinking Water Revolving Fund (DWRP).
- ▶ Operating income totaled \$16.3 million during 2007, an increase of \$6.3 million (62.7%) from 2006. Operating revenues increased to \$77.5 million, while expenses rose to \$61.2 million for the fiscal year. The majority of the increase in operating income resulted from the \$5.3 million increase in interest on investments.
- ▶ Total interest on investments increased by \$5.3 million (26.1%) to \$25.4 million. The majority of the increase of interest income was generated from repurchase agreement investments funded from proceeds of the 2006 and 2007 bond issues.
- ▶ Bonds payable, net of unamortized refunding costs, at December 31, 2007, totaled \$1.1 billion. During 2007, \$48.2 million of bond principal payments was offset by the issuance of new bonds in the amount of \$35.3 million and an increase in deferred benefits from refundings of \$0.1 million resulting in a \$12.8 million net decrease in bonds payable for 2007. Revenue bonds were issued in the following enterprise fund during 2007:
 - ⊕ Water Pollution Control Revolving Fund (WPCRF), within the Water Pollution Control Enterprise Fund, – \$35.3 million.
- ▶ Total loans receivable were \$1.2 billion at December 31, 2007. During 2007, although new loans totaling \$44.1 million were executed in 2007, principal repayments from existing loans in the amount of \$55.2 million resulted in a net decrease in loans receivable of \$11.1 million (1.0%). New loans were executed in the following enterprise funds:

⊕ Water Operations Fund	\$	0.2	million
⊕ Water Pollution Control	\$	42.3	million
⊕ Drinking Water	\$	1.6	million

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Colorado)

Management's Discussion and Analysis
Years ended December 31, 2007 and 2006

Overview of the Basic Financial Statements

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

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are enterprise funds. These enterprise funds include three separately maintained funds: 1) The Water Operations Fund, 2) The Water Pollution Control Fund, and 3) The Drinking Water Fund. The basic financial statements for each fund are included in this report. Each fund is considered a major fund.

Notes to the Basic Financial Statements

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

Financial Analysis of Enterprise Funds

Summary of Net Assets

Overview

The Authority's basic financial statements are comprised of three enterprise funds. To better assist the user of these statements, a separate schedule and analysis for each of the funds is presented below. These schedules summarize the financial position of each enterprise fund as of December 31, 2007 and 2006 in a comparative format. Furthermore, schedules of total enterprise fund data and analyses is provided in comparative year format for 2007-2006 and 2006-2005.

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.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Colorado)

Management's Discussion and Analysis
Years ended December 31, 2007 and 2006

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.

Total Enterprise Funds

Schedules 1A and 1B show the summary net assets for the three enterprise funds of the Authority in total and on a comparative year basis.

Total assets of these funds decreased by \$94.4 million in 2007, as compared to smaller decrease of \$1.5 million in 2006. A decrease in the number and amounts of new loans executed combined with the large disbursements of project funds for existing loans contributed to the decrease in assets. In 2007, new loans executed totaled \$44.1 million, while \$117.5 million in loans were executed in 2006. In addition, project draws paid to borrowers totaling \$155.9 million and \$190.0 million in 2007 and 2006 respectively, contributed to the net decrease in 2007 and 2006 total assets.

Similarly, total liabilities decreased by \$129.6 million in 2007, and decreased by \$24.0 million in 2006. Bonds totaling \$35.3 million were issued in 2007, while \$86.8 million, excluding refunding bonds, were issued in 2006. In 2007, project draws of \$155.9 million led to the net decrease in 2007 total liabilities and project draws of \$190.0 million contributed to the net decrease in 2006 total liabilities. Included in and contributing to the balance of total liabilities is project costs payable-leveraged loans. Project costs payable-leveraged

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY**
(A Component Unit of the State of Colorado)

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loans are directly impacted in the same manner resulting in a 2007 net decrease of \$108.2 million and a 2006 net decrease of \$84.9 million. Total net assets increased by \$35.2 million in 2007, exceeding the \$22.5 million increase in 2006.

<i>Total Enterprise Funds (2007 - 2006)</i>	Summary of Net Assets as of December 31			Schedule 1A
	2007	2006	Change	Pct Chg
Unrestricted current and other assets	\$ 198,136,756	\$ 179,069,039	\$ 19,067,717	10.6%
Restricted assets	411,894,280	513,944,900	(102,050,620)	(19.9%)
Capital assets, net	25,495	23,431	2,064	8.8%
Noncurrent loans receivable	1,125,266,117	1,136,674,375	(11,408,258)	(1.0%)
Total assets	<u>1,735,322,648</u>	<u>1,829,711,745</u>	<u>(94,389,097)</u>	<u>(5.2%)</u>
Current and other liabilities	99,342,497	106,565,475	(7,222,978)	(6.8%)
Project costs payable-leveraged loans	119,778,875	228,024,650	(108,245,775)	(47.5%)
Noncurrent bonds payable, net	1,038,579,877	1,052,672,409	(14,092,532)	(1.3%)
Total liabilities	<u>1,257,701,249</u>	<u>1,387,262,534</u>	<u>(129,561,285)</u>	<u>(9.3%)</u>
Net assets:				
Invested in capital assets	25,495	23,431	2,064	8.8%
Restricted	407,529,965	372,926,857	34,603,108	9.3%
Unrestricted	70,065,939	69,498,923	567,016	0.8%
Total Net assets	<u>\$ 477,621,399</u>	<u>\$ 442,449,211</u>	<u>\$ 35,172,188</u>	<u>7.9%</u>

<i>Total Enterprise Funds (2006 - 2005)</i>	Summary of Net Assets as of December 31			Schedule 1B
	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	<u>1,829,711,745</u>	<u>1,831,219,829</u>	<u>(1,508,084)</u>	<u>(0.1%)</u>
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 bonds payable, net	1,052,672,409	1,014,948,438	37,723,971	3.7%
Total liabilities	<u>1,387,262,534</u>	<u>1,411,269,803</u>	<u>(24,007,269)</u>	<u>(1.7%)</u>
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 Net assets	<u>\$ 442,449,211</u>	<u>\$ 419,950,026</u>	<u>\$ 22,499,185</u>	<u>5.4%</u>

Contributing to the \$6.3 million dollar (62.7%) increase in operating income for 2007 was the \$5.3 million increase in interest on investments. Adding the \$6.4 million (51.2%) increase in EPA capitalization grant funds received in 2007 to the increase in operating income results in the \$12.7 million (56.3%) increase in the change in net assets for 2007.

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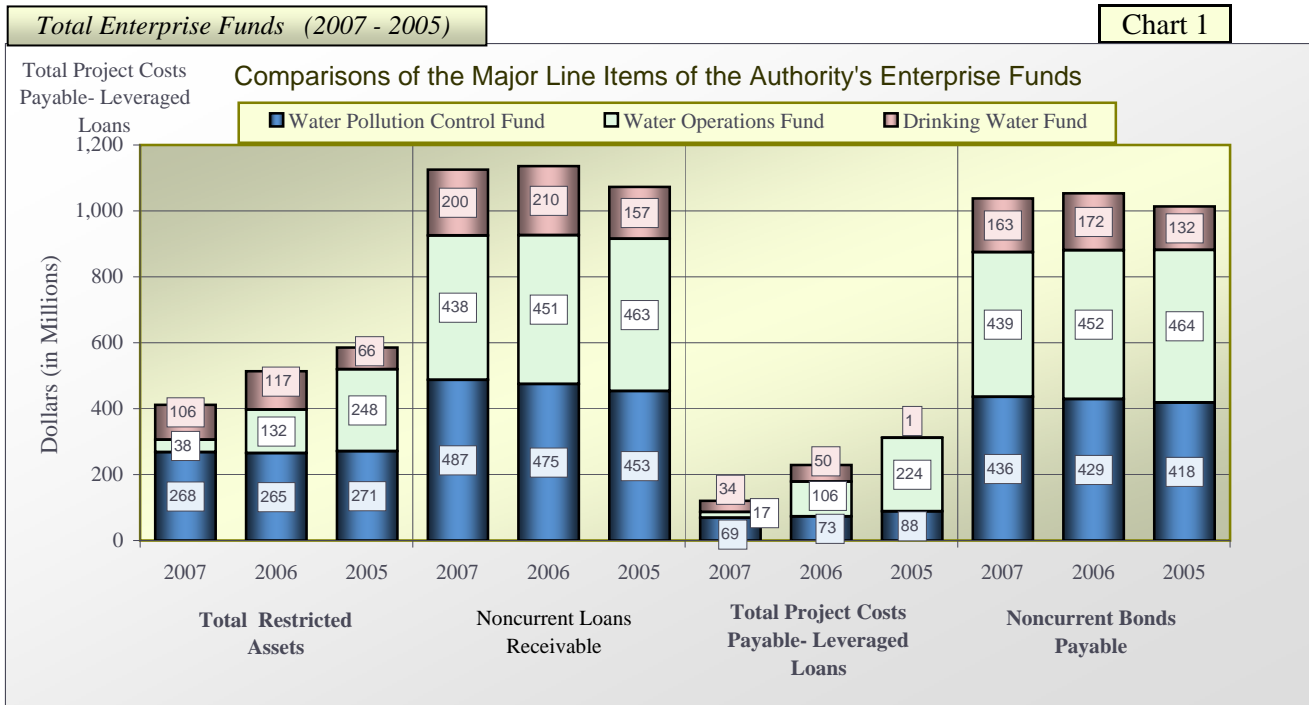


Chart 1 is a graphical representation of the four major accounts affected by new project financing, as discussed in the overview section of this discussion. The totals of these four accounts are compared for the years 2007, 2006, and 2005. Each bar is subdivided by colors that represent the amounts that each of the three enterprise funds contributes to the total for that year.

In addition to new project financing, the balances of restricted assets and project costs payable-leveraged loans are subject to fluctuations caused by the demands of borrower project draws. The chart shows a continued decline in restricted assets and project cost payable-leveraged loans in both 2007 and 2006. The Water Operations Fund had the biggest impact on total enterprise funds' balances because that fund did not provide funding for new projects and experienced substantial amounts of project draws in both years. This chart also illustrates the slight decline of loans receivable and noncurrent bonds payable in 2007 after the increase over the 2006 and 2005 period, reflecting the decline in loans made and bonds issued in 2007.

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 2007.

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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 Projects 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.

<i>Water Operations Fund</i>	Summary of Net Assets as of December 31			Schedule 2
	2007	2006	Change	Pct Chg
Unrestricted current and other assets	\$ 98,679,617	\$ 94,529,766	\$ 4,149,851	4.4%
Restricted assets	37,773,570	132,018,162	(94,244,592)	(71.4%)
Capital assets, net	22,101	13,251	8,850	66.8%
Noncurrent loans receivable	438,118,332	450,995,833	(12,877,501)	(2.9%)
Total assets	<u>574,593,620</u>	<u>677,557,012</u>	<u>(102,963,392)</u>	<u>(15.2%)</u>
Current and other liabilities	29,070,159	32,532,100	(3,461,941)	(10.6%)
Project costs payable-leveraged loans	16,915,040	105,805,897	(88,890,857)	(84.0%)
Noncurrent bonds payable, net	439,033,061	452,006,646	(12,973,585)	(2.9%)
Total liabilities	<u>485,018,260</u>	<u>590,344,643</u>	<u>(105,326,383)</u>	<u>(17.8%)</u>
Net assets:				
Invested in capital assets	22,101	13,251	8,850	66.8%
Restricted	23,876,658	23,953,490	(76,832)	(0.3%)
Unrestricted	65,676,601	63,245,628	2,430,973	3.8%
Total Net assets	<u>\$ 89,575,360</u>	<u>\$ 87,212,369</u>	<u>\$ 2,362,991</u>	<u>2.7%</u>

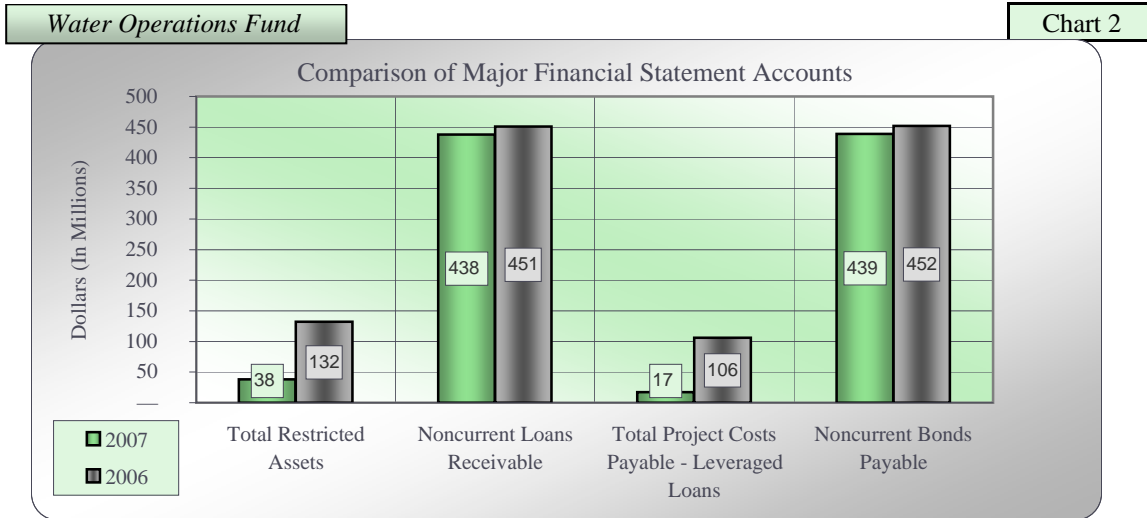
To reduce the cost of financing for these borrowers, the Authority began absorbing a portion or all costs of issuing these bonds in 2003. In 2007 and 2006, there were no new bonds issued or leveraged loans made in this fund. Loans made from these programs are not subsidized by EPA capitalization grants.

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. There are no interim loans outstanding at year-end.

Also included in restricted assets of the Water Operations Fund is the \$2.0 million unexpended balance of the Animas-La Plata escrow account. During 2007, \$1.7 million was paid to the Bureau of Reclamation (Bureau) bringing the total payments to \$6.9 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.

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The comparative balances of the four-major accounts affected by leveraged loans are shown in Chart 2. Since no new bonds were issued or new loans made, loans receivable and bonds payable decreased by current year principal payments. SWRP and WRBP construction draws totaling \$88.9 million caused the \$94.2 million decrease in restricted assets and the corresponding \$88.9 million decrease in project costs payable-leveraged loans. All project funds have been drawn in the SWRP program while \$16.9 million remain in WRBP project accounts.

Water Pollution Control Fund

The \$9.8 million increase in unrestricted current and other assets is the net effect of several factors. Primarily, the increase is attributable to deallocation. The financial model for the WPCR program allows for reductions in debt service reserve fund balances annually in September, after bond debt service has been paid. This procedure 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 and direct loan principal and interest repayments, in the unrestricted reloan account.

In 2007, \$14.6 million was deallocated and transferred to the reloan account. Another \$1.3 million was added to the reloan account from investment interest earned in the reloan account and from transfers from other program accounts. Offsetting the increase were reloan account transfers of \$11.5 million used to finance new loans (which become restricted). The net increase of \$4.4 million contributed to the increase in unrestricted current and other assets. Other factors contributing to the net increase in unrestricted current and other assets include an increase in federal grants receivable of \$2.3 million, an increase of \$1.8 million in the current portion of loans receivable and increases in other miscellaneous accounts included in unrestricted current and other assets.

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<i>Water Pollution Control Fund</i>	Summary of Net Assets as of December 31			Schedule 3
	2007	2006	Change	Pct Chg
Unrestricted current and other assets	\$ 62,986,217	\$ 53,233,456	\$ 9,752,761	18.3%
Restricted assets	267,979,075	264,911,882	3,067,193	1.2%
Capital assets, net	1,697	5,090	(3,393)	(66.7%)
Noncurrent loans receivable	486,712,543	475,405,287	11,307,256	2.4%
Total assets	<u>817,679,532</u>	<u>793,555,715</u>	<u>24,123,817</u>	3.0%
Current and other liabilities	50,927,477	52,419,067	(1,491,590)	(2.8%)
Project costs payable-leveraged loans	69,122,484	72,700,969	(3,578,485)	(4.9%)
Noncurrent bonds payable, net	436,495,331	428,516,156	7,979,175	1.9%
Total liabilities	<u>556,545,292</u>	<u>553,636,192</u>	<u>2,909,100</u>	0.5%
Net assets:				
Invested in capital assets	1,697	5,090	(3,393)	(66.7%)
Restricted	261,132,543	239,914,433	21,218,110	8.8%
Total Net assets	<u>\$ 261,134,240</u>	<u>\$ 239,919,523</u>	<u>\$ 21,214,717</u>	8.8%

During 2007, the \$1.5 million decrease in current and other liabilities was a result of two major factors. Although, the payment to the Water Operations Fund reduced the advance payable by \$2.3 million, new direct loans, offset by related project draws, mitigated the decrease in current and other liabilities by \$1.0 million.

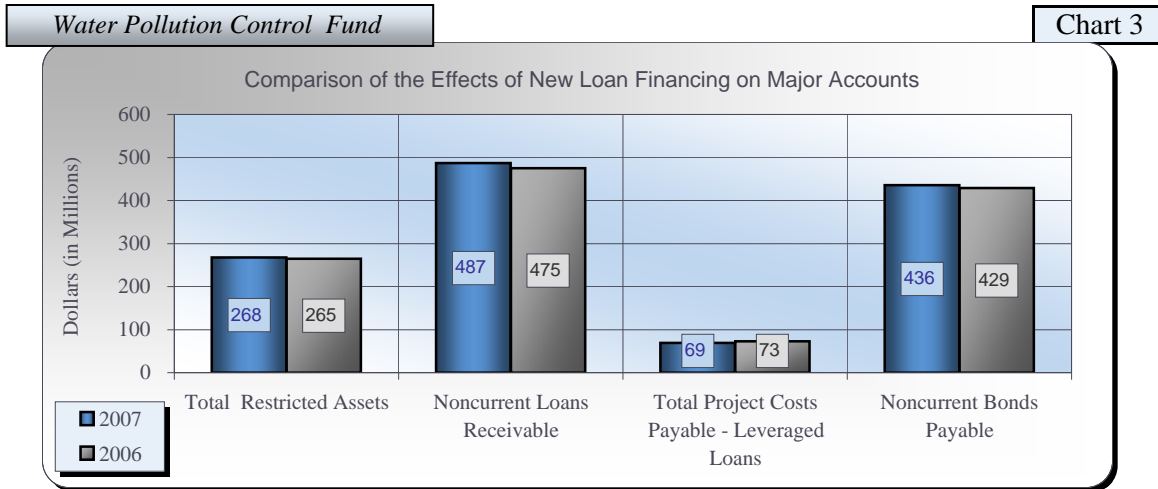


Chart 3 displays the comparative balances of the four-major accounts affected by loan activities. During 2007, the WPCRf issued revenue bonds totaling \$35.3 million. The bond proceeds, plus \$1.8 million of state match dollars, funded new leveraged loans totaling \$37.1 million. These loans and bonds added to the balances of each of the four major accounts; however, project draws in 2007, which affect restricted assets and project costs payable-leveraged loans, offset the increase in these accounts in 2007.

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Net increases in noncurrent loans receivable (\$11.3 million), and noncurrent bonds payable (\$8.0 million) were the result of the new loans and bonds, net of current principal repayments of \$29.3 million for loans and \$26.5 million for bonds. Operating income of \$9.4 million and EPA capitalization grant revenue of \$11.8 million resulted in the increase in restricted net assets of \$21.2 million.

Drinking Water Fund

Unrestricted current and other assets increased \$5.2 million (16.5%) in 2007. The net increase was mostly attributable to an increase in cash and cash equivalents. Similar to the process explained in the WPCR discussion above, deallocation also occurs in the DWRF each September. In 2007, \$5.2 million was converted to cash equivalents assets and deposited to the unrestricted reloan account. Other various additions to unrestricted current and other assets were offset by the funding of direct loans totaling \$1.6 million in 2007.

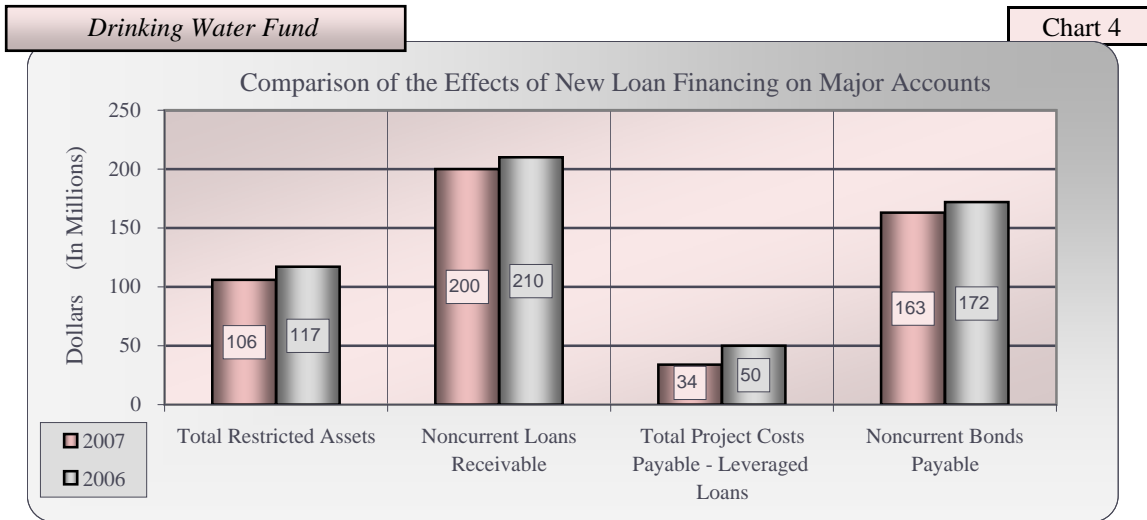
<i>Drinking Water Fund</i>	Summary of Net Assets as of December 31			Schedule 4
	2007	2006	Change	Pct Chg
Unrestricted current and other assets	\$ 36,470,922	\$ 31,305,817	\$ 5,165,105	16.5%
Restricted assets	106,141,635	117,014,856	(10,873,221)	(9.3%)
Capital assets, net	1,697	5,090	(3,393)	(66.7%)
Noncurrent loans receivable	200,435,242	210,273,255	(9,838,013)	(4.7%)
Total assets	<u>343,049,496</u>	<u>358,599,018</u>	<u>(15,549,522)</u>	(4.3%)
Current and other liabilities	19,344,861	21,614,308	(2,269,447)	(10.5%)
Project costs payable-leveraged loans	33,741,351	49,517,784	(15,776,433)	(31.9%)
Noncurrent bonds payable, net	163,051,485	172,149,607	(9,098,122)	(5.3%)
Total liabilities	<u>216,137,697</u>	<u>243,281,699</u>	<u>(27,144,002)</u>	(11.2%)
Net assets:				
Invested in capital assets	1,697	5,090	(3,393)	(66.7%)
Restricted	122,520,764	109,058,934	13,461,830	12.3%
Unrestricted	4,389,338	6,253,295	(1,863,957)	(29.8%)
Total Net assets	<u>\$ 126,911,799</u>	<u>\$ 115,317,319</u>	<u>\$ 11,594,480</u>	10.1%

Overall, loans receivable decreased during 2007 by principal repayments of \$11.5 million. New direct loans financed through the DWRF program totaled \$1.6 million, which mitigated the decrease in loans receivable. The net decrease of \$27.1 million (11.2%) in total liabilities is the result of several factors. First, the DWRF program did not issue bonds in 2007; therefore, annual bond principal payments reduced non-current bonds payable by \$9.1 million. Second, project cost payable-leveraged loans decreased by \$15.8 million as a result of borrower project draws. Finally, current and other liabilities decreased by \$2.3 million primarily due to direct loan project draws exceeding new loan funding.

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Chart 4 displays the comparative balances of the four-major accounts and the following decreases: restricted assets (\$10.9 million), noncurrent loans receivable (\$9.8 million), project costs payable-leveraged loans (\$15.8 million), and noncurrent bonds payable (\$9.1 million). Construction draws totaling \$15.8 million contributed to the decrease in restricted assets and project costs payable-leveraged loans. DWRF operating income of \$4.5 million and EPA capitalization grant revenue of \$7.1 million resulted in an \$11.6 million (10.1%) increase in total net assets.



Summary of Changes in 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 changes in financial position of the Authority as a financing entity. For 2007, investment income and loan interest income made up 83.3% of total operating revenues, bond interest expense was 86.7% of total operating expenses, and 53.7% of total changes in net assets came from EPA capitalization grant revenue.

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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 Net Assets on Schedule 5A. 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.

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 changes in financial position.

Interest on investments totaled \$25.4 million, \$20.2 million, and \$17.1 million for 2007, 2006, and 2005, respectively. Both the investment balances and changing interest rates impact the amounts of interest earned. The \$5.3 million increase in interest on investments in 2007, compared to 2006, was the sum of increases from all funds: Water Operations (\$0.6 million), WPCRF (\$2.9 million) and DWRF (\$1.8 million). One of the major factors for the increase in income was the increasing average annual interest rates for COLOTRUST, which were 5.12%, 4.88% and 3.12% respectively, for 2007, 2006 and 2005.

The WPCRF interest on investments increased \$2.9 million in 2007, and was the major factor in the \$5.3 million total increase for 2007. Although the Water Operations Fund restricted assets decreased by \$94.2 million in 2007 and \$116.2 million in 2006, 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.

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<i>Total Enterprise Funds (2007 - 2006)</i>	Summary of Changes in Net Assets as of December 31			Schedule 5A
	2007	2006	Change	Pct Chg
Operating revenues:				
Interest on investments	\$ 25,449,194	\$ 20,175,434	\$ 5,273,760	26.1%
Interest on loans	39,104,435	38,207,397	897,038	2.3%
Administrative fees and other income	7,992,412	7,205,852	786,560	10.9%
EPA grants	4,988,780	3,271,788	1,716,992	52.5%
Total operating revenues	<u>77,534,821</u>	<u>68,860,471</u>	<u>8,674,350</u>	12.6%
Operating expenses:				
Interest on bonds	53,122,040	51,764,073	1,357,967	2.6%
Grant administration	2,214,516	2,397,033	(182,517)	(7.6%)
General, administrative, and other expenses	1,526,966	2,284,712	(757,746)	(33.2%)
EPA set asides	4,404,102	2,417,598	1,986,504	82.2%
Total operating expenses	<u>61,267,624</u>	<u>58,863,416</u>	<u>2,404,208</u>	4.1%
Operating income	<u>16,267,197</u>	<u>9,997,055</u>	<u>6,270,142</u>	62.7%
EPA capitalization grants	<u>18,904,991</u>	<u>12,502,130</u>	<u>6,402,861</u>	51.2%
Change in net assets	<u>35,172,188</u>	<u>22,499,185</u>	<u>12,673,003</u>	56.3%
Net assets – beginning of year	442,449,211	419,950,026	22,499,185	5.4%
Net assets – end of year	<u>\$ 477,621,399</u>	<u>\$ 442,449,211</u>	<u>\$ 35,172,188</u>	7.9%

<i>Total Enterprise Funds (2006 - 2005)</i>	Summary of Changes in Net Assets as of December 31			Schedule 5B
	2006	2005	Change	Pct Chg
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 fees 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	<u>9,997,055</u>	<u>8,550,440</u>	<u>1,446,615</u>	16.9%
EPA capitalization grants	<u>12,502,130</u>	<u>17,926,356</u>	<u>(5,424,226)</u>	(30.3%)
Change in net assets	<u>22,499,185</u>	<u>26,476,796</u>	<u>(3,977,611)</u>	(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%

Interest on loans totaled \$39.1 million, \$38.2 million, and \$31.9 million for 2007, 2006, and 2005, respectively. The increases in both 2007 and 2006 were largely the result of the new loans executed in the WPCRF and DWRF programs in 2007 (\$43.9 million) and in 2006 (\$116.8 million). In the years subsequent

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to the year of execution, these loans produced a full year's interest income. WPCRF interest on loans also increased because certain borrowers received additional one-time loan interest credits (subsidy) in 2006 but paid scheduled loan interest in 2007.

As shown in the Water Operations Fund section below, interest on loans decreased by \$0.3 million in 2007 after an increase of \$4.4 million in 2006, while the WPCRF and DWRF both show increases to interest on loans, which is discussed in each respective section below.

Similar to interest on loans discussed above, increases in interest on bonds is generally the result of bonds issued in the current year and/or preceding year. Bonds, excluding refunding bonds, totaling \$35.3 million, \$86.8 million and \$251.8 million, were issued in 2007, 2006, and 2005, respectively. These bonds contributed to increased expenses of \$1.4 million, \$7.5 million and \$5.9 million in respective concurrent years.

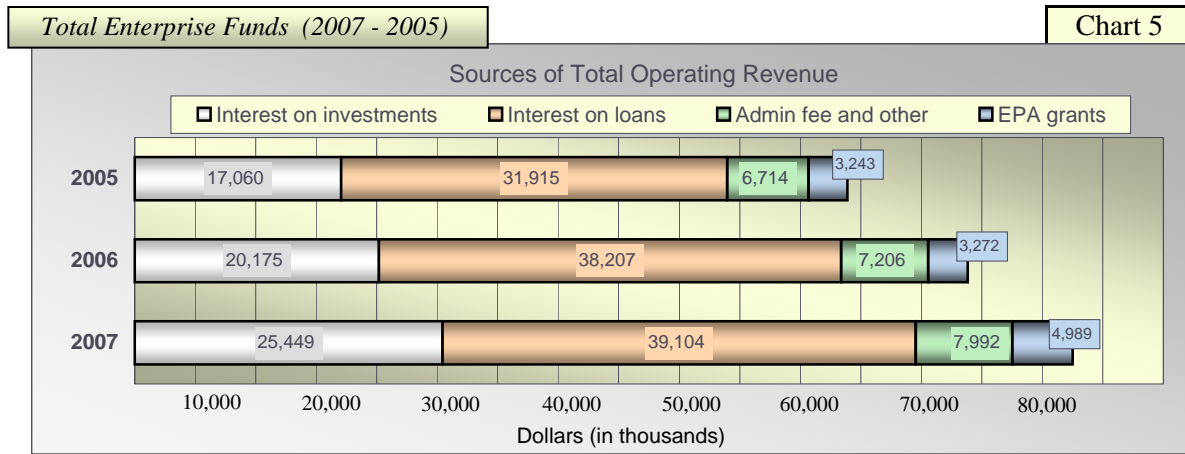


Chart 5 compares the major sources of total operating revenue among the years and illustrates the effects of investment and loan interest earnings discussed above. Note the increase in interest on investments and in interest on loans in 2007, 2006, and 2005. Leveraged loans in the WPCRF and the DWRF 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, loan administrative fee income 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 \$18.9 million, \$12.5 million, and \$17.9 million, for 2007, 2006, and 2005, 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 DWRF and WPCRF grant-funded loans were executed in 2006, total capitalization grant revenue increased in 2007 after a decrease in 2006. The Water Operations Fund loans are not subsidized by EPA capitalization grants. Capitalization grant revenue contributed 53.7%, 55.6%, and 67.7% of the total change in net assets for 2007, 2006, and 2005, 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 net assets for 2007 and 2006.

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 \$12.9 million (2.9%) and \$13.0 million (2.9%), respectively. No bonds were issued or loans executed in this fund during 2007. Accordingly, both loan interest income and bond interest expense, shown below, decreased 1.5% and 2.5%, respectively.

The largest source of investment income in the Water Operations Fund is generated by the \$52.8 million (average) invested in the investment pool managed by the Colorado State Treasurer. Additional investment income is earned from investments in the COLOTRUST accounts. The average interest rates on these accounts increased 0.4% and 0.2%, respectively, and contributed \$0.4 million to the increase in interest on investments.

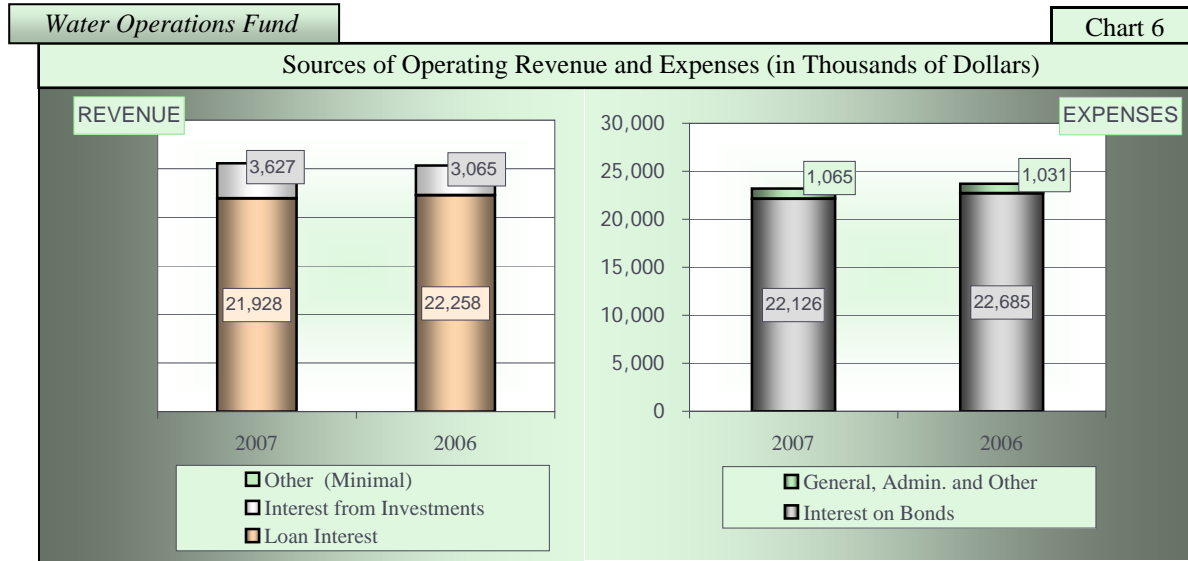
The structure of the WRBP program allows borrowers to requisition accumulated investment income to pay for project costs, or to reduce their loan interest payable. The earnings on these investments are recorded as a liability (accounts payable – borrower) rather than as income. If a borrower elects to 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.

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 2007, \$0.1 million in investment income earned on the escrow account affected the changes in net assets. Payments of \$1.7 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 Operations Fund	Schedule 6			
Summary of Changes in Net Assets as of December 31				
	2007	2006	Change	Pct Chg
Operating revenues:				
Interest on investments	\$ 3,626,834	\$ 3,064,960	\$ 561,874	18.3%
Interest on loans	21,927,594	22,258,478	(330,884)	(1.5%)
Other income	100	820	(720)	(87.8%)
Total operating revenues	25,554,528	25,324,258	230,270	0.9%
Operating expenses:				
Interest on bonds	22,126,089	22,684,637	(558,548)	(2.5%)
General, administrative, and other expenses	1,065,448	1,031,323	34,125	3.3%
Total operating expenses	23,191,537	23,715,960	(524,423)	(2.2%)
Operating income	2,362,991	1,608,298	754,693	46.9%
Change in net assets	2,362,991	1,608,298	754,693	46.9%
Net assets – beginning of year	87,212,369	85,604,071	1,608,298	1.9%
Net assets – end of year	\$ 89,575,360	\$ 87,212,369	\$ 2,362,991	2.7%



As shown in Chart 6, investment and loan interest income are the principal sources of operating revenue in the Water Operations Fund. Investment income increased 18.3% while loan interest income decreased by 1.5% in 2007. General, administrative and other expenses increased 3.3%, the increase is a combination of annual inflationary type costs and the portion of costs allocated to other funds. Operating income for 2007 increased \$0.8 million (46.9%) due to rising interest rates on unrestricted investments. The average interest rate earned on funds invested with the State Treasurer increased 0.4%, while the COLOTRUST rate increased 0.2%.

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Water Pollution Control Fund

Interest on loans increased \$0.9 million (7.5%) in 2007. Loans executed in previous years contributed to this net increase. Loans funded in 1995, 1999, 2001 and 2002 paid no interest in 2006, because additional interest credits, generated in borrower project accounts, offset the loan interest. In 2007, those loans generated over \$0.6 million in interest because the final application of those additional interest credits had occurred in 2006. The approximately \$93.8 million in new loans executed in late 2005, and in 2006 and 2007, produced \$0.7 million in additional loan interest.

The increase in investment income for 2007 of \$2.9 million (23.3%) can be attributed to several factors. First, 2007 unrestricted cash and equivalents (COLOTRUST) balance increased \$4.9 million (28.6%) over the 2006 year-end balances. In addition to the increase in investments, the average annual COLOTRUST interest rate increased from 4.4% to 4.8%. These changes increased interest on investments by \$0.4 million. Second, the US Treasury bonds adjustment to fair value added \$0.6 million. Finally, the largest impact to investment income was a \$1.8 million increase generated by the investment of bond proceeds in 2006 and 2007.

Bond interest expense increased \$0.7 million in 2007 for reasons similar to the new loan interest increase. In late 2005, and in 2006 and 2007, bonds totaling approximately \$88.8 million were issued and were outstanding throughout 2007. The interest on these bonds added \$1.9 million to the expense for 2007. However, the decreases in amortized interest expense on other bonds limited the net increase to \$0.7 million.

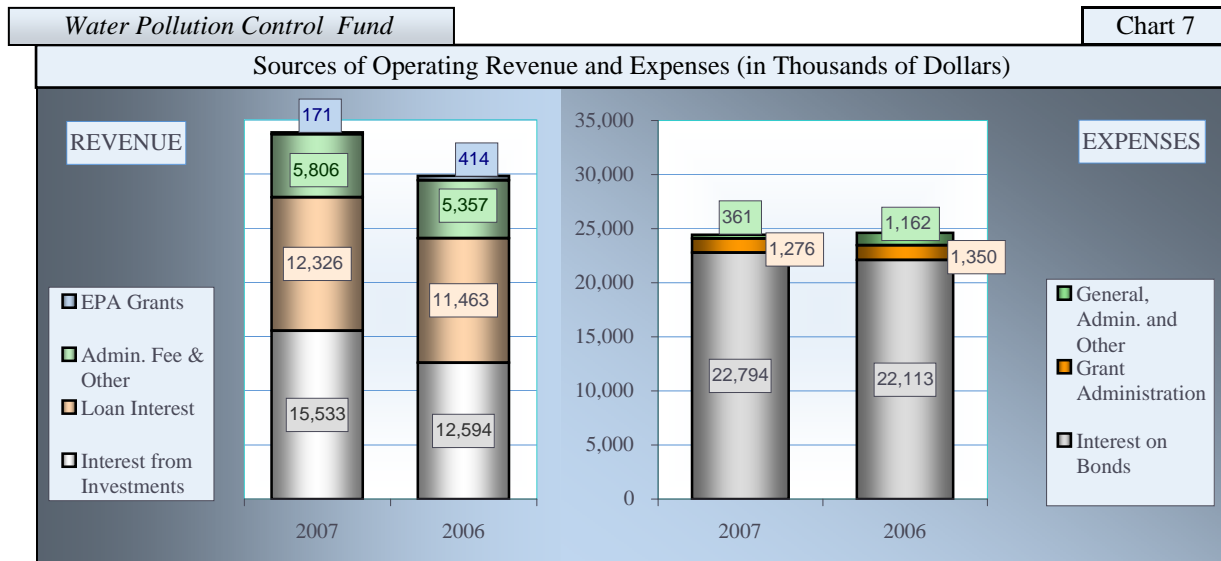
<i>Water Pollution Control Fund</i>	Summary of Changes in Net Assets as of December 31			
	2007	2006	Change	Pct Chg
Operating revenues:				
Interest on investments	\$ 15,533,261	\$ 12,593,698	\$ 2,939,563	23.3%
Interest on loans	12,325,893	11,462,880	863,013	7.5%
Administrative fee and other income	5,805,659	5,356,786	448,873	8.4%
EPA grants-administrative	171,303	414,411	(243,108)	(58.7%)
Total operating revenues	<u>33,836,116</u>	<u>29,827,775</u>	<u>4,008,341</u>	13.4%
Operating expenses:				
Interest on bonds	22,794,027	22,113,311	680,716	3.1%
Grant administration	1,276,115	1,350,070	(73,955)	(5.5%)
General, administrative, and other expenses	360,934	1,161,996	(801,062)	(68.9%)
Total operating expenses	<u>24,431,076</u>	<u>24,625,377</u>	<u>(194,301)</u>	(0.8%)
Operating income	9,405,040	5,202,398	4,202,642	80.8%
EPA capitalization grants	11,809,677	8,878,874	2,930,803	33.0%
Change in net assets	<u>21,214,717</u>	<u>14,081,272</u>	<u>7,133,445</u>	50.7%
Net assets – beginning of year	239,919,523	225,838,251	14,081,272	6.2%
Net assets – end of year	<u>\$ 261,134,240</u>	<u>\$ 239,919,523</u>	<u>\$ 21,214,717</u>	8.8%

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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 \$0.9 million and bond interest expense increased \$0.7 million, while investment income increased \$2.9 million. Loan administrative fee income, which is computed based upon the original loan balances, increased 10.5%, due to the addition of the 2007 loans. Interest on investments plus interest on loans comprised 82.3% of operating income in 2007 and 80.7% in 2006. Bond interest expense contributed 93.3% and 89.8% to operating expense in 2007 and 2006, respectively.

The cost to administer the WPCRF for 2007 was \$1.3 million. Included in this amount are reimbursed costs paid to the Water Quality Control Division of the Colorado Department of Public Health and Environment (\$0.5 million), and the Division of Local Government of the Colorado Department of Local Affairs (\$0.1 million). These 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 \$11.8 million, including \$3.2 million accrued at year-end, and is consistent with project draws totaling over \$26.7 million from grant funded loans. The \$2.9 million increase is the net result of a \$2.2 million increase in accrued grant funds plus a higher average leveraged ratio (percent of grant funds included in the requisitions) for 2007 requisitions.

Drinking Water Fund

In 2007, interest on investments increased \$1.8 million (39.2%). The largest increase in investment income was generated from the investment of 2006 bond proceeds included in restricted assets. Those investments

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added \$1.4 million to investment interest for 2007. In addition, the \$7.3 million increase in the cash and cash equivalents balances, coupled with a small increase in average interest rates, added to the increase in investment income.

Interest on loans increased \$0.4 million (8.1%) in 2007. Loans executed in 2006 contributed to this net increase. In 2007, three direct loans totaling \$1.6 million were executed. No leveraged loans were executed in 2007.

No bonds were issued in 2007, however, \$49.3 million in DWRF bonds were issued in 2006. Interest expense on the 2006 bonds, which were outstanding for all of 2007, increased by \$1.5 million resulting in a net increase in bond interest expense of \$1.2 million (17.7%).

<i>Drinking Water Fund</i>	Summary of Changes in Net Assets as of December 31				Schedule 8
	2007	2006	Change	Pct Chg	
Operating revenues:					
Interest on investments	\$ 6,289,099	\$ 4,516,776	\$ 1,772,323	39.2%	
Interest on loans	4,850,948	4,486,039	364,909	8.1%	
Administrative fee and other income	2,186,653	1,848,246	338,407	18.3%	
EPA grants	4,817,477	2,857,377	1,960,100	68.6%	
Total operating revenues	<u>18,144,177</u>	<u>13,708,438</u>	<u>4,435,739</u>	32.4%	
Operating expenses:					
Interest on bonds	8,201,924	6,966,125	1,235,799	17.7%	
Grant administration	938,401	1,046,963	(108,562)	(10.4%)	
General, administrative, and other expenses	100,584	91,393	9,191	10.1%	
EPA set asides	4,404,102	2,417,598	1,986,504	82.2%	
Total operating expenses	<u>13,645,011</u>	<u>10,522,079</u>	<u>3,122,932</u>	29.7%	
Operating income	4,499,166	3,186,359	1,312,807	41.2%	
EPA capitalization grants	7,095,314	3,623,256	3,472,058	95.8%	
Change in net assets	11,594,480	6,809,615	4,784,865	70.3%	
Net assets – beginning of year	115,317,319	108,507,704	6,809,615	6.3%	
Net assets – end of year	<u>\$ 126,911,799</u>	<u>\$ 115,317,319</u>	<u>\$ 11,594,480</u>	10.1%	

Please refer to the notes to the basic financial statements for an explanation of the set aside programs funded by the DWRF. These grant dollars reimburse the costs incurred to implement these special programs designed to enhance safe drinking water supplies. As program costs are incurred, EPA grant funds are drawn for those specific purposes. The amount of set aside program income and expense is dependent upon the actions of the Water Quality Control Division. The set aside activity between 2007 and 2006 increased by \$2.0 million, an 82.2% increase in expenditures.

The cost to administer the DWRF for 2007 was \$0.9 million which is a 10.4% decrease from 2006. Included in this amount are reimbursed costs paid to the Water Quality Control Division of the Colorado Department of

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Public Health and Environment (\$0.4 million), and the Division of Local Government of the Colorado Department of Local Affairs (\$0.1 million). These State agencies provide environmental, technical, outreach and financial analysis services in operating the DWRF.

EPA capitalization grant revenues increased \$3.5 million (95.8%) in 2007. 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 increased from \$6.5 million in 2006 to \$15.8 million in 2007. The increase in EPA capitalization grant revenue was the net effect of the \$9.3 million (142.7%) increase in project requisitions of grant funded loans.

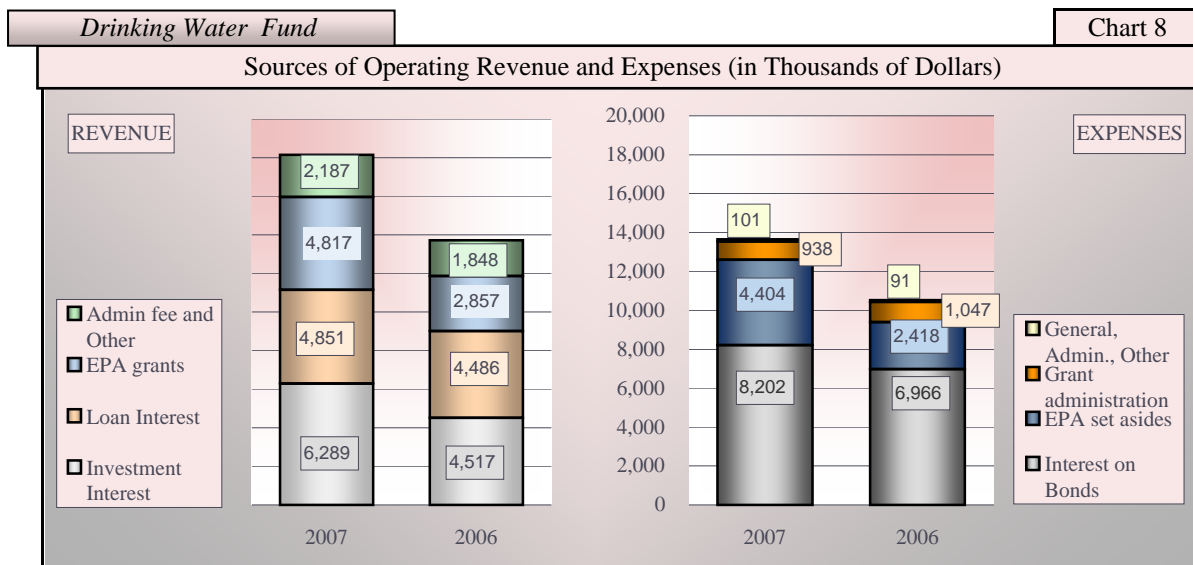


Chart 8 shows the components of operating income and expenses in a comparative format. Interest on investments plus interest on loans comprised 61.4% of operating income in 2007 and 65.7% in 2006. While bond interest expense contributed 60.1% and 66.2% to operating expense in 2007 and 2006, respectively.

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.

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- The need to replace aging infrastructure is expanding.
- 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 2008. As of December 31, 2007, out of the total amount of EPA capitalization grant funds awarded to the DWRF through 2007 \$15.8 million remains unobligated and available for loans. As of December 31, 2007, out of the total amount of EPA capitalization grant funds awarded to the WPCRF through 2007, \$0.5 million remains unobligated and available for loans.

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 2007, 25 DC loans had been executed, 15 in the DWRF and ten in the WPCRF with original principal amounts of \$8.1 million and \$7.4 million, respectively. Of the 25 loans, 18 contain zero percent interest rates, and seven 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.

Congress has appropriated funds for EPA Clean Water and Drinking Water capitalization grants for 2008. The Authority submitted an application to the EPA, in March, 2008, for the \$5.4 million Clean Water capitalization grant allocated to Colorado. Of the total amount anticipated to be awarded, \$5.2 will be allocated for funding loan activity leaving \$0.2 million (4%) for grant administration. At the same time, the Authority submitted an application to the EPA for the \$14.3 million Drinking Water capitalization grant allocated to Colorado. Of the total amount anticipated to be awarded, \$9.9 million will be allocated for funding loan activity, while \$4.4 million (31%) will be allocated to grant administration and other program set-aside activity.

Additional funding for WPCRF loan activity of approximately \$31.7 million is estimated to be available from the WPCRF reloan account in 2008. Additional funding for DWRF loan activity of approximately \$17.7 million is estimated to be available from the DWRF reloan account in 2008.

During the last six months of 2007, the financial markets were impacted by mortgage defaults. Many financial-related companies, including bond insurers and banks, were impacted due to their ownership of collateralized debt obligations (bundled mortgages) or due to their insuring such obligations. The Authority

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staff is monitoring closely the ratings of the insurers providing bond insurance for the SWRP, WRBP and the WPCRF and the ratings of the counterparties involved with the long-term repurchase agreements in the project and matching accounts of the WPCRF and the DWRP. The Authority provided a material events notice to the appropriate repositories regarding the changes in ratings of Financial Guaranty Insurance Corporation (FGIC), the insurer of the SWRP bonds, on March 3, 2008, and another material events notice on March 28, 2008. The material events notices provided the following:

- > On January 30, 2008, Fitch Ratings downgraded to "AA" from "AAA" its insured rating on all series of Colorado Water Resources and Power Development Authority Small Water Resources Revenue Bonds insured by FGIC. On March 26, 2008, Fitch Ratings downgraded to "BBB" from "AA" its insured rating on all series of Colorado Water Resources and Power Development Authority Small Water Resources Revenue Bonds insured by FGIC.
- > On January 31, 2008, Standard & Poor's Rating Services downgraded to "AA" from "AAA" its insured ratings on all series of Colorado Water Resources and Power Development Authority Small Water Resources Revenue Bonds insured by FGIC. On February 25, 2008, Standard and Poor's Rating Services downgraded to "A" from "AA" its insured ratings on all series of Colorado Water Resources and Power Development Authority Small Water Resources Revenue Bonds insured by FGIC.
- > On February 14, 2008, Moody's Investors Service downgraded to "A3" from "Aaa" its insured ratings on all series of Colorado Water Resources and Power Development Authority Small Water Resources Revenue Bonds insured by FGIC.

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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**COLORADO WATER RESOURCES
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Statement of Net Assets

December 31, 2007

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
Cash and cash equivalents	\$ 63,186,435	\$ 21,843,563	\$ 20,709,428	\$ 105,739,426
Federal grants receivable	—	3,233,386	2,106,157	5,339,543
Investment income receivable	242,795	724,310	410,830	1,377,935
Loans receivable	12,669,167	30,717,122	11,217,241	54,603,530
Due from other funds	1,559,564	—	—	1,559,564
Accounts receivable – borrowers	5,621,539	6,467,836	2,027,266	14,116,641
Other assets	13,139	—	—	13,139
Restricted assets:				
Cash and cash equivalents	13,770,188	19,335,988	15,034,092	48,140,268
Investments	10,078,165	54,734,990	29,892,142	94,705,297
Investment income receivable	154,055	1,187,230	663,685	2,004,970
Total current assets	<u>107,295,047</u>	<u>138,244,425</u>	<u>82,060,841</u>	<u>327,600,313</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	13,715,290	11,229,809	265,711	25,210,810
Investments	—	178,106,213	59,404,510	237,510,723
Investment income receivable	55,872	3,384,845	881,495	4,322,212
Advance receivable	3,078,683	—	—	3,078,683
Loans receivable	438,118,332	486,712,543	200,435,242	1,125,266,117
Water depletion rights – Animas-La Plata	6,871,308	—	—	6,871,308
Capital assets – equipment, net of accumulated depreciation of \$96,787	22,101	1,697	1,697	25,495
Other assets	5,436,987	—	—	5,436,987
Total noncurrent assets	<u>467,298,573</u>	<u>679,435,107</u>	<u>260,988,655</u>	<u>1,407,722,335</u>
Total assets	<u>574,593,620</u>	<u>817,679,532</u>	<u>343,049,496</u>	<u>1,735,322,648</u>
Liabilities and Net Assets				
Current liabilities:				
Project costs payable – direct loans	—	8,348,512	4,392,848	12,741,360
Project costs payable – leveraged loans	13,948,641	45,394,484	28,147,340	87,490,465
Bonds payable	13,110,000	27,320,000	9,080,000	49,510,000
Accrued interest payable	5,741,481	7,573,436	2,656,096	15,971,013
Accounts payable – borrowers	5,569,447	—	—	5,569,447
Accounts payable – other	1,480,424	—	—	1,480,424
Due to other funds	—	242,089	1,317,475	1,559,564
Other liabilities	—	584,593	180,252	764,845
Total current liabilities	<u>39,849,993</u>	<u>89,463,114</u>	<u>45,774,011</u>	<u>175,087,118</u>
Noncurrent liabilities:				
Project costs payable – leveraged loans	2,966,399	23,728,000	5,594,011	32,288,410
Bonds payable, net	439,033,061	436,495,331	163,051,485	1,038,579,877
Advance payable	—	3,078,683	—	3,078,683
Debt service reserve deposit	1,861,513	—	—	1,861,513
Deferred revenue	—	626,380	96,503	722,883
Other liabilities	1,307,294	3,153,784	1,621,687	6,082,765
Total noncurrent liabilities	<u>445,168,267</u>	<u>467,082,178</u>	<u>170,363,686</u>	<u>1,082,614,131</u>
Total liabilities	<u>485,018,260</u>	<u>556,545,292</u>	<u>216,137,697</u>	<u>1,257,701,249</u>
Net assets:				
Invested in capital assets	22,101	1,697	1,697	25,495
Restricted	23,876,658	261,132,543	122,520,764	407,529,965
Unrestricted	65,676,601	—	4,389,338	70,065,939
Total net assets	<u>\$ 89,575,360</u>	<u>\$ 261,134,240</u>	<u>\$ 126,911,799</u>	<u>\$ 477,621,399</u>

See Notes to Financial Statements.

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Statement of Net Assets

December 31, 2006

Assets	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
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 and Net Assets				
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>
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 net assets	<u>\$ 87,212,369</u>	<u>\$ 239,919,523</u>	<u>\$ 115,317,319</u>	<u>\$ 442,449,211</u>

See Notes to Financial Statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
(A Component Unit of the State of Colorado)**

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Year ended December 31, 2007**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 21,927,594	\$ 12,325,893	\$ 4,850,948	\$ 39,104,435
Interest on investments	3,626,834	15,533,261	6,289,099	25,449,194
Loan administrative fees	—	5,761,742	2,144,811	7,906,553
EPA grants	—	171,303	4,817,477	4,988,780
Other	100	43,917	41,842	85,859
Total operating revenues	<u>25,554,528</u>	<u>33,836,116</u>	<u>18,144,177</u>	<u>77,534,821</u>
Operating expenses:				
Interest on bonds	22,126,089	22,794,027	8,201,924	53,122,040
Grant administration	—	1,276,115	938,401	2,214,516
Project expenses	276,495	—	—	276,495
General and administrative	788,953	3,393	3,393	795,739
EPA set asides	—	—	4,404,102	4,404,102
Other	—	357,541	97,191	454,732
Total operating expenses	<u>23,191,537</u>	<u>24,431,076</u>	<u>13,645,011</u>	<u>61,267,624</u>
Operating income	2,362,991	9,405,040	4,499,166	16,267,197
EPA capitalization grants	—	11,809,677	7,095,314	18,904,991
Change in net assets	2,362,991	21,214,717	11,594,480	35,172,188
Net assets – beginning of year	87,212,369	239,919,523	115,317,319	442,449,211
Net assets – end of year	<u>\$ 89,575,360</u>	<u>\$ 261,134,240</u>	<u>\$ 126,911,799</u>	<u>\$ 477,621,399</u>

See Notes to Financial Statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
(A Component Unit of the State of Colorado)**

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

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
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
Loan administrative fees	—	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
EPA capitalization grants	—	8,878,874	3,623,256	12,502,130
Change in net assets	1,608,298	14,081,272	6,809,615	22,499,185
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>
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>

See Notes to Financial Statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
(A Component Unit of the State of Colorado)**

**Statement of Cash Flows
Year ended December 31, 2007**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Cash flows from operating activities:				
Loan administrative fees received	\$ —	\$ 5,543,469	\$ 2,052,755	\$ 7,596,224
Federal funds received	—	133,272	4,119,213	4,252,485
Miscellaneous income	200	—	—	200
Cash payments for salaries and related benefits	(510,566)	(405,090)	(247,887)	(1,163,543)
Cash payments to other state agencies for services	—	(585,937)	(631,102)	(1,217,039)
Cash payments to vendors	(614,632)	(374,516)	(3,902,751)	(4,891,899)
Net cash provided (used) by operating activities	<u>(1,124,998)</u>	<u>4,311,198</u>	<u>1,390,228</u>	<u>4,576,428</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	—	37,340,427	—	37,340,427
Deposits for option to purchase water depletion rights	4,703	—	—	4,703
Federal funds received	—	9,573,270	7,063,219	16,636,489
Principal paid on bonds	(12,620,000)	(26,465,000)	(9,145,000)	(48,230,000)
Interest paid on bonds	(21,661,541)	(22,559,644)	(8,066,707)	(52,287,892)
Cash payment for bond issuance costs	(77,818)	(478,496)	(84,951)	(641,265)
Net cash used by noncapital financing activities	<u>(34,354,656)</u>	<u>(2,589,443)</u>	<u>(10,233,439)</u>	<u>(47,177,538)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(17,089)	—	—	(17,089)
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	18,604,321	63,478,579	20,300,324	102,383,224
Interest received on investments	5,615,852	14,700,784	6,571,714	26,888,350
Interest received on loans	21,973,000	11,776,410	4,696,752	38,446,162
Principal repayments from localities on loans	14,468,333	29,060,865	11,456,119	54,985,317
Cash received from (paid to) other funds	2,290,420	(2,290,420)	—	—
Purchase of investments	(352,678)	(55,093,323)	(6,071,031)	(61,517,032)
Investment in water rights	(1,737,455)	—	—	(1,737,455)
Cash disbursed to localities for loans	(88,978,816)	(46,559,192)	(20,353,411)	(155,891,419)
Cash payment for arbitrage rebate	(235,436)	(961,153)	(409,428)	(1,606,017)
Cash payments of interest to borrowers	(4,995,000)	—	—	(4,995,000)
Net cash provided (used) by investing activities	<u>(33,347,459)</u>	<u>14,112,550</u>	<u>16,191,039</u>	<u>(3,043,870)</u>
Net increase (decrease) in cash and cash equivalents	<u>(68,844,202)</u>	<u>15,834,305</u>	<u>7,347,828</u>	<u>(45,662,069)</u>
Cash and cash equivalents, beginning of year	<u>159,516,115</u>	<u>36,575,055</u>	<u>28,661,403</u>	<u>224,752,573</u>
Cash and cash equivalents, end of year	<u>\$ 90,671,913</u>	<u>\$ 52,409,360</u>	<u>\$ 36,009,231</u>	<u>\$ 179,090,504</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 2,362,991	\$ 9,405,040	\$ 4,499,166	\$ 16,267,197
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	8,239	3,393	3,393	15,025
Accrued sick leave expense	700	—	—	700
Interest on bonds	22,126,089	22,794,027	8,201,924	53,122,040
Cost of issuance proceeds	—	(43,917)	(41,842)	(85,759)
Reduction in office lease deposit	260	—	—	260
Interest on loans	(21,927,594)	(12,325,893)	(4,850,948)	(39,104,435)
Interest on investments	(3,626,834)	(15,533,261)	(6,289,099)	(25,449,194)
Put fees on Treasury bonds	—	49,985	—	49,985
Loan principal forgiven	—	229,087	35,463	264,550
Amortization of deferred revenue	—	(56,510)	(6,580)	(63,090)
Change in assets and liabilities:				
Increase in due from other funds	(611,533)	—	—	(611,533)
Increase in accounts receivable – borrowers	—	(161,764)	(85,475)	(247,239)
(Increase) decrease in other receivables	75,610	(38,031)	(698,265)	(660,686)
Increase in accounts payable – other	467,074	—	—	467,074
Increase (decrease) in due to other funds	—	(10,958)	622,491	611,533
Net cash provided (used) by operating activities	<u>\$ (1,124,998)</u>	<u>\$ 4,311,198</u>	<u>\$ 1,390,228</u>	<u>\$ 4,576,428</u>
Noncash Investing Activities				
Loans receivable issued related to projects payable	<u>\$ —</u>	<u>\$ 42,348,024</u>	<u>\$ 1,592,396</u>	<u>\$ 43,940,420</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Unrestricted cash & equivalents	\$ 63,186,435	\$ 21,843,563	\$ 20,709,428	\$ 105,739,426
Current Restricted cash & equivalents	13,770,188	19,335,988	15,034,092	48,140,268
Non Current Restricted cash & equivalents	13,715,290	11,229,809	265,711	25,210,810
Total Cash and Cash Equivalents	<u>\$ 90,671,913</u>	<u>\$ 52,409,360</u>	<u>\$ 36,009,231</u>	<u>\$ 179,090,504</u>

See Notes to Financial Statements.

**COLORADO WATER RESOURCES
AND POWER DEVELOPMENT AUTHORITY
(A Component Unit of the State of Colorado)**

Statement of Cash Flows

Year ended December 31, 2006

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Cash flows from operating activities:				
Loan administrative fees received	\$ —	\$ 5,096,864	\$ 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 (used) by operating activities	<u>(999,765)</u>	<u>4,070,051</u>	<u>1,118,633</u>	<u>4,188,919</u>
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 (used) by noncapital financing activities	<u>(33,583,876)</u>	<u>1,698,247</u>	<u>39,485,364</u>	<u>7,599,735</u>
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 funds	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 by investing activities	<u>(32,986,795)</u>	<u>(5,806,060)</u>	<u>(41,961,209)</u>	<u>(80,754,064)</u>
Net decrease in cash and cash equivalents	<u>(67,576,194)</u>	<u>(37,762)</u>	<u>(1,357,212)</u>	<u>(68,971,168)</u>
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>
Reconciliation of operating income to net cash provided (used) by 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 (used) by 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) in other receivables	(18,609)	53,253	(223,623)	(188,979)
Increase in accounts payable – other	323,231	—	—	323,231
Increase in due to other funds	—	(6,596)	294,166	287,570
Net cash provided (used) by 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>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Unrestricted cash & equivalents	\$ 56,624,499	\$ 16,989,483	\$ 16,521,062	\$ 90,135,044
Current Restricted cash & equivalents	86,951,812	11,984,513	11,301,341	110,237,666
Non Current Restricted cash & equivalents	15,939,804	7,601,059	839,000	24,379,863
Total Cash and Cash Equivalents	<u>\$ 159,516,115</u>	<u>\$ 36,575,055</u>	<u>\$ 28,661,403</u>	<u>\$ 224,752,573</u>

See Notes to Financial Statements.

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

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
(A Component Unit of the State of Colorado)
Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 1: Organization (Continued)

Water Operations Enterprise Fund (continued)

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 be used 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 \$1,737,455 and \$1,500,262 in 2007 and 2006, respectively. These payments are capitalized as Water depletion rights on the statement of net assets.

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 1: Organization (Continued)

Water Operations Enterprise Fund (continued)

Animas-La Plata Project (continued)

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 2007 and 2006, the Authority paid \$583,350 and \$679,750, 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 four percent 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, bond proceeds, reloan funds (recycled grant funds) and state funds. The matching requirement for the federal grants is provided by the Authority in the form of cash.

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 1: Organization (Continued)

Water Pollution Control Enterprise Fund (continued)

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 reserves 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 (loans funded from bond proceeds) 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 is less than or equal to 60% of the State's median household income, and an interest rate of 50% of the approved direct loan rate, if the community's median household income is 61% to 80% of the State's median household income.

Drinking Water Enterprise Fund

Drinking Water Revolving Fund

The Drinking Water Enterprise Fund includes the operations of the 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.

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 1: Organization (Continued)

Drinking Water Enterprise Fund (continued)

Drinking Water Revolving Fund - continued

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

Pursuant to statutes, with the written consent of the Colorado Department of Public Health and Environment, the Authority is authorized, on behalf of the State, to execute all operating agreements and capitalization grant agreements with the EPA. The Authority, the Water Quality Control Division of the Colorado Department of Public Health and Environment and the Division of Local Government of the Colorado Department of Local Affairs have entered into a Memorandum of Agreement under which each has agreed to assume specified responsibilities in connection with the operation of the DWRF. In 2007 and 2006, the Authority paid \$4,204,271 and \$3,023,736 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, bond proceeds, reloan funds and state funds. 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 of reloan funds to the reserve account upon bond closing. Earnings on such reserves are used to reduce the loan interest payable by the borrower.

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Note 1: Organization (Continued)

Drinking Water Enterprise Fund (continued)

Drinking Water Revolving Fund - continued

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 (loans funded from bond proceeds) 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 up to 30 years. These loans carry a 0% interest rate, if the community's median household income is less than or equal to 60% of the State's median household income, and an interest rate of 50% of the approved direct loan rate, if the community's median household income is 61% to 80% of the State's median household income.

Set Asides

The SDWA allows the State to "set aside" up to 31% of the annual capitalization grant for water quality programs and administration. With these set asides, the Authority, through the Water Quality Control Division of the Colorado Department of Public Health and Environment, provides assistance in the form of grants, with no repayment obligations, to eligible entities. Up to 10% of the Authority's capitalization grants may be used for source water protection, capacity development, public water system supervision, and wellhead protection. In 1997, the entire 10% was used for source water protection, but since then no further funds have been set aside for this activity. Up to 15% (no more than 10% for any one purpose) of each grant may be used for the following items: loans for public water systems to acquire land or conversion easements, loans for community systems to implement source water protection measures or to implement recommendations in source water petitions, technical, and financial assistance to public water systems for capacity development, expenditures to delineate or assess source water protection areas, and expenditures to establish and implement wellhead protection programs. Up to 4% of the Authority's capitalization grants may be used for administration, and up to 2% of the capitalization grants each year may be used for an operator training and technical assistance set aside to aid small community systems.

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

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Note 1: Organization (Continued)

Drinking Water Enterprise Fund (continued)

State Loans

Prior to receiving the award of the federal capitalization grant, the DWRF loaned State-funded monies directly to local governmental agencies.

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 (GASB 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.

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Note 2: Summary of Significant Accounting Policies (Continued)

(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 collectible 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 effective 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 and are recorded in other liabilities in the statement of net assets.

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Note 2: Summary of Significant Accounting Policies (Continued)

(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 34, federal EPA capitalization grants are shown below operating income on the statements of revenues, expenses, and changes in 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.

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Years Ended December 31, 2007 and 2006**

Note 2: Summary of Significant Accounting Policies (Continued)

(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. At the time of the refunding, the bonds are legally defeased and the bond proceeds are transferred to an escrow account; 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.

(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. Arbitrage rebate payable is included in other liabilities on the statement of net assets.

Note 3: Deposits and Investments

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.

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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 3: Deposits and Investments (Continued)

Deposits (continued)

At December 31, 2007 and 2006, the Authority's deposits had a bank balance of \$12,362,393 and \$552,552 and a carrying amount of \$12,209,776 and \$211,045, 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, 2007 and 2006.

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 Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*, deposits collateralized under PDPA are not deemed to be exposed to custodial credit risk. Accordingly, in 2007, \$11,994,053 is deemed to be exposed to custodial credit risk.

	2007	2006
Collateralized by bank's single collateral pool for all public entities, but not held in the Authority's name	\$ 318,340	\$ 452,552
Collateralized with securities held by bank's trust department or agent, but not in the Authority's name	11,944,053	-
Total	\$ 12,262,393	\$ 452,552

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

**Colorado Water Resources
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Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 3: Deposits and Investments (Continued)

Investments (continued)

- 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.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is evidenced by a rating issued by a nationally recognized statistical rating organization (NRSRO), which regularly rate such obligations. The table below shows the 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.

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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 3: Deposits and Investments (Continued)

Investments (continued)

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, 2007 and 2006, reflect the rating of the underlying securities held as collateral.

2007					
Deposit or Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 12,209,776		X		
Cash held by State Treasurer (see below)	60,429,626	N/A		X	
COLOTRUST PLUS	106,451,102	N/A			AAA
Total cash and cash equivalents	<u>179,090,504</u>				
U.S. Treasury Notes - SLGS	11,305,435	N/A	X		
U.S. Treasury Bonds	9,227,134	N/A	X		
Repurchase Agreements-collateralized	311,683,451				See Detail Below
Total Investments	<u>332,216,020</u>				
Total cash and invested funds	<u>\$ 511,306,524</u>				

2006					
Deposit or Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 211,045		X		
Cash held by State Treasurer (see below)	60,812,697	N/A		X	
COLOTRUST PLUS	106,452,166	N/A			AAA
COLOTRUST PRIME	57,276,665	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	349,096,373				See Detail Below
Total Investments	<u>372,884,505</u>				
Total cash and invested funds	<u>\$ 597,637,078</u>				

**Colorado Water Resources
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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 3: Deposits and Investments (Continued)

Investments (continued)

Below is a schedule that summarizes the credit quality of the securities held as collateral for the repurchase agreements, as of December 31, 2007 and 2006:

		2007		
		Collateral Securities		
		Custodian		
	Exempt From Disclosure	Portfolio Percent		NRSRO Rating
U.S. Treasuries and other direct obligations	X	5.1%		
Government agencies		94.9%		AAA
Financial Corporation (FDIC)		0.0%		AAA
Total		100.0%		

		2006		
		Collateral Securities		
		Custodian		
	Exempt From Disclosure	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%		

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**Notes to Financial Statements
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Note 3: Deposits and Investments (Continued)

Investments (continued)

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, 2007 and 2006:

	2007						Portfolio Percent
	Credit Rating of Pool Securities						
	A1/P1	AAA	AA	A	BBB	Other	
Asset Backed		100.0%					15.0%
Corporates		10.6%	43.1%	42.4%	3.9%		9.1%
Mortgage Securities		100.0%					3.6%
Commercial Paper	100.0%						20.9%
Treasuries		100.0%					9.3%
Federal Agencies		100.0%					33.8%
Certificates of Deposit						100.0%	1.2%
Money Market Funds						100.0%	7.1%
Total Portfolio	20.9%	62.6%	3.9%	3.9%	0.4%	8.3%	100.0%

	2006						Portfolio Percent
	Credit Rating of Pool Securities						
	A1/P1	AAA	AA	A	BBB	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	0.0%	63.3%	10.6%	12.2%	0.0%	13.9%	100.0%

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

**Colorado Water Resources
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Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 3: Deposits and Investments (Continued)

Investments (continued)

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 \$311,683,451 and \$349,096,373 as of December 31, 2007 and 2006, 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.

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 repurchase agreement providers (eligible providers) exceed 5% of total funds invested as of December 31, 2007 and 2006. 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.

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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 3: Deposits and Investments (Continued)

Investments (continued)

2007			
Investment Type	Fair Value	Exempt From Disclosure	Percent of Total Invested
Cash held by State Treasurer	\$ 60,429,626		12.1%
COLOTRUST PLUS	106,451,102	X	N/A
U.S. Treasury Notes - SLGS	11,305,435	X	N/A
U.S. Treasury Bonds	9,227,134	X	N/A
	<u>187,413,297</u>		
Repurchase Agreements-collateralized			
Trinity Plus Funding Company LLC	67,913,436		13.6%
MBIA Asset Management LLC	19,387,449	X	N/A
HSBC Bank USA N.A.	919,393	X	N/A
Westdeutsche Landesbank	931,135	X	N/A
Salomon Reinvestment Co./Citigroup Global	41,556,358		8.3%
American International Group	74,037,684		14.8%
FSA Capital Management Services LLC	62,374,415		12.5%
Societe Generale	44,563,581		8.9%
	<u>311,683,451</u>		
Total funds invested	\$ <u>499,096,748</u>		
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	9,029,428	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	85,098,975		14.2%
	<u>349,096,373</u>		
Total funds invested	\$ <u>597,426,033</u>		

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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 3: Deposits and Investments (Continued)

Investments (continued)

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.

As of December 31, 2007 and 2006, the Authority had the following investments and maturities.

2007				
Maturity	U.S. Treasury Notes - SLGS	U.S. Treasury Bonds	Repurchase Agreements	Total Investments
2008	\$ 3,572,453	\$ 51,918	\$ 91,080,926	\$ 94,705,297
2009	3,559,249	410,428	33,533,849	37,503,526
2010	2,489,256	1,657,313	12,283,907	16,430,476
2011	1,047,857	3,231,260	12,596,746	16,875,863
2012	377,353	2,330,397	12,972,904	15,680,654
2013-2017	259,267	1,545,818	65,536,960	67,342,045
2018-2022	-	-	54,399,954	54,399,954
2023-2027	-	-	27,878,342	27,878,342
2028-2029	-	-	1,399,863	1,399,863
Total	<u>\$ 11,305,435</u>	<u>\$ 9,227,134</u>	<u>\$ 311,683,451</u>	<u>\$ 332,216,020</u>

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	-	-	3,228,503	3,228,503
Total	<u>\$ 14,758,704</u>	<u>\$ 9,029,428</u>	<u>\$ 349,096,373</u>	<u>\$ 372,884,505</u>

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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 3: Deposits and Investments (Continued)

Investments (continued)

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.

As previously discussed, the Authority had \$60,429,626 and \$60,812,697 as of December 31, 2007 and 2006, respectively, invested in the pool maintained by the State Treasurer, and that pool had an average maturity of 13.3 and 15.4 months as of December 31, 2007 and 2006. The Authority’s investment represents approximately 1.3% of the total pool as of December 31, 2007 and 2006.

Note 4: Loans Receivable

The following is an analysis of changes in loans receivable for the years ended December 31, 2007 and 2006:

	<u>Balance January 1, 2007</u>	<u>New loans</u>	<u>Repayments/ loans canceled</u>	<u>Balance December 31, 2007</u>
Water Operations Fund:				
Small Water Resources				
Program	\$ 96,685,833	\$ —	\$ 6,308,334	\$ 90,377,499
Water Revenue Bond				
Program	366,570,000	—	6,160,000	360,410,000
Interim loans	1,817,060	182,940	2,000,000	—
Water Pollution Control Fund:				
Direct loans	25,378,837	5,225,000	1,676,456	28,927,381
Leveraged loans	478,992,755	37,123,024	27,613,495	488,502,284
Drinking Water Fund:				
Direct loans	24,554,279	1,592,397	1,341,197	24,805,479
Leveraged loans	196,997,390	—	10,150,386	186,847,004
	<u>1,190,996,154</u>	<u>\$ 44,123,361</u>	<u>\$ 55,249,868</u>	<u>1,179,869,647</u>
Less current portion	<u>54,321,779</u>			<u>54,603,530</u>
Noncurrent portion	<u>\$ 1,136,674,375</u>			<u>\$ 1,125,266,117</u>

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**Notes to Financial Statements
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Note 4: Loans Receivable (Continued)

	<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	150,210,971	54,327,241	7,540,822	196,997,390
	<u>1,120,981,566</u>	<u>\$ 117,525,115</u>	<u>\$ 47,510,527</u>	<u>1,190,996,154</u>
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>

Scheduled maturities of the loans receivable are as follows as of December 31, 2007:

	<u>Water Operations</u>		<u>WPCRF</u>		<u>DWRF</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 12,669,167	\$ 21,163,658	\$ 30,717,122	\$ 13,003,822	\$ 11,217,241	\$ 5,013,035	\$ 54,603,530	\$ 39,180,515
2009	12,959,166	20,718,287	31,988,363	13,117,598	11,616,842	4,943,554	56,564,371	38,779,439
2010	14,915,834	20,108,182	32,815,251	12,351,628	12,621,037	4,705,278	60,352,122	37,165,088
2011	17,268,333	19,452,832	33,602,704	11,481,866	13,690,871	4,398,385	64,561,908	35,333,083
2012	17,884,167	18,661,689	32,260,405	10,549,654	14,059,238	4,080,160	64,203,810	33,291,503
2013-2017	82,952,500	81,334,833	146,357,065	39,919,620	71,357,773	14,786,521	300,667,338	136,040,974
2018-2022	75,299,167	62,909,620	130,675,865	20,407,338	55,449,355	6,170,047	261,424,387	89,487,005
2023-2027	53,744,165	46,593,798	76,224,015	5,432,408	19,042,440	1,154,828	149,010,620	53,181,034
2028-2032	56,490,000	34,523,963	2,788,875	64,408	1,653,958	26,358	60,932,833	34,614,729
2033-2037	74,905,000	16,869,006	—	—	933,153	7,698	75,838,153	16,876,704
2038-2042	25,720,000	5,758,988	—	—	10,575	79	25,730,575	5,759,067
2043	5,980,000	313,949	—	—	—	—	5,980,000	313,949
Total	<u>\$ 450,787,499</u>	<u>\$ 348,408,805</u>	<u>\$ 517,429,665</u>	<u>\$ 126,328,342</u>	<u>\$ 211,652,483</u>	<u>\$ 45,285,943</u>	<u>\$ 1,179,869,647</u>	<u>\$ 520,023,090</u>

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Note 4: Loans Receivable (Continued)

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 Projects 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 Bonds Program loans receivable have interest rates of 1.92% to 7.08% and have scheduled maturity dates of 2009 to 2043.

The WPCRF direct loans receivable have interest rates of 0.00% to 5.17% and have maturity dates of 2010 to 2028. The WPCRF leveraged loans receivable have interest rates of 3.21% to 5.20% and have scheduled final maturity dates of 2009 to 2028.

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 2038. 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: Capital Assets

Capital assets activity for the years ended December 31, 2007 and 2006 was as follows:

	2007			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 165,169	\$ 17,089	\$ 59,976	\$ 122,282
Less accumulated depreciation for equipment	<u>(141,738)</u>	<u>(15,025)</u>	<u>(59,976)</u>	<u>(96,787)</u>
	<u>\$ 23,431</u>	<u>\$ 2,064</u>	<u>\$ -</u>	<u>\$ 25,495</u>
	2006			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Equipment	\$ 163,513	\$ 5,761	\$ 4,105	\$ 165,169
Less accumulated depreciation for equipment	<u>(133,103)</u>	<u>(12,740)</u>	<u>(4,105)</u>	<u>(141,738)</u>
	<u>\$ 30,410</u>	<u>\$ (6,979)</u>	<u>\$ -</u>	<u>\$ 23,431</u>

Depreciation expense for the years ended December 31, 2007 and 2006 was \$15,025 and \$12,740, respectively.

**Colorado Water Resources
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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 6: Noncurrent Liabilities

Other than Bonds

Noncurrent liability activity, other than bonds, for the year ended December 31, 2007, was as follows:

	<u>Balance January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Current portion</u>
Water Operations:					
Project costs payable – leveraged loans	\$ 105,805,897	\$ —	\$ 88,890,857	\$ 16,915,040	\$ 13,948,641
Debt service reserve deposit	1,861,513	—	—	1,861,513	—
Other liabilities	1,840,957	336,314	869,977	1,307,294	—
Total water operations	<u>\$ 109,508,367</u>	<u>\$ 336,314</u>	<u>\$ 89,760,834</u>	<u>\$ 20,083,847</u>	<u>\$ 13,948,641</u>
Water Pollution Control:					
Project costs payable – direct loans	\$ 7,392,220	\$ 5,225,000	\$ 4,268,708	\$ 8,348,512	\$ 8,348,512
Project costs payable – leveraged loans	72,700,969	38,712,000	42,290,485	69,122,484	45,394,484
Advance payable	5,369,103	1,709,580	4,000,000	3,078,683	—
Deferred revenue	682,890	—	56,510	626,380	—
Other liabilities	4,785,433	1,054,241	2,101,297	3,738,377	584,593
Total water pollution control	<u>\$ 90,930,615</u>	<u>\$ 46,700,821</u>	<u>\$ 52,717,000</u>	<u>\$ 84,914,436</u>	<u>\$ 54,327,589</u>
Drinking Water:					
Project costs payable – direct loans	\$ 7,377,430	\$ 1,592,397	\$ 4,576,979	\$ 4,392,848	\$ 4,392,848
Project costs payable – leveraged loans	49,517,784	—	15,776,433	33,741,351	28,147,340
Deferred revenue	103,083	—	6,580	96,503	—
Other liabilities	1,666,532	780,009	644,602	1,801,939	180,252
Total drinking water	<u>\$ 58,664,829</u>	<u>\$ 2,372,406</u>	<u>\$ 21,004,594</u>	<u>\$ 40,032,641</u>	<u>\$ 32,720,440</u>
Total enterprise funds:					
Project costs payable – direct loans	\$ 14,769,650	\$ 6,817,397	\$ 8,845,687	\$ 12,741,360	\$ 12,741,360
Project costs payable – leveraged loans	228,024,650	38,712,000	146,957,775	119,778,875	87,490,465
Debt service reserve deposit	1,861,513	—	—	1,861,513	—
Advance payable	5,369,103	1,709,580	4,000,000	3,078,683	—
Deferred revenue	785,973	—	63,090	722,883	—
Other liabilities	8,292,922	2,170,564	3,615,876	6,847,610	764,845
Total enterprise funds	<u>\$ 259,103,811</u>	<u>\$ 49,409,541</u>	<u>\$ 163,482,428</u>	<u>\$ 145,030,924</u>	<u>\$ 100,996,670</u>

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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 6: Noncurrent Liabilities (Continued)

Other than Bonds (continued)

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	1,820,649	20,921	613	1,840,957	384,480
Total water operations	\$ 227,601,040	\$ 20,921	\$ 118,113,594	\$ 109,508,367	\$ 101,820,191
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	4,390,735	1,598,770	1,204,072	4,785,433	917,000
Total water pollution control	\$ 101,708,524	\$ 55,702,549	\$ 66,480,458	\$ 90,930,615	\$ 64,841,381
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	1,080,566	734,890	148,924	1,666,532	435,000
Total drinking water	\$ 2,936,459	\$ 65,607,612	\$ 9,879,242	\$ 58,664,829	\$ 52,456,214
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	7,291,950	2,354,581	1,353,609	8,292,922	1,736,480
Total enterprise funds	\$ 332,246,023	\$ 121,331,082	\$ 194,473,294	\$ 259,103,811	\$ 219,117,786

**Colorado Water Resources
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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 6: Noncurrent Liabilities (Continued)

Bonds Payable

The following is an analysis of changes in bonds payable for the year ended December 31, 2007:

	<u>Balance January 1, 2007</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2007</u>
Water Operations:				
Small Water Resources Projects Program:				
1992 Series B	\$ 495,000	\$ —	\$ 240,000	\$ 255,000
1993 Series A	3,190,000	—	745,000	2,445,000
1994 Series A	2,495,000	—	315,000	2,180,000
1996 Series A	3,735,000	—	320,000	3,415,000
1997 Series A	3,340,000	—	460,000	2,880,000
1997 Series B	7,320,000	—	1,155,000	6,165,000
1998 Series A	5,580,000	—	360,000	5,220,000
1998 Series B	9,290,000	—	1,370,000	7,920,000
2000 Series A	11,560,000	—	685,000	10,875,000
2001 Series A	14,145,000	—	275,000	13,870,000
2002 Series A	13,945,000	—	180,000	13,765,000
2003 Series A	9,180,000	—	220,000	8,960,000
2006 Series A	13,970,000	—	150,000	13,820,000
	<u>98,245,000</u>	<u>—</u>	<u>6,475,000</u>	<u>91,770,000</u>
Water Revenue Bonds Program:				
1998 Taxable Series	1,815,000	—	210,000	1,605,000
2003 Series A	12,270,000	—	530,000	11,740,000
2003 Series B	2,040,000	—	665,000	1,375,000
2004 Series A	13,345,000	—	525,000	12,820,000
2004 Series B	19,705,000	—	5,000	19,700,000
2004 Series C	17,965,000	—	1,765,000	16,200,000
2004 Series D	103,465,000	—	1,050,000	102,415,000
2004 Series E	3,275,000	—	140,000	3,135,000
2005 Series A	53,115,000	—	880,000	52,235,000
2005 Series B	2,220,000	—	85,000	2,135,000
2005 Series C	8,020,000	—	150,000	7,870,000
2005 Series D	100,000,000	—	—	100,000,000
2005 Series E	26,270,000	—	—	26,270,000
2005 Series F	3,590,000	—	140,000	3,450,000
	<u>367,095,000</u>	<u>—</u>	<u>6,145,000</u>	<u>360,950,000</u>
Total Water Operations	465,340,000	\$ —	\$ 12,620,000	452,720,000
Less deferred costs	(713,354)			(576,939)
Less current portion	(12,620,000)			(13,110,000)
Noncurrent bonds payable - Water Operations	\$ <u>452,006,646</u>			\$ <u>439,033,061</u>

**Colorado Water Resources
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Note 6: Noncurrent Liabilities (Continued)

Bonds Payable (continued)

	<u>Balance January 1, 2007</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2007</u>
Water Pollution Control				
Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	\$ 240,000	\$ —	\$ 75,000	\$ 165,000
1990 Series A	80,000	—	35,000	45,000
1991 Series A	1,055,000	—	300,000	755,000
1991 Series B	695,000	—	230,000	465,000
1992 Series A	435,000	—	100,000	335,000
1992 Series B	1,265,000	—	260,000	1,005,000
1994 Series A	700,000	—	155,000	545,000
1995 Series A	1,055,000	—	185,000	870,000
1996 Series A	310,000	—	45,000	265,000
1997 Series A	4,365,000	—	1,685,000	2,680,000
1998 Series A	4,625,000	—	1,615,000	3,010,000
1998 Series B	2,770,000	—	675,000	2,095,000
1999 Series A	7,745,000	—	2,125,000	5,620,000
2000 Series A	7,730,000	—	1,455,000	6,275,000
2001 Series A	19,510,000	—	3,015,000	16,495,000
2002 Series A	47,640,000	—	2,125,000	45,515,000
2002 Series B	20,990,000	—	680,000	20,310,000
2003 Series A	13,275,000	—	655,000	12,620,000
2004 Series A	57,490,000	—	110,000	57,380,000
2005 Series A	38,715,000	—	1,410,000	37,305,000
2005 Series B	16,640,000	—	665,000	15,975,000
2006 Series A	23,270,000	—	900,000	22,370,000
2006 Series B	14,195,000	—	565,000	13,630,000
2007 Series A	—	35,330,000	—	35,330,000
	<u>284,795,000</u>	<u>35,330,000</u>	<u>19,065,000</u>	<u>301,060,000</u>
Wastewater Revolving Fund				
Refunding Revenue Bonds:				
1996 Series A	17,085,000	—	2,660,000	14,425,000
2001 Series A	38,450,000	—	4,390,000	34,060,000
2004 Series A	35,800,000	—	350,000	35,450,000
2005 Series A and A2	78,040,000	—	—	78,040,000
	<u>169,375,000</u>	<u>—</u>	<u>7,400,000</u>	<u>161,975,000</u>
Total Water Pollution Control Revolving Fund	454,170,000	\$ <u>35,330,000</u>	\$ <u>26,465,000</u>	463,035,000
Deferred (costs) benefits	811,156			780,331
Less current portion	<u>(26,465,000)</u>			<u>(27,320,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	\$ <u>428,516,156</u>			\$ <u>436,495,331</u>

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Note 6: Noncurrent Liabilities (Continued)

Bonds Payable (continued)

	<u>Balance January 1, 2007</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2007</u>
Drinking Water Revolving Fund:				
Revenue Bonds:				
1997 Series A	\$ 15,690,000	\$ —	\$ 1,155,000	\$ 14,535,000
1998 Series A	10,640,000	—	700,000	9,940,000
1999 Series A	31,435,000	—	2,430,000	29,005,000
2000 Series A	8,275,000	—	1,440,000	6,835,000
2002 Series A	14,055,000	—	715,000	13,340,000
2003 Series A	19,875,000	—	320,000	19,555,000
2003 Series B	11,680,000	—	530,000	11,150,000
2006 Series A	11,275,000	—	380,000	10,895,000
2006 Series B	38,045,000	—	1,470,000	36,575,000
	<u>160,970,000</u>	<u>—</u>	<u>9,140,000</u>	<u>151,830,000</u>
 Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	20,125,000	—	5,000	20,120,000
Total Drinking Water Revolving Fund	181,095,000	\$ <u>—</u>	\$ <u>9,145,000</u>	171,950,000
Deferred (costs) benefits	199,607			181,485
Less current portion	<u>(9,145,000)</u>			<u>(9,080,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	\$ <u>172,149,607</u>			\$ <u>163,051,485</u>
 Total enterprise funds:				
Revenue bonds at par	\$ 1,100,605,000	\$ <u>35,330,000</u>	\$ <u>48,230,000</u>	\$ 1,087,705,000
Deferred (costs) benefits	297,409			384,877
Current portion	<u>(48,230,000)</u>			<u>(49,510,000)</u>
Noncurrent bonds payable, net	\$ <u>1,052,672,409</u>			\$ <u>1,038,579,877</u>

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**Notes to Financial Statements
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Note 6: Noncurrent Liabilities (Continued)

Bonds Payable (continued)

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

	<u>Balance January 1, 2006</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2006</u>
Water Operations:				
Small Water Resources Projects 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	—	13,970,000	—	13,970,000
	<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	3,690,000	—	100,000	3,590,000
	<u>373,035,000</u>	<u>—</u>	<u>5,940,000</u>	<u>367,095,000</u>
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>

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**Notes to Financial Statements
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Note 6: Noncurrent Liabilities (Continued)

Bonds Payable (continued)

	<u>Balance January 1, 2006</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2006</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	—	14,195,000	—	14,195,000
	<u>265,915,000</u>	<u>37,465,000</u>	<u>18,585,000</u>	<u>284,795,000</u>
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	78,040,000	—	—	78,040,000
	<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>

**Colorado Water Resources
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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 6: Noncurrent Liabilities (Continued)

Bonds Payable (continued)

	<u>Balance January 1, 2006</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2006</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	—	38,045,000	—	38,045,000
	<u>118,275,000</u>	<u>49,320,000</u>	<u>6,625,000</u>	<u>160,970,000</u>
 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
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
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>

**Colorado Water Resources
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Notes to Financial Statements

Years Ended December 31, 2007 and 2006

Note 6: Noncurrent Liabilities (Continued)

Bonds Payable (continued)

All of the Authority Small Water Resources Projects 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, 2007, the outstanding bonds of the Authority had original principal amounts of \$156,285,000 for the Small Water Resources Projects Program, \$378,170,000 for the Water Revenue Bonds Program, \$655,675,000 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 \$1,627,010,000. Principal payments on the bonds are made annually and interest on the bonds is 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 Projects Program Series 2006A, the Water Revenue Bonds Series 2003B, the Wastewater Revolving Fund Refunding Revenue Bonds Series 1996A, 2001A, 2005A 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, 2007:

	Water Operations		WPCRF		DWRF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 13,110,000	\$ 21,188,609	\$ 27,320,000	\$ 22,720,309	\$ 9,080,000	\$ 7,968,288	\$ 49,510,000	\$ 51,877,206
2009	13,040,000	20,640,271	28,880,000	21,423,216	9,380,000	7,581,095	51,300,000	49,644,582
2010	14,965,000	20,107,036	29,220,000	19,993,560	10,255,000	7,175,495	54,440,000	47,276,091
2011	17,200,000	19,460,435	29,865,000	18,506,305	11,185,000	6,711,326	58,250,000	44,678,066
2012	18,005,000	18,702,671	28,935,000	16,999,891	11,455,000	6,221,475	58,395,000	41,924,037
2013-2017	82,685,000	81,588,932	130,560,000	64,695,588	58,680,000	22,933,053	271,925,000	169,217,573
2018-2022	75,485,000	63,313,341	117,710,000	33,120,823	46,790,000	9,709,304	239,985,000	106,143,468
2023-2027	55,135,000	46,660,299	67,965,000	8,415,251	14,830,000	1,815,813	137,930,000	56,891,363
2028-2032	56,490,000	34,523,963	2,580,000	109,650	295,000	12,906	59,365,000	34,646,519
2033-2037	74,905,000	16,869,006	—	—	—	—	74,905,000	16,869,006
2038-2042	25,720,000	5,758,988	—	—	—	—	25,720,000	5,758,988
2043-2044	5,980,000	313,949	—	—	—	—	5,980,000	313,949
Total	\$ 452,720,000	\$ 349,127,500	\$ 463,035,000	\$ 205,984,593	\$ 171,950,000	\$ 70,128,755	\$ 1,087,705,000	\$ 625,240,848

**Colorado Water Resources
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Years Ended December 31, 2007 and 2006

Note 6: Noncurrent Liabilities (Continued)

Bonds Payable (continued)

Total interest expense for 2007 and 2006 amounted to \$22,126,089, \$22,794,027, \$8,201,924 and \$22,684,637, \$22,113,311, \$6,966,125 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 it is 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 Projects Program Bond Resolution. At December 31, 2007 and 2006, the Small Water Resources Projects Program 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 Projects Program Revenue Bonds at the current funding level for the Small Water Resources Projects Program Debt Service Reserve Account. At December 31, 2007 and 2006, the Authority had \$91,770,000 and \$98,245,000 of outstanding Small Water Resources Projects Program Revenue Bonds, respectively.

Note 7: Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2007 and 2006 is as follows:

Due to/from other funds:

<u>Receivable Funds</u>	<u>Payable Fund</u>	<u>2007 Amount</u>	<u>2006 Amount</u>
Water Operations	Water Pollution Control	\$ 242,089	\$ 318,603
	Drinking Water	<u>1,317,475</u>	<u>694,984</u>
Total		<u>\$ 1,559,564</u>	<u>\$ 1,013,587</u>

The outstanding balances between funds result from the Water Operations Fund paying certain operating expenses of the Water Pollution Control Fund and the Drinking Water Fund for which it is reimbursed.

Note 8: 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>2007</u>	<u>2006</u>
Self-insurance account	\$ 800,000	\$ 800,000
La Plata River escrow account	17,818,029	17,316,018
Total Board-designated accounts	<u>\$ 18,618,029</u>	<u>\$ 18,116,018</u>

**Colorado Water Resources
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Notes to Financial Statements

Years Ended December 31, 2007 and 2006

Note 9: 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 2007:

	Federal grants recognized in 2007	Matching requirement for 2007
Water Pollution Control Revolving Fund Projects:		
2001A – City of Lafayette	\$ 65,909	\$ 13,182
2003A – City of Pueblo	151,619	30,324
2004A – City of Englewood	2,316,949	463,390
2004A – City of Littleton	2,362,953	472,591
2005A – Town of Eaton	40,447	8,089
2005B – City of Glendale	844,852	168,970
2006A – Donala Water and Sanitation District	1,082,499	216,500
2006A – Granby Sanitation District	1,630,059	326,012
2006A – Triview Metropolitan District	1,107,734	221,547
2006B – Cherokee Metropolitan District	988,393	197,679
2007A – Town of Eagle	995,950	199,190
2007A – City of Rifle	222,313	44,463
	11,809,677	2,361,937
Drinking Water Revolving Fund Projects:		
FDL – Town of Palisade	614,950	122,990
2003A – Fountain Valley Authority	58,451	11,690
2003A – Town of Lyons	30,568	6,114
2006A – City of Craig	1,817,033	363,407
2006A – Little Thompson Water District	231,358	46,272
2006B – City of Alamosa	2,840,654	568,131
2006B – Town of Palisade	1,502,300	300,460
	7,095,314	1,419,064
Total	\$ 18,904,991	\$ 3,781,001

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Notes to Financial Statements

Years Ended December 31, 2007 and 2006

Note 9: EPA Capitalization Grants (Continued)

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
	<u> </u>	<u> </u>
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	524,806	104,961
	<u>8,878,874</u>	<u>1,775,774</u>
Drinking Water Revolving Fund Projects:		
FDL – 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	2,421,698	484,340
	<u>3,623,256</u>	<u>724,651</u>
Total	<u>\$ 12,502,130</u>	<u>\$ 2,500,425</u>

**Colorado Water Resources
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**Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 10: 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 PERA, P.O. at PO 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.

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.

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Note 10: Defined Benefit Pension Plan, Health Care Program and Life Insurance Program (Continued)

Defined Benefit Pension Plan – Plan Description (continued)

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.

All employees are required to contribute 8.0% percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. The Authority's contribution rates were 11.15%, 10.65% and 10.15% in 2007, 2006 and 2005, respectively. Included in the 2007 and 2006 rates were an additional 1.0% and 0.5%, respectively, 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.

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Notes to Financial Statements

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Note 10: Defined Benefit Pension Plan, Health Care Program and Life Insurance Program (Continued)

Defined Benefit Pension Plan – Funding Policy (continued)

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 2007, 2006, and 2005 were \$103,338, \$93,647, and \$86,352, respectively. These contributions met the contribution requirement for each year.

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 2007, 2006, and 2005 were \$9,555, \$9,088, and \$8,678, respectively. These contributions met the contribution requirement for each year.

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Note 10: Defined Benefit Pension Plan, Health Care Program and Life Insurance Program (Continued)

Health Care Program (continued)

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, 2006, there were 42,433 enrollees in the plan.

Life Insurance Program

During Fiscal Year 2006-07, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 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 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

Note 11: 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 ended December 31, 2007, 2006 and 2005, the Authority's employer contributions to the HCTF were \$9,555, \$9,088 and \$8,678, respectively, equal to their required contributions for each year.

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Years Ended December 31, 2007 and 2006**

Note 12: 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 (\$15,500 in 2007 and \$15,000 in 2006 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, 2007 and 2006, the 401(k) Plan member contributions from the Authority were \$72,095 and \$66,875, respectively.

Note 13: Commitments

Leases

The Authority leases office facilities under an operating lease that expires December 31, 2012. Rent expense totaled \$126,697 and \$115,058 for 2007 and 2006, respectively. Below is a schedule of the non-cancelable lease payments due:

<u>Year</u>	<u>Rent</u>
2008	\$ 102,298
2009	102,298
2010	102,298
2011	105,952
2012	109,605
Total	<u>\$ 522,451</u>

Note 14: 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.

**Colorado Water Resources
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Notes to Financial Statements
Years Ended December 31, 2007 and 2006**

Note 15: Risk Management and Contingencies

The Authority is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The Authority maintains commercial insurance for most risks of loss, excluding directors' and officers' legal liability for which the Authority is self-insured. The Authority is fully insured for employee healthcare through PERA.

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

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