



# Colorado Water Resources and Power Development Authority



# 2008 Annual Report



COLORADO WATER RESOURCES  
AND  
POWER DEVELOPMENT AUTHORITY  
  
2008 ANNUAL REPORT



# COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

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April 30, 2009

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 2008. The 2008 report includes a description of the Authority's 2008 accomplishments and activities, and a copy of the Authority's 2008 financial statements audited by BKD, LLP.

During 2008 the Authority executed \$20,437,107 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 \$29,715,991 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,

Stephen T. LaBonde  
Vice 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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Photo Courtesy of: Daniel L. Law  
Executive Director

# NARRATIVE

The 2008 Annual Report of the Colorado Water Resources and Power Development Authority ("Authority") is provided in accordance with Section 37-95-116, C.R.S. Utilizing several programs, the Authority provides funding for local governments' water and wastewater projects. This report includes a summary of the Authority's major programs and activities for 2008 along with its audited financial statements for the years ended December 31, 2008 and 2007.

### ***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. Over the last 14 years, 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. In addition the Commission may also modify project descriptions for projects already on the eligibility list and delete projects that have been funded or that have otherwise come into compliance. The DWRF eligibility list is submitted annually to the General Assembly for final approval. For 2009, there are 399 projects on the DWRF project eligibility list representing a cumulative need of over \$1.7 billion.

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 2008. Through 2008, 68 grants have been awarded which have resulted in \$80 million of DWRF loans. For 2009, \$100,000 was allocated for new grants.

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 2008, 24 disadvantaged community loans totaling \$14.7 million have been executed.

As of December 31, 2008, the EPA has awarded \$154,682,600 in capitalization grants to Colorado. Of this amount, \$108,981,520 has been deposited in the DWRF. The remaining \$35,799,915 was set aside for administration (\$6,187,304), technical assistance to small communities (\$2,812,120), public water system supervision (\$8,452,628), in kind services (\$150,000), source water protection (\$1,678,410) and local set-asides (\$16,519,453) which includes capacity development and wellhead

protection. In early 2009 the Authority submitted its FY2009 grant application and anticipates receiving \$14.3 million. Funding from Congress is likely to increase substantially for 2010. Through December 31, 2008, 106 loans have been executed under the DWRF program totaling \$303,653,284 with an outstanding principal balance of \$230,325,467. (See Appendix B for details.) In 2009, the Authority anticipates issuing up to \$40 million in loans using annual grant funds and re-loan funds. As of December 31, 2008, all borrowers were current with loan repayments.

In early 2009 the American Reinvestment and Recovery Act of 2009 ("ARRA") was passed by Congress to create jobs and stimulate the national economy. The DWRF will receive \$34 million in ARRA funds to assist local communities with drinking water projects. These funds will be loaned to governmental agencies and approximately one half of these funds will be issued with principal forgiveness provisions, essentially no loan repayments. Through an emergency rule-making hearing on March 9, 2009, the Commission created a new project Category 6 for those eligible, and ready to go projects not currently on the DWRF eligibility list. (These Category 6 projects are eligible only for ARRA funds.) With ARRA funds, the Authority anticipates issuing up to \$70 million in DWRF loans in 2009.

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 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. 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 2008, the Authority had issued 48 loans totaling \$149,590,000 with an outstanding balance of \$81,702,499. (See Appendix C for tabulation of project loans.) As of December 31, 2008, 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 2009, there are 395

projects on the WPCRF project eligibility list representing a cumulative need of over \$2.6 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 2008. Through 2008, 70 grants have been awarded which have resulted in \$61.8 million of WPCRF loans. For 2009, \$100,000 is allocated for new grants.

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 2008, 14 disadvantaged community loans totaling \$10 million have been executed.

As of December 31, 2008, the EPA has awarded \$217,193,523 in capitalization grants to Colorado, and the Authority has provided over \$43.4 million in state match in the form of bonds and cash. At this time, no state match bonds are outstanding.

In early 2009 the Authority submitted its FY2009 capitalization grant application and anticipates receiving \$5.4 million. Appropriations for this program are expected to increase substantially for 2010.

Through December 31, 2008, 156 loans have been executed under the WPCRF Program totaling \$754,055,215 with an outstanding principal balance of \$505,068,866. (See Appendix D for details.) In 2009, the Authority anticipates issuing up to \$70 million in loans using annual grant funds and re-loan funds. As of December 31, 2008, all borrowers were current with loan repayments.

In early 2009 the American Reinvestment and Recovery Act of 2009 ("ARRA") was passed by Congress to create jobs and stimulate the national economy. The WPCRF will receive \$32 million in ARRA funds to assist local communities with wastewater projects. These funds will be loaned to governmental agencies and approximately one half of these funds will be issued with principal forgiveness provisions, essentially no loan repayments. Through an emergency rule-making hearing on March 9, 2009, the Commission created a new project Category 6 for those eligible, and ready to go projects not currently on the WPCRF eligibility list. (These Category 6 projects are eligible only for ARRA funds.) With ARRA funds, the Authority anticipates issuing up to \$90 million in WPCRF loans in 2009.

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 \$354,070,000. (See Appendix E for details.) As of December 31, 2008, 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 2008. For 2008 the maximum subsidy level was maintained at \$250,000 per borrower.



In early 2009, \$9.7 million of Water Revenue Bonds were issued to fund a loan to the City of Fountain for various water system needs.

## ***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. In 2008 two interim loans were executed with Project 7 Water Authority (\$10 million) and the La Plata West Water Authority (\$4.5 million). The interim loan for Project 7 Water Authority was replaced with a long-term DWRf loan in November. By year end, the La Plata West Water Authority had drawn \$278,187 on its interim loan.

## ***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 DWRf to provide the 20% state match for the DWRf capitalization grants.

In December 2000, legislation was passed by Congress to implement a modified Project with a reservoir capacity of 120,000 acre-feet. As a result of this legislation, which eliminated irrigation water from the Project, cost-sharing was no longer required. In early 2001, discussions with the various parties were initiated to move the project forward.

As a result of the December 2000 legislation and discussions with representatives from the Bureau of Reclamation, the Animas-La Plata Water Conservancy District (the "District") and others, the original cost-sharing and escrow agreements were amended and re-stated in early November 2001. In addition, an agreement was negotiated between the District and the Authority requiring the Authority to fund the District's share of the Project in the amount of \$7,256,750 in exchange for its allocation of 2,600 acre-feet of average annual depletion. This agreement also dedicated \$15,000,000 to be used for the development of new water storage and/or water supply projects in the La Plata River basin. Construction on the Project began in 2002.

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, 2008, construction of the Project facilities in Colorado was over 90 percent complete. In early 2009 work was continuing on the pumping plant, the outlet works at the dam and

County Road 211. Filling of Lake Nighthorse is expected to begin by June of 2009. The Project is anticipated to be finished and operational in 2012.

Through 2008, draws on the Authority's escrow and the Durango option payment totaled \$7,671,327. The escrow balance at the end of 2008 was \$1,321,725 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, 2008, this escrow contained \$18,285,664 including accrued interest income.

### ***SMALL HYDROPOWER LOAN PROGRAM***

For 2009 the Authority Board of Directors authorized the creation and funding of a Small Hydropower Loan Program to support the development and use of a clean and renewable source of electrical power for the citizens of Colorado. The Board has budgeted \$10 million for 2009 to be loaned to local governments for new small hydropower (less than 5MW) facilities. Loans may extend to 20 years with an interest rate of two percent. In early 2009, the City of Cortez was approved for a \$1.6 million Small Hydropower Loan.

In addition to the loan funds, the Board authorized \$165,000 to provide matching grants to communities to plan and design small hydropower facilities. Eleven matching grants (\$160,000) were awarded to governmental agencies in early 2009.

### ***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 PROJECTED INCOME AND EXPENDITURES***

The following table illustrates projected income and expenditures for the next five years for the Authority. The beginning balance in 2009 represents the balance in all accounts that are not obligated or restricted as to use by the Authority as of December 31, 2008.

Income for the Authority consists primarily of repayments of state match loans from the State Revolving Fund (SRF) programs, investment earnings, and interest and/or principal repayments from interim loans and from loans executed under the Small Hydropower Loan Program. In 2009, the WPCRF program will repay the remaining \$158,500 of the state match loan received from the Authority, and it is anticipated that no additional funds will be needed from the Authority to provide state match for the WPCRF program during the projected period. Interim loans are funded from Authority cash (expenditures) and when the loans are permanently refinanced through another program in the next year, the repayment of the loans is counted as income for that year.

FIVE-YEAR PROJECTED INCOME AND EXPENDITURES					
	2009	2010	2011	2012	2013
Beginning Cash Balance	\$ 43,688,260	\$ 39,715,860	\$ 36,188,860	\$ 32,524,860	\$ 27,203,860
Income from:					
Investment Interest	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
SRF Programs	\$ 158,500	\$ -	\$ -	\$ -	\$ -
INTERIM LOANS - Loan Interest	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
INTERIM LOANS - Repaid	\$ 4,500,000	\$ 18,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
SMALL HYDRO - Loan Repayments	\$ -	\$ 120,000	\$ 240,000	\$ 360,000	\$ 480,000
Other	\$ -	\$ 3,000	\$ -	\$ -	\$ -
Expenditures to:					
SRF Programs	\$ -	\$ -	\$ (404,000)	\$ (2,181,000)	\$ (1,840,000)
Small Hydro Program	\$ (2,240,000)	\$ (2,225,000)	\$ (2,075,000)	\$ (2,075,000)	\$ (2,075,000)
Interim Loans	\$ (18,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)	\$ (15,000,000)
Other Loan Programs	\$ (1,303,000)	\$ (1,300,000)	\$ (1,300,000)	\$ (1,300,000)	\$ (1,300,000)
Administrative Costs	\$ (1,287,900)	\$ (1,325,000)	\$ (1,325,000)	\$ (1,325,000)	\$ (1,325,000)
Estimated Ending Cash Balance	\$ 26,715,860	\$ 39,188,860	\$ 32,524,860	\$ 27,203,860	\$ 22,343,860

Projected expenditures for the Authority include funds obligated to the Small Hydropower Loan Program and interim loans, loans to the State Revolving Fund (SRF) programs to provide state match on future grant awards, and administrative expenses. For the DWRF, as well as the WPCRf, state match will generally be provided from loan fees accumulated in the respective program's administrative fee account. However, state match requirements for the DWRF program, based on projected federal grant awards, is expected to exceed the amount of available administrative fee account funds during the project period, requiring funds (loaned) from the Authority. Other loan programs expenditures include costs to administer the WRBP and SWRP programs, and to provide cost of issuance subsidy for bonds issued in the WRBP program.

# APPENDIX A

Board of Directors  
Officers and Staff

## BOARD OF DIRECTORS

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The members of the Board of Directors of the Authority as of December 31, 2008, are listed below:

**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.

**For terms expiring October 1, 2010:**

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, 2011:**

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

Frank Kugel of Gunnison, Colorado, Unaffiliated, to serve as a representative of the Gunnison-Uncompahgre Drainage Basin; and as an individual experienced in water law.

**For terms expiring October 1, 2012:**

Greg Fisher of Denver, Colorado, Unaffiliated, to serve as a representative of the City and County of Denver and as an individual experienced in planning and developing water projects.

Steve Sims, of Greeley, Colorado, Democrat, to serve as a representative of the South Platte Drainage Basin and as an individual experienced in water project financing.

## OFFICERS

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*Officers as of December 31, 2008*

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

## STAFF

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*As of April 30, 2009*

<b>Executive Director</b>	Daniel L. Law
<b>Director of Finance</b>	Michael W. Brod
<b>Controller</b>	Duane A. Dohrer
<b>Office Manager</b>	Carolyn Simon
<b>Assistant Director of Finance</b>	Keith S. McLaughlin
<b>Senior Financial Analyst</b>	Jamie Grisinger
<b>Financial Analyst</b>	Brittany Kloppel
<b>Financial Analyst</b>	Cassandra Eyestone
<b>Assistant Controller</b>	Claudia L. Walters
<b>Senior Accountant</b>	Valerie Lovato
<b>Senior Accountant</b>	Justin Noll
<b>Accounting Technician</b>	Jennifer Flores
<b>Record Systems Clerk/Secretary</b>	Sabrina Speed

# APPENDIX B

DWRF Loan Status as of  
December 31, 2008

Colorado Water Resources & Power Development Authority  
2008 Annual Report - Appendix B  
Drinking Water Revolving Fund  
Loan Status Report as of December 31, 2008

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	\$ 11,865,063	3.42%	11/02/06	08/01/27	\$ 10,982,492	F	LL
Arapahoe County W&WW PID	16,049,975	3.31%	11/02/06	08/01/22	14,590,887	F	LL
Arapahoe Estates WD	1,048,333	4.15%	10/01/97	08/01/17	540,719	F	LL
Aurora, City of	14,999,899	3.63%	05/01/99	08/01/14	6,804,963	F	LL
Baca Grande W&SD	500,000	4.50%	02/01/96	Paid in Full	-	S	DL
Basalt, Town of	948,246	4.00%	12/19/02	11/01/22	748,039	R	DL
Bayfield, Town of	350,000	4.50%	11/15/96	09/01/16	177,629	S	DL
Bethune, Town of	418,000	0.00%	07/18/06	11/01/36	390,133	R	DC
Boone, Town of	514,297	0.00%	08/15/06	11/01/36	480,011	R	DC
Bristol W&SD	200,000	0.00%	02/08/06	11/01/35	180,000	R	DC
Buena Vista, Town of	1,324,120	4.01%	06/01/98	08/01/18	739,300	F	LL
Castle Pines MD (1)	2,000,000	3.75%	05/25/06	09/15/26	1,886,873	R	DL
Castle Pines MD (2)	250,000	3.75%	11/06/06	03/15/27	238,369	R	DL
Chatfield South WD	728,500	4.50%	07/13/98	05/01/18	436,535	F	DL
Cottonwood W&SD	9,996,005	3.42%	11/02/06	08/01/27	9,616,828	F	LL
Craig, City of (1)	450,000	4.00%	12/15/00	Paid in Full	-	F	DL
Craig, City of (2)	6,056,378	3.65%	04/27/06	08/01/27	5,622,996	F	LL
Cucharas S&WD	269,000	3.75%	11/29/06	05/01/27	256,486	R	DL
Del Norte, Town of	934,000	0.00%	12/31/08	05/01/29	934,000	R	DC
Dillon, Town of	1,000,000	4.00%	10/18/02	11/01/12	464,027	R	DL
East Alamosa W&SD	2,000,000	0.00%	07/24/08	05/01/38	1,966,667	R	DC
Eckley, Town of	100,000	0.00%	07/30/08	05/01/28	97,500	R	DC
Elizabeth, Town of	500,000	4.50%	10/01/95	01/01/15	232,719	S	DL
Empire, Town of	331,432	4.50%	08/24/95	03/01/16	152,749	S	DL
Englewood, City of	15,292,636	4.14%	10/01/97	08/01/18	8,498,195	F	LL
Estes Park, Town of	5,494,410	3.26%	06/12/08	08/01/28	5,494,410	F	LL
Evergreen MD (1)	5,577,982	4.39%	04/15/00	08/01/20	3,744,050	F	LL
Evergreen MD (2)	2,036,130	4.00%	04/01/02	08/01/22	1,520,237	F	LL
Fairplay, Town of (1)	250,000	4.50%	08/01/95	06/01/15	107,456	S	DL
Fairplay, Town of (2)	200,000	4.50%	07/30/97	12/01/17	112,115	S	DL
Firestone, Town of	95,000	4.50%	06/13/96	Paid in Full	-	S	DL
Florence, City of (1)	12,999,093	3.51%	11/01/03	06/01/25	11,498,556	F	LL
Florence, City of (2)	769,899	3.50%	01/25/05	12/01/25	686,706	R	DL
Fort Collins, City of (1)	10,125,300	4.12%	10/01/97	06/01/17	5,178,085	F	LL
Fort Collins, City of (2)	4,998,395	3.81%	05/01/99	06/01/19	2,964,227	F	LL
Fort Morgan, City of	15,433,355	4.02%	06/01/98	06/01/19	9,058,349	F	LL
Fountain Valley Auth (1)	7,607,966	4.40%	04/15/00	08/01/20	5,081,113	F	LL
Fountain Valley Auth (2)	3,221,862	3.03%	06/01/03	08/01/24	2,521,457	F	LL
Fraser, Town of	200,000	4.50%	04/15/96	Paid in Full	-	S	DL
Genoa, Town of	175,000	0.00%	12/20/06	05/01/37	166,250	R	DC
Glenwood Springs, City of	4,999,017	3.77%	05/01/99	04/01/18	2,831,517	F	LL
Grand County W&SD	2,998,566	3.78%	05/01/99	08/01/18	1,772,126	F	LL
Grand Junction, City of	3,566,522	4.02%	04/01/02	08/01/22	2,796,110	F	LL
Grand Lake, Town of	495,000	4.50%	10/29/97	11/01/17	279,394	F	DL
Greeley, City of	14,999,038	3.80%	05/01/99	08/01/19	9,290,530	F	LL
Hayden, Town of	1,000,000	4.00%	04/30/02	11/01/22	710,411	R	DL
Hillrose, Town of	995,097	0.00%	05/31/07	05/01/37	945,342	R	DC
Hotchkiss, Town of	925,000	0.00%	04/23/08	11/01/28	925,000	R	DC
Idaho Springs, City of (1)	500,000	4.50%	10/15/97	05/01/17	275,947	S	DL
Idaho Springs, City of (2)	2,339,797	3.99%	04/01/02	08/01/22	1,739,708	F	LL
Idledale W&SD	250,000	4.50%	07/10/95	03/01/15	108,246	S	DL
Julesburg, Town of (1)	693,000	4.00%	05/01/99	Paid in Full	-	F	DL
Julesburg, Town of (2)	994,600	3.81%	05/01/99	08/01/19	612,061	F	LL
Kim, Town of	118,000	0.00%	05/30/08	11/01/38	118,000	R	DC
La Jara, Town of	200,000	0.00%	04/20/05	05/01/25	165,000	R	DC
La Junta, City of (1)	490,000	4.50%	11/01/99	Paid in Full	-	F	DL
La Junta, City of (2)	9,812,211	4.00%	04/01/02	08/01/22	7,660,696	F	LL
La Veta, Town of	1,134,000	1.88%	04/11/08	05/01/39	1,134,000	R	DC
Las Animas, City of	500,000	4.50%	01/12/96	09/01/15	221,884	S	DL



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DETAIL OF DWRP FUNDED LOANS (cont'd)							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Lake Creek MD	\$ 812,000	0.00%	03/26/08	11/01/38	\$ 812,000	R	DC
Left Hand W&SD	188,700	4.50%	09/11/98	05/01/18	112,145	F	DL
Left Hand WD	6,571,538	3.80%	05/01/99	05/15/19	3,936,470	F	LL
Limon, Town of	1,440,809	4.41%	04/15/00	08/01/20	969,567	F	LL
Little Thompson WD	6,383,774	3.65%	04/27/06	06/01/27	5,790,322	F	LL
Lochbuie, Town of	351,889	4.50%	08/28/96	Paid in Full	-	S	DL
Log Lane Village, Town of	1,000,000	1.75%	10/14/05	11/01/35	920,423	R	DC
Longmont, City of	14,998,044	3.11%	06/01/03	08/01/23	14,970,403	F	LL
Lyons, Town of (1)	500,000	4.50%	08/19/96	06/01/17	267,499	S	DL
Lyons, Town of (2)	4,915,599	3.03%	06/01/03	08/01/24	3,853,069	F	LL
Minturn, Town of	300,000	4.50%	08/11/95	03/01/16	138,263	S	DL
Mustang Water Auth	700,000	4.00%	12/08/03	05/01/24	586,953	R	DL
Nunn, Town of	330,260	4.50%	08/12/96	12/01/16	167,567	S	DL
Oak Creek, Town of	900,689	4.00%	11/18/03	11/01/23	732,584	R	DL
Olde Stage WD (1)	100,000	3.50%	06/01/05	08/01/25	88,099	R	DL
Olde Stage WD (2)	150,000	3.50%	10/17/08	02/01/29	150,000	R	DL
Ordway, Town of (1)	200,000	0.00%	12/20/06	05/01/37	190,000	R	DC
Ordway, Town of (2)	114,300	0.00%	12/21/07	11/01/37	110,490	R	DC
Ouray, City of	1,000,000	4.00%	12/19/03	05/01/24	845,563	R	DL
Pagosa Area W&SD	7,158,870	3.40%	06/12/08	12/01/28	7,088,904	F	LL
Palisade, Town of (1)	2,000,000	0.00%	05/26/06	11/01/36	1,866,667	F	DC
Palisade, Town of (2)	3,976,045	3.47%	11/02/06	08/01/28	3,772,849	F	LL
Paonia, Town of	448,200	1.75%	11/05/08	05/01/29	448,200	R	DC
Pinewood Springs WD (1)	123,200	3.50%	07/26/04	12/01/24	104,887	R	DL
Pinewood Springs WD (2)	752,425	3.50%	04/03/06	06/01/26	684,352	R	DL
Platte Canyon W&SD (1)	400,000	3.75%	06/30/06	11/01/26	370,938	R	DL
Platte Canyon W&SD (2)	475,000	3.50%	07/15/08	11/01/28	475,000	R	DL
Pritchett, Town of	200,000	0.00%	03/31/06	05/01/36	183,334	R	DC
Project 7 Water Auth	10,176,512	3.82%	11/25/08	08/01/30	10,176,512	F	LL
Pueblo Board of Waterworks	9,558,795	4.60%	04/15/00	08/01/22	8,209,318	F	LL
Ralston Valley W&SD	1,300,000	3.75%	08/09/06	05/01/27	1,239,521	R	DL
Redstone W&SD	410,000	4.50%	12/01/97	11/01/17	233,245	S	DL
Sedalia W&SD	326,000	4.50%	03/09/00	11/01/19	219,921	F	DL
Sedgwick, Town of	419,000	0.00%	05/15/06	05/01/36	384,173	R	DC
Springfield, Town of	349,471	4.50%	07/28/00	05/01/20	237,796	F	DL
Stratton, Town of (1)	483,000	1.88%	12/20/07	05/01/38	481,994	R	DC
Stratton, Town of (2)	90,000	1.75%	12/03/08	05/01/39	90,000	R	DC
Swink, Town of	669,000	3.50%	04/20/04	05/01/24	561,070	R	DL
Thunderbird W&SD (1)	285,000	4.50%	06/01/99	05/01/19	201,661	F	DL
Thunderbird W&SD (2)	343,684	4.00%	08/27/02	11/01/22	264,113	R	DL
Victor, City of	283,000	0.00%	06/17/05	12/01/15	198,100	R	DC
Walden, Town of	900,000	1.75%	09/06/06	11/01/31	841,534	R	DC
Wellington, Town of	1,000,000	4.00%	11/01/01	05/01/22	760,922	F	DL
Westlake W&SD	250,000	4.50%	08/19/97	05/01/17	92,517	S	DL
Westminster, City of	14,998,357	4.40%	04/15/00	06/01/20	9,726,092	F	LL
Westwood Lakes WD	500,000	4.00%	05/15/03	05/01/23	399,269	R	DL
Woodland Park, City of	800,000	4.00%	03/13/02	05/01/22	614,060	F	DL

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<b>SUMMARY OF LOANS FUNDED</b>				
Loan Type	<b>Total Loans Funded</b>		<b>Loans Outstanding</b>	
	Original Loan Amount	Number of Loans Funded	Number of Loans Outstanding	Outstanding Balances
State Funded Direct Loans (S-DL)	\$ 5,818,581	17	13	\$ 2,287,836
<b>Federal Direct Loans:</b>				
Using EPA Grants (F-DL)	5,805,671	11	8	2,862,435
Using Reloan (R-DL)	13,651,143	20	20	11,493,260
Disadvantage Communitites (F-DC)	2,000,000	1	1	1,866,667
Disadvantage Communitites (R-DC)	12,662,894	23	23	12,162,151
<b>Leveraged Loans:</b>				
Using EPA Grants (F-LL)	264,014,996	34	34	199,653,118
Using Reloan (R-LL)	-	0	0	-
	<b>\$ 303,953,284</b>	<b>106</b>	<b>99</b>	<b>\$ 230,325,467</b>

<b>PROGRAM STATISTICS</b>					
Loan Type	<b>SINCE INCEPTION</b>		<b>LOANS FUNDED IN 2008</b>		
	Average Loan Amount Funded	Effective Loan Rate **	Effective Loan Rate **	Average Loan Amount Executed	Number of Loans funded
State Funded Direct Loans (S-DL)	\$ 342,269	3.803%	0.00%	\$ -	0
<b>Federal Direct Loans:</b>					
Using EPA Grants (F-DL)	527,788	4.247%	0.00%	-	0
Using Reloan (R-DL)	682,557	3.669%	3.50%	312,500	2
Disadvantage Communitites (F-DC)	2,000,000	0.000%	0.00%	-	0
Disadvantage Communitites (R-DC)	550,561	0.577%	0.53%	638,800	9
<b>Leveraged Loans:</b>					
Using EPA Grants (F-LL)	7,765,147	3.804%	3.55%	7,609,931	3
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

S&WD = Sanitation & Water District

W&SwD = Water & Sewer District

MD = Metropolitan District

WD = Water District

W&WW = Water & Wastewater

PID = Public Improvement District

W&SD = Water & Sanitation District

WW = Waterworks

# APPENDIX C

SWRP Loan Status as of  
December 31, 2008

Colorado Water Resources & Power Development Auth  
2008 Annual Report - Appendix C  
Small Water Resources Projects (SWRP)  
Loan Status Report as of December 31, 2008

DETAIL OF SWRP FUNDED LOANS						
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Type of Loan
Avon MD	\$ 930,000.00	6.51%	04/01/92	Defeased	\$ -	LL
Berthoud, Town of	1,030,000	5.39%	04/01/94	Paid in Full	-	LL
Brush, City of	810,000	6.61%	04/01/92	10/01/12	310,000	LL
Canon City, City of	4,600,000	5.28%	02/01/96	Paid in Full	-	LL
Carbondale, Town of	1,910,000	6.15%	10/01/94	10/01/15	902,500	LL
Central Weld County WD	1,540,000	5.58%	09/15/92	10/01/12	442,500	LL
Clifton WD	5,555,000	4.17%	10/01/03	10/01/23	5,307,500	LL
Dillon, Town of	815,000	3.87%	09/15/98	Paid in Full	-	LL
Eagle River W&SD (1)	2,000,000	7.19%	10/01/90	10/01/10	303,750	LL
Eagle River W&SD (2)	4,560,000	4.74%	06/01/02	10/01/22	3,525,000	LL
East Dillon WD	825,000	6.82%	10/01/90	Paid in Full	-	LL
Eaton, Town of	2,530,000	3.99%	10/01/03	10/01/23	2,170,833	LL
Edwards MD	1,225,000	6.82%	07/15/91	10/01/10	210,000	LL
Estes Park, Town of (1)	2,155,000	7.19%	10/01/90	10/01/10	370,000	LL
Estes Park, Town of (2)	1,200,000	6.84%	07/15/91	10/01/11	290,000	LL
Evans, City of	300,000	6.82%	10/01/90	Paid in Full	-	LL
Fort Collins-Loveland WD	2,565,000	7.18%	10/01/90	10/01/10	409,167	LL
Fort Lupton, City of	3,000,000	6.54%	04/01/92	10/01/12	930,000	LL
Fort Morgan, City of	2,500,000	5.65%	04/01/94	10/01/14	1,020,000	LL
Glenwood Springs, City of	2,700,000	5.58%	09/15/92	10/01/12	805,000	LL
Gypsum, Town of	715,000	5.65%	04/01/94	10/01/14	288,750	LL
Johnstown, Town of	1,785,000	5.31%	02/01/96	10/01/16	909,167	LL
LaSalle, Town of	1,780,000	6.55%	04/01/92	10/01/12	565,000	LL
Little Thompson WD	4,800,000	5.57%	09/15/92	Paid in Full	-	LL
Louisville, City of	7,500,000	6.54%	04/01/92	10/01/12	2,222,500	LL
Minturn, Town of (1)	400,000	6.85%	07/15/91	10/01/11	100,000	LL
Minturn, Town of (2)	100,000	5.33%	09/15/92	10/01/12	20,000	LL
Monument, Town of	1,800,000	5.37%	06/01/97	10/01/17	1,025,000	LL
Morgan County QWD (1)	1,040,000	6.34%	02/01/96	Paid in Full	-	LL
Morgan County QWD (2)	2,950,000	4.65%	09/15/98	10/01/18	1,795,000	LL
Mount Werner W&SD	4,630,000	5.58%	09/15/92	10/01/12	1,327,500	LL
North Weld County WD (1)	3,000,000	7.19%	10/01/90	10/01/10	466,250	LL
North Weld County WD (2)	1,055,000	5.58%	09/15/92	10/01/12	292,500	LL
North Weld County WD (3)	5,000,000	4.65%	09/15/98	10/18/18	2,988,750	LL
North Weld County WD (4)	15,510,000	4.86%	01/15/01	10/01/23	13,530,000	LL
Parker W&SD (1)	600,000	5.65%	04/01/94	10/01/14	244,167	LL
Parker W&SD (2)	4,925,000	5.37%	06/01/97	10/01/17	2,778,333	LL
Parker W&SD (3)	13,365,000	5.71%	02/15/00	10/01/19	10,957,500	LL
Parker W&SD (4)	10,055,000	5.21%	06/01/02	10/01/22	10,055,000	LL
Platteville, Town of	990,000	5.65%	04/01/94	10/01/14	400,000	LL
Project 7 Water Auth	4,100,000	6.15%	10/01/94	10/01/15	1,950,833	LL
Rifle, City of (1)	1,295,000	6.10%	10/01/94	10/01/14	516,250	LL
Rifle, City of (2)	1,525,000	3.96%	10/01/03	10/01/23	1,208,750	LL
Roxborough W&SD	3,000,000	5.34%	06/01/97	10/01/16	1,610,000	LL
Steamboat Springs, City of	1,175,000	6.85%	07/15/91	10/01/11	285,000	LL
Upper Eagle RWA (1)	1,000,000	6.82%	10/01/90	Defeased	-	LL
Upper Eagle RWA (2)	2,000,000	6.10%	10/01/94	Defeased	-	LL
Upper Eagle RWA (3)	10,745,000	5.77%	02/15/00	10/01/20	9,170,000	LL

SWRP LOAN PROGRAM STATISTICS	Number of Loans	Average Effective Interest *	Dollar Amount	Average Loan Amount
TOTAL LOANS FUNDED	48	5.58%	\$ 149,590,000	\$ 3,116,458
TOTAL OUTSTANDING LOANS	38		\$ 81,702,499	
LOANS ISSUED IN 2008	0	N/A	-	N/A

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

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

Type of Loan Code:

LL = Leveraged Loan - Funded from bond proceeds

Entity Abbreviations:

MD = Metropolitan District

QWD = Quality Water District

W&SD = Water & Sanitation District

WD = Water District

RWA = Regional Water Authority

# APPENDIX D

WPCRF Loan Status as of  
December 31, 2008

Colorado Water Resources & Power Development Authority  
2008 Annual Report - Appendix D  
Water Pollution Control Revolving Fund  
Loan Status Report as of December 31, 2008

DETAIL OF WPCRF LOANS							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Alamosa, City of	\$ 3,197,216	3.77%	08/01/94	Paid in Full	\$ -	F	LL
Ault, Town of	1,396,850	1.75%	03/30/06	05/01/26	1,247,678	R	DC
Aurora, City of	24,124,366	4.04%	07/01/99	08/01/14	10,861,885	F	LL
Baca Grande W&SD	800,000	4.00%	12/20/01	06/01/22	605,867	R	DL
Bayfield, Town of (fka: Bayfield SD)	4,780,000	3.50%	05/31/07	08/01/28	4,775,000	R	LL
Bennett, Town of	161,000	3.75%	07/14/06	11/01/26	151,550	R	DL
Berthoud, Town of (1)	6,325,000	3.85%	05/01/02	08/01/23	5,480,000	R	LL
Berthoud, Town of (2)	2,385,000	3.55%	05/01/04	08/01/25	1,985,000	R	LL
Black Hawk-Central City SD	24,107,369	3.71%	05/01/02	08/01/22	18,477,505	F	LL
Boulder County	1,651,808	3.50%	07/28/06	12/15/25	1,551,778	R	DL
Breckenridge SD (1)	8,093,617	4.53%	05/01/97	08/01/17	4,298,063	F	LL
Breckenridge SD (2)	8,160,000	3.48%	10/20/05	08/01/26	7,170,000	R	LL
Breckenridge, Town of	4,320,000	3.35%	05/25/05	08/01/26	3,840,000	R	LL
Brighton, City of	5,080,484	4.58%	05/01/95	08/01/15	2,395,461	F	LL
Broomfield, City of	2,514,119	4.71%	12/05/96	09/01/16	1,235,735	F	DL
Buena Vista SD	3,896,505	3.96%	04/01/98	08/01/17	2,105,930	F	LL
Byers W&SD	435,000	4.50%	08/28/98	05/01/18	259,949	F	DL
Carbondale, Town of	2,327,490	4.22%	05/01/97	Paid in Full	-	F	LL
Castle Rock, Town of	4,319,911	5.20%	06/15/90	08/01/10	571,813	F	LL
Cherokee MD	15,249,690	3.49%	11/08/06	08/01/27	14,067,960	F	LL
Clifton SD #2 (1)	9,800,000	3.64%	05/24/06	08/01/27	9,115,000	R	LL
Clifton SD #2 (2)	2,000,000	0.00%	08/10/06	11/01/27	1,809,524	R	DC
Colorado City MD	1,878,538	3.26%	05/01/03	08/01/24	1,466,578	F	LL
Colorado Springs, City of	22,204,270	4.06%	04/01/98	05/15/19	16,026,340	F	LL
Columbine W&SD	424,230	4.50%	03/31/00	11/01/15	237,866	R	DL
Cortez SD (1)	9,775,000	3.99%	05/01/01	08/01/20	6,900,000	R	LL
Cortez SD (2)	2,000,000	3.50%	04/30/07	05/01/27	1,893,883	R	DL
Craig, City of	1,096,820	4.58%	05/01/95	08/01/15	460,129	F	LL
Crested Butte, Town of	2,499,120	4.73%	06/01/96	08/01/16	1,238,880	F	LL
Cucharas S&WD	768,000	3.75%	11/29/06	05/01/27	732,271	R	DL
Denver SE Suburban W&SD (1)	6,905,000	4.63%	12/01/89	08/01/11	1,586,185	F	LL
Denver SE Suburban W&SD (2)	7,045,000	3.21%	10/01/02	08/01/23	5,255,000	R	LL
Denver SE Suburban W&SD (3)	4,800,000	3.35%	05/25/05	08/01/26	4,285,000	R	LL
Divide W&SD	69,000	4.50%	07/15/92	Paid in Full	-	F	DL
Donala W&SD (1)	4,906,910	3.64%	05/24/06	08/01/27	4,543,636	F	LL
Donala W&SD (2)	2,000,000	3.75%	12/11/07	02/01/28	1,988,661	R	DL
Durango West MD	500,000	4.50%	07/29/91	07/15/11	86,035	F	DL
Eagle River W&SD (1)	7,368,840	5.17%	06/15/92	08/01/13	2,482,575	F	LL
Eagle River W&SD (2)	6,099,183	4.58%	05/01/95	08/01/15	2,582,681	F	LL
Eagle River W&SD (3)	17,685,396	3.94%	04/01/98	08/01/16	9,116,848	F	LL
Eagle, Town of (1)	2,345,204	4.53%	05/01/97	08/01/17	1,234,318	F	LL
Eagle, Town of (2)	11,505,912	3.50%	05/31/07	08/01/28	11,408,496	F	LL
East Alamosa W&SD	180,000	4.50%	12/02/98	Paid in Full	-	F	DL
Eaton, Town of	4,824,431	3.38%	05/25/05	08/01/27	4,540,641	F	LL
Elizabeth, Town of (1)	1,050,000	3.75%	09/14/07	11/01/27	1,028,567	F	DL
Elizabeth, Town of (2)	5,145,273	3.42%	05/22/08	08/01/29	5,145,273	F	LL
Englewood, City of (1)	12,750,000	4.64%	11/15/90	08/01/12	3,877,378	F	LL
Englewood, City of (2)	29,564,275	3.87%	05/01/04	08/01/25	29,542,871	F	LL
Erie, Town of (1)	1,821,690	4.54%	05/01/97	08/01/17	966,938	F	LL
Erie, Town of (2)	500,000	4.50%	10/08/97	08/01/17	286,016	F	DL
Evans, City of (1)	1,141,617	4.03%	04/01/98	08/01/18	643,850	F	LL
Evans, City of (2)	396,249	4.50%	11/16/98	02/01/19	252,156	F	DL
Fairplay SD	2,000,000	3.50%	06/25/08	11/01/28	2,000,000	R	DL
Fort Collins, City of (1)	24,540,580	4.05%	07/15/92	09/01/14	7,594,866	F	LL
Fort Collins, City of (2)	9,845,000	4.02%	05/01/01	06/01/21	6,830,000	R	LL
Fort Lupton, City of (1)	4,200,000	5.17%	06/15/92	08/01/13	1,383,184	F	LL
Fort Lupton, City of (2)	200,000	5.17%	01/12/94	09/01/13	68,219	F	DL
Fort Morgan, City of	9,146,685	4.59%	05/01/95	08/01/15	4,071,099	F	LL
Fountain SD	1,716,099	4.71%	06/01/96	Paid in Full	-	F	LL

Colorado Water Resources & Power Development Authority  
2008 Annual Report - Appendix D  
Water Pollution Control Revolving Fund  
Loan Status Report as of December 31, 2008

DETAIL OF WPCRF LOANS (cont'd)							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Fraser SD	\$ 2,445,000	3.99%	05/01/01	Paid in Full	\$ -	R	LL
Fremont SD	8,094,568	4.20%	07/01/99	08/01/19	5,238,924	F	LL
Frisco SD	4,500,000	5.17%	06/15/92	Paid in Full	-	F	LL
Fruita, City of	155,435	4.50%	04/27/95	03/01/15	39,478	F	DL
Garden Valley W&SD	300,000	4.00%	12/03/04	11/01/24	260,259	R	DL
Genesee W&SD	1,498,152	4.86%	08/01/94	08/01/14	565,139	F	LL
Glendale, City of	10,034,562	3.50%	10/20/05	08/01/27	8,866,229	F	LL
Granby SD	4,810,728	3.64%	05/24/06	08/01/27	4,451,556	F	LL
Grand County W&SD	3,999,978	4.17%	07/01/99	08/01/18	2,368,762	F	LL
Greeley, City of	13,337,082	4.97%	08/01/94	08/01/14	6,324,139	F	LL
Haxtun, Town of	305,041	1.88%	12/01/06	05/01/27	288,926	R	DC
Holyoke, City of	489,700	4.50%	12/01/97	Paid in Full	-	F	DL
Idaho Springs, City of	1,541,237	4.74%	06/01/96	08/01/16	767,952	F	LL
Julesburg, Town of	800,000	4.00%	05/15/02	11/01/22	625,855	R	DL
Kersey, Town of (1)	163,000	4.50%	12/29/99	05/01/20	111,079	R	DL
Kersey, Town of (2)	1,800,000	3.50%	03/06/06	11/01/26	1,670,860	R	DL
Kremmling SD	950,000	3.50%	09/13/05	11/01/25	845,949	R	DL
La Jara, Town of	750,000	0.00%	02/23/06	05/01/26	656,250	R	DC
La Junta, City of	358,400	4.50%	10/15/99	05/01/20	244,238	R	DL
Lafayette, City of	7,861,139	4.04%	05/01/01	08/01/21	6,319,002	F	LL
Larimer County LID	443,662	3.50%	07/11/08	12/01/28	436,373	R	DL
Las Animas, City of (1)	1,070,000	4.50%	11/12/98	11/01/18	653,845	F	DL
Las Animas, City of (2)	377,000	0.00%	03/26/08	11/01/28	377,000	R	DC
Left Hand W&SD (1)	126,300	4.50%	03/05/99	11/01/18	78,631	F	DL
Left Hand W&SD (2)	56,900	4.50%	09/20/00	05/01/20	36,032	R	DL
Littleton, City of (1a)	5,000,694	4.64%	11/15/90	08/01/12	1,520,751	F	LL
Littleton, City of (1b)	7,750,000	4.64%	11/15/90	08/01/12	2,356,838	F	LL
Littleton, City of (2)	29,677,780	3.82%	05/01/04	08/01/25	29,656,352	F	LL
Log Lane Village, Town of	250,000	4.50%	06/01/95	06/01/16	119,318	F	DL
Longmont, City of	3,500,000	3.97%	07/15/92	08/01/12	773,061	F	LL
Lyons, Town of	506,311	4.50%	10/07/96	06/01/17	268,034	F	DL
Manzanola, Town of (#1)	80,360	4.50%	06/01/97	05/01/17	43,628	F	DL
Manzanola, Town of (#2) (DC)	96,000	0.00%	07/24/08	05/01/29	96,000	R	DC
Mead, Town of	2,985,000	3.49%	05/31/07	08/01/28	2,885,000	R	LL
Mesa County	13,490,000	3.62%	05/01/02	08/01/24	9,280,000	R	LL
Metro WRD	21,910,000	4.58%	05/01/91	04/01/11	4,621,212	F	LL
Milliken, Town of	5,897,276	3.28%	05/01/03	08/01/24	5,061,054	F	LL
Monte Vista, Town of	968,000	4.50%	09/01/99	05/01/19	621,248	F	DL
Montrose County	257,919	4.50%	10/30/92	Paid in Full	-	F	DL
Mount Crested Butte W&SD (1)	1,399,080	4.74%	06/01/96	Paid in Full	-	F	LL
Mount Crested Butte W&SD (2)	5,161,581	4.02%	05/01/01	08/01/21	3,689,155	F	LL
Mount Werner W&SD	3,034,627	4.20%	07/01/99	Defeased	-	F	LL
Mountain Range Shadows	1,721,489	3.15%	12/01/89	Paid in Full	-	F	DL
Mountain W&SD	200,000	1.43%	04/17/90	08/01/10	18,824	F	DL
New Castle, Town of (1)	917,076	4.50%	01/01/99	05/01/19	300,286	R	DL
New Castle, Town of (2)	8,247,172	3.45%	05/22/08	08/01/30	8,247,172	F	LL
Niwot SD	1,000,000	4.00%	02/16/01	Paid in Full	-	R	DL
Nucla SD	180,000	1.50%	05/11/92	04/30/12	35,818	F	DL
Ordway, Town of (1)	350,000	4.50%	10/15/96	09/01/16	179,758	F	DL
Ordway, Town of (2)	599,000	0.00%	12/20/06	05/01/27	554,075	R	DC
Ouray, City of	800,000	4.50%	09/17/92	06/01/12	197,953	F	DL
Pagosa Springs San GID, Town of (1)	640,000	4.50%	06/03/97	11/01/16	335,926	F	DL
Pagosa Springs San GID, Town of (2)	200,000	4.00%	07/15/02	Paid in Full	-	R	DL
Pagosa Springs San GID, Town of (3)	2,000,000	1.88%	08/29/08	05/01/29	2,000,000	R	DC
Parker W&SD (1)	1,781,883	4.89%	08/01/94	08/01/14	668,875	F	LL
Parker W&SD (2)	500,000	4.89%	03/16/95	Paid in Full	-	F	DL
Parker W&SD (3)	3,271,642	4.54%	05/01/97	08/01/17	1,734,558	F	LL
Parker W&SD (4)	12,063,546	4.66%	05/15/00	08/01/20	8,217,198	F	LL
Parker W&SD (5)	4,913,424	4.01%	05/01/01	08/01/21	3,524,148	F	LL

Colorado Water Resources & Power Development Authority  
2008 Annual Report - Appendix D  
Water Pollution Control Revolving Fund  
Loan Status Report as of December 31, 2008

<b>DETAIL OF WPCRF LOANS (cont'd)</b>							
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Parker W&SD (6)	\$ 14,112,800	3.62%	10/01/02	08/01/25	\$ 12,853,504	F	LL
Penrose SD	128,000	1.75%	08/01/08	05/01/29	128,000	R	DC
Pierce, Town of	895,000	1.88%	12/05/06	11/01/27	876,455	R	DC
Pikes Peak America's Mountain	1,000,000	4.00%	07/23/03	11/01/20	772,041	R	DL
Plum Creek WWA (1)	25,525,000	4.02%	05/01/01	08/01/21	18,525,000	R	LL
Plum Creek WWA (2)	3,390,000	3.22%	10/01/02	08/01/23	2,530,000	R	LL
Plum Creek WWA (3)	1,510,000	3.35%	05/25/05	08/01/26	1,345,000	R	LL
Pueblo, City of	8,402,620	3.25%	05/01/03	08/01/24	6,589,105	F	LL
Ralston Valley W&SD	1,200,000	3.75%	09/15/06	11/01/26	1,116,031	R	DL
Rifle, City of	17,852,112	3.50%	05/31/07	08/01/28	17,841,700	F-R	LL
Romeo, Town of	175,000	0.00%	11/30/07	05/01/28	170,625	R	DC
Roxborough Park MD (1)	600,000	4.50%	11/18/94	Paid in Full	-	F	DL
Roxborough Park MD (2)	9,600,000	3.35%	05/25/05	08/01/26	8,570,000	R	LL
Saint Mary's Glacier W&SD	150,000	4.50%	07/15/94	06/01/14	55,941	F	DL
Salida, City of	550,000	4.00%	11/21/03	11/01/13	302,140	R	DL
South Adams County W&SD	6,270,000	3.79%	05/01/02	06/01/22	5,745,000	R	LL
Springfield, Town of (1)	200,000	4.00%	11/01/00	11/01/20	139,834	R	DL
Springfield, Town of (2)	534,000	0.00%	12/20/06	05/01/27	493,950	R	DC
Steamboat Springs, City of (1)	1,563,550	4.58%	05/01/95	08/01/15	661,707	F	LL
Steamboat Springs, City of (2)	2,935,636	4.20%	07/01/99	08/01/19	1,826,737	F	LL
Steamboat Springs, City of (3)	5,895,654	4.01%	05/01/01	08/01/21	4,210,408	F	LL
Sterling, City of	2,499,524	4.53%	05/01/97	08/01/16	1,236,381	F	LL
Stratton	442,000	1.88%	11/20/06	05/01/27	415,727	R	DC
Sugar City Town of	306,000	0.00%	07/06/06	11/01/26	290,700	R	DC
Summit County	17,086,830	4.65%	05/15/00	08/01/20	11,582,848	F	LL
Three Lakes W&SD	6,498,576	4.64%	05/15/00	08/01/19	4,275,936	F	LL
Trinidad, City of	6,670,909	3.99%	04/01/98	08/01/18	3,898,930	F	LL
Triview MD (2)	4,906,910	3.64%	05/24/06	08/01/27	4,543,636	F	LL
Triview MD (1)	2,000,000	3.64%	07/30/08	08/01/28	2,000,000	R	DL
Vona, Town of	85,000	4.50%	01/29/97	09/01/16	44,615	F	DL
Wellington, Town of (1)	375,000	1.43%	06/01/90	Paid in Full	-	F	DL
Wellington, Town of (2)	4,826,281	3.71%	05/01/02	08/01/22	3,667,107	F	LL
Westminster, City of (1)	13,246,525	4.54%	05/01/97	06/01/17	7,414,888	F	LL
Westminster, City of (2)	4,085,697	3.98%	04/01/98	06/01/17	2,083,221	F	LL
Westminster, City of (3)	15,440,000	3.32%	05/25/05	06/01/25	13,330,000	R	LL
Windsor, Town of	3,998,853	4.62%	08/01/94	08/01/09	369,775	F	LL
Winter Park W&SD	3,050,000	4.59%	05/01/95	08/01/15	1,377,249	F	LL
Winter Park West W&SD	2,406,249	3.68%	05/01/02	08/01/21	1,789,817	F	LL



Colorado Water Resources & Power Development Authority  
 2008 Annual Report - Appendix D  
 Water Pollution Control Revolving Fund  
 Loan Status Report as of December 31, 2008

<b>SUMMARY OF WPCRF FUNDED LOANS</b>				
Loan Type	Total Loans Funded		Loans Outstanding	
	Original Loan Amount	Number of Loans Funded	Number of Loans Outstanding	Outstanding Balances
<b>Federal Direct Loans:</b>				
Using EPA Grants (F-DL)	\$ 15,349,883	28	19	\$ 5,909,695
Using Reloan (R-DL)	21,744,075	25	24	18,022,854
Disadvantage Communities (R-DC)	10,003,891	14	14	9,404,910
<b>Leveraged Loans:</b>				
Using EPA Grants (F-LL)	541,215,253	69	63	336,044,707
Using EPA Grants and Reloan (F-R L)	17,852,112	1	1	17,841,700
Using Reloan (R-LL)	147,890,000	19	18	117,845,000
<b>TOTAL</b>	<b>\$ 754,055,215</b>	<b>156</b>	<b>139</b>	<b>\$ 505,068,866</b>

<b>PROGRAM STATISTICS</b>					
Loan Type	From Inception		Loans Funded in 2008		
	Average Loan Amount Funded	Average Effective Loan Rate *	Average Effective Interest Rate	Average Loan Amount	Number of Loans Funded
<b>Federal Direct Loans:</b>					
Using EPA Grants (F-DL)	\$ 548,210	4.22%	0.00%	\$ -	0
Using Reloan (R-DL)	869,763	3.78%	3.50%	814,554	3
Disadvantage Communities (R-DC)	714,564	0.95%	1.53%	650,250	4
<b>Leveraged Loans:</b>					
Using EPA Grants (F-LL)	7,843,699	4.14%	3.44%	6,696,222	2
Using EPA Grants and Reloan (F-R L)	17,852,112	3.50%	0.00%	-	0
Using Reloan (R-LL)	7,783,684	3.65%	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.

Local Government and Special District Abbreviations

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

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: Clean Water Grant Funds (F) or Clean Water SRF Reloan funds (R).

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

# APPENDIX E

WRBP Loan Status as of  
December 31, 2008

Colorado Water Resources & Power Development Authority  
 2008 Annual Report - Appendix E  
 Water Revenue Bonds Program  
 Loan Status Report as of December 31, 2008

DETAIL OF WRBP FUNDED LOANS						
Borrower	Original / Amended Amount	Original * Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Type of Loan
Arapahoe County W&WW PID	\$ 26,270,000	4.72%	11/01/05	11/26/35	\$ 26,270,000	L
Aurora, City of	100,000,000	4.35%	09/29/05	07/27/35	100,000,000	L
Copper Mountain CMD (1)	3,540,000	3.95%	09/16/04	08/01/24	2,995,000	L
Copper Mountain CMD (2)	3,690,000	4.24%	11/30/05	08/01/24	3,305,000	L
East Cherry Creek W&SD	53,970,000	4.36%	02/05/05	11/14/35	51,330,000	L
Englewood, City of	19,715,000	4.11%	05/01/04	08/01/17	19,695,000	L
Erie, Town of	14,500,000	4.21%	04/01/04	12/01/23	11,725,000	L
Fort Lupton, City of	2,300,000	4.38%	02/01/05	11/01/25	2,050,000	L
Fountain, City of	8,170,000	4.56%	05/24/05	11/01/35	7,715,000	L
Littleton, City of	19,695,000	3.70%	05/01/04	08/01/15	14,400,000	L
Longmont, City of	3,960,000	1.91%	06/01/03	08/01/09	695,000	L
Louisville, City of	13,800,000	3.63%	06/01/03	11/01/24	11,200,000	L
Parker W&SD	105,420,000	5.12%	06/15/04	08/01/43	101,310,000	L
Rio Blanco WCD	3,140,000	7.08%	05/01/98	11/15/13	1,380,000	L
Stagecoach	6,800,000	var.	06/30/86	Defeased	-	L

WRBP LOAN PROGRAM STATISTICS	Number of Loans	Average Effective Interest *	Dollar Amount	Average Loan Amount
TOTAL LOANS FUNDED	15	4.11%	\$ 384,970,000	\$ 25,664,667
TOTAL OUTSTANDING LOANS	14		\$ 354,070,000	
LOANS ISSUED IN 2008	0	N/A	\$ -	N/A

\* 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, 2008

Colorado Water Resources and Power Development Authority  
2008 Annual Report - Appendix F  
Interim Loans  
Loan Status Report as of December 31, 2008

Borrower	La Plata West Water Authority	Project 7 Water Authority
<i><u>Interim Loan Information:</u></i>		
Amount of Authorized Interim Loan	\$ 4,500,000	\$ 10,000,000
Interim Loan Rate	4.75%	4.75%
Date of Interim Loan Authorization	11/18/08	07/01/08
<b><u>Amount Due to the Auth (Outstanding Obligation) *</u></b>		
Amount Outstanding as of 12/31/07	\$ -	\$ -
Plus: Draws on Interim Loan Funds in 2008	\$ 278,187	\$ 2,038,797
Less Loan Payoff:		
Repayment made to Authority	\$ -	\$ 7,961,203
Converted to permanent loan in:	n/a	
Water Pollution Control Revolving Fund	\$ -	\$ -
Drinking Water Revolving Fund	\$ -	\$ 10,000,000
Water Revenue Bonds Program	\$ -	\$ -
Date of payoff		11/25/08
<b>Total Amount Due to the Auth as of 12/31/08</b>	<b>\$ 278,187</b>	<b>\$ -</b>

\* 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, 2008 and 2007

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

Financial Statements and Independent Accountants' Report

December 31, 2008 and 2007

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
December 31, 2008 and 2007**

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## Independent Accountants' Report on Financial Statements and Supplementary Information

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, 2008 and 2007, 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, 2008 and 2007, 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.

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 8, 2009

**COLORADO WATER RESOURCES  
AND POWER DEVELOPMENT AUTHORITY**

(A Component Unit of the State of Colorado)

Management's Discussion and Analysis  
Years ended December 31, 2008 and 2007

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, 2008 and 2007.

**Financial Highlights**

- ▶ Combined net assets of the Authority's enterprise funds increased \$24.4 million (5.1%) bringing the total to \$502.0 million at December 31, 2008. Capitalization grant revenue received from the United States Environmental Protection Agency (EPA) totaling \$14.6 million contributed largely to this increase.
- ▶ Total restricted assets decreased by \$27.2 million and total project costs payable-leveraged loans decreased by \$30.4 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 (DWRF).
- ▶ Operating income totaled \$9.8 million during 2008, a decrease of \$6.4 million (39.6%) from 2007. Operating revenues decreased to \$70.8 million, while expenses decreased to \$61.0 million for the fiscal year. The majority of the decrease in operating income resulted from the \$5.8 million decrease in interest on investments.
- ▶ Total interest on investments decreased by \$5.8 million (22.9%) to \$19.6 million. The majority of the decrease of interest income was a combination of an overall decrease in money market rates and a decrease in funds invested throughout the year (investment balances at the end of 2008 were \$50.6 million less than the preceding year).
- ▶ Bonds payable, net of unamortized refunding costs, at December 31, 2008, totaled \$1.1 billion. During 2008, bond principal payments of \$51.8 million were offset by the issuance of new bonds in the amount of \$32.4 million and an increase in deferred benefits from refundings of \$0.1 million resulting in a \$19.3 million net decrease in bonds payable for 2008. Revenue bonds were issued in the following enterprise funds during 2008:
  - ⊕ Water Pollution Control Revolving Fund (WPCRF), within the Water Pollution Control Enterprise Fund, – \$12.3 million.
  - ⊕ Drinking Water Revolving Fund (DWRF), within the Drinking Water Fund, – \$20.1 million.
- ▶ Total loans receivable were \$1.2 billion at December 31, 2008. Although new loans executed in 2008 increased loans receivable by \$52.8 million, principal repayments from and reductions to existing loans decreased loans receivable by \$61.2 million resulting in a net decrease of \$8.4 million (0.7%). New loans were executed in the following enterprise funds:

⊕ Water Operations Fund	\$	2.3 million
⊕ Water Pollution Control	\$	20.5 million
⊕ Drinking Water	\$	30.0 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, 2008 and 2007

**Overview of the Basic Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to 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, 2008 and 2007 in a comparative format. Furthermore, schedules of total enterprise fund data and analyses is provided in comparative year format for 2008-2007 and 2007-2006.

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.

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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 a summary of 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 \$31.4 million in 2008, as compared to a larger decrease of \$94.4 million in 2007. Assets decreased due to the payment of project requisitions, including interim loans, that totaled \$82.5 million and \$155.9 million in 2008 and 2007, respectively. The net decrease was limited by new loans executed totaling \$52.8 million and \$44.1 million in 2008 and 2007, respectively.

Similarly, total liabilities decreased by \$55.8 million in 2008 as compared to a decrease of \$129.6 million in 2007. Total liabilities decreased due to the payment of project requisitions in the amounts stated in the previous paragraph. The net decrease in total liabilities was limited by bonds issued totaling \$32.4 million and \$35.3 million in 2008 and 2007, respectively.

Finally, as a result of this activity in 2008 and 2007, total net assets increased by \$24.4 million in 2008, compared to an increase of \$35.2 million in 2007. The largest contribution to the decrease in operating income for 2008 was the \$5.8 million decrease in interest on investments. The decrease in operating income combined with the \$4.3 million decrease in EPA capitalization grants resulted in a net decrease of \$10.8 million (30.6%) in change in net assets.

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<i>Total Enterprise Funds (2008 - 2007)</i>		Schedule 1A			
Summary of Net Assets as of December 31					
	2008	2007	Change	Pct Chg	
Unrestricted current and other assets	\$ 205,052,283	\$ 198,136,756	\$ 6,915,527	3.5%	
Restricted assets	384,718,381	411,894,280	(27,175,899)	(6.6%)	
Capital assets, net	14,842	25,495	(10,653)	(41.8%)	
Noncurrent loans receivable	1,114,132,134	1,125,266,117	(11,133,983)	(1.0%)	
Total assets	<u>1,703,917,640</u>	<u>1,735,322,648</u>	<u>(31,405,008)</u>	(1.8%)	
Current and other liabilities	95,437,907	99,342,497	(3,904,590)	(3.9%)	
Project costs payable-leveraged loans	89,346,469	119,778,875	(30,432,406)	(25.4%)	
Noncurrent bonds payable, net	1,017,118,115	1,038,579,877	(21,461,762)	(2.1%)	
Total liabilities	<u>1,201,902,491</u>	<u>1,257,701,249</u>	<u>(55,798,758)</u>	(4.4%)	
Net assets:					
Invested in capital assets	14,842	25,495	(10,653)	(41.8%)	
Restricted	435,670,683	407,529,965	28,140,718	6.9%	
Unrestricted	66,329,624	70,065,939	(3,736,315)	(5.3%)	
Total Net assets	<u>\$ 502,015,149</u>	<u>\$ 477,621,399</u>	<u>\$ 24,393,750</u>	5.1%	

<i>Total Enterprise Funds (2007 - 2006)</i>		Schedule 1B			
Summary of Net Assets as of December 31					
	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>	(5.2%)	
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>	(9.3%)	
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>	7.9%	

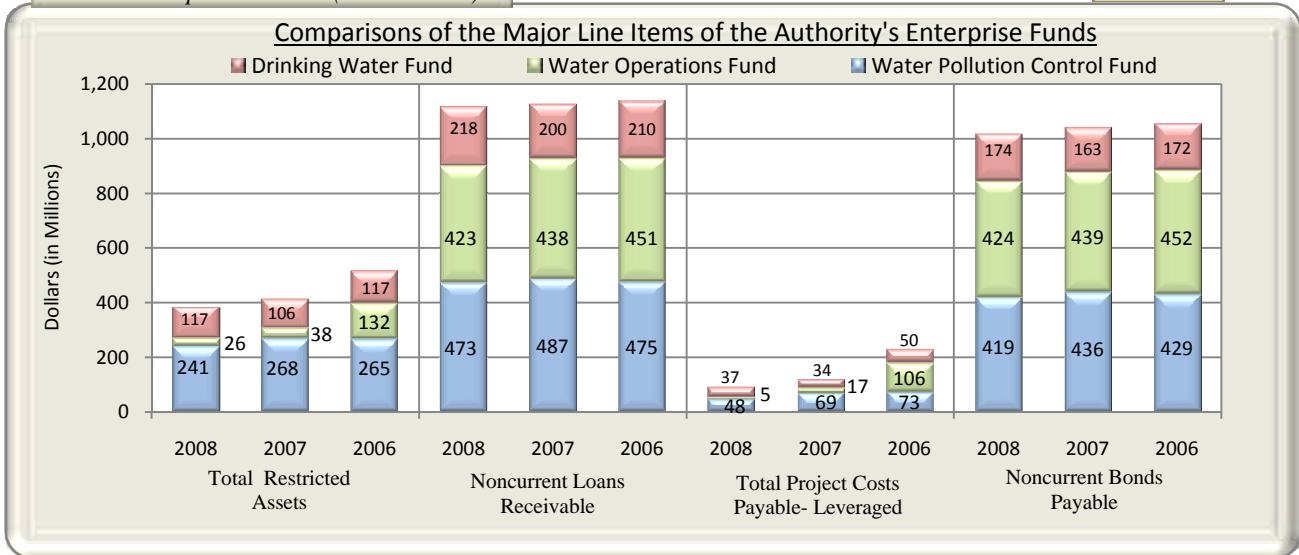
Chart 1 is a graphical representation of the four major accounts affected by new project financing, as discussed in the overview section of this report. The totals of these four accounts are compared for the years 2008, 2007, and 2006. Each bar is subdivided by colors that represent the amounts that each of the three enterprise funds contributes to the total for that year.

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*Total Enterprise Funds (2008 - 2006)*

**Chart 1**



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 requisitions. The chart shows a smaller decline in restricted assets and project cost payable-leveraged loans between 2008 and 2007 than between 2007 and 2006. This chart also illustrates that noncurrent loans receivable decreased in 2008 from 2007 by \$11.1 million, continuing the trend from the 2007-2006 period (\$11.4 million), while noncurrent bonds payable decreased by \$21.5 (2.1%) in 2008 compared to a \$14.1 (1.3%) decrease 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 financing activities in 2008.

*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 Water Revenue Bonds Program (WRBP). The SWRP and the WRBP are both leveraged loan programs, whereby revenue bonds are issued and the bond proceeds are used to fund related, approved loans.

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 2008 and 2007, 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.

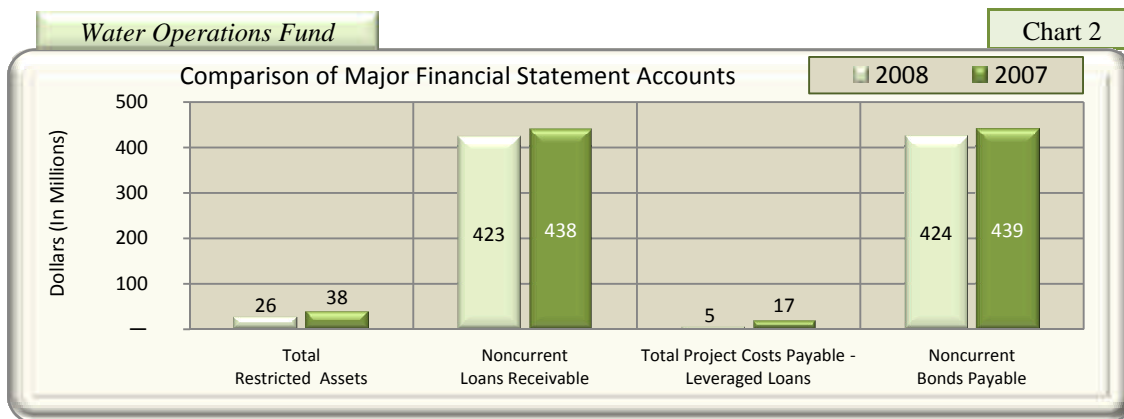


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<i>Water Operations Fund</i>	Summary of Net Assets as of December 31			
	2008	2007	Change	Pct Chg
Unrestricted current and other assets	\$ 95,924,669	\$ 98,679,617	\$ (2,754,948)	(2.8%)
Restricted assets	26,198,400	37,773,570	(11,575,170)	(30.6%)
Capital assets, net	14,842	22,101	(7,259)	(32.8%)
Noncurrent loans receivable	423,314,999	438,118,332	(14,803,333)	(3.4%)
Total assets	545,452,910	574,593,620	(29,140,710)	(5.1%)
Current and other liabilities	26,093,297	29,070,159	(2,976,862)	(10.2%)
Project costs payable-leveraged loans	4,510,607	16,915,040	(12,404,433)	(73.3%)
Noncurrent bonds payable, net	424,221,828	439,033,061	(14,811,233)	(3.4%)
Total liabilities	454,825,732	485,018,260	(30,192,528)	(6.2%)
Net assets:				
Invested in capital assets	14,842	22,101	(7,259)	(32.8%)
Restricted	27,614,783	23,876,658	3,738,125	15.7%
Unrestricted	62,997,553	65,676,601	(2,679,048)	(4.1%)
Total Net assets	\$ 90,627,178	\$ 89,575,360	\$ 1,051,818	1.2%

The SWRP leveraged loans are generally more cost effective when a pool of approved borrowers is formed prior to issuing the bonds. Unlike SWRP, WRBP bonds are issued to fund each loan. In addition, borrowers frequently have projects that require funding before bonds are ready to be issued. To assist these communities, the Authority may approve interim (or bridge) loans, until permanent financing is available. Two interim loans were executed in 2008; one loan was converted to a DWRP program loan in 2008, while the other borrower has drawn \$0.3 million in 2008.



Also included in restricted assets of the Water Operations Fund is the \$1.3 million unexpended balance of the Animas-La Plata escrow account. During 2008, \$0.8 million was paid to the Bureau of Reclamation (Bureau) bringing the total payments to \$7.7 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

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are recorded as water depletion rights and are included in unrestricted current and other assets as shown in Schedule 2.

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. Construction draws in the WRBP totaling \$12.4 million were the major factor behind the \$11.6 million decrease in restricted assets and the corresponding \$12.4 million decrease in project costs payable-leveraged loans. All project funds have been drawn in the SWRP program while \$4.5 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 WPCRF program allows for annual reductions in debt service reserve fund balances 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.

<i>Water Pollution Control Fund</i>				Schedule 3
Summary of Net Assets as of December 31				
	2008	2007	Change	Pct Chg
Unrestricted current and other assets	\$ 72,820,891	\$ 62,986,217	\$ 9,834,674	15.6%
Restricted assets	241,329,229	267,979,075	(26,649,846)	(9.9%)
Capital assets, net	-	1,697	(1,697)	(100.0%)
Noncurrent loans receivable	472,526,992	486,712,543	(14,185,551)	(2.9%)
Total assets	<u>786,677,112</u>	<u>817,679,532</u>	<u>(31,002,420)</u>	<u>(3.8%)</u>
Current and other liabilities	46,824,933	50,927,477	(4,102,544)	(8.1%)
Project costs payable-leveraged loans	47,871,918	69,122,484	(21,250,566)	(30.7%)
Noncurrent bonds payable, net	419,357,923	436,495,331	(17,137,408)	(3.9%)
Total liabilities	<u>514,054,774</u>	<u>556,545,292</u>	<u>(42,490,518)</u>	<u>(7.6%)</u>
Net assets:				
Invested in capital assets	-	1,697	(1,697)	(100.0%)
Restricted	272,622,338	261,132,543	11,489,795	4.4%
Total Net assets	<u>\$ 272,622,338</u>	<u>\$ 261,134,240</u>	<u>\$ 11,488,098</u>	<u>4.4%</u>

In 2008, \$16.0 million was deallocated and transferred to the reloan account (which become unrestricted) and \$7.0 million of reloan funds were used to finance new loans (which become restricted). These activities were the main cause of the net increase in unrestricted current and other assets of \$9.8 million.

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During 2008, current and other liabilities decreased by \$4.1 million. Three factors contributed to the net decrease; a decrease in advance payable of \$2.9 million, a decrease in direct loan project costs payable of \$2.3 million, and a decrease in other current and noncurrent liabilities totaling \$1.0 million. Mitigating the net decrease was an increase in bonds payable of \$2.1 million.

Net decreases in noncurrent loans receivable (\$14.2 million), and noncurrent bonds payable (\$17.1 million) were the result of principal repayments and reductions of \$32.8 million for loans and \$27.3 million for bonds that were offset by the issuance of new loans and bonds. In addition to \$5.1 million in operating income, EPA grant revenue of \$6.5 million largely contributed to the overall \$11.5 million increase in restricted net assets.

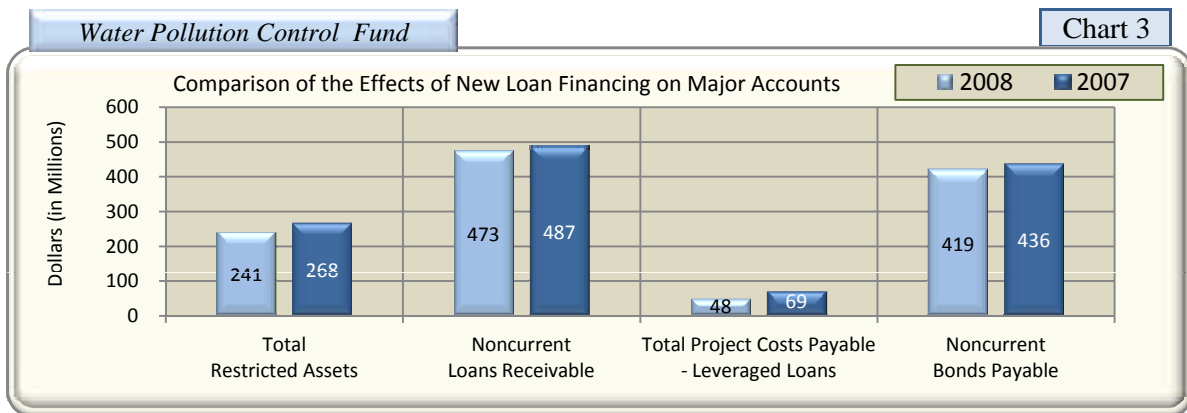


Chart 3 displays the comparative balances of the four-major accounts affected by loan activities. In 2008, seven direct loans totaling \$7.0 million were executed and revenue bonds totaling \$12.3 million were issued. The bond proceeds, plus \$1.1 million of state match dollars, funded new leveraged loans totaling \$13.4 million. These loans and bonds added to the balances of each of the four major accounts; however, project draws of \$44.0 million in 2008, which affect restricted assets and project costs payable-leveraged loans, offset the increase in these accounts in 2008. Deallocation contributed to the decrease in restricted assets as the deallocated funds became unrestricted.

*Drinking Water Fund*

Unrestricted current and other assets decreased \$0.2 million (0.5%) in 2008. The net decrease was mainly the result of a \$0.8 million increase in current loans receivable offset by a decrease in current federal grants receivable of \$0.9 million and current investment income receivable of \$0.2 million. Similar to the process explained in the WPCRF discussion above, deallocation also occurs in the DWRF each September. In 2008, \$6.6 million was converted from restricted assets to unrestricted current and other assets as a result of deallocation activities.

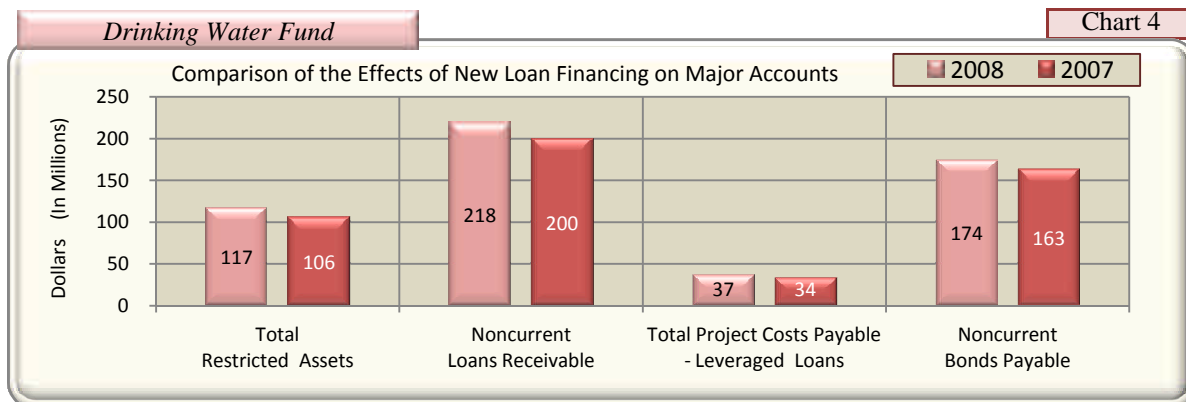
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		Schedule 4			
<i>Drinking Water Fund</i>		Summary of Net Assets as of December 31			
	2008	2007	Change	Pct Chg	
Unrestricted current and other assets	\$ 36,306,723	\$ 36,470,922	\$ (164,199)	(0.5%)	
Restricted assets	117,190,752	106,141,635	11,049,117	10.4%	
Capital assets, net	-	1,697	(1,697)	(100.0%)	
Noncurrent loans receivable	218,290,143	200,435,242	17,854,901	8.9%	
<b>Total assets</b>	<b>371,787,618</b>	<b>343,049,496</b>	<b>28,738,122</b>	<b>8.4%</b>	
Current and other liabilities	22,519,677	19,344,861	3,174,816	16.4%	
Project costs payable-leveraged loans	36,963,944	33,741,351	3,222,593	9.6%	
Noncurrent bonds payable, net	173,538,364	163,051,485	10,486,879	6.4%	
<b>Total liabilities</b>	<b>233,021,985</b>	<b>216,137,697</b>	<b>16,884,288</b>	<b>7.8%</b>	
<b>Net assets:</b>					
Invested in capital assets	-	1,697	(1,697)	(100.0%)	
Restricted	135,433,562	122,520,764	12,912,798	10.5%	
Unrestricted	3,332,071	4,389,338	(1,057,267)	(24.1%)	
<b>Total Net assets</b>	<b>\$ 138,765,633</b>	<b>\$ 126,911,799</b>	<b>\$ 11,853,834</b>	<b>9.3%</b>	

New direct loans of \$7.2 million and \$22.8 million in leveraged loans were financed through the DWRP program in 2008. Mitigating this \$30.0 million increase in loans receivable was loan principal reductions of \$11.3 million resulting in a net increase in loans receivable in 2008 of \$18.7 million. The DWRP issued \$20.1 million in new bonds and made bond principal payments totaling \$9.1 million in 2008 for a net increase of \$11.0 million in bonds payable.

In addition, the increase in loan funding in 2008 increased project costs payable by \$29.7 million which was offset by \$23.8 million in project draws. The net result is a \$5.9 million increase in project costs payable of which \$3.2 million is related to leveraged loans. The increase in loan funding activity also increased restricted assets by \$11.0 million. Chart 4 graphically displays the comparative balances of the four major accounts and the effects of financial activity in the DWRP program.



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***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 2008, investment income and loan interest income made up 81.9% of total operating revenues, bond interest expense was 85.4% of total operating expenses, and 59.7% of total changes in net assets came from EPA capitalization grant revenue.

The WPCRF and DWRF programs are allowed to collect a loan administrative fee surcharge to supplement the EPA grant funds available for the reimbursement of expenses related to grant administration. Beginning in 2008, the annual administrative fee surcharge rate on DWRF loans, which is computed on the original loan receivable balance and is a component of loan interest, was increased from 0.8% to 1.25%. Due to the structure of the loan program, the increase in the administrative fee rate does not affect the subsidized loan rate charged to the borrowers. The administrative fee surcharge rate on WPCRF loans remains at 0.8%. Generally, these fees remain constant over the term of the loan. Under the disadvantaged community loan program in both the WPCRF and DWRF programs, no administrative fee surcharge is received from zero interest rate loans. (For more information regarding the disadvantaged community loan program, see the notes to the basic financial statements.)

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 are 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.

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*Total Enterprise Funds*

Schedules 5A and 5B combine the results of activities 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.

<i>Total Enterprise Funds (2008 - 2007)</i>				Schedule 5A
Summary of Changes in Net Assets as of December 31				
	2008	2007	Change	Pct Chg
Operating revenues:				
Interest on investments	\$ 19,614,944	\$ 25,449,194	\$ (5,834,250)	(22.9%)
Interest on loans	38,444,783	39,104,435	(659,652)	(1.7%)
Administrative fees and other income	8,168,349	7,992,412	175,937	2.2%
EPA grants	4,626,781	4,988,780	(361,999)	(7.3%)
Total operating revenues	70,854,857	77,534,821	(6,679,964)	(8.6%)
Operating expenses:				
Interest on bonds	52,137,801	53,122,040	(984,239)	(1.9%)
Grant administration	3,324,022	2,214,516	1,109,506	50.1%
General, administrative, and other expenses	1,634,058	1,526,966	107,092	7.0%
EPA set asides	3,940,376	4,404,102	(463,726)	(10.5%)
Total operating expenses	61,036,257	61,267,624	(231,367)	(0.4%)
Operating income	9,818,600	16,267,197	(6,448,597)	(39.6%)
EPA capitalization grants	14,575,150	18,904,991	(4,329,841)	(22.9%)
Change in net assets	24,393,750	35,172,188	(10,778,438)	(30.6%)
Net assets – beginning of year	477,621,399	442,449,211	35,172,188	7.9%
Net assets – end of year	\$ 502,015,149	\$ 477,621,399	\$ 24,393,750	5.1%

<i>Total Enterprise Funds (2007 - 2006)</i>				Schedule 5B
Summary of Changes in Net Assets as of December 31				
	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	77,534,821	68,860,471	8,674,350	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	61,267,624	58,863,416	2,404,208	4.1%
Operating income	16,267,197	9,997,055	6,270,142	62.7%
EPA capitalization grants	18,904,991	12,502,130	6,402,861	51.2%
Change in net assets	35,172,188	22,499,185	12,673,003	56.3%
Net assets – beginning of year	442,449,211	419,950,026	22,499,185	5.4%
Net assets – end of year	\$ 477,621,399	\$ 442,449,211	\$ 35,172,188	7.9%

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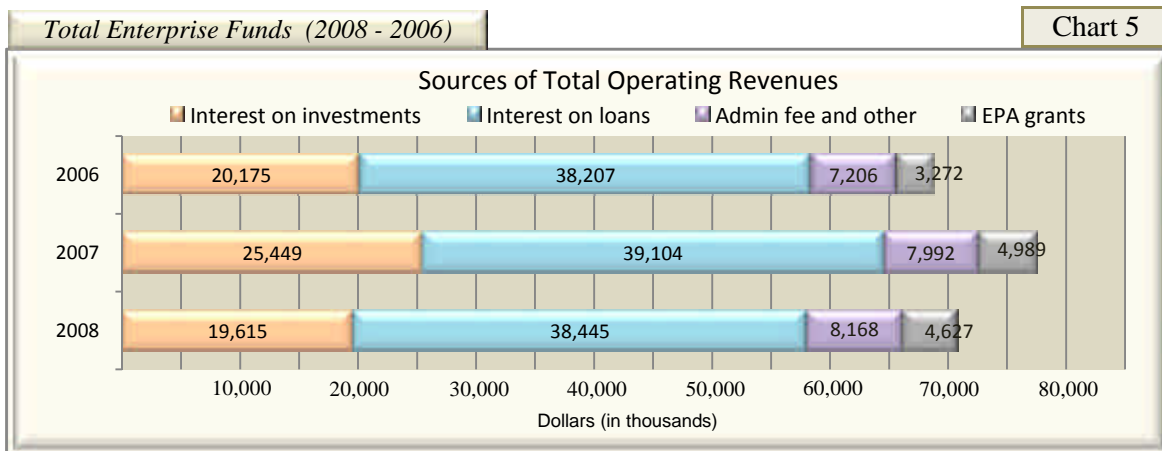
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Interest on investments totaled \$19.6 million, \$25.4 million, and \$20.2 million for 2008, 2007, and 2006, respectively. Both the investment balances and changing interest rates impact the amounts of interest earned. The \$5.8 million decrease in interest on investments in 2008, compared to 2007, was the sum of decreases from all funds: Water Operations (\$1.2 million), WPCRF (\$3.7 million) and DWRF (\$0.9 million). One of the major factors for the decrease in income was the decrease in the average annual interest rate for COLOTRUST, which was 2.6% for 2008 compared to 5.1% for 2007.

The WPCRF interest on investments decreased \$3.7 million in 2008, and was the major factor in the \$5.8 million total decrease in 2008. Although the Water Operations Fund restricted assets decreased by \$11.6 million in 2008 and \$94.2 million in 2007, the earnings on the investments in the SWRP and WRBP are recorded as accounts payable-borrowers, as explained in the following Water Operations Fund section, and therefore, do not affect interest on investments.

Interest on loans totaled \$38.4 million, \$39.1 million, and \$38.2 million for 2008, 2007, and 2006, respectively. The decrease in 2008, as compared to the increase in 2007, is the result of a general decrease in new loans executed in all programs. In the years subsequent to the year of execution, new loans produce a full year's interest income, generally increasing loan interest income. However, other factors such as decreasing loan interest due to normal amortization, and credits to loan interest from refunding savings and additional earnings may affect loan interest income. Loan interest in the Water Operations Fund and the WPCRF decreased by \$0.8 million and \$0.3 million, respectively, while loan interest income increased by \$0.4 in the DWRF, resulting in a total decrease of \$0.7 million.

Total bond interest expense decreased \$1.0 million in 2008. Although bonds totaling \$32.4 million and \$35.3 million were issued in 2008 and 2007, respectively, the decrease resulting from normal amortization exceeded the additional expense added by the bonds issued in 2008 and 2007.



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Chart 5 compares the major sources of total operating revenues among the years and illustrates the effects of investment and loan interest earnings discussed above. Note the decrease in interest on investments, interest on loans, and EPA grants in 2008 from 2007. 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 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 in previous years. The EPA grant revenue shown in operating income is comprised of grant funds drawn for program administration, and for funding the DWRF set aside activities as discussed in the notes to basic financial statements. EPA capitalization grants used for the loan programs are not part of operating income.

EPA capitalization grants totaled \$14.6 million, \$18.9 million, and \$12.5 million, for 2008, 2007, and 2006, 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 executed decreased in 2007, total capitalization grant revenue decreased in 2008 after an increase in 2007. The Water Operations Fund loans are not subsidized by EPA capitalization grants. Capitalization grant revenue contributed 59.7%, 53.7%, and 55.6% of the total change in net assets for 2008, 2007, and 2006, 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 2008 and 2007.

*Water Operations Fund*

The Summary of Net Assets (Schedule 2) for the Water Operations Fund reflects that noncurrent loans receivable and bonds payable amounts both decreased by \$14.8 million (3.4%). No bonds were issued or leveraged loans executed in this fund during 2008. The decrease in loan interest in the Water Operations Fund in 2008 is attributed to normal amortization in both programs and early loan payoffs that occurred in the SWRP. Accordingly, both loan interest income and bond interest expense, as shown in Schedule 6, decreased by 3.5% and 2.9%, respectively.

The largest source of investment income in the Water Operations Fund is generated by 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 decreased by 1.2% and 2.5%, respectively, and contributed \$1.1 million to the decrease in interest on investments from 2007.



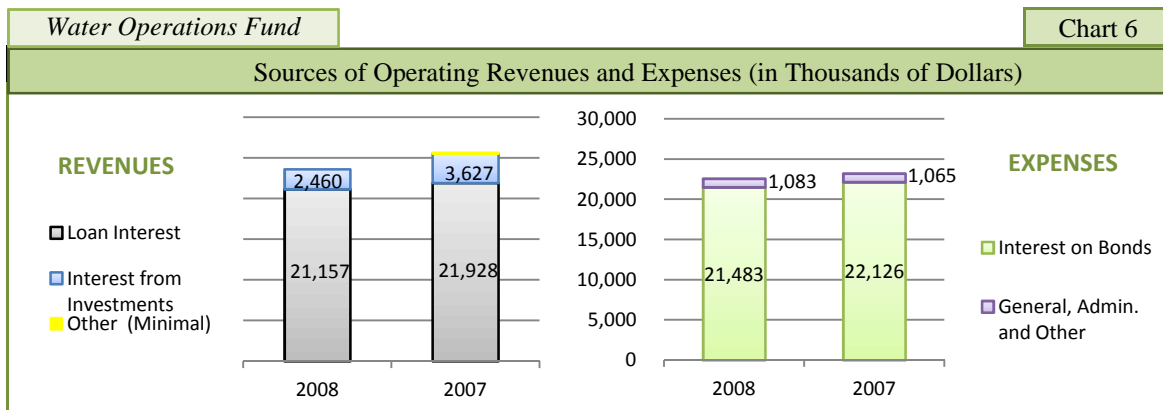
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Water Operations Fund	Summary of Changes in Net Assets as of December 31			
	2008	2007	Change	Pct Chg
<b>Operating revenues:</b>				
Interest on investments	\$ 2,460,256	\$ 3,626,834	\$ (1,166,578)	(32.2%)
Interest on loans	21,157,105	21,927,594	(770,489)	(3.5%)
Other income	-	100	(100)	(100.0%)
Total operating revenues	23,617,361	25,554,528	(1,937,167)	(7.6%)
<b>Operating expenses:</b>				
Interest on bonds	21,482,809	22,126,089	(643,280)	(2.9%)
General, administrative, and other expenses	1,082,734	1,065,448	17,286	1.6%
Total operating expenses	22,565,543	23,191,537	(625,994)	(2.7%)
Operating income	1,051,818	2,362,991	(1,311,173)	(55.5%)
Change in net assets	1,051,818	2,362,991	(1,311,173)	(55.5%)
Net assets – beginning of year	89,575,360	87,212,369	2,362,991	2.7%
Net assets – end of year	\$ 90,627,178	\$ 89,575,360	\$ 1,051,818	1.2%

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 2008, \$0.1 million in investment income earned on the escrow account affected the changes in net assets. Payments of \$0.8 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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As shown in Chart 6, investment and loan interest income are the principal sources of operating revenues in the Water Operations Fund. Investment income decreased 32.2% while loan interest income decreased by 3.5% in 2008. General, administrative and other expenses increased 1.6%. The increase is a combination of annual inflationary type costs and the portion of costs allocated to other funds. Operating income for 2008 decreased \$1.3 million (55.5%) due to lower interest rates on unrestricted investments. The average interest rate earned on funds invested with the State Treasurer decreased by 1.2%, while the COLOTRUST rate decreased by 2.5%.

*Water Pollution Control Fund*

Interest on loans is affected by several factors; additional interest resulting from new loans executed, declining interest due to normal loan amortization, and various credits, in addition to normal subsidy credits, that adjust loan interest from time to time. The net effect of these factors resulted a decrease of \$0.3 million in 2008.

The decrease in investment income for 2008 of \$3.7 million (24.1%) can be attributed to several factors. First, while 2008 cash and equivalents (COLOTRUST) balances increased \$20.9 million (49.4%) over the 2007 year-end balances, investments decreased by \$25.6 million (11.0%). Second, the average annual COLOTRUST interest rate decreased to 2.6% in 2008 from 5.1% in 2007.

				Schedule 7
<i>Water Pollution Control Fund</i>	Summary of Changes in Net Assets as of December 31			
	2008	2007	Change	Pct Chg
Operating revenues:				
Interest on investments	\$ 11,791,740	\$ 15,533,261	\$ (3,741,521)	(24.1%)
Interest on loans	11,976,186	12,325,893	(349,707)	(2.8%)
Administrative fee and other income	5,896,526	5,805,659	90,867	1.6%
EPA grants-administrative	190,135	171,303	18,832	11.0%
Total operating revenues	<u>29,854,587</u>	<u>33,836,116</u>	<u>(3,981,529)</u>	<u>(11.8%)</u>
Operating expenses:				
Interest on bonds	22,552,646	22,794,027	(241,381)	(1.1%)
Grant administration	1,891,365	1,276,115	615,250	48.2%
General, administrative, and other expenses	329,534	360,934	(31,400)	(8.7%)
Total operating expenses	<u>24,773,545</u>	<u>24,431,076</u>	<u>342,469</u>	<u>1.4%</u>
Operating income	5,081,042	9,405,040	(4,323,998)	(46.0%)
EPA capitalization grants	6,529,661	11,809,677	(5,280,016)	(44.7%)
Transfers in (out)	(122,605)	-	(122,605)	100.0%
Change in net assets	11,488,098	21,214,717	(9,726,619)	(45.8%)
Net assets – beginning of year	261,134,240	239,919,523	21,214,717	8.8%
Net assets – end of year	<u>\$ 272,622,338</u>	<u>\$ 261,134,240</u>	<u>\$ 11,488,098</u>	<u>4.4%</u>

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Similar to interest on loans, interest on bonds is affected by several factors; additional interest expense resulting from new bonds issued, declining interest expense due to normal bond amortization and refunding cost amortization. The net effect of these factors resulted in a decrease of \$0.2 million in 2008.

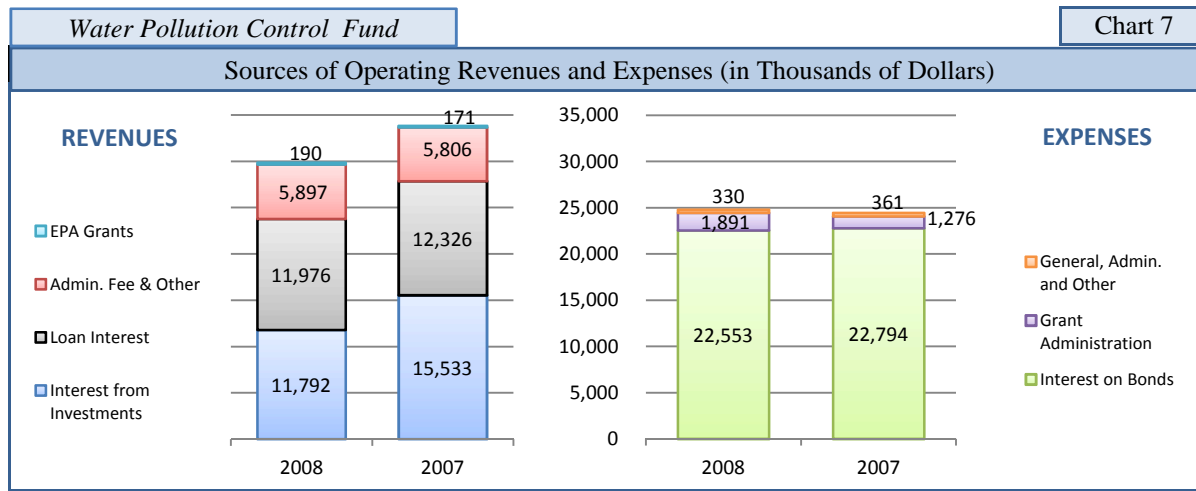


Chart 7 shows the components of operating income and expenses in a comparative format. As discussed above, loan interest income decreased \$0.3 million, bond interest expense decreased \$0.2 million and investment income decreased \$3.7 million. Loan administrative fee income, which is computed based upon the original loan balances, increased 1.6%, due to the addition of the 2008 loans. Interest on investments plus interest on loans comprised 79.6% of operating revenues in 2008 and 82.3% in 2007. Bond interest expense contributed 91.0% and 93.3% to operating expense in 2008 and 2007, respectively.

The cost to administer the WPCRF for 2008 was \$1.9 million. Included in this amount are reimbursed costs paid to the Water Quality Control Division of the Colorado Department of Public Health and Environment (\$1.1 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 \$6.5 million in 2008.

*Drinking Water Fund*

In 2008, interest on investments decreased \$0.9 million (14.7%). The overall decrease in investment interest in the DWRF, subject to the same interest rate decrease effect as the other funds, was mitigated by the income generated from the investment of 2008 bond proceeds included in restricted assets (\$0.2 million).

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Interest on loans is affected by several factors; additional interest resulting from new loans executed, declining interest due to normal loan amortization, and various credits, in addition to normal subsidy credits, that adjust loan interest from time to time. The net effect of these factors in the DWRF resulted in a \$0.4 million (9.5%) increase in interest on loans.

Similar to interest on loans, interest on bonds is affected by several factors; additional interest expense resulting from new bonds issued, declining interest expense due to normal bond amortization and refunding cost amortization. The net effect of these factors in the DWRF resulted in a \$0.1 million (1.2%) decrease in interest on bonds.

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 2008 and 2007 decreased by \$0.5 million, a 10.5% decrease in expenses.

Schedule 8				
<i>Drinking Water Fund</i>	Summary of Changes in Net Assets as of December 31			
	2008	2007	Change	Pct Chg
<b>Operating revenues:</b>				
Interest on investments	\$ 5,362,948	\$ 6,289,099	\$ (926,151)	(14.7%)
Interest on loans	5,311,492	4,850,948	460,544	9.5%
Administrative fee and other income	2,271,823	2,186,653	85,170	3.9%
EPA grants	4,436,646	4,817,477	(380,831)	(7.9%)
Total operating revenues	<u>17,382,909</u>	<u>18,144,177</u>	<u>(761,268)</u>	<u>(4.2%)</u>
<b>Operating expenses:</b>				
Interest on bonds	8,102,346	8,201,924	(99,578)	(1.2%)
Grant administration	1,432,657	938,401	494,256	52.7%
General, administrative, and other expenses	221,790	100,584	121,206	120.5%
EPA set asides	3,940,376	4,404,102	(463,726)	(10.5%)
Total operating expenses	<u>13,697,169</u>	<u>13,645,011</u>	<u>52,158</u>	<u>0.4%</u>
Operating income	3,685,740	4,499,166	(813,426)	(18.1%)
EPA capitalization grants	8,045,489	7,095,314	950,175	13.4%
Transfers in (out)	122,605	-	122,605	100.0%
Change in net assets	<u>11,853,834</u>	<u>11,594,480</u>	<u>259,354</u>	<u>2.2%</u>
Net assets – beginning of year	126,911,799	115,317,319	11,594,480	10.1%
Net assets – end of year	<u>\$ 138,765,633</u>	<u>\$ 126,911,799</u>	<u>\$ 11,853,834</u>	<u>9.3%</u>

The cost to administer the DWRF for 2008 was \$1.4 million, a 52.7% increase from 2007. Included in this amount are reimbursed costs paid to the Water Quality Control Division of the Colorado Department of Public Health and Environment (\$0.8 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.

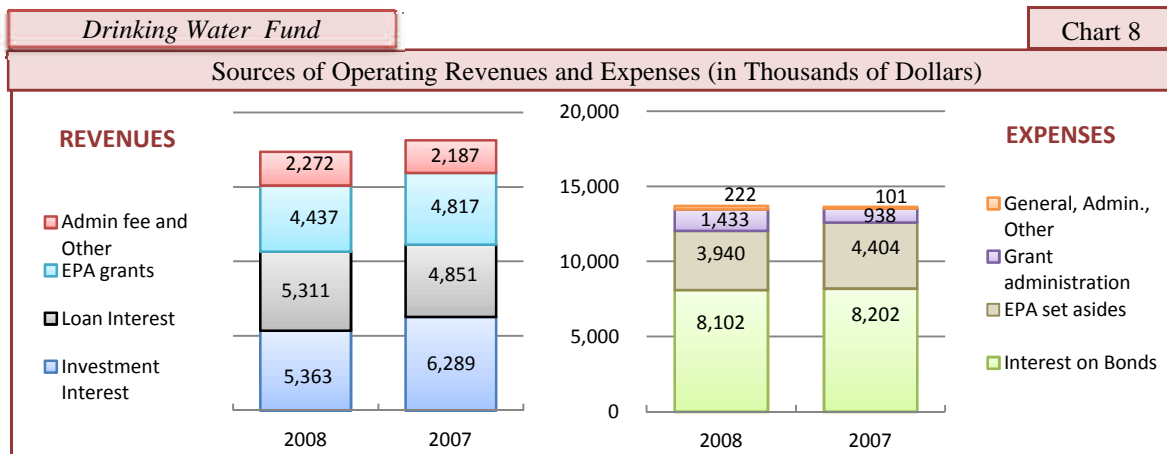
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EPA capitalization grant revenues increased \$1.0 million (13.4%) in 2008. As discussed at the beginning of this section, a proportionate amount of EPA capitalization grant revenue is recognized for each borrower project requisition funded with grant dollars. Project requisitions for leveraged loans funded with grants increased from \$15.8 million in 2007 to \$19.2 million in 2008. The increase in EPA capitalization grant revenue was the net effect of the \$2.9 million (16.8%) increase in project requisitions of grant funded loans.

Operating income of \$3.7 million, EPA capitalization grant revenue of \$8.0 million, and interfund transfers of \$0.1 million resulted in an \$11.9 million (9.3%) increase in total net assets in the DWRF.

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 2008 and 61.4% in 2007. Bond interest expense contributed 59.2% and 60.1% to operating expenses in 2008 and 2007, respectively.



**Economic Factors:**

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

- More stringent, federal water quality standards often mandate the replacement of or upgrades to infrastructure.
- Colorado's population continues to increase, requiring plant expansions.
- The need to replace aging infrastructure is expanding.
- Periods of drought affecting Colorado for the past few years have 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.

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The Authority plans to continue subsidizing loan interest rates for borrowers in both the WPCRF and DWRF in 2009. As of December 31, 2008, out of the total amount of EPA capitalization grant funds awarded to the DWRF through 2008, \$14.2 million remains unobligated and available for loans. As of December 31, 2008, out of the total amount of EPA capitalization grant funds awarded to the WPCRF through 2008, \$0.3 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 2008, 38 DC loans had been executed, 24 in the DWRF and 14 in the WPCRF with original principal amounts of \$14.6 million and \$10.0 million, respectively. Of the 38 loans, 26 contain zero percent interest rates, and 12 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 State Revolving Fund capitalization grants for 2009. The Authority anticipates that it will receive a \$5.4 million Clean Water capitalization grant and a \$14.3 million Drinking Water capitalization grant. Both grant applications have been prepared and will be submitted to the EPA after final state allotments have been approved. From all available resources, including the 2009 capitalization grants, any remaining unobligated grant funds and reloan funds, and with some leveraging, the estimated 2009 loan capacity for the WPCRF is \$90 million and for the DWRF is \$90 million.

During 2008, the United States financial markets were adversely 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. Because of a rating downgrade of MBIA, counterparty to three repurchase agreements, the Authority terminated the three agreements in 2009 and will be reinvesting the funds in eligible securities in accordance with the bond resolutions and Authority investment policy. The Authority continues to closely monitor the ratings of the counterparties of the remaining repurchase agreements and the collateral that secures the repurchase agreements, as described in the notes to the basic financial statements, and the Authority will take appropriate action, as allowed under the terms of the agreements, if needed, to be reasonably assured that funds will be available when needed and/or that the ratings on the respective bonds are not lowered.

Also, as a result of the adverse impact of the financial markets on bond insurers, the Authority provided a number of material event notices to the appropriate repositories regarding the changes in ratings of Financial Guaranty Insurance Corporation, MBIA, Financial Security Assurance, and Assured Guaranty Corporation.

In February 2009, P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (ARRA), was enacted and monies were appropriated to the EPA to award additional capitalization grants to the states through the

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State Revolving Fund programs. The terms of ARRA provide that no state match is required for these grants. Pursuant to the established allocation formula the Authority, on behalf of the State of Colorado, is eligible to receive a Clean Water State Revolving Fund grant totaling \$31.3 million and a Drinking Water Revolving Fund grant totaling \$34.4 million. The Authority and WQCD are in the process of completing all the required steps to submit grant applications for both programs. Of the amounts awarded, approximately \$2 million will be allocated for eligible set-asides for the DWRF and approximately \$1.25 million will be allocated for WPCRF grant administration. The remaining funds will be used to provide direct loans for eligible projects. The loans may contain principal forgiveness of amounts up to \$2 million per borrower and/or contain a loan interest rate of 0%.

The ARRA funding contains more stringent regulatory requirements than the annual capitalization grants received in past years such as: no less than one-half of the ARRA funding shall be used to provide additional loan subsidies, including principal forgiveness, no less than 20% of the funds will be used for "green infrastructure" projects, prevailing wage rate requirements (Davis-Bacon Act) will be enforced on projects, the required use of American iron, steel and manufactured goods in the course of construction (unless qualified for a waiver), and weekly reporting will be required. Certain amounts of the total grants may be used to reimburse the State for the additional administrative costs to implement this additional loan activity. After the grants are awarded, the Authority, in conjunction with the WQCD and DLG, will expedite making loans to eligible governmental agencies that are prioritized pursuant to a process that is outlined in the respective 2009 Intended Use Plans.

**Requests for Information**

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

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

**Colorado Water Resources  
and Power Development Authority  
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Statement of Net Assets  
December 31, 2008**

<b>Assets</b>	<b>Water Operations</b>	<b>Water Pollution Control</b>	<b>Drinking Water</b>	<b>Totals</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 62,797,527	\$ 33,087,925	\$ 20,621,885	\$ 116,507,337
Federal grants receivable	—	73,294	1,230,200	1,303,494
Investment income receivable	169,224	544,104	206,615	919,943
Loans receivable	12,735,687	32,541,874	12,035,324	57,312,885
Due from other funds	1,672,456	—	—	1,672,456
Accounts receivable – borrowers	5,531,015	6,573,694	2,212,699	14,317,408
Other assets	110,611	—	—	110,611
<b>Restricted assets:</b>				
Cash and cash equivalents	16,079,789	26,316,325	41,702,150	84,098,264
Investments	79,549	42,410,063	8,402,480	50,892,092
Investment income receivable	17,209	1,013,623	484,649	1,515,481
Total current assets	<u>99,193,067</u>	<u>142,560,902</u>	<u>86,896,002</u>	<u>328,649,971</u>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
Cash and cash equivalents	10,018,215	3,897,790	42,654	13,958,659
Investments	—	164,821,735	65,920,772	230,742,507
Investment income receivable	3,638	2,869,693	638,047	3,511,378
Advance receivable	158,503	—	—	158,503
Loans receivable	423,314,999	472,526,992	218,290,143	1,114,132,134
Water depletion rights – Animas-La Plata	7,671,327	—	—	7,671,327
Capital assets – equipment, net of accumulated depreciation of \$85,324	14,842	—	—	14,842
Other assets	5,078,319	—	—	5,078,319
Total noncurrent assets	<u>446,259,843</u>	<u>644,116,210</u>	<u>284,891,616</u>	<u>1,375,267,669</u>
Total assets	<u>545,452,910</u>	<u>786,677,112</u>	<u>371,787,618</u>	<u>1,703,917,640</u>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Project costs payable – direct loans	—	6,000,179	7,044,480	13,044,659
Project costs payable – leveraged loans	4,510,607	46,471,918	36,783,944	87,766,469
Bonds payable	12,685,000	29,400,000	9,600,000	51,685,000
Accrued interest payable	5,603,717	7,309,351	2,710,156	15,623,224
Accounts payable – borrowers	3,151,606	—	—	3,151,606
Accounts payable – other	1,479,639	—	104,282	1,583,921
Due to other funds	—	411,210	1,261,246	1,672,456
Other liabilities	—	289,008	539,791	828,799
Total current liabilities	<u>27,430,569</u>	<u>89,881,666</u>	<u>58,043,899</u>	<u>175,356,134</u>
<b>Noncurrent liabilities:</b>				
Project costs payable – leveraged loans	—	1,400,000	180,000	1,580,000
Bonds payable, net	424,221,828	419,357,923	173,538,364	1,017,118,115
Advance payable	—	158,503	—	158,503
Debt service reserve deposit	1,861,513	—	—	1,861,513
Deferred revenue	—	676,829	89,924	766,753
Other liabilities	1,311,822	2,579,853	1,169,798	5,061,473
Total noncurrent liabilities	<u>427,395,163</u>	<u>424,173,108</u>	<u>174,978,086</u>	<u>1,026,546,357</u>
Total liabilities	<u>454,825,732</u>	<u>514,054,774</u>	<u>233,021,985</u>	<u>1,201,902,491</u>
<b>Net assets:</b>				
Invested in capital assets	14,842	—	—	14,842
Restricted	27,614,783	272,622,338	135,433,562	435,670,683
Unrestricted	62,997,553	—	3,332,071	66,329,624
Total net assets	<u>\$ 90,627,178</u>	<u>\$ 272,622,338</u>	<u>\$ 138,765,633</u>	<u>\$ 502,015,149</u>

See accompanying notes to basic financial statements



**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>
<b>Liabilities and Fund Net Assets</b>				
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>
Fund 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 fund net assets	<u>\$ 89,575,360</u>	<u>\$ 261,134,240</u>	<u>\$ 126,911,799</u>	<u>\$ 477,621,399</u>

See accompanying notes to basic 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, 2008**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 21,157,105	\$ 11,976,186	\$ 5,311,492	\$ 38,444,783
Interest on investments	2,460,256	11,791,740	5,362,948	19,614,944
Loan administrative fees	—	5,896,526	2,269,309	8,165,835
EPA grants	—	190,135	4,436,646	4,626,781
Other	—	—	2,514	2,514
Total operating revenues	<u>23,617,361</u>	<u>29,854,587</u>	<u>17,382,909</u>	<u>70,854,857</u>
Operating expenses:				
Interest on bonds	21,482,809	22,552,646	8,102,346	52,137,801
Grant administration	—	1,891,365	1,432,657	3,324,022
Project expenses	373,988	—	—	373,988
General and administrative	708,746	1,697	1,697	712,140
EPA set asides	—	—	3,940,376	3,940,376
Other	—	327,837	220,093	547,930
Total operating expenses	<u>22,565,543</u>	<u>24,773,545</u>	<u>13,697,169</u>	<u>61,036,257</u>
Operating income	1,051,818	5,081,042	3,685,740	9,818,600
EPA capitalization grants	—	6,529,661	8,045,489	14,575,150
Transfers in(out)	—	(122,605)	122,605	—
Change in net assets	1,051,818	11,488,098	11,853,834	24,393,750
Net assets – beginning of year	<u>89,575,360</u>	<u>261,134,240</u>	<u>126,911,799</u>	<u>477,621,399</u>
Net assets – end of year	<u>\$ 90,627,178</u>	<u>\$ 272,622,338</u>	<u>\$ 138,765,633</u>	<u>\$ 502,015,149</u>

See accompanying notes to basic 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
Administrative fee	—	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
	<u>25,554,528</u>	<u>33,836,116</u>	<u>18,144,177</u>	<u>77,534,821</u>
Total operating revenues				
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	8,239	3,393	3,393	15,025
EPA set asides	—	—	4,404,102	4,404,102
Other	780,714	357,541	97,191	1,235,446
	<u>23,191,537</u>	<u>24,431,076</u>	<u>13,645,011</u>	<u>61,267,624</u>
Total operating expenses				
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 fund net assets	2,362,991	21,214,717	11,594,480	35,172,188
Fund net assets – beginning of year	<u>87,212,369</u>	<u>239,919,523</u>	<u>115,317,319</u>	<u>442,449,211</u>
Fund 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 accompanying notes to basic 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, 2008**

	<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	\$ —	\$ 5,764,745	\$ 2,227,684	\$ 7,992,429
Federal funds received	—	154,872	4,566,714	4,721,586
Cash payments for salaries and related benefits	(628,533)	(365,429)	(254,452)	(1,248,414)
Cash payments to other state agencies for services	—	(1,040,984)	(859,635)	(1,900,619)
Cash payments to vendors	(668,652)	(376,543)	(4,408,194)	(5,453,389)
Net cash provided (used) by operating activities	<u>(1,297,185)</u>	<u>4,136,661</u>	<u>1,272,117</u>	<u>4,111,593</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	—	12,402,765	20,164,069	32,566,834
Deposits for option to purchase water depletion rights	3,770	—	—	3,770
Federal funds received	—	9,725,016	8,792,533	18,517,549
Principal paid on bonds	(15,355,000)	(27,320,000)	(9,080,000)	(51,755,000)
Interest paid on bonds	(21,124,177)	(22,859,139)	(8,066,406)	(52,049,722)
Cash payment for bond issuance costs	—	(165,489)	(261,544)	(427,033)
Net cash provided (used) by noncapital financing activities	<u>(36,475,407)</u>	<u>(28,216,847)</u>	<u>11,548,652</u>	<u>(53,143,602)</u>
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	10,062,395	48,552,811	38,745,930	97,361,136
Interest received on investments	3,091,570	14,313,277	6,097,445	23,502,292
Interest received on loans	21,247,632	12,052,558	5,105,124	38,405,314
Principal repayments from localities on loans	17,053,797	32,582,866	11,214,779	60,851,442
Cash received from (paid to) other accounts	2,722,071	(3,042,785)	122,605	(198,109)
Purchase of investments	(63,780)	(24,889,169)	(23,772,529)	(48,725,478)
Investment in water rights	(800,019)	—	—	(800,019)
Cash disbursed to localities for loans	(14,721,416)	(43,968,562)	(23,776,976)	(82,466,954)
Cash payment for arbitrage rebate	(2,184)	(628,130)	(199,689)	(830,003)
Cash payments of interest to borrowers	(2,593,856)	—	—	(2,593,856)
Net cash provided (used) by investing activities	<u>35,996,210</u>	<u>34,972,866</u>	<u>13,536,689</u>	<u>84,505,765</u>
Net increase (decrease) in cash and cash equivalents	(1,776,382)	10,892,680	26,357,458	35,473,756
Cash and cash equivalents, beginning of year	<u>90,671,913</u>	<u>52,409,360</u>	<u>36,009,231</u>	<u>179,090,504</u>
Cash and cash equivalents, end of year	<u>\$ 88,895,531</u>	<u>\$ 63,302,040</u>	<u>\$ 62,366,689</u>	<u>\$ 214,564,260</u>

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Statement of Cash Flows (Continued)  
Year Ended December 31, 2008**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Assets				
Unrestricted cash & equivalents	\$ 62,797,527	\$ 33,087,925	\$ 20,621,885	\$ 116,507,337
Current Restricted cash & equivalents	16,079,789	26,316,325	41,702,150	84,098,264
Noncurrent Restricted cash & equivalents	10,018,215	3,897,790	42,654	13,958,659
Total Cash and Cash Equivalents	<u>\$ 88,895,531</u>	<u>\$ 63,302,040</u>	<u>\$ 62,366,689</u>	<u>\$ 214,564,260</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	\$ 1,051,818	\$ 5,081,042	\$ 3,685,740	\$ 9,818,600
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	7,259	1,697	1,697	10,653
Accrued sick leave expense	10,500	—	—	10,500
Interest on bonds	21,482,809	22,552,646	8,102,346	52,137,801
Cost of issuance adjustments	—	—	(2,514)	(2,514)
Interest on loans	(21,157,105)	(11,976,186)	(5,311,492)	(38,444,783)
Interest on investments	(2,460,256)	(11,791,740)	(5,362,948)	(19,614,944)
Put fees on Treasury bonds	—	49,985	—	49,985
Loan principal forgiven	—	215,039	128,228	343,267
Amortization of deferred revenue	—	(56,509)	(6,579)	(63,088)
Change in assets and liabilities:				
(Increase) in due from other funds	(114,992)	—	—	(114,992)
(Increase) in accounts receivable – borrowers	—	(75,271)	(35,045)	(110,316)
(Increase) in other receivables	(116,433)	(35,263)	128,913	(22,783)
Increase in accounts payable – other	(785)	—	—	(785)
Increase in due to other funds	—	171,221	(56,229)	114,992
Net cash provided (used) by operating activities	<u>\$ (1,297,185)</u>	<u>\$ 4,136,661</u>	<u>\$ 1,272,117</u>	<u>\$ 4,111,593</u>
Supplemental Cash Flows Information				
Noncash investing activities				
Loans receivable issued related to projects payable	\$ —	\$ 20,437,107	\$ 30,015,992	\$ 50,453,099
Fair market value adjustment on U.S. Treasury bonds	—	1,945,762	—	1,945,762
Amortization of deferred loan interest income	—	22,776	—	22,776
Noncash noncapital financing activities				
Amortization of deferred amount from refunding	118,767	42,408	18,121	179,296
Amortization of bond issuance costs	377,627	—	—	377,627

See accompanying notes to basic 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 provided (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	<u>(17,089)</u>	<u>—</u>	<u>—</u>	<u>(17,089)</u>
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 accounts	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	(68,844,202)	15,834,305	7,347,828	(45,662,069)
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>

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Statement of Cash Flows (Continued)  
Year Ended December 31, 2007**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</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
Noncurrent 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>
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 adjustments	—	(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) in other receivables	75,610	(38,031)	(698,265)	(660,686)
Increase in accounts payable – other	467,074	—	—	467,074
Increase 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>
Supplemental cash flow information				
Noncash investing activities				
Loans receivable issued related to projects payable	\$ —	\$ 42,348,024	\$ 1,592,396	\$ 43,940,420
Fair market value adjustment on U.S. Treasury bonds	—	197,707	—	197,707
Amortization of deferred loan interest income	—	56,510	6,580	63,090
Noncash noncapital financing activities				
Amortization of deferred amount from refunding	136,415	—	—	136,415
Amortization of bond issuance costs	389,308	30,825	18,122	438,255

See accompanying notes to basic financial statements

**Colorado Water Resources  
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(A Component Unit of the State of Colorado)  
Notes to Financial Statements  
December 31, 2008 and 2007**

**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 that 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.

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.



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In addition to the Small Water Resources Projects Program, in 1998, the Authority established the Water Revenue Bonds Program (WRBP) as part of the Water Operations Enterprise Fund. The WRBP was created to fund those projects that cannot be approved under the SWRP and are not eligible for funding or there is insufficient loan capacity under the Drinking Water Revolving Fund (DWRF) or the Water Pollution Control Revolving Fund (WPCRF), two other funds administered by the Authority. The Authority is authorized to finance individual water resources project loans of \$500 million or less without approval from the State legislature. All costs of project development may be financed through the WRBP. Each local government evidences its obligations under its loan agreement by the issuance to the Authority of a governmental agency bond, which is secured by a pledge of a specific revenue source or by a general obligation pledge. The repayments, pursuant to the loan agreements by the local governmental agencies, are sufficient to pay the principal and interest on the bonds issued by the Authority. During the construction period, investment interest earned in the borrowers' project accounts may be requisitioned for project costs or to decrease loan interest payable to the Authority. Therefore, the Authority records investment interest as a liability in the accounts payable – borrowers account in the Statement of Net Assets.

During 2008, two new loan programs were created in the Water Operations Fund. Senate Bill 08-221 (the Act) was enacted and authorized the Authority to issue bonds within the Watershed Protection and Forest Health Projects program (WPFHP). Issued bonds are limited to a maximum of \$50 million and the proceeds would be used to fund loans to local governments. The loans will be made for approved projects, subject to the terms specified in the Act. One of the primary purposes for the program is to mitigate the effects of the pine bark beetle infestation in the Colorado forests. In June 2008, the Authority's Board of Directors approved a Small Hydropower Loan Program (SHLP) for implementation in 2009. Loans for this program will be funded from unrestricted Authority cash and are limited to a maximum of \$2 million per borrower, up to a combined total of \$10 million. The maximum loan term is 20 years and will bear an interest rate of 2%.

***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 \$800,019 and \$1,737,455 in 2008 and 2007, respectively. These payments are capitalized as Water depletion rights on the Statement of Net Assets.

In 2002 the Authority entered into a marketing agreement with the District to promote the sale of these water depletion rights. In early 2005, the 2,600 ac-ft of average annual depletion was committed to two entities. The District contracted to purchase 700 ac-ft of average annual depletion and provided an earnest money deposit of \$90,453. In addition, the City of Durango executed an agreement giving it the option to purchase 1,900 ac-ft of average annual depletion and provided an option payment of \$1,051,175. Both parties will be required to pay the remaining amounts due at project completion. It is currently anticipated that the project will be completed in 2012.

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***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 2008 and 2007, the Authority paid the two agencies \$1,180,865 and \$583,350, respectively, in accordance with the agreement. The statutes also authorize the Authority to issue bonds for such purposes and to designate assets in the WPCRF that may be pledged and assigned as security for payment of such bonds.

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

The Authority issues bonds to provide loans to local governmental entities, either individually or in pools. Loans to borrowers may be provided from federal grants, bond proceeds and reloan funds (recycled grant 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 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 of "reloan" funds (recycled grant funds) to the reserve account upon bond closing. Earnings on such reserve are used to reduce the loan interest payable by the borrower.

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

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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.

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 2008 and 2007, the Authority paid the two agencies \$4,911,466 and \$4,204,271, respectively, 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

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the reserve account upon bond closing. Earnings on such reserve are used to reduce the loan interest payable by the borrower.

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

Loans are made at or below market interest rates (at terms generally not exceeding 20 years plus the construction period) with principal and interest payments commencing not later than one year after completion of the borrowers' project(s). 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 DWRF's capitalization grants may be used for source water protection, capacity development, public water system supervision, and wellhead protection. In 1997, the entire 10% was used for source water protection, but since then no further funds have been set aside for this activity. Up to 15% (no more than 10% for any one purpose) of each grant may be used for the following items: loans for public water systems to acquire land or conversion easements, loans for community systems to implement source water protection measures or to implement recommendations in source water petitions, technical, and financial assistance to public water systems for capacity development, expenditures to delineate or assess source water protection areas, and expenditures to establish and implement wellhead protection programs. Up to 4% of the Authority's capitalization grants may be used for administration, and up to 2% of the capitalization grants each year may be used for an operator training and technical assistance set aside to aid small community systems.

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

***State Loans***

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

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**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.

**(d) Loans Receivable**

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

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***(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 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.

***(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.

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***(k) Restricted Net Assets***

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

***(l) Operating Revenues and Expenses***

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

***(m) Use of Estimates***

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

***(n) Advance Refunding of Bonds***

When favorable market conditions develop, the Authority considers advance refunding earlier bond issues having higher interest rates. The Authority's refunding policy includes a targeted 5% present value savings rate before the refunding process is considered cost beneficial. Proceeds from the refunding bonds are used to pay bond issuance costs, including estimated future administrative costs of the Authority, and the balance of the proceeds is deposited into the refunded bonds escrow account. Transferring the bonds to an escrow account constitutes a legal defeasance; therefore, the refunded bonds are removed from the financial statements. 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 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.

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**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.

At December 31, 2008 and 2007, the Authority's deposits had a bank balance of \$1,537,082 and \$12,362,393, respectively, and a carrying amount of \$1,246,807 and \$12,209,775, 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, \$250,000 and \$100,000 was insured by federal depository insurance at December 31, 2008 and 2007, respectively.

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. 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* (GASB 40), deposits collateralized under PDPA are not deemed to be exposed to custodial credit risk. Accordingly, \$1,128,875 and \$11,994,053 was deemed to be exposed to custodial credit risk in 2008 and 2007, respectively.

	<b>2008</b>	<b>2007</b>
Collateralized by bank's single collateral pool for all public entities, but not held in the Authority's name	\$ 158,207	\$ 318,340
Collateralized with securities held by bank's trust department or agent, but not held in the Authority's name	<u>1,128,875</u>	<u>11,944,053</u>
	<u>\$ 1,287,082</u>	<u>\$ 12,262,393</u>

***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



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- Commercial paper
- Written repurchase agreements collateralized at no less than 102% by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- Local government investment pools

The Authority's investment policy authorizes similar investments to those detailed above, 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.

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, 2008 and 2007, reflect the rating of the underlying securities held as collateral.

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2008

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 1,246,807		X		
Cash held by State Treasurer (see below)	69,950,826	N/A		X	
COLOTRUST PLUS	143,366,627	N/A			AAA
Total cash and cash equivalents	<u>214,564,260</u>				
U.S. Treasury Notes - SLGS	36,645,978	N/A	X		
U.S. Treasury Bonds	7,234,431	N/A	X		
Repurchase Agreements-collateralized	237,754,190				See Detail Below
Total Investments	<u>281,634,599</u>				
Total cash and invested funds	<u>\$ 496,198,859</u>				

2007

Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 12,209,775		X		
Cash held by State Treasurer (see below)	60,429,626	N/A		X	
COLOTRUST PLUS	106,451,103	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>				

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Below is a schedule that summarizes the credit quality of the securities held as collateral for the repurchase agreements, as of December 31, 2008 and 2007:

2008			
Collateral Securities			
	Exempt From Disclosure	Custodian Portfolio Percent	NRSRO Rating
U.S. Treasuries and other direct obligations	X	7.8%	
Government agencies		92.2%	AAA
Total		<u>100.0%</u>	

2007			
Collateral Securities			
	Exempt From Disclosure	Custodian Portfolio Percent	NRSRO Rating
U.S. Treasuries and other direct obligations	X	5.1%	
Government agencies		94.9%	AAA
Total		<u>100.0%</u>	

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, 2008 and 2007:

2008							
Credit Rating of Pool Securities							
	A1/P1	AAA	AA	A	BBB	Other	Portfolio Percent
Asset Backed		100.0%					13.3%
Corporates		10.9%	25.6%	48.6%	13.8%	1.1%	8.1%
Mortgage Securities		100.0%					5.9%
Commercial Paper	100.0%						2.6%
Treasuries		100.0%					8.3%
Federal Agencies		100.0%					50.3%
Treasury Bills	100.0%						1.8%
Certificates of Deposit						100.0%	1.4%
Money Market Funds						100.0%	8.3%
Total Portfolio	4.4%	78.7%	2.1%	3.9%	1.1%	9.8%	<u>100.0%</u>

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	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%
<b>Total Portfolio</b>	<b>20.9%</b>	<b>62.6%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>0.4%</b>	<b>8.3%</b>	<b>100.0%</b>

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

*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 \$237,754,190 and \$311,683,451 as of December 31, 2008 and 2007, 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, 2008 and 2007. 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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2008			
Investment Type	Fair Value	Exempt From Disclosure	Pct of Total Invest.
Cash held by State Treasurer	\$ 69,950,826		14.1%
COLOTRUST PLUS	143,366,627	X	N/A
U.S. Treasury Notes - SLGS	36,645,978	X	N/A
U.S. Treasury Bonds	7,234,431	X	N/A
Repurchase Agreements-collateralized			
Trinity Plus Funding Company LLC	64,344,440		13.0%
MBIA Asset Management LLC	14,461,729	X	N/A
HSBC Bank USA N.A.	970,392	X	N/A
Westdeutsche Landesbank	838,160	X	N/A
Salomon Reinvestment Co./Citigroup Global	39,371,540		8.0%
American International Group	63,298,351		12.8%
FSA Capital Management Services LLC	26,460,514		5.3%
Societe Generale	28,009,064		5.7%
Total funds invested	<u>\$ 494,952,052</u>		

2007			
Investment Type	Fair Value	Exempt From Disclosure	Pct of Total Invest.
Cash held by State Treasurer	\$ 60,429,626		12.1%
COLOTRUST PLUS	106,451,103	X	N/A
U.S. Treasury Notes - SLGS	11,305,435	X	N/A
U.S. Treasury Bonds	9,227,134	X	N/A
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%
Total funds invested	<u>\$ 499,096,749</u>		

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

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As of December 31, 2008 and 2007, the Authority had the following investments and maturities:

Maturity	2008			Total Investments
	U.S. Treasury Notes - SLGS	U.S. Treasury Bonds	Repurchase Agreements	
2009	\$ 13,265,494	\$ 362,621	\$ 37,994,978	\$ 51,623,093
2010	4,078,279	1,316,338	12,933,975	18,328,592
2011	1,724,555	2,752,162	13,585,037	18,061,754
2012	1,141,124	1,781,507	14,122,229	17,044,860
2013	806,492	720,429	14,405,250	15,932,171
2014-2018	4,620,207	301,374	67,406,048	72,327,629
2019-2023	4,417,143	-	48,317,906	52,735,049
2024-2028	5,304,259	-	28,988,767	34,293,026
2029-2030	1,288,425	-	-	1,288,425
Total	\$ <u>36,645,978</u>	\$ <u>7,234,431</u>	\$ <u>237,754,190</u>	\$ <u>281,634,599</u>

Maturity	2007			Total Investments
	U.S. Treasury Notes - SLGS	U.S. Treasury Bonds	Repurchase Agreements	
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>

The U.S. Treasury Bonds, with maturity dates after 2008, 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 \$69,950,826 and \$60,429,626 as of December 31, 2008 and 2007, respectively, invested in the pool maintained by the State Treasurer, and that pool had an average maturity of 13.8 and 13.3 months as of December 31, 2008 and 2007, respectively. The Authority’s investment represents approximately 1.2% and 1.3% of the total pool as of December 31, 2008 and 2007, respectively.

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**Note 4: Loans Receivable**

The following is an analysis of changes in loans receivable for the years ended December 31, 2008 and 2007:

	<u>Balance January 1, 2008</u>	<u>New loans</u>	<u>Repayments/ loans canceled</u>	<u>Balance December 31, 2008</u>
Water Operations Fund:				
Small Water Resources Program	\$ 90,377,499	\$ —	\$ 8,675,000	\$ 81,702,499
Water Revenue Bond Program	360,410,000	—	6,340,000	354,070,000
Interim loans	—	2,316,984	2,038,797	278,187
Water Pollution Control Fund:				
Direct loans	28,927,381	7,044,662	2,634,584	33,337,459
Leveraged loans	488,502,284	13,392,445	30,163,322	471,731,407
Drinking Water Fund:				
Direct loans	24,805,479	7,186,200	1,319,330	30,672,349
Leveraged loans	186,847,004	22,829,792	10,023,678	199,653,118
	<u>1,179,869,647</u>	<u>\$ 52,770,083</u>	<u>\$ 61,194,711</u>	<u>1,171,445,019</u>
Less current portion	<u>54,603,530</u>			<u>57,312,885</u>
Noncurrent portion	<u>\$ 1,125,266,117</u>			<u>\$ 1,114,132,134</u>

	<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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Scheduled maturities of the loans receivable are as follows as of December 31, 2008:

	<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>
2009	\$ 12,735,687	\$ 20,450,174	\$ 32,541,874	\$ 12,785,089	\$ 12,035,324	\$ 5,276,858	\$ 57,312,885	\$ 38,512,121
2010	14,638,332	20,008,019	33,463,229	12,598,623	13,425,196	5,095,283	61,526,757	37,701,925
2011	16,975,834	19,367,449	34,241,001	11,758,033	14,624,246	4,777,086	65,841,081	35,902,568
2012	17,576,667	18,592,247	32,905,498	10,833,396	15,068,225	4,445,301	65,550,390	33,870,944
2013	16,660,000	17,839,964	32,126,187	9,946,866	15,350,264	4,068,786	64,136,451	31,855,616
2014-2018	79,425,834	77,327,310	147,828,658	37,123,752	77,121,735	14,430,515	304,376,227	128,881,577
2019-2023	75,238,332	59,398,626	127,246,388	17,991,604	54,671,348	5,882,588	257,156,068	83,272,818
2024-2028	49,995,000	44,082,269	63,343,744	3,843,720	23,257,887	1,322,848	136,596,631	49,248,837
2029-2033	66,665,000	31,887,781	1,372,287	41,558	3,326,262	55,732	71,363,549	31,985,071
2034-2038	59,070,000	13,255,425	—	—	1,418,227	4,678	60,488,227	13,260,103
2039-2043	27,070,000	4,408,688	—	—	26,753	—	27,096,753	4,408,688
Total	<u>\$ 436,050,686</u>	<u>\$ 326,617,952</u>	<u>\$ 505,068,866</u>	<u>\$ 116,922,641</u>	<u>\$ 230,325,467</u>	<u>\$ 45,359,675</u>	<u>\$ 1,171,445,019</u>	<u>\$ 488,900,268</u>

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

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

The WPCRF direct loans receivable have interest rates of 0.00% to 5.17% and have maturity dates of 2010 to 2029. The WPCRF leveraged loans receivable have interest rates of 3.21% to 5.20% and have scheduled final maturity dates of 2009 to 2030.

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 2039. 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 2030.



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**Note 5: Capital Assets**

Capital assets activity for the years ended December 31, 2008 and 2007 was as follows:

	<b>2008</b>			
	<u><b>Beginning Balance</b></u>	<u><b>Additions</b></u>	<u><b>Retirements</b></u>	<u><b>Ending Balance</b></u>
Equipment	\$ 122,282	\$ -	\$ 22,116	\$ 100,166
Less accumulated depreciation for equipment	<u>(96,787)</u>	<u>(10,653)</u>	<u>(22,116)</u>	<u>(85,324)</u>
	<u>\$ 25,495</u>	<u>\$ (10,653)</u>	<u>\$ -</u>	<u>\$ 14,842</u>
	<b>2007</b>			
	<u><b>Beginning Balance</b></u>	<u><b>Additions</b></u>	<u><b>Retirements</b></u>	<u><b>Ending Balance</b></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>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$10,653 and \$15,025, respectively.

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**Note 6: Noncurrent Liabilities**

**Other than Bonds**

Noncurrent liability activity, other than bonds, for the year ended December 31, 2008, was as follows:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Current portion</u>
Water operations:					
Project costs payable – leveraged loans	\$ 16,915,040	\$ —	\$ 12,404,433	\$ 4,510,607	\$ 4,510,607
Debt service reserve deposit	1,861,513	—	—	1,861,513	—
Other liabilities	1,307,294	91,859	87,331	1,311,822	—
Total water operations	<u>\$ 20,083,847</u>	<u>\$ 91,859</u>	<u>\$ 12,491,764</u>	<u>\$ 7,683,942</u>	<u>\$ 4,510,607</u>
Water pollution control:					
Project costs payable – direct loans	\$ 8,348,512	\$ 7,044,662	\$ 9,392,995	\$ 6,000,179	\$ 6,000,179
Project costs payable – leveraged loans	69,122,484	13,325,000	34,575,566	47,871,918	46,471,918
Advance payable	3,078,683	1,079,820	4,000,000	158,503	—
Deferred revenue	626,380	106,958	56,509	676,829	—
Other liabilities	3,738,377	969,364	1,838,880	2,868,861	289,008
Total water pollution control	<u>\$ 84,914,436</u>	<u>\$ 22,525,804</u>	<u>\$ 49,863,950</u>	<u>\$ 57,576,290</u>	<u>\$ 52,761,105</u>
Drinking water:					
Project costs payable – direct loans	\$ 4,392,848	\$ 7,186,200	\$ 4,534,568	\$ 7,044,480	\$ 7,044,480
Project costs payable – leveraged loans	33,741,351	22,465,000	19,242,407	36,963,944	36,783,944
Deferred revenue	96,503	—	6,579	89,924	—
Other liabilities	1,801,939	611,677	704,027	1,709,589	539,791
Total drinking water	<u>\$ 40,032,641</u>	<u>\$ 30,262,877</u>	<u>\$ 24,487,581</u>	<u>\$ 45,807,937</u>	<u>\$ 44,368,215</u>
Total enterprise funds:					
Project costs payable – direct loans	\$ 12,741,360	\$ 14,230,862	\$ 13,927,563	\$ 13,044,659	\$ 13,044,659
Project costs payable – leveraged loans	119,778,875	35,790,000	66,222,406	89,346,469	87,766,469
Debt service reserve deposit	1,861,513	—	—	1,861,513	—
Advance payable	3,078,683	1,079,820	4,000,000	158,503	—
Deferred revenue	722,883	106,958	63,088	766,753	—
Other liabilities	6,847,610	1,672,900	2,630,238	5,890,272	828,799
Total enterprise funds	<u>\$ 145,030,924</u>	<u>\$ 52,880,540</u>	<u>\$ 86,843,295</u>	<u>\$ 111,068,169</u>	<u>\$ 101,639,927</u>

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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	<u>1,840,957</u>	<u>336,314</u>	<u>869,977</u>	<u>1,307,294</u>	<u>—</u>
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	<u>4,785,433</u>	<u>1,054,241</u>	<u>2,101,297</u>	<u>3,738,377</u>	<u>584,593</u>
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	<u>1,666,532</u>	<u>780,009</u>	<u>644,602</u>	<u>1,801,939</u>	<u>180,252</u>
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	<u>8,292,922</u>	<u>2,170,564</u>	<u>3,615,876</u>	<u>6,847,610</u>	<u>764,845</u>
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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***Bonds Payable***

The following is an analysis of changes in bonds payable for the year ended December 31, 2008:

	<u>Balance January 1, 2008</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2008</u>
<b>Water Operations:</b>				
<b>Small Water Resources Program:</b>				
1992 Series B	\$ 255,000	\$ —	\$ 255,000	\$ —
1993 Series A	2,445,000	—	780,000	1,665,000
1994 Series A	2,180,000	—	420,000	1,760,000
1996 Series A	3,415,000	—	2,490,000	925,000
1997 Series A	2,880,000	—	245,000	2,635,000
1997 Series B	6,165,000	—	1,210,000	4,955,000
1998 Series A	5,220,000	—	375,000	4,845,000
1998 Series B	7,920,000	—	1,430,000	6,490,000
2000 Series A	10,875,000	—	805,000	10,070,000
2001 Series A	13,870,000	—	270,000	13,600,000
2002 Series A	13,765,000	—	185,000	13,580,000
2003 Series A	8,960,000	—	225,000	8,735,000
2006 Series A	13,820,000	—	340,000	13,480,000
	<u>91,770,000</u>	<u>—</u>	<u>9,030,000</u>	<u>82,740,000</u>
<b>Water Revenue Bonds Program:</b>				
1998 Taxable Series	1,605,000	—	225,000	1,380,000
2003 Series A	11,740,000	—	540,000	11,200,000
2003 Series B	1,375,000	—	680,000	695,000
2004 Series A	12,820,000	—	540,000	12,280,000
2004 Series B	19,700,000	—	5,000	19,695,000
2004 Series C	16,200,000	—	1,800,000	14,400,000
2004 Series D	102,415,000	—	1,105,000	101,310,000
2004 Series E	3,135,000	—	140,000	2,995,000
2005 Series A	52,235,000	—	905,000	51,330,000
2005 Series B	2,135,000	—	85,000	2,050,000
2005 Series C	7,870,000	—	155,000	7,715,000
2005 Series D	100,000,000	—	—	100,000,000
2005 Series E	26,270,000	—	—	26,270,000
2005 Series F	3,450,000	—	145,000	3,305,000
	<u>360,950,000</u>	<u>—</u>	<u>6,325,000</u>	<u>354,625,000</u>
Total Water Operations	452,720,000	\$ —	\$ 15,355,000	437,365,000
Less deferred costs	(576,939)			(458,172)
Less current portion	<u>(13,110,000)</u>			<u>(12,685,000)</u>
Noncurrent bonds payable – Water Operations	<u>\$ 439,033,061</u>			<u>\$ 424,221,828</u>

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	<u>Balance January 1, 2008</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2008</u>
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	\$ 165,000	\$ —	\$ 65,000	\$ 100,000
1990 Series A	45,000	—	25,000	20,000
1991 Series A	755,000	—	260,000	495,000
1991 Series B	465,000	—	190,000	275,000
1992 Series A	335,000	—	90,000	245,000
1992 Series B	1,005,000	—	235,000	770,000
1994 Series A	545,000	—	135,000	410,000
1995 Series A	870,000	—	170,000	700,000
1996 Series A	265,000	—	45,000	220,000
1997 Series A	2,680,000	—	340,000	2,340,000
1998 Series A	3,010,000	—	1,655,000	1,355,000
1998 Series B	2,095,000	—	705,000	1,390,000
1999 Series A	5,620,000	—	2,180,000	3,440,000
2000 Series A	6,275,000	—	1,500,000	4,775,000
2001 Series A	16,495,000	—	3,090,000	13,405,000
2002 Series A	45,515,000	—	2,520,000	42,995,000
2002 Series B	20,310,000	—	685,000	19,625,000
2003 Series A	12,620,000	—	660,000	11,960,000
2004 Series A	57,380,000	—	110,000	57,270,000
2005 Series A	37,305,000	—	1,460,000	35,845,000
2005 Series B	15,975,000	—	685,000	15,290,000
2006 Series A	22,370,000	—	785,000	21,585,000
2006 Series B	13,630,000	—	535,000	13,095,000
2007 Series A	35,330,000	—	205,000	35,125,000
2008 Series A	—	12,305,000	—	12,305,000
	<u>301,060,000</u>	<u>12,305,000</u>	<u>18,330,000</u>	<u>295,035,000</u>
Wastewater Revolving Fund Refunding Revenue Bonds:				
1996 Series A	14,425,000	—	2,895,000	11,530,000
2001 Series A	34,060,000	—	4,605,000	29,455,000
2004 Series A	35,450,000	—	1,490,000	33,960,000
2005 Series A and A2	78,040,000	—	—	78,040,000
	<u>161,975,000</u>	<u>—</u>	<u>8,990,000</u>	<u>152,985,000</u>
Total Water Pollution Control Revolving Fund	463,035,000	\$ <u>12,305,000</u>	\$ <u>27,320,000</u>	448,020,000
Deferred (costs) benefits	780,331			737,923
Less current portion	<u>(27,320,000)</u>			<u>(29,400,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	\$ <u>436,495,331</u>			\$ <u>419,357,923</u>

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	<u>Balance January 1, 2008</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2008</u>
Drinking Water Revolving Fund:				
Revenue Bonds:				
1997 Series A	\$ 14,535,000	\$ —	\$ 1,180,000	\$ 13,355,000
1998 Series A	9,940,000	—	715,000	9,225,000
1999 Series A	29,005,000	—	2,500,000	26,505,000
2000 Series A	6,835,000	—	1,475,000	5,360,000
2002 Series A	13,340,000	—	730,000	12,610,000
2003 Series A	19,555,000	—	320,000	19,235,000
2003 Series B	11,150,000	—	535,000	10,615,000
2006 Series A	10,895,000	—	435,000	10,460,000
2006 Series B	36,575,000	—	1,185,000	35,390,000
2008 Series A	—	11,235,000	—	11,235,000
2008 Series B	—	8,870,000	—	8,870,000
	<u>151,830,000</u>	<u>20,105,000</u>	<u>9,075,000</u>	<u>162,860,000</u>
Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	<u>20,120,000</u>	<u>—</u>	<u>5,000</u>	<u>20,115,000</u>
Total Drinking Water Revolving Fund	171,950,000	<u>\$ 20,105,000</u>	<u>\$ 9,080,000</u>	182,975,000
Deferred (costs) benefits	181,485			163,364
Less current portion	<u>(9,080,000)</u>			<u>(9,600,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	<u>\$ 163,051,485</u>			<u>\$ 173,538,364</u>
Total enterprise funds:				
Revenue bonds at par	\$ 1,087,705,000	<u>\$ 32,410,000</u>	<u>\$ 51,755,000</u>	\$ 1,068,360,000
Deferred (costs) benefits	384,877			443,115
Current portion	<u>(49,510,000)</u>			<u>(51,685,000)</u>
Noncurrent bonds payable, net	<u>\$ 1,038,579,877</u>			<u>\$ 1,017,118,115</u>

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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 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	\$ —	\$ <u>12,620,000</u>	452,720,000
Less deferred costs	(713,354)			(576,939)
Less current portion	<u>(12,620,000)</u>			<u>(13,110,000)</u>
Noncurrent bonds				
payable – Water Operations	\$ <u>452,006,646</u>			\$ <u>439,033,061</u>

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	<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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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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All of the Small Water Resources Program Bonds and the Series 1989A and Series 1990A Clean Water Revenue Bonds are insured as to payment of principal and interest by the Financial Guaranty Insurance Company. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Financial Security Assurance, Inc. The Wastewater Revolving Fund Refunding Revenue Bonds, Series 1996A are insured as to payment of principal and interest by AMBAC Indemnity Corporation. The Water Resources Revenue Bonds Series 2003A, Series 2003B, Series 2004A, Series 2004B, Series 2004C, Series 2004D, Series 2004E, Series 2005A, Series 2005E and Series 2005F are insured as to payment of principal and interest by MBIA Insurance Corporation. The Water Resources Revenue Bonds Series 2005B and Series 2005C are insured as to payment of principal and interest by Assured Guaranty Corp. The Water Resources Revenue Bonds Series 2005D are insured as to payment of principal and interest by Financial Security Assurance Inc.

As of December 31, 2008, the outstanding bonds of the Authority had original principal amounts of \$141,460,000 for the Small Water Resources Program, \$378,170,000 for the Water Revenue Bonds Program, \$667,980,000 for the Clean Water Revenue Bonds, \$196,140,000 for the Wastewater Revolving Fund Refunding Revenue Bonds, \$240,540,000 for the Drinking Water Revolving Fund Bonds and \$20,305,000 for Drinking Water Revolving Fund Refunding Revenue Bonds, for a total of \$1,644,595,000. 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, extend through the year 2043. All bonds, except the Small Water Resources Series 2006A, the Water Revenue Bonds Series 2003B, the Wastewater Revolving Fund Refunding Revenue Bonds Series 1996A, 2001A, 2005 A and A-2 and the Drinking Water Revolving Fund Refunding Revenue Bonds Series 2005A, have optional initial call provisions, generally eight to ten years from the issue date with maximum call premiums of 2% and decreasing to no premium.

The Authority's debt service requirements to maturity, excluding unamortized original issue discount and premium and deferred costs on refundings, are as follows as of December 31, 2008:

	Water operations		WPCRF		DWRF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 12,685,000	\$ 20,518,696	\$ 29,400,000	\$ 21,928,054	\$ 9,600,000	\$ 8,322,197	\$ 51,685,000	\$ 50,768,947
2010	14,690,000	20,004,444	29,700,000	20,480,198	10,760,000	7,998,345	55,150,000	48,482,987
2011	16,910,000	19,372,418	30,335,000	18,976,142	11,720,000	7,518,251	58,965,000	45,866,811
2012	17,700,000	18,630,459	29,410,000	17,453,279	12,155,000	7,010,563	59,265,000	43,094,301
2013	16,630,000	17,848,845	28,180,000	15,990,955	12,370,000	6,469,030	57,180,000	40,308,830
2014-2018	78,985,000	77,655,467	131,650,000	60,191,821	63,025,000	23,552,902	273,660,000	161,400,190
2019-2023	75,930,000	59,752,062	113,555,000	28,649,745	44,250,000	9,945,782	233,735,000	98,347,589
2024-2028	51,030,000	44,106,850	54,590,000	5,876,834	17,845,000	2,505,606	123,465,000	52,489,290
2029-2033	66,665,000	31,887,781	1,200,000	74,700	1,250,000	89,950	69,115,000	32,052,431
2034-2038	59,070,000	13,255,425	—	—	—	—	59,070,000	13,255,425
2039-2043	27,070,000	4,408,688	—	—	—	—	27,070,000	4,408,688
Total	\$ 437,365,000	\$ 327,441,135	\$ 448,020,000	\$ 189,621,728	\$ 182,975,000	\$ 73,412,626	\$ 1,068,360,000	\$ 590,475,489

Total interest expense for 2008 and 2007 amounted to \$21,482,809, \$22,552,646, \$8,102,346 and \$22,126,089, \$22,794,027, \$8,201,924 for the Water Operations, Water Pollution Control and Drinking Water Funds, respectively.

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

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The Authority has provided a Debt Service Bond Reserve Account at least equal to the debt service reserve requirement under the Small Water Resources Bond Resolution. At December 31, 2008 and 2007, the Small Water Resources Debt Service Reserve Account amounted to \$8,500,000 and was fully funded. This amount is reflected in restricted net assets of the Water Operations Enterprise Fund. The Authority can issue up to \$150,000,000 (excluding refunding bonds) of outstanding Small Water Resources Revenue Bonds at the current funding level for the Small Water Resources Debt Service Reserve Account. At December 31, 2008 and 2007, the Authority had \$82,740,000 and \$91,770,000 of outstanding Small Water Resources Revenue Bonds, respectively.

**Note 7: Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of December 31, 2008 and 2007 is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>2008 Amount</u>	<u>2007 Amount</u>
Water Operations	Water Pollution Control	\$ 411,210	\$ 242,089
	Drinking Water	<u>1,261,246</u>	<u>1,317,475</u>
Total		<u>\$ 1,672,456</u>	<u>\$ 1,559,564</u>

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

Interfund Transfers

<u>Transfer Out</u>	<u>2008 Transfer In</u>
Water Pollution Control	<u>Drinking Water</u>
\$	<u>122,605</u>

Administrative fees collected in the Water Pollution Control Fund were transferred to the Drinking Water Fund to pay certain administrative expenses.

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**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:

	<b>2008</b>	<b>2007</b>
Self-insurance account	\$ 800,000	\$ 800,000
La Plata River escrow account	18,285,262	17,818,029
Total Board-designated accounts	\$ 19,085,262	\$ 18,618,029

**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 project during 2008:

	<b>Federal grants recognized in 2008</b>	<b>Matching requirement for 2008</b>
<b>Water Pollution Control Revolving Fund Projects:</b>		
2003A – Town of Milliken	\$ 40,197	\$ 8,039
2004A – City of Englewood	46,142	9,228
2004A – City of Littleton	47,060	9,412
2006A – Donala Water and Sanitation District	441,301	88,260
2006A – Triview Metropolitan District	277,011	55,402
2006B – Cherokee Metropolitan District	1,568,557	313,711
2007A – Town of Eagle	2,405,563	481,113
2007A – City of Rifle	1,543,844	308,769
2008A – Town of Elizabeth	159,986	31,997
	6,529,661	1,305,931
<b>Drinking Water Revolving Fund Projects:</b>		
2003A – Fountain Valley Authority	6,927	1,385
2003A – Town of Lyons	59,427	11,885
2006A – City of Craig	446,167	89,233
2006B – City of Alamosa	1,127,039	225,408
2006B – Arapahoe County Water and Sanitation District	2,062,682	412,536
2006B – Cottonwood Water and Sanitation District	1,081,648	216,330
2008A – Town of Estes Park	614,119	122,824
2008A – Pagosa Area Water & Sanitation District	379,522	75,904
2008B – Project 7 Water Authority	2,267,958	453,592
	8,045,489	1,609,097
Total	\$ 14,575,150	\$ 2,915,028

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The following table details the EPA capitalization grants and matching requirements of \$1 of state match for every \$5 of capitalization grants recognized by the project during 2007:

	<b>Federal grants recognized in 2007</b>	<b>Matching requirement for 2007</b>
	<u>                    </u>	<u>                    </u>
<b>Water Pollution Control Revolving Fund Projects:</b>		
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
	<u>11,809,677</u>	<u>2,361,937</u>
<b>Drinking Water Revolving Fund Projects:</b>		
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
	<u>7,095,314</u>	<u>1,419,064</u>
Total	<u>\$ 18,904,991</u>	<u>\$ 3,781,001</u>

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**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](http://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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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 12.05%, 11.15% and 10.65% in 2008, 2007 and 2006, respectively. Included in the 2008, 2007 and 2006 rates were an additional 1.4%, 1.0% and 0.5% for the Amortization Equalization Disbursement. Beginning in 2008, a 0.5% supplemental amortization equalization disbursement was added to the Authority's rate. These rate adjustments are discussed below. Also included in these rates was 1.02 % that was allocated to the Health Care Trust Fund, discussed herein.

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

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

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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 2008, 2007 and 2006 were \$119,265, \$103,338 and \$93,647, 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 2008, 2007 and 2006 were \$10,250, \$9,555, and \$9,088, respectively. These contributions met the contribution requirement for each year.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical benefit plans, and another carrier for prescription benefits, and with several health maintenance organizations providing services within Colorado. As of December 31, 2007, there were 44,214 enrollees in the plan.

**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](http://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).



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

The Authority is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ending December 31, 2008, 2007 and 2006, the Authority's employer contributions to the HCTF were \$10,250, \$9,555 and \$9,088, respectively, equal to their required contributions for each year.

**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 2008 and 2007 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, 2008 and 2007, the 401(k) Plan member contributions from the Authority were \$74,975 and \$72,095, respectively.

**Note 13: Commitments**

**Leases**

The Authority leases office facilities under an operating lease that expires December 31, 2012. Rent expense totaled \$119,951 and \$126,697 for 2008 and 2007, respectively. Below is a schedule of the non-cancelable lease payments due as of December 31, 2008:

<u>Year</u>	<u>Rent</u>
2009	\$ 102,298
2010	102,298
2011	105,952
2012	<u>109,605</u>
Total	<u>\$ 420,153</u>

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**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 Section 20 to article X of the Colorado Constitution. TABOR contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governmental agencies.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governmental agencies combined, are excluded from the provisions of TABOR. The Authority's management believes that its operations qualify for this exclusion. However, TABOR is complex and subject to interpretation. Many of the provisions, including the qualification as an Enterprise, may require judicial interpretation.

**Note 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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**Note 16: Significant Estimates and Concentrations**

***Current Economic Conditions***

In 2008, the U.S. economy experienced uncertainty and instability in the financial markets and a number of other sectors of the economy. The Congress, U.S. Treasury and the Federal Reserve System have taken a number of actions in an attempt to provide liquidity to the credit markets, to save and create jobs and to stabilize the overall economy. At this time the impacts of these actions cannot be determined.

Existing collateralized investments and counterparty financial institutions are being closely monitored to ensure contractual obligations are being met and contingency plans are being developed, should action be required. The present turmoil in the financial markets limits the qualifying investment alternatives for existing cash, bond proceeds and grant funds. The interest rates on secure investments are near historic lows and the long-term investments required by the Authority's financing model in the WPCRF and DWRF may subject those programs to additional investment interest rate risk. Lower investment interest rates also reduce the Authority's loan capacity, the dollars available to fund new loans, while maintaining the same rate of loan interest subsidy.

Like other areas of the country, Colorado's economy is contracting. The impact of this contraction on the Authority's borrowers and their ability to continue to make timely loan repayments is difficult to determine; however, the loans are secured predominantly by revenues from essential water and sewer services.

**Note 17: Subsequent Event**

On January 7, 2009, the Authority issued Water Resources Revenue Bonds 2008 Series A in the principal amount of \$8,795,000 dated January 7, 2009. The bond proceeds were used to fund a loan to the City of Fountain, a local government. The bonds consist of serial bonds in the amount of \$2,920,000 maturing through December 1, 2023 and term bonds in the amount of \$5,875,000 due December 1, 2030 through December 1, 2038. Interest on the bonds is payable semiannually with rates ranging from 3.0% to 5.55%. The bonds maturing on or after December 1, 2019 are subject to optional redemption on or after December 1, 2018 at a redemption price equal to the principal amount of the bonds to be redeemed plus accrued interest to the redemption date.