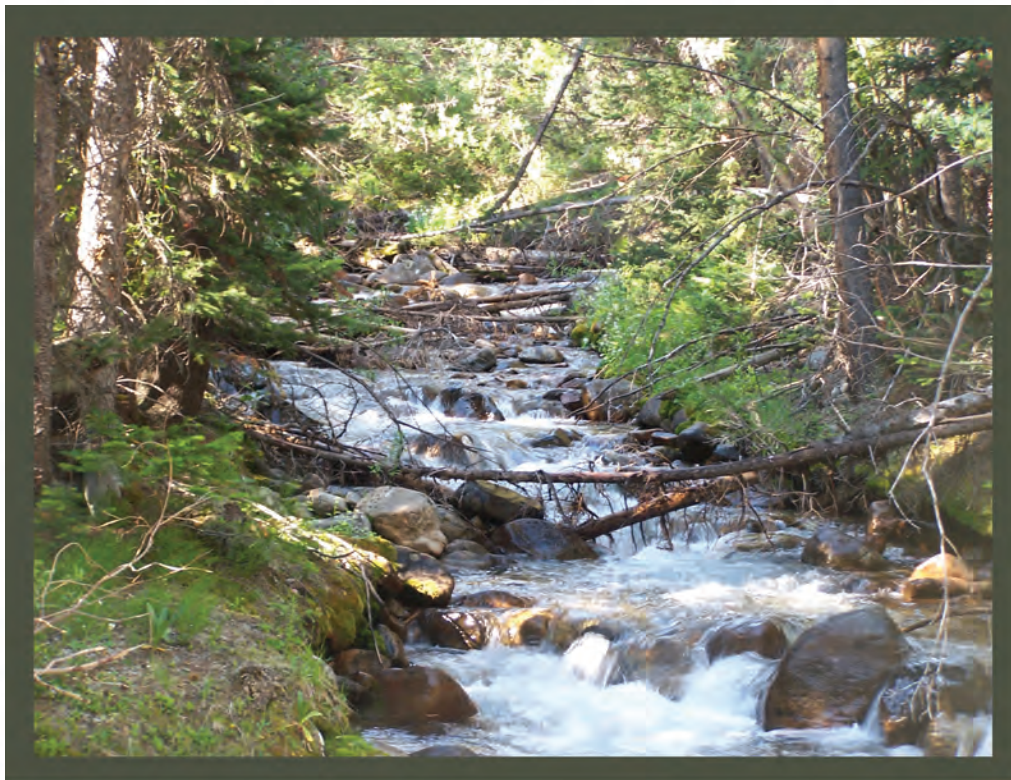




Colorado Water Resources and Power Development Authority

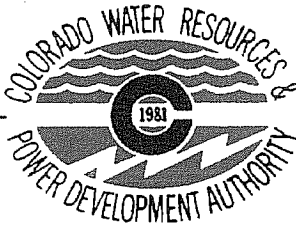


2010 Annual Report



COLORADO WATER RESOURCES
AND
POWER DEVELOPMENT AUTHORITY

2010 ANNUAL REPORT



COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

Logan Tower Bldg – Suite 620, 1580 Logan Street, Denver, Colorado 80203-1942
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April 29, 2011

The Honorable John Hickenlooper
Governor of Colorado
Executive Chambers
State Capitol
Denver, Colorado 80203

Dear Governor Hickenlooper:

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 2010. The 2010 report includes a description of the Authority's 2010 accomplishments and activities, and a copy of the Authority's 2010 financial statements audited by BKD, LLP.

During 2010 the Authority executed \$108,019,873 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 \$25,706,471 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
Chair

Attachment

cc: Senator Gail Schwartz, Chair of the Senate Committee on Agriculture, Natural
Resources & Energy
Representative Jerry Somenberg, Chair of the House Committee on Agriculture,
Livestock & Natural Resources
Mr. Eric Wilkinson, Chair, Colorado Water Conservation Board

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Cover Photo: Half Moon Creek
 Courtesy: Justin Noll, Authority Sr. Accountant

NARRATIVE

The 2010 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, wastewater and hydropower projects. This report includes a summary of the Authority's major programs and activities for 2010 along with its audited financial statements for the years ended December 31, 2010 and 2009.

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 16 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 attain the 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 that 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 currently 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 2011, there are 385 projects on the DWRF project eligibility list representing a cumulative need of nearly \$2.2 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 median 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 annually for 2002 through 2009. For 2010 and 2011, the annual funding level was increased to \$150,000 for new grants. Through 2010, 93 grants have been awarded which have resulted in \$108.6 million of DWRF loans.

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 2010, 44 disadvantaged community loans totaling \$33.7 million have been executed.

As of December 31, 2010, the EPA has awarded \$227,458,600, including \$34,352,000 from ARRA, in capitalization grants to Colorado. Of this amount, \$177,973,125 has been deposited in the DWRF. The remaining \$49,485,475 was set aside for administration (\$9,098,344), technical assistance to small communities (\$3,980,640), public water system supervision (\$12,295,028), in kind services (\$150,000), source water protection (\$1,678,410) and local set-asides (\$22,283,053) which includes capacity development and wellhead protection. The Authority will be applying for its 2011 capitalization grant in the amount of \$_____ as soon as possible (2011 Federal budget was just approved). Funding from Congress is likely to decrease substantially for 2012. Through December 31, 2010, 158 loans have been executed under the DWRF program totaling \$374,156,609 with an outstanding principal balance of \$244,789,986. (See Appendix B for details.) In 2011, the Authority anticipates issuing up to \$40 million in loans using annual grant funds and reloan funds. As of December 31, 2010, all borrowers were current with loan repayments.

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

SMALL HYDROPOWER LOAN PROGRAM

For 2009 the Authority Board of Directors authorized the creation and funding of a Small Hydropower Loan Program (SHLP) to support the development and use of a clean and renewable source of electrical power for the citizens of Colorado. The Board budgeted \$10 million in 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. The outstanding principal balance of the one outstanding SHLP loan as of December 31, 2010, was \$1,147,062. (See Appendix C for details.)

The Board authorized \$165,000 to provide matching grants to communities to plan and design small hydropower facilities. Seven matching grants in the amount of \$63,100 were awarded in 2010.

SMALL WATER RESOURCES PROJECTS PROGRAM

The Small Water Resources Projects ("SWRP") Program has provided an economical source of capital for the construction, expansion or rehabilitation of existing public water systems in Colorado. Under this program the Authority provided loans that appreciably lowered 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 National Public Finance Guaranty, a wholly owned subsidiary of MBIA, which has established a limit on outstanding bonds of \$150 million. MBIA's ratings from all three bond rating agencies have been significantly downgraded, and no further loans will be issued from the SWRP in the future.

Through 2010, the Authority had issued 48 loans totaling \$149,590,000 with an outstanding balance of \$58,766,249. (See Appendix D for tabulation of project loans.) As of December 31, 2010, 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 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 2011, there are 372 projects on the WPCRF project eligibility list representing a cumulative need of over \$2.9 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 annually for 2002 through 2009. For 2010 and 2011, the annual funding level was increased to \$150,000 for new planning and design grants. Through 2010, 95 grants have been awarded which have resulted in \$104.6 million of WPCRF loans.

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 2010, 29 disadvantaged community loans totaling \$21,849,406 have been executed.

As of December 31, 2010, the EPA has awarded \$270,237,423 in capitalization grants to Colorado, and the Authority has provided over \$47.8 million in state match in the form of bonds and cash. At this time, no state match bonds are outstanding.

The Authority will be applying for its 2011 capitalization grant in the amount of \$_____ as soon as possible (2011 Federal budget was just approved).

Through December 31, 2010, 196 loans have been executed under the WPCRF Program totaling \$903,849,742 with an outstanding principal balance of \$568,161,584. (See Appendix E for details.) In 2011, the Authority anticipates issuing up to \$40 million in loans using annual grant funds and reloan funds. As of December 31, 2010, all borrowers were current with loan repayments.

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

WATER REVENUE BONDS

In response to occasional requests for funding for water-related projects that do not qualify for funding from the DWRF, WPCRF or SWRP programs, the Authority issues bonds under the Water Revenue Bond ("WRB") Program. Under this program the Authority assists the borrower with the structuring of the bonds, subsidizes the costs of bond issuance (similar to SWRP) and may purchase a surety bond in lieu of a cash-funded debt service reserve fund, if available. Through 2010, eighteen loans have been executed under the WRB program totaling \$452,190,000 and having an outstanding

loan balance of \$405,015,000. (See Appendix F for details.) As of December 31, 2010, 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. One WRB loan was executed in 2010, for Parker Water and Sanitation District totaling \$51,485,000. For 2011 the maximum subsidy level was maintained at \$250,000 per borrower.

INTERIM LOANS

For the past several years the Authority has issued interim loans, funded from cash, to borrowers that needed project funds quickly and when there was insufficient demand to warrant a separate bond issue. Borrowers are given up to twenty-four months or until the next programmatic bond issue, whichever comes first, to replace the interim loan with long-term financing. In 2010 one interim loan was executed with the City of Sterling (\$4.8 million). As of December 31, 2010, the City of Sterling had drawn \$880,324 from its interim loan. (See Appendix G for details of all outstanding interim loans.)

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, 2010, construction of the Project facilities in Colorado was over 95 percent complete. Pumping water to fill the reservoir began in the spring of 2009. The Project is anticipated to be finished and operational in 2012.

Through 2010, draws on the Authority's escrow and the Durango option payment (after netting an overpayment to the Bureau of Reclamation in the amount of \$624,693) totaled \$7,646,901. The escrow balance at the end of 2010 was \$1,480,618 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, 2010, this escrow contained \$17,555,887 including accrued interest income.

In early 2010, the Authority Board approved a \$19 million budget to design and construct a reservoir project (Long Hollow) in the La Plata River Basin to assist with compact compliance with New Mexico and to provide some additional irrigation water to the La Plata Water Conservancy District.

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 2011 represents the balance in all accounts that are not obligated or restricted as to use by the Authority as of December 31, 2010.

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 (SHLP). State match loans are paid from accumulated loan administrative fees received from borrowers in each respective SRF program. Interim loans are funded from Authority cash (expenditures) and when the loans are refinanced long-term 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					
	2011	2012	2013	2014	2015
Beginning Cash Balance	\$ 35,486,065	\$ 33,681,365	\$ 34,257,965	\$ 30,397,065	\$ 29,098,865
Income from:					
Investment Interest	658,000	658,000	658,000	658,000	658,000
SRF Programs	6,314,800	3,400,000	3,400,000	3,400,000	3,400,000
Interim Loans - Loan Interest	518,000	518,000	518,000	518,000	518,000
Interim Loans - Repaid	14,800,000	14,800,000	14,800,000	14,800,000	14,800,000
SHLP - Loan Repayments	70,000	190,000	310,000	430,000	430,000
Other	275,000	5,003,000	-	-	-
Expenditures to:					
SRF Programs	(3,900,000)	(3,400,000)	(3,400,000)	(3,400,000)	(3,400,000)
SHLP Program	(3,197,000)	(3,197,000)	(2,697,000)	(197,000)	(197,000)
Interim Loans	(14,800,000)	(14,800,000)	(14,800,000)	(14,800,000)	(14,800,000)
Other Loan Program					
Expenses	(1,370,000)	(1,370,000)	(1,370,000)	(1,370,000)	(1,370,000)
Administrative Costs & Other	(1,173,500)	(1,225,400)	(1,279,900)	(1,337,200)	(1,397,300)
Estimated Ending Cash Balance	\$ 33,681,365	\$ 34,257,965	\$ 30,397,065	\$ 29,098,865	\$ 27,740,565

Expenditures for the Authority include funds obligated to the SHLP and interim loans, loans to the State Revolving Fund (SRF) programs to provide state match on future grant awards, and administrative expenses. State match loans equal the 20% state match required for each respective year's Drinking Water and Clean Water SRF grant awards. 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

The members of the Board of Directors of the Authority as of December 31, 2010, are listed below:

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.

Don Carlson of Loveland, Colorado, Republican, to fill the vacancy occasioned by the resignation of Steve O. Sims of Greeley, Colorado, and to serve as a representative of the South Platte Drainage Basin, and as a representative of water project financing.

For terms expiring October 1, 2013:

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

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

*Messrs. Harris, Higel and LaBonde were reappointed by Governor Hickenlooper for terms expiring October 1, 2014, on February 25, 2011. Senate confirmation hearings were scheduled for April 21, 2011.

OFFICERS

Officers as of December 31, 2010

Chair	Stephen T. LaBonde
Vice Chair	Douglas B. Monger
Secretary/Treasurer	Gregory J. Higel

STAFF

As of April 30, 2011

Executive Director	Michael W. Brod
Director of Finance	Keith S. McLaughlin
Controller	Duane A. Dohrer
Office Manager	Carolyn Simon
Senior Financial Analyst	Cassandra Eystone
Senior Financial Analyst	Nicholas Walter
Financial Analyst	Ryan Shipley
Financial Analyst	Jeremy Wendt
Assistant Controller	Claudia L. Walters
Senior Accountant	Valerie Lovato
Senior Accountant	Justin Noll
Accounting Technician	Jennifer Flores
Record Systems Clerk/Secretary	Sabrina Speed

APPENDIX B

Drinking Water Revolving Fund

Loan Status as of
December 31, 2010

Colorado Water Resources & Power Development Authority
2010 Annual Report - Appendix B
DRINKING WATER REVOLVING FUND (DWRF)
Loan Status as of December 31, 2010

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
STATE FUNDED DIRECT LOANS							
Baca Grande W&SD	\$ 500,000	4.50%	02/01/96	Paid in Full	\$ -	S	DL
Bayfield, Town of	350,000	4.50%	11/15/96	09/01/16	137,511	S	DL
Elizabeth, Town of	500,000	4.50%	10/01/95	01/01/15	173,372	S	DL
Empire, Town of	331,432	4.50%	08/24/95	03/01/16	115,433	S	DL
Fairplay, Town of (1)	250,000	4.50%	08/01/95	06/01/15	77,654	S	DL
Fairplay, Town of (2)	200,000	4.50%	07/30/97	12/01/17	90,948	S	DL
Firestone, Town of	95,000	4.50%	06/13/96	Paid in Full	-	S	DL
Fraser, Town of (1)	200,000	4.50%	04/15/96	Paid in Full	-	S	DL
Idaho Springs, City of (1)	500,000	4.50%	10/15/97	05/01/17	220,077	S	DL
Idledale W&SD	250,000	4.50%	07/10/95	03/01/15	78,208	S	DL
Lake Creek MD	500,000	4.50%	01/12/96	09/01/15	165,373	S	DL
Lochbuie, Town of	351,889	4.50%	08/28/96	Paid in Full	-	S	DL
Lyons, Town of (1)	500,000	4.50%	08/19/96	06/01/17	-	S	DL
Minturn, Town of	300,000	4.50%	08/11/95	03/01/16	104,486	S	DL
Nunn, Town of	330,260	4.50%	08/12/96	12/01/16	131,121	S	DL
Redstone W&SD	410,000	4.50%	12/01/97	11/01/17	189,169	S	DL
Westlake W&SD	250,000	4.50%	08/19/97	05/01/17	59,428	S	DL
TOTALS	5,818,581				1,542,781		

BASE PROGRAM DIRECT LOANS							
Arriba, Town of	505,000	0.00%	05/29/09	11/01/39	488,167	R	DC
Baca Grande W&SD	1,483,750	2.00%	08/19/09	06/01/29	1,467,606	R	DL
Basalt, Town of	948,246	4.00%	12/19/02	11/01/22	664,827	R	DL
Bethune, Town of	418,000	0.00%	07/18/06	11/01/36	362,267	R	DC
BMR MD	1,034,840	2.00%	10/22/10	11/01/31	1,034,840	R	DL
Boone, Town of	514,297	0.00%	08/15/06	11/01/36	445,724	R	DC
Bow Mar W&SD	454,914	2.00%	08/06/09	11/01/29	337,078	R	DL
Bristol W&SD	200,000	0.00%	02/08/06	11/01/35	166,667	R	DC
Castle Pines MD (1)	2,000,000	3.75%	05/25/06	09/15/26	1,733,956	R	DL
Castle Pines MD (2)	250,000	3.75%	11/06/06	03/15/27	219,767	R	DL
Chatfield South WD	728,500	4.50%	07/13/98	05/01/18	205,923	F	DL
Colorado Springs Utilities	8,600,000	2.50%	04/29/10	11/01/30	8,600,000	F	DL
Cortez, City of	525,000	2.00%	02/18/10	11/01/30	525,000	R	DL
Craig, City of (1)	450,000	4.00%	12/15/00	Paid in Full	-	F	DL
Creede, City of	1,250,000	1.75%	04/15/09	05/01/39	1,214,719	R	DC
Crested Butte South MD	1,000,000	2.00%	07/20/10	09/01/31	1,000,000	F	DL
Cucharas S&WD	269,000	3.75%	11/29/06	05/01/27	236,469	R	DL
Del Norte, Town of	934,000	0.00%	12/31/08	05/01/29	863,950	R	DC
Dillon, Town of	1,000,000	4.00%	10/18/02	11/01/12	241,198	R	DL
Divide MPC MD (2)	139,580	2.00%	10/19/10	11/01/30	139,580	R	DL
East Alamosa W&SD	2,000,000	0.00%	07/24/08	05/01/38	1,833,333	R	DC
Eckley, Town of	100,000	0.00%	07/30/08	05/01/28	87,500	R	DC
Florence, City of (2)	769,899	3.50%	01/25/05	12/01/25	625,309	R	DL
Genoa, Town of	175,000	0.00%	12/20/06	05/01/37	154,583	R	DC
Grand Junction, City of (2)	3,800,000	2.50%	02/02/10	05/01/30	3,775,399	F	DL
Grand Lake, Town of	495,000	4.50%	10/29/97	11/01/17	226,597	F	DL
Hayden, Town of	1,000,000	4.00%	04/30/02	11/01/22	631,384	R	DL
Hillrose, Town of	803,296	0.00%	05/31/07	05/01/37	690,753	R	DC
Holly, Town of	103,392	N/A	08/17/10	Principal forgiven	-	F	DC
Hotchkiss, Town of (1)	925,000	0.00%	04/23/08	11/01/28	832,500	R	DC
Hotchkiss, Town of (2)	775,000	N/A	07/30/10	Principal forgiven	-	F	DC
Julesburg, Town of (1)	693,000	4.00%	05/01/99	Paid in Full	-	F	DL
Kim, Town of	118,000	0.00%	05/30/08	11/01/38	110,133	R	DC
Kit Carson, Town of (2)	379,125	N/A	08/18/10	Principal forgiven	-	F	DC
La Jara, Town of	200,000	0.00%	04/20/05	05/01/25	145,000	R	DC
La Junta, City of (1)	490,000	4.50%	11/01/99	Paid in Full	-	F	DL
La Veta, Town of	1,134,000	1.88%	04/11/08	05/01/39	1,102,604	R	DC

Colorado Water Resources & Power Development Authority
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DRINKING WATER REVOLVING FUND (DWRF)
Loan Status as of December 31, 2010

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
Lake Durango Water Auth	2,000,000	2.00%	07/15/09	05/01/29	1,908,682	R	DL
Lamar, City of (2)	1,067,625	2.50%	12/17/09	06/15/30	1,060,713	F	DL
Las Animas, City of	812,000	0.00%	03/26/08	11/01/38	757,867	R	DC
Left Hand W&SD	188,700	4.50%	09/11/98	05/01/18	92,306	F	DL
Log Lane Village, Town of	1,000,000	1.75%	10/14/05	11/01/35	866,087	R	DC
Mustang Water Auth	700,000	4.00%	12/08/03	05/01/24	529,869	R	DL
Nederland, Town of	2,500,000	2.00%	06/15/09	11/01/30	2,500,000	R	DL
Oak Creek, Town of	900,689	4.00%	11/18/03	11/01/23	658,156	R	DL
Olde Stage WD (1)	100,000	3.50%	06/01/05	08/01/25	80,076	R	DL
Olde Stage WD (2)	150,000	3.50%	10/17/08	02/01/29	140,639	R	DL
Orchard City, Town of	2,000,000	N/A	07/28/10	Principal forgiven	-	F	DC
Ordway, Town of (1)	200,000	0.00%	12/20/06	05/01/37	176,667	R	DC
Ordway, Town of (2)	114,300	0.00%	12/21/07	11/01/37	102,870	R	DC
Ouray, City of	1,000,000	4.00%	12/19/03	05/01/24	763,328	R	DL
Palisade, Town of (1)	2,000,000	0.00%	05/26/06	11/01/36	1,733,333	F	DC
Palmer Lake, Town of	1,862,552	2.00%	07/22/09	05/01/30	1,843,502	R	DL
Paonia, Town of (1)	448,200	1.75%	11/05/08	05/01/29	427,231	R	DC
Paonia, Town of (2)	285,880	N/A	08/26/10	Principal forgiven	-	F	DC
Pine Drive WD	241,154	2.00%	04/29/10	11/01/30	241,154	R	DL
Pinewood Springs WD (1)	123,200	3.50%	07/26/04	12/01/24	94,732	R	DL
Pinewood Springs WD (2)	752,425	3.50%	04/03/06	06/01/26	625,478	R	DL
Platte Canyon W&SD (1)	400,000	3.75%	06/30/06	11/01/26	340,876	R	DL
Platte Canyon W&SD (2)	415,203	3.50%	07/15/08	11/01/28	386,000	R	DL
Pritchett, Town of	200,000	0.00%	03/31/06	05/01/36	170,000	R	DC
Ralston Valley W&SD	1,300,000	3.75%	08/09/06	05/01/27	1,142,787	R	DL
Rockvale, Town of	295,000	1.00%	07/08/09	11/01/39	289,994	R	DC
Rocky Ford, City of	2,000,000	N/A	12/13/10	Principal forgiven	-	F	DC
Rye, Town of	1,040,000	1.75%	03/27/09	11/01/39	1,013,377	R	DC
Sawpit, Town of	100,000	N/A	08/03/10	Principal forgiven	-	F	DC
Sedalia W&SD	326,000	4.50%	03/09/00	11/01/19	187,505	F	DL
Sedgwick, Town of	419,000	0.00%	05/15/06	05/01/36	356,150	R	DC
Springfield, Town of	349,471	4.50%	07/28/00	05/01/20	204,672	F	DL
Stratton, Town of (1)	483,000	1.88%	12/20/07	05/01/38	457,028	R	DC
Stratton, Town of (2)	90,000	1.75%	12/03/08	05/01/39	86,901	R	DC
Swink, Town of (1)	669,000	3.50%	04/20/04	05/01/24	504,463	R	DL
Swink, Town of (2)	633,000	1.00%	11/10/10	11/01/41	345,697	F	DC
Teller County W&SD	1,718,000	2.00%	11/10/10	11/01/31	1,718,000	R	DL
Thunderbird W&SD (1)	285,000	4.50%	06/01/99	05/01/19	170,146	F	DL
Thunderbird W&SD (2)	343,684	4.00%	08/27/02	11/01/22	234,733	R	DL
Tree Haus MD	1,080,000	2.00%	11/03/10	05/01/31	1,080,000	R	DL
Two Buttes, Town of	1,291,500	N/A	11/19/10	Principal forgiven	-	F	DC
Victor, City of	283,000	0.00%	06/17/05	12/01/15	141,500	R	DC
Walden, Town of	898,731	1.75%	09/06/06	11/01/31	779,750	R	DC
Wellington, Town of	1,000,000	4.00%	11/01/01	05/01/22	672,189	F	DL
Westwood Lakes WD	500,000	4.00%	05/15/03	05/01/23	356,847	R	DL
Woodland Park, City of	800,000	4.00%	03/13/02	05/01/22	542,453	F	DL
TOTAL	72,032,153				55,946,591		

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA) FUNDED DIRECT LOANS							
Arabian Acres MD	287,440	N/A	08/28/09	Principal forgiven	-	A	DL
Blanca, Town of	50,000	N/A	09/09/09	Principal forgiven	-	A	DC
Brighton, City of	1,044,000	N/A	09/17/09	Principal forgiven	-	A	DL
Cheyenne Wells, Town of	1,732,517	N/A	09/02/09	Principal forgiven	-	A	DC
Colorado City MD	1,780,000	N/A	09/02/09	Principal forgiven	-	A	DC
Divide MPC MD (1)	145,930	0.00%	09/04/09	05/01/30	142,282	A	DL
Florence, City of (3)	2,000,000	0.00%	10/07/09	12/01/29	1,900,000	A	DC
Fraser, Town of (2)	652,255	N/A	09/17/09	Principal forgiven	-	A	DL
Gateway MD	576,575	0.00%	12/17/09	05/01/30	562,160	A	DL

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Loan Status as of December 31, 2010

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
Georgetown, Town of	3,340,000	0.00%	09/22/09	05/01/30	1,306,500	A	DL
Hi-Land Acres W&SD	1,200,000	N/A	09/02/09	Principal forgiven	-	A	DL
Hot Sulphur Springs, Town of	3,300,000	0.00%	09/02/09	05/01/30	1,267,500	A	DL
Kit Carson, Town of (1)	392,000	N/A	09/03/09	Principal forgiven	-	A	DC
Kremmling, Town of	2,000,000	N/A	08/28/09	Principal forgiven	-	A	DL
La Junta, City of (3)	1,830,000	0.00%	09/24/09	05/01/30	1,784,250	A	DL
Lamar, City of (1)	3,952,375	0.00%	12/17/09	06/15/30	3,853,566	A	DL
Manitou Springs, City of (1)	1,486,026	0.00%	09/28/09	05/01/30	1,210,327	A	DL
Manitou Springs, City of (2)	880,749	0.00%	09/29/09	05/01/30	523,846	A	DL
Manitou Springs, City of (3)	1,486,026	0.00%	09/30/09	05/01/30	1,210,327	A	DL
Norwood WC, Town of	540,150	N/A	09/03/09	Principal forgiven	-	A	DL
Ophir, Town of	500,000	0.00%	12/18/09	06/01/30	487,500	A	DL
Ridgway, Town of	450,000	0.00%	10/19/09	05/01/30	438,750	A	DL
Rocky Ford, City of	945,337	N/A	09/04/09	Principal forgiven	-	A	DC
Seibert, Town of	1,719,500	N/A	08/26/09	Principal forgiven	-	A	DC
TOTALS	32,290,880				14,687,008		

BASE PROGRAM LEVERAGED LOANS							
Alamosa, City of	11,865,063	3.42%	11/02/06	08/01/27	10,044,760	F	LL
Arapahoe County W&WW PID	16,049,975	3.31%	11/02/06	08/01/22	13,577,784	F	LL
Arapahoe Estates WD	1,048,333	4.15%	10/01/97	08/01/17	430,368	F	LL
Aurora, City of	14,999,899	3.63%	05/01/99	Paid in full	-	F	LL
Buena Vista, Town of	1,324,120	4.01%	06/01/98	08/01/18	606,888	F	LL
Cottonwood W&SD	9,996,005	3.42%	11/02/06	08/01/27	9,122,248	F	LL
Craig, City of (2)	6,056,378	3.65%	04/27/06	08/01/27	5,145,727	F	LL
Englewood, City of	15,292,636	4.14%	10/01/97	08/01/18	6,968,657	F	LL
Estes Park, Town of	5,494,410	3.26%	06/12/08	08/01/28	5,312,777	F	LL
Evergreen MD (1)	5,577,982	4.39%	04/15/00	08/01/20	3,216,183	F	LL
Evergreen MD (2)	2,036,130	4.00%	04/01/02	08/01/22	1,333,637	F	LL
Florence, City of (1)	12,999,093	3.51%	11/01/03	06/01/25	10,278,676	F	LL
Fort Collins, City of (1)	10,125,300	4.12%	10/01/97	06/01/17	4,089,698	F	LL
Fort Collins, City of (2)	4,998,395	3.81%	05/01/99	06/01/19	2,474,722	F	LL
Fort Morgan, City of	15,433,355	4.02%	06/01/98	06/01/19	7,540,359	F	LL
Fountain Valley Auth (1)	7,607,966	4.40%	04/15/00	08/01/20	4,357,589	F	LL
Fountain Valley Auth (2)	3,221,862	3.03%	06/01/03	08/01/24	2,241,295	F	LL
Glenwood Springs, City of	4,999,017	3.77%	05/01/99	04/01/18	2,310,561	F	LL
Grand County W&SD	2,998,566	3.78%	05/01/99	08/01/18	1,464,165	F	LL
Grand Junction, City of (1)	3,566,522	4.02%	04/01/02	08/01/22	2,467,473	F	LL
Greeley, City of	14,999,038	3.80%	05/01/99	08/01/19	7,845,817	F	LL
Idaho Springs, City of (2)	2,339,797	3.99%	04/01/02	08/01/22	1,524,997	F	LL
Julesburg, Town of (2)	994,600	3.81%	05/01/99	08/01/19	513,694	F	LL
La Junta, City of (2)	9,812,211	4.00%	04/01/02	08/01/22	6,737,066	F	LL
Left Hand WD	6,571,538	3.80%	05/01/99	05/15/19	3,299,213	F	LL
Limon, Town of	1,440,809	4.41%	04/15/00	08/01/20	834,153	F	LL
Little Thompson WD	6,383,774	3.65%	04/27/06	06/01/27	5,268,971	F	LL
Longmont, City of	14,998,044	3.11%	06/01/03	08/01/23	14,014,022	F	LL
Lyons, Town of (2)	4,915,599	3.03%	06/01/03	08/01/24	3,428,057	F	LL
Pagosa Area W&SD	7,158,870	3.40%	06/12/08	12/01/28	6,915,390	F	LL
Palisade, Town of (2)	3,976,045	3.47%	11/02/06	08/01/28	3,536,703	F	LL
Project 7 Water Auth	10,176,512	3.82%	11/25/08	08/01/30	9,769,222	F	LL
Pueblo Board of Waterworks	9,558,795	4.60%	04/15/00	08/01/22	7,657,746	F	LL
Westminster, City of	14,998,357	4.40%	04/15/00	06/01/20	8,284,988	F	LL
TOTALS	264,014,996				172,613,606		

Colorado Water Resources & Power Development Authority
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 DRINKING WATER REVOLVING FUND (DWRF)
 Loan Status as of December 31, 2010

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
Totals for DWRF Loans				Original / Amended Amount	Outstanding Balance	Number of Loans Made	Number of Loans Outstanding
State Direct Loans				\$ 5,818,581	\$ 1,542,781	17	12
Base Program Direct Loans				46,904,432	39,744,239	46	43
Base Program Direct Loans - Disadvantaged Community				18,192,824	16,202,352	29	29
Base Program Direct Loans - Disadvantaged Community - Principal Forgiven				6,934,897	-	8	0
One base program direct loan received partial principal forgiveness totaling \$287,303 - this loan is included in the non-principal forgiven totals.							
ARRA Direct Loans				15,080,906	10,565,335	8	8
ARRA Direct Loans - Principal Forgiven				5,723,845	-	6	0
ARRA Direct Loans - Disadvantaged Community				4,866,775	4,121,673	4	4
ARRA Direct Loans - Disadvantaged Community - Principal Forgiven				6,619,354	-	6	0
Five ARRA loans received partial principal forgiveness totaling \$4,832,801.00 - these loans are included in the non-principal forgiven totals.							
Base Program Leveraged Loans				264,014,996	172,613,606	34	33
Total for DWRF				\$ 374,156,610	\$ 244,789,986	158	129

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

Source of Funding Code:

A = Funded with American Recovery and Reinvestment Act of 2009 (ARRA) grant funds
 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
 S = State funds only - issued prior to the reauthorization of the 1996 Safe Drinking Water Act

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) Drinking Water SRF Reloan funds.

*** Some leveraged loan borrowers may fall under the classification as disadvantaged communities but did not receive the reduced interest rate because the loans were made prior to the initiation of the policy.

Borrower Abbreviations:

Auth = Authority	WC = Water Commission	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
S&WD = Sanitation & Water District		

APPENDIX C

Small Hydropower Loan Program

Loan Status as of
December 31, 2010

Colorado Water Resources & Power Development Authority
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SMALL HYDRO LOAN PROGRAM (SHLP)
Loan Status as of December 31, 2010

DETAIL OF SHLP LOANS						
Borrower	Original / Amended Amount	Effective Loan Rate	Loan Date	Final Payment Date	Outstanding Balance	Type of Loan
Cortez, City of	\$ 1,147,062	2.00%	08/26/09	01/15/30	\$ 1,147,062	DL

APPENDIX D

Small Water Resources Projects

Loan Status as of
December 31, 2010

Colorado Water Resources & Power Development Authority
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SMALL WATER RESOURCES PROJECTS (SWRP)
Loan Status as of December 31, 2010

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	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	165,000	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	673,750	LL
Central Weld County WD	1,540,000	5.58%	09/15/92	Paid in Full	-	LL
Clifton WD	5,555,000	4.17%	10/01/03	10/01/23	5,206,250	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	Paid in Full	-	LL
Eagle River W&SD (2)	4,560,000	4.74%	06/01/02	10/01/22	3,140,000	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	1,940,000	LL
Edwards MD	1,225,000	6.82%	07/15/91	Paid in Full	-	LL
Estes Park, Town of (1)	2,155,000	7.19%	10/01/90	Paid in Full	-	LL
Estes Park, Town of (2)	1,200,000	6.84%	07/15/91	10/01/11	105,000	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	Paid in Full	-	LL
Fort Lupton, City of	3,000,000	6.54%	04/01/92	10/01/12	495,000	LL
Fort Morgan, City of	2,500,000	5.65%	04/01/94	10/01/14	706,667	LL
Glenwood Springs, City of	2,700,000	5.58%	09/15/92	10/01/12	425,000	LL
Gypsum, Town of	715,000	5.65%	04/01/94	Paid in Full	-	LL
Johnstown, Town of	1,785,000	5.31%	02/01/96	Paid in Full	-	LL
LaSalle, Town of	1,780,000	6.55%	04/01/92	10/01/12	300,000	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	1,081,250	LL
Minturn, Town of (1)	400,000	6.85%	07/15/91	10/01/11	35,000	LL
Minturn, Town of (2)	100,000	5.33%	09/15/92	10/01/12	10,000	LL
Monument, Town of	1,800,000	5.37%	06/01/97	10/01/17	840,000	LL
Morgan County QWD (1)	1,040,000	6.34%	02/01/96	10/01/16	-	LL
Morgan County QWD (2)	2,950,000	4.65%	09/15/98	10/01/18	1,500,000	LL
Mount Werner W&SD	4,630,000	5.58%	09/15/92	10/01/12	670,833	LL
North Weld County WD (1)	3,000,000	7.19%	10/01/90	Paid in Full	-	LL
North Weld County WD (2)	1,055,000	5.58%	09/15/92	10/01/12	145,000	LL
North Weld County WD (3)	5,000,000	4.65%	09/15/98	10/01/18	2,477,500	LL
North Weld County WD (4)	15,510,000	4.86%	01/15/01	10/01/23	12,908,750	LL
Parker W&SD (1)	600,000	5.65%	04/01/94	10/01/14	168,333	LL
Parker W&SD (2)	4,925,000	5.37%	06/01/97	10/01/17	2,258,333	LL
Parker W&SD (3)	13,365,000	5.71%	02/15/00	10/01/19	10,175,000	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	273,750	LL
Project 7 Water Auth	4,100,000	6.15%	10/01/94	10/01/15	1,460,833	LL
Rifle, City of (1)	1,295,000	6.10%	10/01/94	10/01/14	366,667	LL
Rifle, City of (2)	1,525,000	3.96%	10/01/03	10/01/23	1,083,333	LL
Roxborough W&SD	3,000,000	5.34%	06/01/97	Paid in Full	-	LL
Steamboat Springs, City of	1,175,000	6.85%	07/15/91	10/01/11	100,000	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	Paid in Full	-	LL

SWRP TOTALS	Number	Amount
TOTAL LOANS FUNDED	48	\$ 149,590,000
TOTAL OUTSTANDING LOANS	28	\$ 58,766,249

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

Type of Loan Code:

LL = Leveraged Loan - Funded from bond proceeds

Entity Abbreviations:

MD = Metropolitan District

WD = Water District

QWD = Quality Water District

RWA = Regional Water Authority

W&SD = Water & Sanitation District

APPENDIX E

Water Pollution Control Revolving Fund

Loan Status as of
December 31, 2010

Colorado Water Resources & Power Development Authority
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WATER POLLUTION CONTROL REVOLVING FUND (WPCRF)
Loan Status as of December 31, 2010

DETAIL OF WPCRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original Effective Loan Rate *	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
BASE PROGRAM DIRECT LOANS							
Ault, Town of	\$ 1,396,850	1.75%	03/30/06	05/01/26	\$ 1,123,573	R	DC
Baca Grande W&SD	800,000	4.00%	12/20/01	Paid in Full	-	R	DL
Bennett, Town of	161,000	3.75%	07/14/06	11/01/26	139,268	R	DL
Boone, Town of	315,000	0.00%	12/15/09	05/01/30	307,125	R	DC
Boulder County	1,651,808	3.50%	07/28/06	12/15/25	1,412,695	R	DL
Broomfield, City of	2,514,119	4.71%	12/05/96	09/01/16	968,520	F	DL
Burlington, City of	1,974,000	1.00%	02/23/10	11/01/30	1,974,000	R	DC
Byers W&SD	435,000	4.50%	08/28/98	05/01/18	195,015	F	DL
Campo, Town of	176,900	N/A	11/03/10	Principal forgiven	-	F	DC
Cheraw, Town of	405,000	N/A	10/21/10	Principal forgiven	-	F	DC
Cherry Hills Heights W&SD	240,000	2.00%	10/29/10	11/01/20	240,000	R	DL
Cheyenne Wells SD	770,000	1.00%	08/17/10	05/01/31	270,000	F	DL
Clifton SD #2 (2)	2,000,000	0.00%	08/10/06	11/01/27	1,619,048	R	DC
Columbine W&SD	424,230	4.50%	03/31/00	11/01/15	177,285	R	DL
Cortez SD (2)	2,000,000	3.50%	04/30/07	05/01/27	1,742,684	R	DL
Crested Butte South MD	2,300,000	2.00%	07/16/09	06/01/30	2,252,976	R	DL
Crested Butte, Town of (2)	1,900,000	2.00%	05/25/10	11/01/30	1,900,000	R	DL
Cucharas S&WD	768,000	3.75%	11/29/06	05/01/27	675,123	R	DL
Divide W&SD	69,000	4.50%	07/15/92	Paid in Full	-	F	DL
Donala W&SD (2)	2,000,000	3.75%	12/11/07	02/01/28	1,844,444	R	DL
Durango West MD	500,000	4.50%	07/29/91	07/15/11	24,523	F	DL
East Alamosa W&SD	180,000	4.50%	12/02/98	Paid in Full	-	F	DL
Elizabeth, Town of (1)	1,026,925	3.75%	09/14/07	11/01/27	929,477	F	DL
Empire, Town of	499,995	N/A	12/20/10	Principal forgiven	-	F	DC
Erie, Town of (2)	500,000	4.50%	10/08/97	08/01/17	231,968	F	DL
Erie, Town of (4)	1,534,700	2.00%	09/18/09	05/01/30	1,503,307	R	DL
Evans, City of (2)	396,249	4.50%	11/16/98	02/01/19	212,749	F	DL
Evergreen MD (1)	2,000,000	2.00%	07/24/09	11/01/29	1,951,142	R	DL
Fairplay SD	2,000,000	3.50%	06/25/08	11/01/28	1,867,516	R	DL
Fort Lupton, City of (2)	200,000	5.17%	01/12/94	09/01/13	41,319	F	DL
Fruita, City of (1)	155,435	4.50%	04/27/95	03/01/15	25,378	F	DL
Garden Valley W&SD	300,000	4.00%	12/03/04	11/01/24	236,005	R	DL
Haxtun, Town of	305,041	1.88%	12/01/06	05/01/27	262,279	R	DC
Holyoke, City of	489,700	4.50%	12/01/97	Paid in Full	-	F	DL
Hudson, Town of	1,636,000	2.00%	06/17/09	Paid in Full	-	R	DL
Julesburg, Town of	800,000	4.00%	05/15/02	11/01/22	556,234	R	DL
Kersey, Town of (1)	163,000	4.50%	12/29/99	05/01/20	95,606	R	DL
Kersey, Town of (2)	1,800,000	3.50%	02/01/06	11/01/26	1,528,256	R	DL
Kit Carson, Town of	259,000	0.00%	08/07/09	05/01/30	252,525	R	DC
Kremmling SD	950,000	3.50%	09/13/05	11/01/25	770,315	R	DL
La Jara, Town of	750,000	0.00%	02/23/06	05/01/26	581,250	R	DC
La Junta, City of	358,400	4.50%	10/15/99	05/01/20	210,216	R	DL
Lamar, City of	2,000,000	2.00%	05/27/10	05/01/31	2,000,000	R	DL
Larimer County LID 2007-1	411,369	3.50%	07/11/08	12/01/28	350,021	R	DL
Larimer County LID 2008-1	300,000	2.00%	04/09/10	12/20/30	300,000	R	DL
Las Animas, City of (1)	1,070,000	4.50%	11/12/98	11/01/18	545,262	F	DL
Las Animas, City of (2)	377,000	0.00%	03/26/08	11/01/28	339,300	R	DC
Left Hand W&SD (1)	126,300	4.50%	03/05/99	11/01/18	65,573	F	DL
Left Hand W&SD (2)	56,900	4.50%	09/20/00	05/01/20	31,013	R	DL
Log Lane Village, Town of	250,000	4.50%	06/01/95	06/01/16	91,306	F	DL
Lyons, Town of	506,311	4.50%	10/07/96	Paid in Full	-	F	DL
Mancos, Town of	1,000,000	0.00%	07/29/09	11/01/29	950,000	R	DC
Manzanola, Town of (1)	80,360	4.50%	06/01/97	05/01/17	34,795	F	DL
Manzanola, Town of (2)	96,000	0.00%	07/24/08	05/01/29	88,800	R	DC
Monte Vista, Town of	968,000	4.50%	09/01/99	05/01/19	524,160	F	DL
Montrose County	257,919	4.50%	10/30/92	Paid in Full	-	F	DL
Mountain Range Shadows	1,721,489	3.15%	12/01/89	Paid in Full	-	F	DL
Mountain View Villages W&SD	288,601	N/A	10/21/10	Principal forgiven	-	F	DC
Mountain View Villages W&SD	1,500,000	0.00%	01/06/09	12/15/29	1,475,000	R	DC
Mountain W&SD	200,000	1.43%	04/17/90	Paid in Full	-	F	DL
New Castle, Town of (1)	917,076	4.50%	01/01/99	05/01/19	253,358	R	DL
Niwot SD	1,000,000	4.00%	02/16/01	Paid in Full	-	R	DL

Colorado Water Resources & Power Development Authority
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WATER POLLUTION CONTROL REVOLVING FUND (WPCRF)
Loan Status as of December 31, 2010

DETAIL OF WPCRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original Effective Loan Rate *	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Nucla SD	180,000	1.50%	05/11/92	04/30/12	15,581	F	DL
Ordway, Town of (1)	350,000	4.50%	10/15/96	09/01/16	140,629	F	DL
Ordway, Town of (2)	599,000	0.00%	12/20/06	05/01/27	494,175	R	DC
Ouray, City of	800,000	4.50%	09/17/92	06/01/12	88,646	F	DL
Pagosa Area W&SD (2)	976,530	0.00%	09/04/09	11/01/30	976,530	R	DL
Pagosa Springs San GID, Town of (1)	640,000	4.50%	06/03/97	11/01/16	262,802	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	05/01/30	2,000,000	R	DC
Parker W&SD (2)	500,000	4.89%	03/16/95	Paid in Full	-	F	DL
Penrose SD	128,000	1.75%	08/01/08	05/01/29	121,155	R	DC
Pierce, Town of	895,000	1.88%	12/05/06	11/01/27	819,771	R	DC
Pikes Peak America's Mountain	1,000,000	4.00%	07/23/03	11/01/20	667,444	R	DL
Ralston Valley W&SD	1,200,000	3.75%	09/15/06	11/01/26	1,025,585	R	DL
Romeo, Town of	175,000	0.00%	11/30/07	05/01/28	153,125	R	DC
Roxborough W&SD (1)	600,000	4.50%	11/18/94	Paid in Full	-	F	DL
Saint Mary's Glacier W&SD	150,000	4.50%	07/15/94	06/01/14	37,172	F	DL
Salida, City of	550,000	4.00%	11/21/03	11/01/13	188,411	R	DL
Seibert, Town of	150,000	0.00%	08/26/09	05/01/30	146,250	R	DC
Springfield, Town of (1)	200,000	4.00%	11/01/00	11/01/20	120,889	R	DL
Springfield, Town of (2)	534,000	0.00%	12/20/06	05/01/27	440,550	R	DC
Stratton, Town of	442,000	1.88%	11/20/06	05/01/27	377,386	R	DC
Sugar City, Town of (1)	306,000	0.00%	07/06/06	11/01/26	260,100	R	DC
Sugar City, Town of (2)	65,000	0.00%	02/19/09	11/01/28	58,500	R	DC
Triview MD (1)	2,000,000	3.64%	07/30/08	08/01/28	1,880,201	R	DL
Upper Blue SD (3)	2,000,000	2.00%	03/26/10	02/01/30	1,993,181	R	DL
Vona, Town of	85,000	4.50%	01/29/97	09/01/16	34,903	F	DL
Wellington, Town of (1)	375,000	1.43%	06/01/90	Paid in Full	-	F	DL
Woodland Park, City of	705,000	2.00%	03/31/10	12/01/30	705,000	R	DL
TOTAL	70,038,208				48,178,395		

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA) FUNDED DIRECT LOANS							
Fremont SD (2)	2,000,000	N/A	09/04/09	Principal forgiven	-	A	DC
Gunnison County	474,019	N/A	09/02/09	Principal forgiven	-	A	DC
Rye, Town of	1,968,000	N/A	09/10/09	Principal forgiven	-	A	DC
Bayfield, Town of	193,956	N/A	09/28/09	Principal forgiven	-	A	DL
Erie, Town of (3)	2,000,000	0.00%	09/18/09	05/01/30	1,950,000	A	DL
Georgetown, Town of	5,800,000	0.00%	09/22/09	05/01/30	3,705,000	A	DL
Manitou Springs, City of	2,083,401	0.00%	09/29/09	05/01/30	81,316	A	DL
Monument SD	2,000,000	0.00%	09/01/09	Principal forgiven	-	A	DL
Pagosa Area W&SD (1)	8,345,823	0.00%	09/04/09	11/01/30	7,036,541	A	DL
Pueblo, City of (2)	1,500,000	0.00%	09/04/09	02/01/30	1,462,500	A	DL
Red Cliff, Town of	2,000,000	N/A	09/11/09	Principal forgiven	-	A	DL
Widefield W&SD	1,728,593	N/A	08/28/09	Principal forgiven	-	A	DL
TOTALS	30,093,792				14,235,357		

BASE PROGRAM LEVERAGED LOANS							
Alamosa, City of	3,197,216	3.77%	08/01/94	Paid in Full	-	F	LL
Aurora, City of	24,124,366	4.04%	07/01/99	08/01/14	7,487,058	F	LL
Bayfield, Town of	4,780,000	3.50%	05/31/07	08/01/28	4,580,000	R	LL
Berthoud, Town of (1)	6,325,000	3.85%	05/01/02	08/01/23	5,070,000	R	LL
Berthoud, Town of (2)	2,385,000	3.55%	05/01/04	08/01/25	1,785,000	R	LL
Black Hawk-Central City SD	24,107,369	3.71%	05/01/02	08/01/22	16,349,598	F	LL
Boxelder SD	10,410,000	2.50%	10/29/10	08/01/32	10,410,000	R	LL
Breckenridge, Town of	4,320,000	3.35%	05/25/05	08/01/26	3,500,000	R	LL
Brighton, City of	5,080,484	4.58%	05/01/95	08/01/15	1,784,750	F	LL
Brush, City of	9,465,000	2.50%	10/29/10	08/01/31	9,465,000	R	LL
Buena Vista SD	3,896,505	3.96%	04/01/98	08/01/17	1,694,365	F	LL
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	Paid in Full	-	F	LL
Cherokee MD	15,249,690	3.49%	11/08/06	08/01/27	12,875,487	F	LL
Clifton SD #2 (1)	9,800,000	3.64%	05/24/06	08/01/27	8,355,000	R	LL
Colorado City MD	1,878,538	3.26%	05/01/03	08/01/24	1,301,794	F	LL
Colorado Springs, City of	22,204,270	4.06%	04/01/98	05/15/19	13,892,340	F	LL

Colorado Water Resources & Power Development Authority
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WATER POLLUTION CONTROL REVOLVING FUND (WPCRF)
Loan Status as of December 31, 2010

DETAIL OF WPCRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original Effective Loan Rate *	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Cortez SD (1)	9,775,000	3.99%	05/01/01	08/01/20	5,965,000	R	LL
Craig, City of	1,096,820	4.58%	05/01/95	08/01/15	342,422	F	LL
Crested Butte, Town of (1)	2,499,120	4.73%	06/01/96	08/01/16	966,540	F	LL
Denver SE Suburban W&SD (1)	6,905,000	4.63%	12/01/89	08/01/11	461,584	F	LL
Denver SE Suburban W&SD (2)	7,045,000	3.21%	10/01/02	08/01/23	4,640,000	R	LL
Denver SE Suburban W&SD (3)	4,800,000	3.35%	05/25/05	08/01/26	3,920,000	R	LL
Donala W&SD (1)	4,906,910	3.64%	05/24/06	08/01/27	4,164,096	F	LL
Eagle River W&SD (1)	7,368,840	5.17%	06/15/92	08/01/13	1,566,103	F	LL
Eagle River W&SD (2)	6,099,183	4.58%	05/01/95	08/01/15	1,910,330	F	LL
Eagle River W&SD (3)	17,685,396	3.94%	04/01/98	08/01/16	7,058,032	F	LL
Eagle, Town of (1)	2,345,204	4.53%	05/01/97	08/01/17	992,821	F	LL
Eagle, Town of (2)	11,505,912	3.50%	05/31/07	08/01/28	11,343,552	F	LL
Eaton, Town of	4,824,431	3.38%	05/25/05	08/01/27	4,207,733	F	LL
Elizabeth, Town of (2)	5,145,273	3.42%	05/22/08	08/01/29	4,747,386	F	LL
Englewood, City of (1)	12,750,000	4.64%	11/15/90	08/01/12	1,932,858	F	LL
Englewood, City of (2)	29,564,275	3.87%	05/01/04	08/01/25	29,532,169	F	LL
Erie, Town of (1)	1,821,690	4.54%	05/01/97	08/01/17	779,961	F	LL
Evans, City of (1)	1,141,617	4.03%	04/01/98	08/01/18	530,229	F	LL
Fort Collins, City of (1)	24,540,580	4.05%	07/15/92	09/01/14	4,740,553	F	LL
Fort Collins, City of (2)	9,845,000	4.02%	05/01/01	06/01/21	5,920,000	R	LL
Fort Lupton, City of (1)	4,200,000	5.17%	06/15/92	08/01/13	871,287	F	LL
Fort Morgan, City of	9,146,685	4.59%	05/01/95	08/01/15	3,018,778	F	LL
Fountain SD	1,716,099	4.71%	06/01/96	Paid in Full	-	F	LL
Fraser SD	2,445,000	3.99%	05/01/01	Paid in Full	-	R	LL
Fremont SD (1)	8,094,568	4.20%	07/01/99	08/01/19	4,423,026	F	LL
Frisco SD	4,500,000	5.17%	06/15/92	Paid in Full	-	F	LL
Fruita, City of (2)	21,830,000	2.50%	05/13/10	08/01/32	21,830,000	R	LL
Genesee W&SD	1,498,152	4.86%	08/01/94	Paid in Full	-	F	LL
Glendale, City of	10,034,562	3.50%	10/20/05	08/01/27	8,080,061	F	LL
Glenwood Springs, City of (1)	31,460,100	2.50%	05/13/10	08/01/32	31,460,100	F	LL
Granby SD	4,810,728	3.64%	05/24/06	08/01/27	4,076,058	F	LL
Grand County W&SD	3,999,978	4.17%	07/01/99	08/01/18	1,954,229	F	LL
Greeley, City of	13,337,082	4.97%	08/01/94	08/01/14	4,402,816	F	LL
Idaho Springs, City of	1,541,237	4.74%	06/01/96	08/01/16	597,296	F	LL
Lafayette, City of	7,861,139	4.04%	05/01/01	08/01/21	5,523,753	F	LL
Littleton, City of (1a)	5,000,694	4.64%	11/15/90	08/01/12	758,089	F	LL
Littleton, City of (1b)	7,750,000	4.64%	11/15/90	08/01/12	1,174,874	F	LL
Littleton, City of (2)	29,677,780	3.82%	05/01/04	08/01/25	29,645,638	F	LL
Longmont, City of	3,500,000	3.97%	07/15/92	08/01/12	367,416	F	LL
Mead, Town of	2,985,000	3.49%	05/31/07	08/01/28	2,660,000	R	LL
Mesa County	13,490,000	3.62%	05/01/02	08/01/24	7,700,000	R	LL
Metro WRD	21,910,000	4.58%	05/01/91	04/01/11	1,608,253	F	LL
Milliken, Town of	5,897,276	3.28%	05/01/03	08/01/24	4,503,573	F	LL
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	3,219,920	F	LL
Mount Werner W&SD	3,034,627	4.20%	07/01/99	Defeased	-	F	LL
New Castle, Town of (2)	8,247,172	3.45%	05/22/08	08/01/30	7,556,736	F	LL
Parker W&SD (1)	1,781,883	4.89%	08/01/94	08/01/14	465,537	F	LL
Parker W&SD (3)	3,271,642	4.54%	05/01/97	08/01/17	1,398,320	F	LL
Parker W&SD (4)	12,063,546	4.66%	05/15/00	08/01/20	7,099,320	F	LL
Parker W&SD (5)	4,913,424	4.01%	05/01/01	08/01/21	3,078,936	F	LL
Parker W&SD (6)	14,112,800	3.62%	10/01/02	08/01/25	12,326,988	F	LL
Plum Creek WWA (1)	25,525,000	4.02%	05/01/01	08/01/21	16,245,000	R	LL
Plum Creek WWA (2)	3,390,000	3.22%	10/01/02	08/01/23	2,235,000	R	LL
Plum Creek WWA (3)	1,510,000	3.35%	05/25/05	08/01/26	1,225,000	R	LL
Pueblo, City of (1)	8,402,620	3.25%	05/01/03	08/01/24	5,858,203	F	LL
Pueblo, City of (2)	23,595,277	2.50%	05/13/10	08/01/30	23,595,277	F-R	LL
Rifle, City of	17,852,112	3.50%	05/31/07	08/01/28	16,497,484	F-R	LL
Roxborough W&SD (2)	9,600,000	3.35%	05/25/05	08/01/26	7,835,000	R	LL
South Adams County W&SD	6,270,000	3.79%	05/01/02	06/01/22	5,037,500	R	LL
Steamboat Springs, City of (1)	1,563,550	4.58%	05/01/95	08/01/15	490,944	F	LL
Steamboat Springs, City of (2)	2,935,636	4.20%	07/01/99	08/01/19	1,542,816	F	LL
Steamboat Springs, City of (3)	5,895,654	4.01%	05/01/01	08/01/21	3,673,946	F	LL

Colorado Water Resources & Power Development Authority
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WATER POLLUTION CONTROL REVOLVING FUND (WPCRF)
Loan Status as of December 31, 2010

DETAIL OF WPCRF FUNDED LOANS							
Borrower	Original / Amended Amount	Original Effective Loan Rate *	Loan Date	Final Payment Date	Outstanding Balance	Source of Funding	Type of Loan
Sterling, City of	2,499,524	4.53%	05/01/97	08/01/16	963,414	F	LL
Summit County	17,086,830	4.65%	05/15/00	08/01/20	9,996,594	F	LL
Three Lakes W&SD	6,498,576	4.64%	05/15/00	08/01/19	3,630,312	F	LL
Trinidad, City of	6,670,909	3.99%	04/01/98	08/01/18	3,220,623	F	LL
Triview MD (2)	4,906,910	3.64%	05/24/06	08/01/27	4,164,096	F	LL
Upper Blue SD (1)	8,093,617	4.53%	05/01/97	08/01/17	3,464,111	F	LL
Upper Blue SD (2)	8,160,000	3.48%	10/20/05	08/01/26	6,505,000	R	LL
Wellington, Town of (2)	4,826,281	3.71%	05/01/02	08/01/22	3,239,187	F	LL
Westminster, City of (1)	13,246,525	4.54%	05/01/97	06/01/17	5,995,240	F	LL
Westminster, City of (2)	4,085,697	3.98%	04/01/98	06/01/17	1,641,815	F	LL
Westminster, City of (3)	15,440,000	3.32%	05/25/05	06/01/25	12,037,500	R	LL
Windsor, Town of	3,998,853	4.62%	08/01/94	Paid in Full	-	F	LL
Winter Park W&SD	3,050,000	4.59%	05/01/95	08/01/15	1,023,702	F	LL
Winter Park West W&SD	2,406,249	3.68%	05/01/02	08/01/21	1,557,302	F	LL
TOTALS	803,717,742				505,747,832		

Totals for WPCRF Loans	Original / Amended Amount	Outstanding Balance	Number of Loans Made	Number of Loans Outstanding
Base Program Direct Loans	53,400,821	34,334,484	65	51
Base Program Direct Loans - Disadvantaged Community	15,266,891	13,843,911	21	21
Base Program Direct Loans - Disadvantaged Community - Principal Forgiven	1,370,496	-	4	0
One base program direct loan received partial principal forgiveness totaling \$500,000 - this loan is included in the non-principal forgiven totals.				
ARRA Direct Loans	19,729,224	14,235,357	5	5
ARRA Direct Loans - Principal Forgiven	5,922,549	-	4	0
ARRA Direct Loans - Disadvantaged Community - Principal Forgiven	4,442,019	-	3	0
Four ARRA loans received partial principal forgiveness totaling \$7,309,282 - these loans are included in the non-principal forgiven totals.				
Base Program Leveraged Loans	803,717,742	505,747,832	94	84
Total for WPCRF	\$ 903,849,742	\$ 568,161,584	196	161

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

Source of Funding Code:

A = Funded with American Recovery and Reinvestment Act of 2009 (ARRA) grant funds
 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
 S = State funds only - issued prior to the reauthorization of the 1996 Safe Drinking Water Act

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.

*** Some leveraged loan borrowers may fall under the classification as disadvantaged communities but did not receive the reduced interest rate because the loans were made prior to the initiation of the policy.

Borrower Abbreviations:

Auth = Authority	San = Sanitation District	WRD = Wastewater Reclamation District
GID = General Improvement District	SD = Sanitation District	W&SD = Water & Sanitation District
LID = Local Improvement District	S&WD = Sanitation & Water District	W&SwD = Water & Sewer District
MD = Metropolitan District	WC = Water Commission	W&WW = Water & Wastewater
PID = Public Improvement District	WD = Water District	WWA = Wastewater Authority

APPENDIX F

Water Revenue Bonds

Status as of
December 31, 2010

Colorado Water Resources & Power Development Authority
 2010 Annual Report - Appendix F
 WATER REVENUE BONDS PROGRAM (WRB)
 Loan Status as of December 31, 2010

DETAIL OF WRBP FUNDED LOANS						
Borrower	Original / Amended Amount	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	LL
Aurora, City of	100,000,000	4.35%	09/29/05	07/27/35	100,000,000	LL
Copper Mountain CMD (1)	3,540,000	3.95%	09/16/04	08/01/24	2,700,000	LL
Copper Mountain CMD (2)	3,690,000	4.24%	11/30/05	08/01/24	3,000,000	LL
East Cherry Creek W&SD	53,970,000	4.36%	02/05/05	11/14/35	49,440,000	LL
Englewood, City of	19,715,000	4.11%	05/01/04	08/01/17	17,470,000	LL
Erie, Town of	14,500,000	4.21%	04/01/04	12/01/23	10,550,000	LL
Fort Lupton, City of	2,300,000	4.38%	02/01/05	11/01/25	1,875,000	LL
Fountain, City of (1)	8,170,000	4.56%	05/24/05	11/01/35	7,390,000	LL
Fountain, City of (2)	8,795,000	5.50%	01/21/09	11/01/38	8,510,000	LL
Littleton, City of	19,695,000	3.70%	05/01/04	08/01/15	10,595,000	LL
Longmont, City of	3,960,000	1.91%	06/01/03	Paid in full	-	LL
Louisville, City of	13,800,000	3.63%	06/01/03	11/01/24	10,080,000	LL
Noth Weld County WD	6,940,000	4.36%	09/10/09	08/01/29	6,695,000	LL
Parker W&SD (1)	105,420,000	5.12%	06/15/04	08/01/43	98,955,000	LL
Parker W&SD (2)	51,485,000	3.85%	10/28/10	08/01/35	51,485,000	LL
Rio Blanco WCD	3,140,000	7.08%	05/01/98	Paid in Full	-	LL
Stagecoach	6,800,000	var.	06/30/86	Defeased	-	LL

WRBP TOTALS	Number	Amount
TOTAL LOANS FUNDED	18	\$ 452,190,000
TOTAL OUTSTANDING LOANS	15	\$ 405,015,000

Type of Loan

LL - Leveraged loan

Borrower Abbreviations

CMD = Consolidated Metropolitan District
 PID = Public Improvement District

WCD = Water Conservancy District
 WD = Water District

W&SD = Water & Sanitation District
 W&WW = Water and Wastewater

APPENDIX G

Interim Loans

Status as of
December 31, 2010

Colorado Water Resources and Power Development Authority
2010 Annual Report - Appendix G
INTERIM LOANS
Loan Status as of December 31, 2010

Borrower	La Plata West Water Authority	City of Fruita	City of Sterling
<i>Interim Loan Information:</i>			
Amount of Authorized Interim Loan	\$ 4,500,000	\$ 4,570,000	\$ 4,800,000
Interim Loan Rate	4.75%	3.500%	3.500%
Date of Interim Loan Authorization	11/18/08	10/06/09	11/12/10
<u>Amount Due to the Auth (Outstanding Obligation) *</u>			
Amount Outstanding as of 12/31/09	\$ 1,270,003	\$ -	\$ -
Plus: Draws on Interim Loan Funds in 2010	73,980	233,852	880,324
Less Loan Payoff:			
Repayment made to Authority	(1,343,983)	-	-
Converted to permanent loan in:	n/a		
Water Pollution Control Revolving Fund		(233,852)	-
Drinking Water Revolving Fund		-	-
Water Revenue Bonds Program		-	-
Date of payoff			
Total Amount Due to the Auth as of 12/31/10	\$ -	\$ -	\$ 880,324

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

ATTACHMENT 1

Audited Financial Statements
as of and for the
Years Ended
December 31, 2010 and 2009

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

Independent Accountants' Report, Management's Discussion and Analysis
and Basic Financial Statements

December 31, 2010 and 2009

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
December 31, 2010 and 2009**

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Statements of Cash Flows	29
Notes to Financial Statements	33

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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, 2010 and 2009, which collectively comprise 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Colorado Water Resources and Power Development Authority as of December 31, 2010 and 2009, and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 11, 2011

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

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2010 and 2009

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, 2010 and 2009.

2010 Financial Highlights

- ▶ As discussed in more detail in the Notes to the Financial Statements, in 2009, the Water Pollution Control Revolving Fund (WPCRF) and the Drinking Water Revolving Fund (DWRF) received \$31.3 million and \$34.4 million, respectively, in grant awards pursuant to the American Recovery and Reinvestment Act (ARRA) of 2009. Of the amounts awarded, \$25.1 million and \$29.8 million were expended as of December 31, 2010 in WPCRF and DWRF, respectively.
- ▶ Operating revenues remained relatively constant between 2010 and 2009, but 2010 operating expenses decreased by \$23.1 million from 2009. Loan principal forgiven totaled \$9.9 million in 2010 and \$33.3 million in 2009. The \$23.4 million decrease in principal forgiveness directly correlates to the \$23.1 million decrease in operating expenses and the \$22.4 million decrease in operating loss.
- ▶ Combined net assets of the Authority's enterprise funds totaled \$567.2 million. The \$59.5 million increase in combined net assets was the net effect of capitalization grant revenue from the United States Environmental Protection Agency (EPA) totaling \$62.6 million offsetting the combined operating loss of \$3.2 million.
- ▶ During 2010, the Authority executed leveraged loans totaling \$148.2 million and direct and interim loans totaling \$38.2 million for a combined total of \$186.4 million. The addition of these loans was the primary factor for the \$95.1 million increase in combined loans receivable, bringing the balance to \$1.3 billion.
- ▶ To fund the leveraged loans, the Authority issued revenue bonds totaling \$145.2 million. The issuance of these bonds was the primary factor for the \$81.4 million increase in combined bonds payable, bringing the balance to \$1.1 billion.
- ▶ Increased loan/bond activity generates similar increases in restricted assets and project costs payable. Restricted assets totaled \$466.6 million, an increase of \$114.4 million, and project costs payable totaled \$171.1 million, an increase of \$55.9 million.

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 Financial Statements.

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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 Financial Statements

The Notes to the 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, 2010 and 2009 in a comparative format. Furthermore, schedules of total enterprise fund data and analyses is provided in comparative year format for 2010-2009 and 2009-2008.

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, investment income receivable and securities not held for investment (SNHFI) (see Note 2(e) in the Notes to the Financial Statements). Restricted assets include amounts relating to borrowers' project accounts, debt service reserve funds, debt service funds and other accounts legally restricted by the revenue bond resolutions. Noncurrent loans receivable includes loan principal payments due more than one year subsequent to the fiscal year end. Loans receivable provide security for associated bonds; and loan payments received, net of state match principal and administrative fees, are restricted for payment of bond debt service.

Current and other liabilities contain accounts such as bond interest payable, bond principal payments due in the subsequent year, project costs payable (borrower remaining 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.

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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 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. Payment of requisitions from grant funded direct loans reduces project costs payable but not restricted assets.

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.

As discussed above in the overview of the Summary of Net Assets, leveraged loan/bond financing activity affects four line items shown in Schedules 1A and 1B below. Restricted assets increased \$114.4 million in 2010 compared to a \$32.5 million decrease in 2009. During 2010, issued bonds totaled \$145.2 million and the invested proceeds, net of borrower project requisitions, contributed to the increase in restricted assets. In contrast, during 2009, issued bonds totaled \$15.7 million. The effect of these invested bond proceeds on restricted assets was offset by \$67.5 million in borrower project requisitions and was the primary cause of the \$32.5 million decrease in restricted assets. Also, noncurrent loans receivable increased \$88.4 million in 2010 compared to a \$6.0 million increase in 2009. Generally, additional executed loans and borrower loan principal repayments are the two major factors that affect changes in noncurrent loans receivable. In 2010, additional loans totaled \$186.4 million and borrower principal payments and reductions totaled \$91.3 million compared to 2009, in which additional loans totaled \$108.9 million and borrower principal payments and reductions totaled \$96.7 million. The increases in these two line items had the largest impact on the \$204.6 million increase in total assets.

Loan/bond financing activities affect liability line items similar to the effect on asset line items discussed above. Project costs payable-leveraged loans increased \$89.4 million in 2010 compared to a \$52.4 million decrease in 2009. During 2010, \$148.2 million in leveraged loans were executed, while \$58.0 million in related borrower project requisitions were paid, contributing to the net increase in project costs payable-leveraged loans. In contrast, during 2009, \$15.7 million of leveraged loans were executed, while \$67.5 million in related borrower project requisitions were paid, contributing to the \$52.4 net decrease in project costs

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payable-leveraged loans. Also, noncurrent bonds payable increased \$72.4 million in 2010 compared to a \$42.5 million decrease in 2009. These increases were the net result of issued bonds totaling \$145.2 million and \$15.7 million offset by bond principal payments totaling \$63.8 million and \$55.2 million in 2010 and 2009, respectively. The increases in these two line items had the largest impact on the \$145.1 million increase and \$25.6 decrease in total liabilities for 2010 and 2009, respectively. However, current and other liabilities had an impact on total liabilities for 2010 and 2009 as discussed below.

<i>Total Enterprise Funds (2010- 2009)</i>				Schedule 1A
Summary of Net Assets as of December 31				
	2010	2009	Change	Pct Chg
Unrestricted current and other assets	\$ 213,297,886	\$ 211,599,250	\$ 1,698,636	0.8%
Restricted assets	466,639,905	352,196,983	114,442,922	32.5%
Capital assets, net	47,703	10,272	37,431	364.4%
Noncurrent loans receivable	1,208,543,831	1,120,158,081	88,385,750	7.9%
Total assets	<u>1,888,529,325</u>	<u>1,683,964,586</u>	<u>204,564,739</u>	12.1%
Current and other liabilities	148,106,347	164,774,655	(16,668,308)	(10.1%)
Project costs payable-leveraged loans	126,257,157	36,904,783	89,352,374	242.1%
Noncurrent bonds payable, net	1,047,011,082	974,593,105	72,417,977	7.4%
Total liabilities	<u>1,321,374,586</u>	<u>1,176,272,543</u>	<u>145,102,043</u>	12.3%
Net assets:				
Invested in capital assets	47,703	10,272	37,431	364.4%
Restricted	501,646,711	443,255,850	58,390,861	13.2%
Unrestricted	65,460,325	64,425,921	1,034,404	1.6%
Total Net assets	<u>\$ 567,154,739</u>	<u>\$ 507,692,043</u>	<u>\$ 59,462,696</u>	11.7%

<i>Total Enterprise Funds (2009- 2008)</i>				Schedule 1B
Summary of Net Assets as of December 31				
	2009	2008	Change	Pct Chg
Unrestricted current and other assets	\$ 211,599,250	\$ 205,052,283	\$ 6,546,967	3.2%
Restricted assets	352,196,983	384,718,381	(32,521,398)	(8.5%)
Capital assets, net	10,272	14,842	(4,570)	(30.8%)
Noncurrent loans receivable	1,120,158,081	1,114,132,134	6,025,947	0.5%
Total assets	<u>1,683,964,586</u>	<u>1,703,917,640</u>	<u>(19,953,054)</u>	(1.2%)
Current and other liabilities	164,774,655	95,437,907	69,336,748	72.7%
Project costs payable-leveraged loans	36,904,783	89,346,469	(52,441,686)	(58.7%)
Noncurrent bonds payable, net	974,593,105	1,017,118,115	(42,525,010)	(4.2%)
Total liabilities	<u>1,176,272,543</u>	<u>1,201,902,491</u>	<u>(25,629,948)</u>	(2.1%)
Net assets:				
Invested in capital assets	10,272	14,842	(4,570)	(30.8%)
Restricted	443,255,850	435,670,683	7,585,167	1.7%
Unrestricted	64,425,921	66,329,624	(1,903,703)	(2.9%)
Total Net assets	<u>\$ 507,692,043</u>	<u>\$ 502,015,149</u>	<u>\$ 5,676,894</u>	1.1%

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One of the components of current and other liabilities is direct loan project costs payable which includes all ARRA loans executed in 2009. Loans reduced by principal forgiveness decreased loans receivable but not the related direct loan project costs payable. In 2010, direct loans totaling \$37.0 million were executed and \$68.8 million borrower requisitions were paid, contributing to the \$16.7 million net decrease in current and other liabilities. Conversely, in 2009, direct loans totaling \$89.1 million were executed and \$23.8 million borrower requisitions were paid, contributing to a \$69.3 million increase in current and other liabilities. Due to the unusual increase in direct loan activity in both 2010 and 2009, current and other liabilities had a significant impact on total liabilities.

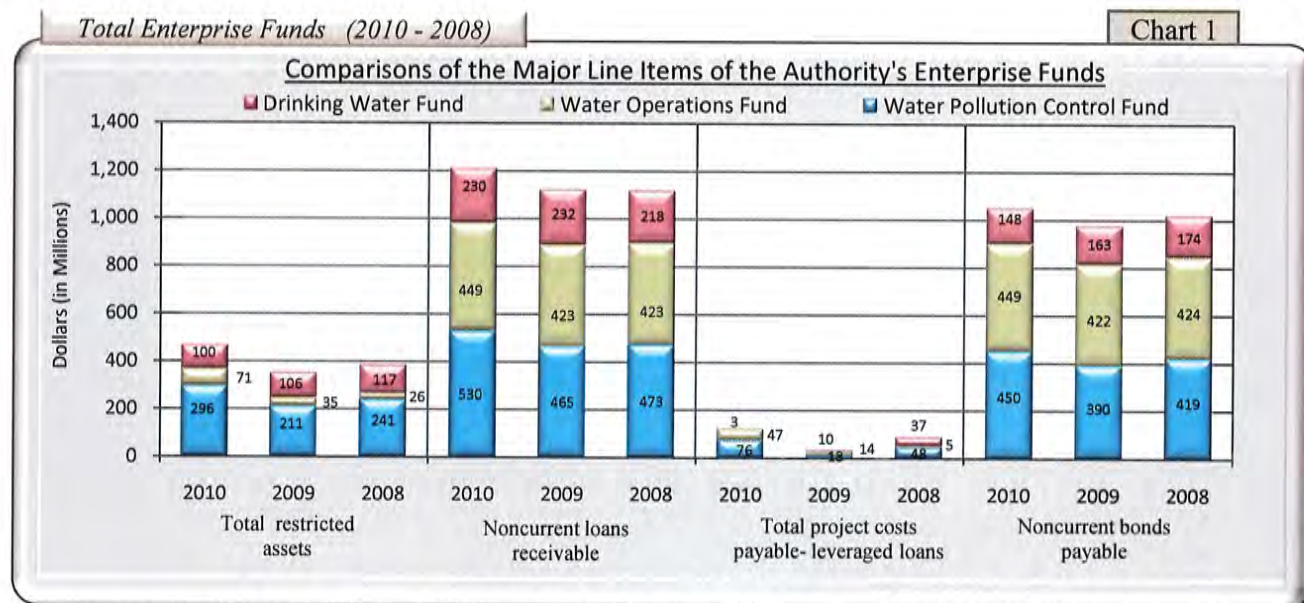


Chart 1 is a graphical representation of the four major accounts affected by new project financing, as discussed in the overview section of this report. The totals of these four accounts are compared for the years 2010, 2009, and 2008. Each bar is subdivided by colors that represent the amounts that each of the three enterprise funds contributes to the total for that year. Generally, loans receivable and bonds payable have terms of 20 or more years whereas restricted assets and project costs payable-leveraged loans have spend-down time frame of approximately three years. The chart shows the disparity between the cumulative nature of noncurrent loans receivable and bond payable and the revolving nature of restricted assets and project costs payable-leveraged loans over the three year period.

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.

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Water Operations Fund

The Water Operations Fund is described in note 1 of the basic financial statements. This fund is the combination of the business operations of the Authority (general and administrative) as well as several water infrastructure financing programs. The Small Water Resources Projects Program (SWRP) and the Water Revenue Bonds Program (WRBP) are both leveraged loan programs, whereby revenue bonds are issued and the bond proceeds are used to fund related, approved loans. The Small Hydro Loan Program (SHLP) finances projects with direct loans from unrestricted Authority cash.

Unlike SWRP, that may fund multiple borrowers with one bond issue, WRBP bonds are issued to fund each loan. To reduce the cost of financing for borrowers in these programs, the Authority subsidizes a portion of or all of the costs of issuing bonds. In 2010, the Authority paid issuance costs totaling \$250,000 for one WRBP borrower. Loans funded by these programs are not subsidized by EPA capitalization grants.

During 2010, the Authority issued WRBP bonds totaling \$51.5 million, providing financing for one loan. Two SWRP borrowers prepaid their loans in full for a total of \$9.3 million and the prepayment funds were used to call the associated bonds. In addition, the SWRP 1993 Series A bonds matured. In 2010, an additional interim loan was executed, while an existing interim loan was repaid in full, leaving two interim loans outstanding at year-end. Other project activities in the Water Operations Fund are covered in more detail in the Summary of Changes in Net Assets section and the Notes to the Financial Statements.

<i>Water Operations Fund</i>	Summary of Net Assets as of December 31			
	2010	2009	Change	Pct Chg
Unrestricted current and other assets	\$ 98,196,772	\$ 96,489,183	\$ 1,707,589	1.8%
Restricted assets	70,874,674	35,012,896	35,861,778	102.4%
Capital assets, net	47,703	10,272	37,431	364.4%
Noncurrent loans receivable	448,969,830	422,756,890	26,212,940	6.2%
Total assets	<u>618,088,979</u>	<u>554,269,241</u>	<u>63,819,738</u>	11.5%
Current and other liabilities	32,696,003	27,881,808	4,814,195	17.3%
Project costs payable-leveraged loans	47,223,550	13,540,613	33,682,937	248.8%
Noncurrent bonds payable, net	448,831,522	422,231,898	26,599,624	6.3%
Total liabilities	<u>528,751,075</u>	<u>463,654,319</u>	<u>65,096,756</u>	14.0%
Net assets:				
Invested in capital assets	47,703	10,272	37,431	364.4%
Restricted	27,671,411	29,789,882	(2,118,471)	(7.1%)
Unrestricted	61,618,790	60,814,768	804,022	1.3%
Total Net assets	<u>\$ 89,337,904</u>	<u>\$ 90,614,922</u>	<u>\$ (1,277,018)</u>	(1.4%)

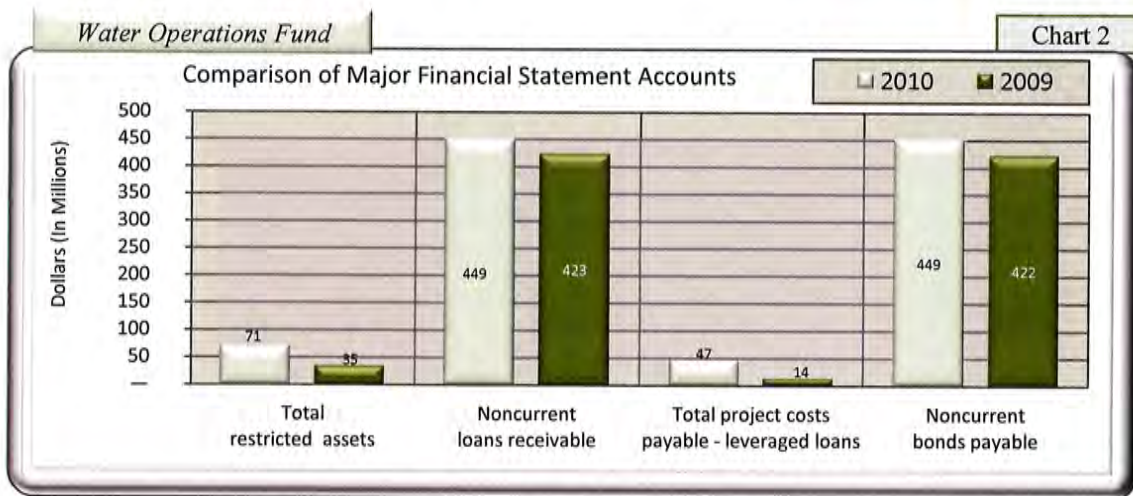
Schedule 2 shows restricted assets increased \$35.9 million in 2010. The Authority issued \$51.5 million in WRBP bonds and the invested proceeds, net of borrower project requisitions, contributed to the increase in

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restricted assets during 2010. Also, noncurrent loans receivable increased \$26.2 million. In 2010, additional loans totaling \$52.7 million were offset by borrower principal payments and other reductions totaling \$25.0 million. The increases in these two line items had the largest impact on the \$63.8 million increase in total assets.

In 2010, project costs payable-leveraged loans increased \$33.7 million. Leveraged loans totaling \$51.5 million were executed, while \$10.4 million in related borrower project requisitions were paid, contributing to the net increase in project costs payable-leveraged loans. Also, noncurrent bonds payable increased \$26.6 million. The increase was the net result of issued bonds totaling \$51.5 million offset by bond principal payments totaling \$23.3 million in 2010. The increases in these two line items contributed to the \$65.1 million increase in total liabilities in 2010.



The comparative balances of the four major accounts affected by leveraged loans are shown in Chart 2. Loans receivable and bonds payable in this fund have terms ranging from 20 to 39 years whereas restricted assets and project costs payable-leveraged loans have spend-down time frames of approximately three years. The chart shows the disparity between the cumulative nature of noncurrent loans receivable and bond payable and the revolving nature of restricted assets and project costs payable-leveraged loans over the three year period.

Water Pollution Control Fund

In 2010, twelve base program direct loans totaling \$11.3 million were executed. In accordance with the 2010 EPA capitalization grant conditions, four borrowers received principal forgiveness totaling \$1.9 million. The Authority issued two Clean Water revenue bonds totaling \$93.7 million that provided funding for five leveraged loans. One leveraged loan borrower and three direct loan borrowers prepaid their loans in full for a combined total of \$2.8 million and the 1990 Series A bond issue matured.

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Changes to unrestricted current and other assets can be significant and are often related to activity involving restricted assets. For instance, 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 maturity and/or 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 reloan account (unrestricted). Financing loans with reloan funds may also have a significant impact on the balances of unrestricted current and other assets and restricted assets as funds are transferred from the reloan account (unrestricted) to the project accounts (restricted). In addition, when direct loans are funded with EPA capitalization grant funds, at the time of loan execution, the required 20% state match is transferred from a restricted asset account to the unrestricted reloan account.

<i>Water Pollution Control Fund</i>	Summary of Net Assets as of December 31			
	2010	2009	Change	Pct Chg
Unrestricted current and other assets	\$ 71,365,045	\$ 82,061,417	\$ (10,696,372)	(13.0%)
Restricted assets	295,587,149	211,171,697	84,415,452	40.0%
Noncurrent loans receivable	529,994,880	465,122,786	64,872,094	13.9%
Total assets	<u>896,947,074</u>	<u>758,355,900</u>	<u>138,591,174</u>	18.3%
Current and other liabilities	65,090,403	78,878,521	(13,788,118)	(17.5%)
Project costs payable-leveraged loans	75,556,062	12,879,934	62,676,128	486.6%
Noncurrent bonds payable, net	450,532,427	389,600,960	60,931,467	15.6%
Total liabilities	<u>591,178,892</u>	<u>481,359,415</u>	<u>109,819,477</u>	22.8%
Net assets:				
Restricted	<u>305,768,182</u>	<u>276,996,485</u>	<u>28,771,697</u>	10.4%
Total Net assets	<u>\$ 305,768,182</u>	<u>\$ 276,996,485</u>	<u>\$ 28,771,697</u>	10.4%

Schedule 3 shows that unrestricted current and other assets decreased \$10.7 million. During 2010, a total of \$16.5 million was deallocated from restricted accounts to reloan. To fund new direct and leveraged loans, \$36.5 million was transferred from the reloan account to project accounts, offsetting the amount deallocated, which contributed to the net decrease in unrestricted current and other assets.

Schedule 3 also shows that restricted assets increased \$84.4 million in 2010. The Authority issued \$93.7 million in Clean Water bonds and the invested proceeds, net of borrower project requisitions, contributed to the increase in restricted assets during 2010. Also, noncurrent loans receivable increased \$64.9 million. In 2010, additional loans totaled \$108.0 million and borrower principal payments and other reductions totaled \$38.9 million. The increases in these two line items had the largest impact on the \$138.6 million increase in total assets.

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The \$13.8 million decrease in current and other liabilities was primarily the result of the payment of direct loan borrower project requisitions in the amount of \$28.2 million, offset by \$11.3 million in additional direct loan project funding. Project costs payable-leveraged loans increased \$62.7 million. Leveraged loans totaling \$96.8 million were executed, while \$38.8 million in related borrower project requisitions were paid, contributing to the net increase in project costs payable-leveraged loans. Also, noncurrent bonds payable increased \$60.9 million. The increase was the net result of issued bonds totaling \$93.7 million offset by bond principal payments totaling \$29.7 million in 2010. The increases in these two line items contributed to the \$109.8 million net increase in total liabilities in 2010.

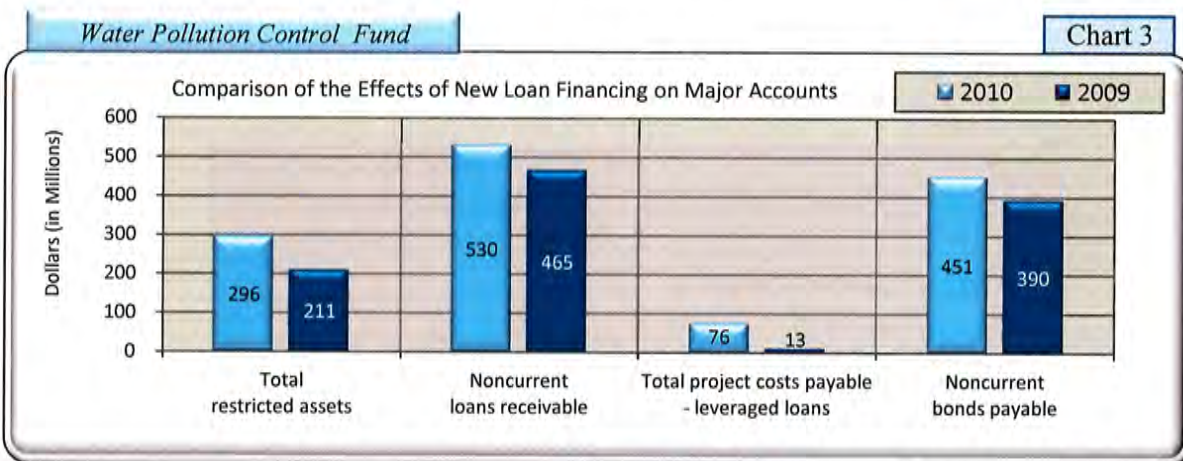


Chart 3 displays the comparative balances of the four-major accounts affected by loan activities and reflects the increase in all four major components as a result of increased bond issuance and loan execution activity in 2010. The difference between restricted assets and project costs payable - leveraged loans is primarily funds held for debt service reserve purposes.

Drinking Water Fund

Eighteen base program direct loans totaling \$25.7 million were executed in 2010. In accordance with the 2010 EPA capitalization grant conditions, eight direct loans received \$6.9 million in principal forgiveness. No bonds were issued and no leveraged loans were executed. One leveraged loan borrower and one state direct loan prepaid its loan in full for \$4.7 million and \$0.2 million, respectively. The DWRF received a \$4.8 million advance (loan) from the Authority to provide the 20% state match required for the EPA 2010 Capitalization grant award. The transferred funds were deposited into the state match holding account, a restricted asset.

Similar to the processes explained in the WPCRF discussion above, deallocation and transfers to and from the reloan account for loan activity also occurs in the DWRF and the changes resulting from these transactions can have a significant impact on unrestricted current and other assets and are often related to activity involving restricted assets.

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				Schedule 4
<i>Drinking Water Fund</i>	Summary of Net Assets as of December 31			
	2010	2009	Change	Pct Chg
Unrestricted current and other assets	\$ 43,736,069	\$ 33,048,650	\$ 10,687,419	32.3%
Restricted assets	100,178,082	106,012,390	(5,834,308)	(5.5%)
Noncurrent loans receivable	229,579,121	232,278,405	(2,699,284)	(1.2%)
Total assets	<u>373,493,272</u>	<u>371,339,445</u>	<u>2,153,827</u>	0.6%
Current and other liabilities	50,319,941	58,014,326	(7,694,385)	(13.3%)
Project costs payable-leveraged loans	3,477,545	10,484,236	(7,006,691)	(66.8%)
Noncurrent bonds payable, net	147,647,133	162,760,247	(15,113,114)	(9.3%)
Total liabilities	<u>201,444,619</u>	<u>231,258,809</u>	<u>(29,814,190)</u>	(12.9%)
Net assets:				
Restricted	168,207,118	136,469,483	31,737,635	23.3%
Unrestricted	3,841,535	3,611,153	230,382	6.4%
Total Net assets	<u>\$ 172,048,653</u>	<u>\$ 140,080,636</u>	<u>\$ 31,968,017</u>	22.8%

Schedule 4 shows that unrestricted current and other assets increased \$10.7 million. During 2010, deallocation from restricted accounts to reloan totaled \$7.1 million and transfers from the state match holding account to the reloan account totaled \$4.7 million. This \$11.8 million increase was offset by transfers from the reloan account to project accounts to fund certain 2010 direct loans totaling \$5.7 million. The net effect contributed to the increase in unrestricted current and other assets and contributed to the net decrease in restricted assets.

The \$5.8 million decrease in restricted assets was also affected by additional direct loan funding activity totaling \$5.7 million offset by borrower project requisitions totaling \$13.0 million. Also, noncurrent loans receivable decreased \$2.7 million. In 2010, additional loans totaled \$25.7 million and borrower principal payments and other reductions totaled \$27.4 million. The decreases in these two line items had the largest impact on the \$2.2 million decrease in total assets.

The \$7.7 million decrease in current and other liabilities was primarily the result of direct loan borrower project requisitions totaling \$39.5 million, offset by additional direct loan project funding totaling \$25.7 million, and the advance payable of \$4.8 million. Project costs payable-leveraged loans decreased \$7.0 million equaling the total amount of leveraged loan borrower project requisitions paid in 2010. Also, noncurrent bonds payable decreased \$15.1 million (net of current portion) which reflects bond principal payments totaling \$10.8 million. The decreases in these three line items contributed to the \$29.8 million net decrease in total liabilities in 2010.

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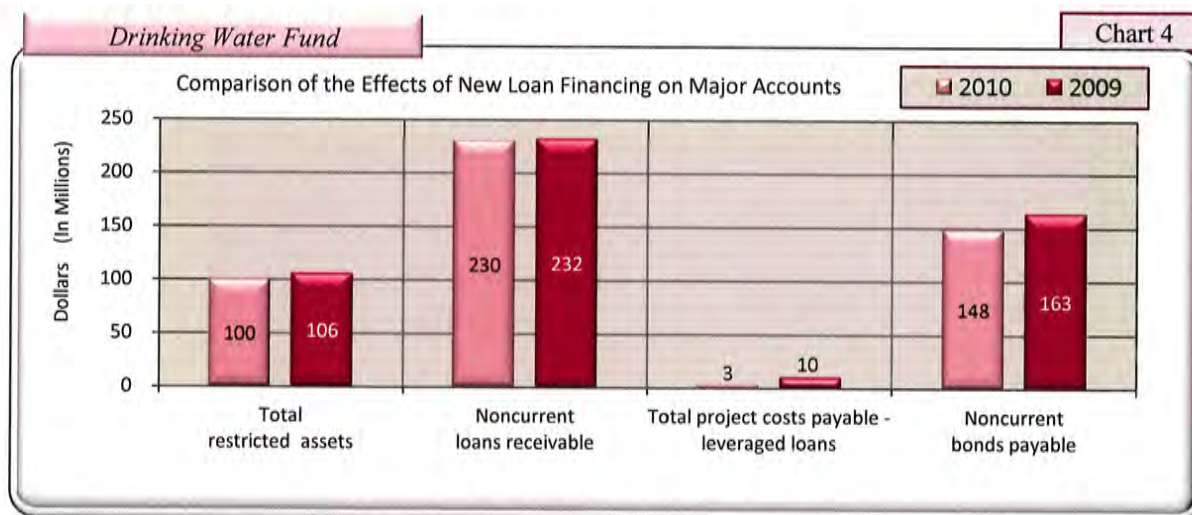


Chart 4 graphically displays the comparative balances of the four major accounts and the effects of financial activity in the DWRF program. The difference between restricted assets and project costs payable is primarily funds held for debt service reserve purposes.

Summary of Changes in Net Assets

Overview

As described in the Notes to the Financial Statements, the Authority issues bonds to fund certain program loans. All bonds are paid from loan payments (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 and 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 (loss), 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 2010, interest on investments and interest on loans contributed 20.7% and 57.0%, respectively, to total operating revenues. Interest on bonds and principal forgiveness contributed 71.0% and 13.8%, respectively, to total operating expenses.

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 2009, the maximum 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

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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. Zero interest rate loans (i.e.: certain disadvantaged community loans and ARRA loans) in both the WPCRF and DWRF programs are not assessed an administrative fee surcharge. (For more information regarding the disadvantaged community loan program, see the Notes to the 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 (loss) on the Summary of Changes in Net Assets on Schedule 5A. The major factors that contribute to the amount of EPA capitalization grant revenue recognized are: 1) the number and size of loans funded with grant monies for the year; and 2) the type of loan (ARRA, base program direct, or leveraged, and/or 3) the demand for project cost reimbursements, including projects funded in prior years.

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. As the schedules show, 2010 activity, supplemented by EPA capitalization grant draws, resulted in changes in net assets totaling \$59.5 million, \$5.7 million and \$24.4 million for 2010, 2009, and 2008, respectively.

Increases in interest on loans over the three years has been limited by the decrease in leveraged loan funding in 2008 and 2009 and the funding of a majority of direct loans at lower or zero interest rates. In the years subsequent to the year of execution, new loans usually 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 interest on loans. In 2010, the net effect of these factors resulted in an increase in interest on loans.

In the WPCRF and DWRF funds, administrative fee income is a component of total loan interest (but recorded separately); thus changes in the two income items should correlate. However, other factors that affect loan interest discussed above do not affect the administrative fee portion. Also, for the DWRF, the administrative fee rate was increased in 2009. These factors account for the differences in 2010 between the increase in interest on loans and the increase in administrative fee income.

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<i>Total Enterprise Funds (2010- 2009)</i>				Schedule 5A
Summary of Changes in Net Assets as of December 31				
	2010	2009	Change	Pct Chg
Operating revenues:				
Interest on loans	\$ 39,109,851	\$ 39,092,011	\$ 17,840	0.0%
Interest on investments	14,194,190	15,153,370	(959,180)	(6.3%)
Administrative fees and other income	8,854,690	8,395,702	458,988	5.5%
EPA grants	6,474,880	6,764,380	(289,500)	(4.3%)
Total operating revenues	68,633,611	69,405,463	(771,852)	(1.1%)
Operating expenses:				
Interest on bonds	50,961,274	50,984,759	(23,485)	(0.0%)
Grant administration	3,773,527	4,049,824	(276,297)	(6.8%)
Loan principal forgiven	9,926,993	33,364,125	(23,437,132)	(70.2%)
General, administrative, and other expenses	2,614,972	1,690,559	924,413	54.7%
EPA set asides	4,516,642	4,841,839	(325,197)	(6.7%)
Total operating expenses	71,793,408	94,931,106	(23,137,698)	(24.4%)
Operating income (loss)	(3,159,797)	(25,525,643)	22,365,846	(87.6%)
EPA capitalization grants	62,622,493	31,202,537	31,419,956	100.7%
Change in net assets	59,462,696	5,676,894	53,785,802	947.5%
Net assets – beginning of year	507,692,043	502,015,149	5,676,894	1.1%
Net assets – end of year	\$ 567,154,739	\$ 507,692,043	\$ 59,462,696	11.7%

<i>Total Enterprise Funds (2009- 2008)</i>				Schedule 5B
Summary of Changes in Net Assets as of December 31				
	2009	2008	Change	Pct Chg
Operating revenues:				
Interest on loans	\$ 39,092,011	\$ 38,444,783	\$ 647,228	1.7%
Interest on investments	15,153,370	19,614,944	(4,461,574)	(22.7%)
Administrative fees and other income	8,395,702	8,168,349	227,353	2.8%
EPA grants	6,764,380	4,626,781	2,137,599	46.2%
Total operating revenues	69,405,463	70,854,857	(1,449,394)	(2.0%)
Operating expenses:				
Interest on bonds	50,984,759	52,137,801	(1,153,042)	(2.2%)
Grant administration	4,049,824	3,324,022	725,802	21.8%
Loan principal forgiven	33,364,125	343,268	33,020,857	9619.6%
General, administrative, and other expenses	1,690,559	1,290,790	399,769	31.0%
EPA set asides	4,841,839	3,940,376	901,463	22.9%
Total operating expenses	94,931,106	61,036,257	33,894,849	55.5%
Operating income (loss)	(25,525,643)	9,818,600	(35,344,243)	(360.0%)
EPA capitalization grants	31,202,537	14,575,150	16,627,387	114.1%
Change in net assets	5,676,894	24,393,750	(18,716,856)	(76.7%)
Net assets – beginning of year	502,015,149	477,621,399	24,393,750	5.1%
Net assets – end of year	\$ 507,692,043	\$ 502,015,149	\$ 5,676,894	1.1%

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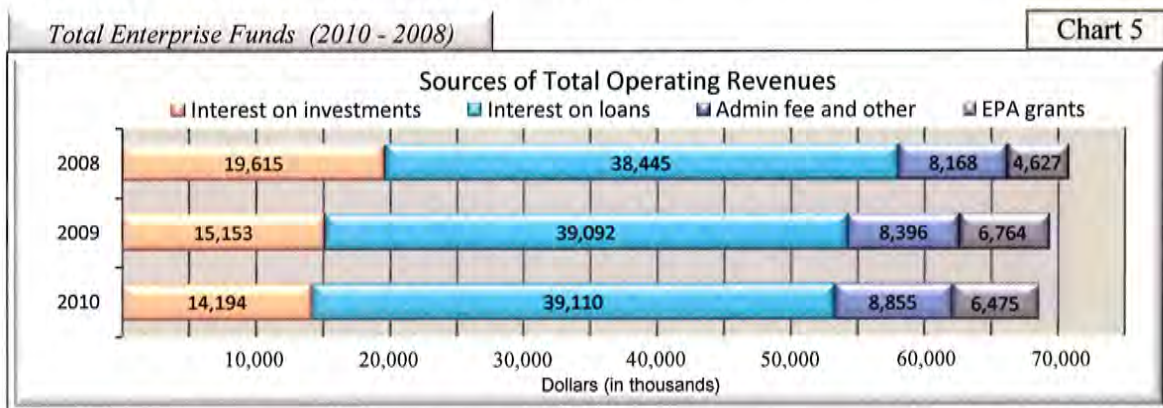
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Total combined interest on investments for 2010, 2009 and 2008 reflect a continued decline in investment rates. The average annual interest rate for COLOTRUST was 0.2% for 2010 compared to 0.4% for 2009 and 2.5% for 2008. Although restricted assets increased in 2010, the increase of investment interest from these additional assets is not fully realized until subsequent years. The decrease in combined interest on investments was the principal contributor to the \$0.8 million net decrease in operating revenues for 2010.

The implementation of ARRA grant conditions, including principal forgiveness, (as described in the Notes to the Financial Statements) necessitated the addition of loan principal forgiven as a 2009 financial statement expense line item. In compliance with the conditions of the 2010 grant awards in both the WPCRF and DWRF, certain loans executed in 2010 received one-time principal forgiveness as well. Loan principal forgiven totaled \$9.9 million in 2010 compared to \$33.4 million for 2009 resulting in the \$23.4 million decrease. As in 2009, this additional operating expense was the largest contributor to the operating loss for 2010.

Combined EPA capitalization grants totaled \$62.6 million, \$31.2 million, and \$14.6 million, for 2010, 2009, and 2008, respectively. As explained earlier in this section, grant funds are drawn as requisitions are paid to borrowers with projects financed with capitalization grant monies. Historically, the grant amounts are comparable with the project draws made in WPCRF and the DWRF for those years. However, ARRA and some base program loans are funded 100% with grant dollars, and these loans increased the total EPA capitalization grants by \$31.4 million in 2010. Water Operations Fund loans are not subsidized by EPA capitalization grants. Capitalization grant revenue was the primary contributor to the total change in net assets for 2010, 2009, and 2008.

Combined change in net assets increased by \$53.8 million in 2010, compared to a \$18.7 million decrease in 2009. The increase in change in net assets in 2010 was primarily the result of a \$23.4 million decrease in loan principal forgiven and an increase of \$31.4 million in EPA Capitalization grants. In 2009, the decrease in change in net assets was primarily attributed to an increase in principal forgiveness of \$33.0 million offset by an increase in EPA Capitalization grants (\$16.6 million).



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Chart 5 compares the major sources of combined operating revenues among the years. Note the decrease in interest on investments, the increase in administrative and other income, and the decrease in combined operating revenues for the three years. The discussion below describes the changes to each of the three-enterprise fund's summary schedule of changes in net assets and the associated charts provide visual information of the components of income and expense that impact the change in net assets for 2010 and 2009.

Water Operations Fund

Interest on investments is not affected by invested funds in the WRBP. The structure of the WRBP program allows borrowers to requisition accumulated investment income to pay for project costs, or to reduce their loan interest payable. The earnings on these investments are recorded as a liability (accounts payable – borrower) rather than as income. 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 largest source of interest on investments in the Water Operations Fund is generated by the investment pool managed by the Colorado State Treasurer which saw a decline in the average annual rate from 2.46% in 2009 to 2.23% in 2010 and a \$5.2 million decrease in investment balance.

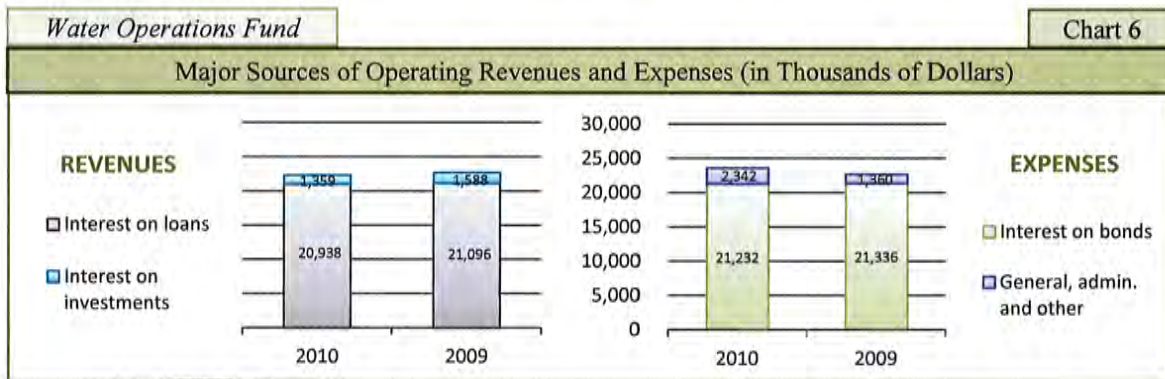
<i>Water Operations Fund</i>		Schedule 6		
Summary of Changes in Net Assets as of December 31				
	2010	2009	Change	Pct Chg
Operating revenues:				
Interest on loans	\$ 20,938,435	\$ 21,095,985	\$ (157,550)	(0.7%)
Interest on investments	1,358,992	1,588,400	(229,408)	(14.4%)
Other	5	-	5	100.0%
Total operating revenues	<u>22,297,432</u>	<u>22,684,385</u>	<u>(386,953)</u>	<u>(1.7%)</u>
Operating expenses:				
Interest on bonds	21,232,307	21,336,249	(103,942)	(0.5%)
Loan principal forgiven	490	-	490	100.0%
General, administrative, and other expenses	2,341,653	1,360,392	981,261	72.1%
Total operating expenses	<u>23,574,450</u>	<u>22,696,641</u>	<u>877,809</u>	<u>3.9%</u>
Operating income (loss)	<u>(1,277,018)</u>	<u>(12,256)</u>	<u>(1,264,762)</u>	<u>10319.5%</u>
Change in net assets	<u>(1,277,018)</u>	<u>(12,256)</u>	<u>(1,264,762)</u>	<u>10319.5%</u>
Net assets – beginning of year	90,614,922	90,627,178	(12,256)	(0.0%)
Net assets – end of year	<u>\$ 89,337,904</u>	<u>\$ 90,614,922</u>	<u>\$ (1,277,018)</u>	<u>(1.4%)</u>

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Although an additional loan was executed in WRBP, full-year interest on the loan was not realized in 2010. In addition, interest on loans decreased in 2010 due to normal amortization in both leveraged programs and the effect of loan prepayments that occurred in the SWRP (forgone interest).

In 2010, the board of directors for the Authority approved the cost to design the Long Hollow dam and reservoir in southwestern Colorado. Engineering and other costs associated with this project, plus additional WRBP allocated costs and SHLP planning and design grants, resulted in the \$1.0 million increase in general, administrative and other expenses and was the primary contributor to the \$0.9 million increase in total operating expenses.



As shown in Chart 6, interest on loans and interest on bonds are the principal source of operating revenues and operating expenses, respectively, in the Water Operations Fund. The reduction in operating revenues and the increase in operating expenses resulted in the \$1.3 million operating loss for 2010.

Water Pollution Control Fund

Interest on loans in this fund 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. Also, certain ARRA loans and disadvantaged community base program loans have zero interest rates that will not add to interest on loans. In 2010, the net effect of these factors resulted in a \$0.6 million increase in interest on loans.

Interest on investments is also affected by several factors; changes in average annual COLOTRUST and other investment interest rates, and investment balances (restricted assets). Although the addition of leveraged and direct loans in 2010 increased restricted assets, the income related to this activity was offset by the decrease in interest primarily on repurchase agreement investments liquidated for deallocation purposes. Also, COLOTRUST average annualized interest rate decreased from 0.4% in 2009 to 0.2% in 2010. In 2010, the net effect of these factors resulted in a \$0.6 million decrease in interest on investments.

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<i>Water Pollution Control Fund</i>	Summary of Changes in Net Assets as of December 31			
	2010	2009	Change	Pct Chg
Operating revenues:				
Interest on loans	\$ 13,285,546	\$ 12,660,154	\$ 625,392	4.9%
Interest on investments	9,127,316	9,734,431	(607,115)	(6.2%)
Administrative fee and other income	6,177,337	5,913,930	263,407	4.5%
EPA grants-administrative	1,000,079	968,013	32,066	3.3%
Total operating revenues	<u>29,590,278</u>	<u>29,276,528</u>	<u>313,750</u>	1.1%
Operating expenses:				
Interest on bonds	21,908,768	21,388,472	520,296	2.4%
Grant administration	2,012,272	2,266,592	(254,320)	(11.2%)
Loan principal forgiven	2,603,408	16,176,102	(13,572,694)	(83.9%)
General, administrative, and other expenses	217,979	183,759	34,220	18.6%
Total operating expenses	<u>26,742,427</u>	<u>40,014,925</u>	<u>(13,272,498)</u>	(33.2%)
Operating income (loss)	2,847,851	(10,738,397)	13,586,248	(126.5%)
EPA capitalization grants	26,153,788	15,283,284	10,870,504	71.1%
Transfers in (out)	(229,942)	(170,740)	(59,202)	34.7%
Change in net assets	28,771,697	4,374,147	24,397,550	557.8%
Net assets – beginning of year	276,996,485	272,622,338	4,374,147	1.6%
Net assets – end of year	<u>\$ 305,768,182</u>	<u>\$ 276,996,485</u>	<u>\$ 28,771,697</u>	10.4%

As explained in the total enterprise fund section, in the WPCRF, administrative fee income is a component (0.8%) of loan interest; thus changes in the two income items should correlate. However, factors that affect loan interest discussed above, with the exception of normal loan amortization, do not affect the administrative fee portion. These factors account for the differences between the increases in interest on loans and administrative fee income for 2010. In 2010, the net effect of these factors resulted in a \$0.3 million increase in administrative and other income.

As required by the conditions of the 2009 ARRA grant, projects funded with this grant received principal forgiveness totaling \$15.7 million. Likewise, projects funded during 2010 received principal forgiveness totaling \$1.8 million as required by the conditions of the 2010 EPA Capitalization grant. Principal forgiveness expense represented 9.7% of operating expenses in 2010 compared to 40.4% in 2009. The decrease in principal forgiveness was the primary contributor to the \$13.3 million decrease in operating expenses in 2010.

The cost to administer the WPCRF totaled \$2.0 million. Included in this amount are reimbursed costs paid to the Water Quality Control Division (WQCD) of the Colorado Department of Public Health and Environment (\$1.1 million), and the Division of Local Government (DLG) 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.

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Activity in the Water Pollution Control Fund resulted in operating income of \$2.8 million in 2010, compared to an operating loss of \$10.7 million in 2009. The \$13.6 million decrease in loan principal forgiven is the primary factor in the increase of \$13.6 million in operating income for 2010. Net operating income plus \$26.2 million in EPA capitalization grants resulted in a change in fund net assets of \$28.8 million, an increase of \$24.4 million.

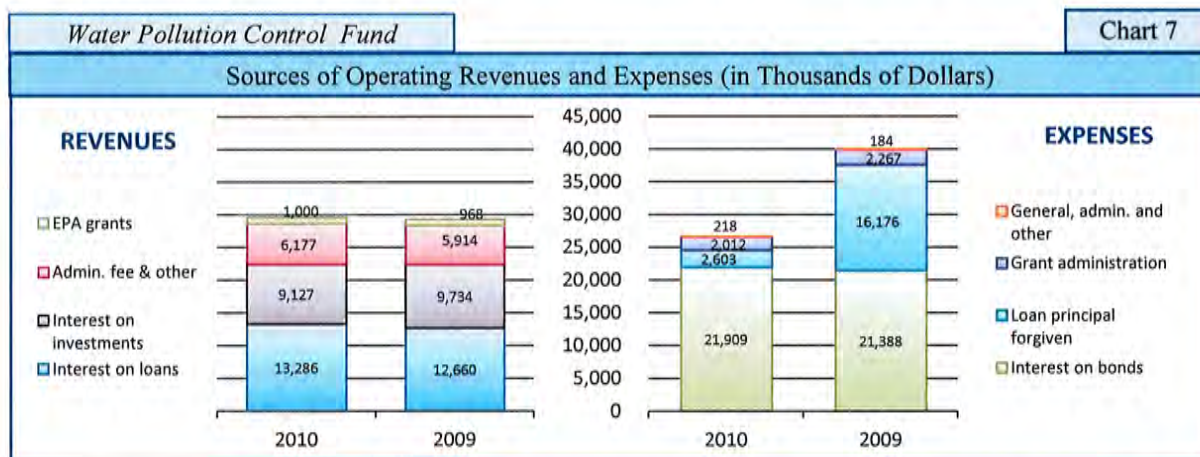


Chart 7 shows the components of operating revenues and expenses in a comparative format. The chart shows the effect of the decrease in loan principal forgiven on operating expenses in 2010.

Drinking Water Fund

Similar to WPCRF, interest on loans in this fund 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. Also, similar to WPCRF, certain ARRA loans and disadvantaged community base program loans have zero interest rates that will not add to interest on loans. Finally, on certain loans, a majority of the loan interest is allocated to administrative fee income. In 2010, the net effect of these factors resulted in a \$0.5 million decrease in interest on loans.

Interest on investments is also affected by several factors; changes in average annual COLOTRUST and other investment interest rates, and investment balances (restricted assets). The decrease in investment interest is attributed to the COLOTRUST average annualized interest rate decrease from 0.4% in 2009 to 0.2% in 2010. In 2010, the net effect of these factors resulted in a \$0.1 million decrease in interest on investments.

Please refer to the Notes to the Financial Statements for an explanation of the set aside programs funded by the DWRF. The 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

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specific purposes. The amount of set aside program income and expense is dependent upon the actions of the WQCD. Set aside expenditures decreased by \$0.3 million.

<i>Drinking Water Fund</i>	Summary of Changes in Net Assets as of December 31			
	2010	2009	Change	Pct Chg
Operating revenues:				
Interest on loans	\$ 4,885,870	\$ 5,335,872	\$ (450,002)	(8.4%)
Interest on investments	3,707,882	3,830,539	(122,657)	(3.2%)
Administrative fee and other income	2,677,348	2,481,772	195,576	7.9%
EPA grants	5,474,801	5,796,367	(321,566)	(5.5%)
Total operating revenues	<u>16,745,901</u>	<u>17,444,550</u>	<u>(698,649)</u>	<u>(4.0%)</u>
Operating expenses:				
Interest on bonds	7,820,199	8,260,038	(439,839)	(5.3%)
Grant administration	1,761,255	1,783,232	(21,977)	(1.2%)
Loan principal forgiven	7,323,095	17,188,023	(9,864,928)	(57.4%)
General, administrative, and other expenses	55,340	146,408	(91,068)	(62.2%)
EPA set asides	4,516,642	4,841,839	(325,197)	(6.7%)
Total operating expenses	<u>21,476,531</u>	<u>32,219,540</u>	<u>(10,743,009)</u>	<u>(33.3%)</u>
Operating income (loss)	(4,730,630)	(14,774,990)	10,044,360	(68.0%)
EPA capitalization grants	36,468,705	15,919,253	20,549,452	129.1%
Transfers in (out)	229,942	170,740	59,202	34.7%
Change in net assets	<u>31,968,017</u>	<u>1,315,003</u>	<u>30,653,014</u>	<u>2331.0%</u>
Net assets – beginning of year	140,080,636	138,765,633	1,315,003	0.9%
Net assets – end of year	<u>\$ 172,048,653</u>	<u>\$ 140,080,636</u>	<u>\$ 31,968,017</u>	<u>22.8%</u>

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 \$0.4 million decrease in interest on bonds since no bonds were issued in 2010 or 2009.

As required by the conditions of the 2009 ARRA grant, projects funded with this grant received principal forgiveness totaling \$17.2 million. Likewise, projects funded during 2010 received principal forgiveness totaling \$7.2 million as required by the conditions of the 2010 EPA Capitalization grant. Principal forgiveness expense represented 34.1% of operating expenses in 2010 compared to 53.4% in 2009. The decrease in principal forgiveness was the primary contributor to the \$10.7 million decrease in operating expenses in 2010.

The cost to administer the DWRF totaled \$1.8 million, a minimal decrease from 2009. Included in this amount are reimbursed costs paid to the WQCD (\$1.1 million), and DLG (\$0.1 million). These State agencies provide environmental, technical, outreach and financial analysis services in operating the DWRF.

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

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2010 and 2009

Activity in the Drinking Water Fund resulted in an operating loss of \$4.7 million in 2010, compared to an operating loss of \$14.8 million in 2009. The \$9.9 million decrease in loan principal forgiven is the primary factor in the decrease of \$10.0 million in operating loss for 2010. Net operating loss, offset by \$36.5 million in EPA capitalization grants, resulted in a change in fund net assets of \$32.0 million, an increase of \$30.7 million.

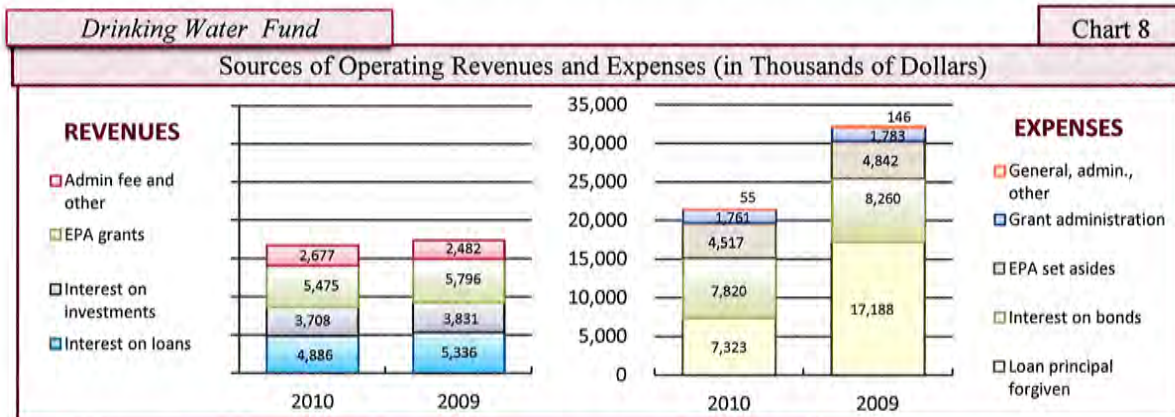


Chart 8 shows the components of operating revenues and expenses in a comparative format. The chart shows the effect of the decrease in loan principal forgiven on operating expenses in 2010.

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 in past 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.
- If future EPA capitalization grants include conditions that mandate additional subsidies, such as principal forgiveness, the demand for loans will likely remain strong. Loan principal forgiveness reduces future loan capacity for both SRF programs.

The Authority plans to continue subsidizing loan interest rates for borrowers in both the WPCRF and DWRF in 2010. As of December 31, 2010, out of the total amount of EPA capitalization grant funds awarded to the

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

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2010 and 2009

DWRF, \$20.0 million remains unobligated and available for loans. However, grant funds totaling \$15.9 million were obligated to a leveraged loan with the City of Sterling on March 30, 2011 (see subsequent event Note 17 in the Notes to the Financial Statements). As of December 31, 2010, out of the total amount of EPA capitalization grant funds awarded to the WPCRF through 2010, \$3.7 million remains unobligated and available for loans.

The disadvantaged community (DC) loan programs are explained in Note 1 in the Notes to the Financial Statements. Both revolving fund programs strongly support assistance to small disadvantaged communities. As of December 31, 2010, 76 base program DC loans had been executed, 48 in the DWRF and 28 in the WPCRF, with original principal amounts of \$38.1 million and \$19.9 million, respectively. Of the 76 loans, 39 are financed at a zero percent interest rate, 16 are financed at reduced rates and 21 received principal forgiveness. 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.

As of the date of this report, the 2011 federal budget had not been enacted; therefore, the appropriation to the state revolving fund programs has not been determined. Since the 2011 grant amounts, terms and conditions remain uncertain, the Authority cannot estimate its capacity for funding loans during 2011.

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 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.

The Authority provided a material event notice on November 1, in 2010 with EMMA (Electronic Municipal Market Access) regarding the change in rating of Assured Guaranty Corporation. The Authority continues to monitor market conditions and will take action accordingly.

Requests for Information

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

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

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**Colorado Water Resources
and Power Development Authority**
(A Component Unit of the State of Colorado)
Statement of Net Assets
December 31, 2010

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
Cash and cash equivalents	\$ 53,841,953	\$ 25,527,732	\$ 24,809,611	\$ 104,179,296
Federal grants receivable	-	178,895	1,540,099	1,718,994
Investment income receivable	95,165	363,903	163,883	622,951
Loans receivable	16,838,805	38,166,705	15,210,865	70,216,375
Due from other funds	2,133,741	-	-	2,133,741
Accounts receivable – borrowers	6,290,024	7,127,810	2,011,611	15,429,445
Other assets	26,830	-	-	26,830
Restricted assets:				
Cash and cash equivalents	11,871,414	41,823,619	25,509,474	79,204,507
Investments	-	48,535,447	4,231,731	52,767,178
Investment income receivable	221,824	957,726	296,827	1,476,377
Securities not held for investment	7,884,000	-	-	7,884,000
Total current assets	<u>99,203,756</u>	<u>162,681,837</u>	<u>73,774,101</u>	<u>335,659,694</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	10,101,691	7,408,186	12,177,521	29,687,398
Investments	-	194,452,059	57,269,426	251,721,485
Investment income receivable	2,745	2,410,112	693,103	3,105,960
Securities not held for investment	40,793,000	-	-	40,793,000
Advance receivable	6,312,543	-	-	6,312,543
Loans receivable	448,969,830	529,994,880	229,579,121	1,208,543,831
Water depletion rights – Animas-La Plata	7,646,901	-	-	7,646,901
Capital assets – equipment, net of accumulated depreciation of \$86,814	47,703	-	-	47,703
Other assets	5,010,810	-	-	5,010,810
Total noncurrent assets	<u>518,885,223</u>	<u>734,265,237</u>	<u>299,719,171</u>	<u>1,552,869,631</u>
Total assets	<u>618,088,979</u>	<u>896,947,074</u>	<u>373,493,272</u>	<u>1,888,529,325</u>
Liabilities and Net Assets				
Current liabilities:				
Project costs payable – direct loans	-	18,011,539	20,388,552	38,400,091
Project costs payable – leveraged loans	3,206,997	62,126,899	3,477,545	68,811,441
Bonds payable	15,990,000	32,710,000	15,095,000	63,795,000
Accrued interest payable	5,867,730	7,432,505	2,506,084	15,806,319
Accounts payable – borrowers	397,375	-	-	397,375
Accounts payable – other	2,163,846	39,064	-	2,202,910
Due to other funds	-	419,135	1,714,606	2,133,741
Other liabilities	-	1,477,633	521,370	1,999,003
Total current liabilities	<u>27,625,948</u>	<u>122,216,775</u>	<u>43,703,157</u>	<u>193,545,880</u>
Noncurrent liabilities:				
Project costs payable – direct loans	-	1,775,000	4,619,087	6,394,087
Project costs payable – leveraged loans	44,016,553	13,429,163	-	57,445,716
Bonds payable, net	448,831,522	450,532,427	147,647,133	1,047,011,082
Advance payable	-	1,497,743	4,814,800	6,312,543
Debt service reserve deposit	6,986,913	-	-	6,986,913
Deferred revenue	-	467,509	100,351	567,860
Other liabilities	1,290,139	1,260,275	560,091	3,110,505
Total noncurrent liabilities	<u>501,125,127</u>	<u>468,962,117</u>	<u>157,741,462</u>	<u>1,127,828,706</u>
Total liabilities	<u>528,751,075</u>	<u>591,178,892</u>	<u>201,444,619</u>	<u>1,321,374,586</u>
Net assets:				
Invested in capital assets	47,703	-	-	47,703
Restricted	27,671,411	305,768,182	168,207,118	501,646,711
Unrestricted	61,618,790	-	3,841,535	65,460,325
Total net assets	<u>\$ 89,337,904</u>	<u>\$ 305,768,182</u>	<u>\$ 172,048,653</u>	<u>\$ 567,154,739</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 Net Assets
December 31, 2009

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
Cash and cash equivalents	\$ 58,845,211	\$ 41,007,452	\$ 15,021,807	\$ 114,874,470
Federal grants receivable	-	152,978	1,303,272	1,456,250
Investment income receivable	127,872	385,782	173,167	686,821
Loans receivable	15,369,169	33,905,569	14,203,884	63,478,622
Due from other funds	1,993,686	-	-	1,993,686
Accounts receivable – borrowers	5,696,047	6,609,636	2,346,520	14,652,203
Other assets	24,540	-	-	24,540
Restricted assets:				
Cash and cash equivalents	25,337,573	29,473,465	30,781,714	85,592,752
Investments	-	14,017,855	3,935,801	17,953,656
Investment income receivable	4,632	545,590	340,014	890,236
Total current assets	107,398,730	126,098,327	68,106,179	301,603,236
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	9,668,270	8,561,825	10,200,141	28,430,236
Investments	-	155,994,206	60,066,546	216,060,752
Investment income receivable	2,421	2,578,756	688,174	3,269,351
Advance receivable	1,238,143	-	-	1,238,143
Loans receivable	422,756,890	465,122,786	232,278,405	1,120,158,081
Water depletion rights – Animas-La Plata	8,054,424	-	-	8,054,424
Capital assets – equipment, net of accumulated depreciation of \$89,894	10,272	-	-	10,272
Other assets	5,140,091	-	-	5,140,091
Total noncurrent assets	446,870,511	632,257,573	303,233,266	1,382,361,350
Total assets	554,269,241	758,355,900	371,339,445	1,683,964,586
Liabilities and Net Assets				
Current liabilities:				
Project costs payable – direct loans	1,355,337	32,302,837	38,527,697	72,185,871
Project costs payable – leveraged loans	13,540,613	12,879,934	9,398,436	35,818,983
Bonds payable	14,320,000	29,700,000	10,760,000	54,780,000
Accrued interest payable	5,578,824	6,826,733	2,666,115	15,071,672
Accounts payable – borrowers	1,394,929	-	-	1,394,929
Accounts payable – other	2,055,980	-	-	2,055,980
Due to other funds	-	555,981	1,437,705	1,993,686
Other liabilities	-	669,062	2,618,561	3,287,623
Total current liabilities	38,245,683	82,934,547	65,408,514	186,588,744
Noncurrent liabilities:				
Project costs payable - direct loans	-	4,869,896	1,182,504	6,052,400
Project costs payable – leveraged loans	-	-	1,085,800	1,085,800
Bonds payable, net	422,231,898	389,600,960	162,760,247	974,593,105
Advance payable	-	1,238,143	-	1,238,143
Debt service reserve deposit	1,838,413	-	-	1,838,413
Deferred revenue	-	567,340	83,344	650,684
Other liabilities	1,338,325	2,148,529	738,400	4,225,254
Total noncurrent liabilities	425,408,636	398,424,868	165,850,295	989,683,799
Total liabilities	463,654,319	481,359,415	231,258,809	1,176,272,543
Net assets:				
Invested in capital assets	10,272	-	-	10,272
Restricted	29,789,882	276,996,485	136,469,483	443,255,850
Unrestricted	60,814,768	-	3,611,153	64,425,921
Total net assets	\$ 90,614,922	\$ 276,996,485	\$ 140,080,636	\$ 507,692,043

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, 2010**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 20,938,435	\$ 13,285,546	\$ 4,885,870	\$ 39,109,851
Interest on investments	1,358,992	9,127,316	3,707,882	14,194,190
Loan administrative fees	-	6,082,167	2,677,348	8,759,515
EPA grants	-	1,000,079	5,474,801	6,474,880
Other	5	95,170	-	95,175
	<u>22,297,432</u>	<u>29,590,278</u>	<u>16,745,901</u>	<u>68,633,611</u>
Total operating revenues				
Operating expenses:				
Interest on bonds	21,232,307	21,908,768	7,820,199	50,961,274
Grant administration	-	2,012,272	1,761,255	3,773,527
Project expenses	1,761,994	-	-	1,761,994
General and administrative	579,659	-	-	579,659
EPA set asides	-	-	4,516,642	4,516,642
Loan principal forgiven (includes \$9,092,696 under 2010 grant requirements)	490	2,603,408	7,323,095	9,926,993
Other	-	217,979	55,340	273,319
	<u>23,574,450</u>	<u>26,742,427</u>	<u>21,476,531</u>	<u>71,793,408</u>
Total operating expenses				
Operating income (loss)	(1,277,018)	2,847,851	(4,730,630)	(3,159,797)
EPA capitalization grants	-	26,153,788	36,468,705	62,622,493
Transfers in (out)	-	(229,942)	229,942	-
	<u>(1,277,018)</u>	<u>28,771,697</u>	<u>31,968,017</u>	<u>59,462,696</u>
Change in net assets				
Net assets – beginning of year	<u>90,614,922</u>	<u>276,996,485</u>	<u>140,080,636</u>	<u>507,692,043</u>
Net assets – end of year	<u>\$ 89,337,904</u>	<u>\$ 305,768,182</u>	<u>\$ 172,048,653</u>	<u>\$ 567,154,739</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, 2009**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 21,095,985	\$ 12,660,154	\$ 5,335,872	\$ 39,092,011
Interest on investments	1,588,400	9,734,431	3,830,539	15,153,370
Loan administrative fees	-	5,913,930	2,464,572	8,378,502
EPA grants	-	968,013	5,796,367	6,764,380
Other	-	-	17,200	17,200
	<u>22,684,385</u>	<u>29,276,528</u>	<u>17,444,550</u>	<u>69,405,463</u>
Total operating revenues				
Operating expenses:				
Interest on bonds	21,336,249	21,388,472	8,260,038	50,984,759
Grant administration	-	2,266,592	1,783,232	4,049,824
Project expenses	722,324	-	-	722,324
General and administrative	638,068	-	-	638,068
EPA set asides	-	-	4,841,839	4,841,839
Loan principal forgiven (includes \$32,849,850 under ARRA grant requirements)	-	16,176,102	17,188,023	33,364,125
Other	-	183,759	146,408	330,167
	<u>22,696,641</u>	<u>40,014,925</u>	<u>32,219,540</u>	<u>94,931,106</u>
Total operating expenses				
Operating loss	(12,256)	(10,738,397)	(14,774,990)	(25,525,643)
EPA capitalization grants	-	15,283,284	15,919,253	31,202,537
Transfers in (out)	-	(170,740)	170,740	-
	<u>(12,256)</u>	<u>4,374,147</u>	<u>1,315,003</u>	<u>5,676,894</u>
Change in net assets				
Net assets – beginning of year	<u>90,627,178</u>	<u>272,622,338</u>	<u>138,765,633</u>	<u>502,015,149</u>
Net assets – end of year	<u>\$ 90,614,922</u>	<u>\$ 276,996,485</u>	<u>\$ 140,080,636</u>	<u>\$ 507,692,043</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, 2010**

	<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	\$ -	\$ 5,908,862	\$ 2,670,689	\$ 8,579,551
Federal funds received	-	974,162	5,237,974	6,212,136
Cash payments for salaries and related benefits	(540,877)	(420,576)	(302,721)	(1,264,174)
Cash payments to other state agencies for services	-	(1,273,474)	(1,064,295)	(2,337,769)
Cash payments to vendors	(1,859,472)	(623,062)	(4,689,321)	(7,171,855)
Net cash provided (used) by operating activities	<u>(2,400,349)</u>	<u>4,565,912</u>	<u>1,852,326</u>	<u>4,017,889</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	51,417,088	99,169,979	-	150,587,067
Deposits for option to purchase water depletion rights	2,464	-	-	2,464
Federal funds received	-	26,153,788	36,468,705	62,622,493
Principal paid on bonds	(23,295,000)	(29,700,000)	(10,760,000)	(63,755,000)
Interest paid on bonds	(20,480,038)	(21,371,528)	(7,998,345)	(49,849,911)
Cash payment for bond issuance costs	(554,276)	(658,237)	-	(1,212,513)
Net cash provided by noncapital financing activities	<u>7,090,238</u>	<u>73,594,002</u>	<u>17,710,360</u>	<u>98,394,600</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	<u>(46,668)</u>	<u>-</u>	<u>-</u>	<u>(46,668)</u>
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	8,844,224	38,527,303	3,935,801	51,307,328
Interest received on investments	1,489,378	9,461,387	3,388,901	14,339,666
Interest received on loans	20,344,458	12,840,847	5,244,445	38,429,750
Principal repayments from localities on loans	24,680,261	35,865,235	19,187,523	79,733,019
Loan prepayment for bond call premium	-	-	21,975	21,975
Cash received from (paid to) other accounts	(5,074,400)	29,657	5,044,743	-
Purchase of investments	(8,844,224)	(111,530,911)	(1,434,611)	(121,809,746)
Purchase of securities not held for investment	(50,547,429)	-	-	(50,547,429)
Refund of investment in water rights	407,523	-	-	407,523
Cash disbursed to localities for loans	(12,638,938)	(66,979,562)	(46,527,567)	(126,146,067)
Cash payment for arbitrage rebate	-	(657,075)	(1,930,952)	(2,588,027)
Cash payments of interest to borrowers	(1,340,070)	-	-	(1,340,070)
Net cash used by investing activities	<u>(22,679,217)</u>	<u>(82,443,119)</u>	<u>(13,069,742)</u>	<u>(118,192,078)</u>
Net increase (decrease) in cash and cash equivalents	(18,035,996)	(4,283,205)	6,492,944	(15,826,257)
Cash and cash equivalents, beginning of year	93,851,054	79,042,742	56,003,662	228,897,458
Cash and cash equivalents, end of year	<u>\$ 75,815,058</u>	<u>\$ 74,759,537</u>	<u>\$ 62,496,606</u>	<u>\$ 213,071,201</u>

(continued)

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Statement of Cash Flows (Continued)
Year Ended December 31, 2010**

	<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 and cash equivalents	\$ 53,841,953	\$ 25,527,732	\$ 24,809,611	\$ 104,179,296
Current restricted cash and cash equivalents	11,871,414	41,823,619	25,509,474	79,204,507
Noncurrent restricted cash and cash equivalents	10,101,691	7,408,186	12,177,521	29,687,398
Total cash and cash equivalents	<u>\$ 75,815,058</u>	<u>\$ 74,759,537</u>	<u>\$ 62,496,606</u>	<u>\$ 213,071,201</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,277,018)	2,847,851	\$ (4,730,630)	\$ (3,159,797)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	9,237	-	-	9,237
Accrued sick leave expense	(29,000)	-	-	(29,000)
Interest on bonds	21,232,307	21,908,768	7,820,199	50,961,274
Cost of issuance adjustments	-	(95,170)	-	(95,170)
Interest on loans	(20,938,435)	(13,285,546)	(4,885,870)	(39,109,851)
Interest on investments	(1,358,992)	(9,127,316)	(3,707,882)	(14,194,190)
Put fees on Treasury bonds	-	49,985	-	49,985
Loan principal forgiven	490	2,603,408	7,323,095	9,926,993
Amortization of deferred revenue	-	(56,510)	(6,580)	(63,090)
Change in assets and liabilities:				
(Increase) in due from other funds	(140,055)	-	-	(140,055)
(Increase) in accounts receivable – borrowers	-	(116,795)	(10,080)	(126,875)
(Increase) in federal grant receivables	-	(25,917)	(236,827)	(262,744)
(Increase) in other assets	(6,749)	-	-	(6,749)
Increase in accounts payable – other	107,866	-	-	107,866
Increase in deferred revenue	-	-	10,000	10,000
Increase (decrease) in due to other funds	-	(136,846)	276,901	140,055
Net cash provided (used) by operating activities	<u>\$ (2,400,349)</u>	<u>\$ 4,565,912</u>	<u>\$ 1,852,326</u>	<u>\$ 4,017,889</u>
Supplemental cash flows information				
Noncash investing activities				
Loans receivable issued related to projects payable	\$ 51,175,170	\$ 107,601,873	\$ 25,706,471	\$ 184,483,514
Fair market value adjustment on investments	-	28,161	-	28,161
Amortization of deferred loan interest income	-	50,843	-	50,843
Principal forgiveness/reductions on loans	490	2,603,408	8,211,251	10,815,149
Noncash noncapital financing activities				
Amortization of deferred amount from refunding	79,624	68,533	18,114	166,271
Amortization of bond issuance costs	383,740	-	-	383,740

See accompanying notes to basic financial statements

**Colorado Water Resources
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Statement of Cash Flows
Year Ended December 31, 2009**

	<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	\$ -	\$ 5,868,583	\$ 2,387,041	\$ 8,255,624
Federal funds received	-	888,330	5,527,194	6,415,524
Cash payments for salaries and related benefits	(456,238)	(470,745)	(351,506)	(1,278,489)
Cash payments to other state agencies for services	-	(1,337,858)	(1,310,759)	(2,648,617)
Cash payments to vendors	(534,602)	(446,992)	(4,932,755)	(5,914,349)
Net cash provided (used) by operating activities	<u>(990,840)</u>	<u>4,501,318</u>	<u>1,319,215</u>	<u>4,829,693</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	15,596,576	-	-	15,596,576
Deposits for option to purchase water depletion rights	2,655	-	-	2,655
Federal funds received	-	15,283,284	16,115,354	31,398,638
Principal paid on bonds	(16,195,000)	(29,400,000)	(9,600,000)	(55,195,000)
Principal paid on bonds call	(11,450)	-	-	(11,450)
Interest paid on bonds	(20,875,761)	(21,928,054)	(8,322,197)	(51,126,012)
Cash payment for bond issuance costs	(443,882)	-	(87,284)	(531,166)
Net cash used by noncapital financing activities	<u>(21,926,862)</u>	<u>(36,044,770)</u>	<u>(1,894,127)</u>	<u>(59,865,759)</u>
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	79,549	47,660,399	16,482,374	64,222,322
Interest received on investments	1,735,392	10,990,370	6,163,972	18,889,734
Interest received on loans	20,809,674	12,560,070	5,273,002	38,642,746
Principal repayments from localities on loans	18,506,517	32,057,063	12,040,165	62,603,745
Loan prepayment for bond call premium	11,450	-	-	11,450
Cash received from (paid to) other accounts	(1,079,640)	908,900	170,740	-
Purchase of investments	-	(10,589,792)	(6,161,470)	(16,751,262)
Investment in water rights	(383,097)	-	-	(383,097)
Cash disbursed to localities for loans	(10,083,040)	(46,012,084)	(39,198,997)	(95,294,121)
Cash payment for arbitrage rebate	-	(290,772)	(557,901)	(848,673)
Cash payments of interest to borrowers	(1,723,580)	-	-	(1,723,580)
Net cash provided (used) by investing activities	<u>27,873,225</u>	<u>47,284,154</u>	<u>(5,788,115)</u>	<u>69,369,264</u>
Net increase (decrease) in cash and cash equivalents	4,955,523	15,740,702	(6,363,027)	14,333,198
Cash and cash equivalents, beginning of year	88,895,531	63,302,040	62,366,689	214,564,260
Cash and cash equivalents, end of year	<u>\$ 93,851,054</u>	<u>\$ 79,042,742</u>	<u>\$ 56,003,662</u>	<u>\$ 228,897,458</u>

(continued)

**Colorado Water Resources
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Statement of Cash Flows (Continued)
Year Ended December 31, 2009**

	<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 and cash equivalents	\$ 58,845,211	\$ 41,007,452	\$ 15,021,807	\$ 114,874,470
Current restricted cash and cash equivalents	25,337,573	29,473,465	30,781,714	85,592,752
Noncurrent restricted cash and cash equivalents	9,668,270	8,561,825	10,200,141	28,430,236
Total cash and cash equivalents	<u>\$ 93,851,054</u>	<u>\$ 79,042,742</u>	<u>\$ 56,003,662</u>	<u>\$ 228,897,458</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (12,256)	\$ (10,738,397)	\$ (14,774,990)	\$ (25,525,643)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	4,570	-	-	4,570
Accrued sick leave expense	23,800	-	-	23,800
Interest on bonds	21,336,249	21,388,472	8,260,038	50,984,759
Cost of issuance adjustments	-	-	(17,200)	(17,200)
Interest on loans	(21,095,985)	(12,660,154)	(5,335,872)	(39,092,011)
Interest on investments	(1,588,400)	(9,734,431)	(3,830,539)	(15,153,370)
Put fees on Treasury bonds	-	49,985	-	49,985
Loan principal forgiven	-	16,176,102	17,188,023	33,364,125
Amortization of deferred revenue	-	(56,509)	(6,580)	(63,089)
Change in assets and liabilities:				
(Increase) in due from other funds	(321,230)	-	-	(321,230)
(Increase) in accounts receivable – borrowers	-	(79,683)	(70,951)	(150,634)
Decrease (increase) in other receivables	-	11,162	(269,173)	(258,011)
Decrease in other assets	86,071	-	-	86,071
Increase in accounts payable – other	576,341	-	-	576,341
Increase in due to other funds	-	144,771	176,459	321,230
Net cash provided (used) by operating activities	<u>\$ (990,840)</u>	<u>\$ 4,501,318</u>	<u>\$ 1,319,215</u>	<u>\$ 4,829,693</u>
Supplemental cash flows information				
Noncash investing activities				
Loans receivable issued related to projects payable	\$ 17,191,891	\$ 42,248,022	\$ 45,444,807	\$ 104,884,720
Fair market value adjustment on U.S. Treasury bonds	-	149,131	-	1,945,762
Amortization of deferred loan interest income	-	52,980	-	22,776
Principal forgiveness on loans	-	16,231,469	17,247,820	33,479,289
Debt service reserve fund used to pay loan receivable	600,000	-	-	600,000
Noncash noncapital financing activities				
Amortization of deferred amount from refunding	105,070	56,963	18,117	180,150
Amortization of bond issuance costs	382,111	-	-	382,111

See accompanying notes to basic financial statements

**Colorado Water Resources
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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 (DWRP) 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.

As discussed in Note 2(e), the Authority coordinated with the borrower that executed a loan funded by the WRBP 2010 Series A bonds, to invest the bond proceeds in securities allowable under the Authority's investment policy. This purchase of securities with bond proceeds was the first of its type within the WRBP program, but was approved because the yield on these securities was greater than the rate available from COLOTRUST and because the borrower assumed the risk associated with changes in the market values. The securities held in the project account and debt service reserve fund are recorded in the statement of net assets as securities not held for investment.

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 Hydro Loan Program (SHLP) that was implemented 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. During 2010, the Bureau reviewed its joint cost allocations that resulted in a net refund of \$407,523 for the year. Payments to the Bureau totaled \$383,097 in 2009. 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

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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.

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. 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.

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 2010 and 2009, the Authority incurred expenses for the two agencies totaling \$1,208,997 and \$1,408,668, respectively, in accordance with the agreement.

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. During 2009, Congress passed the American Recovery and Reinvestment Act (ARRA), which provided additional funding to the EPA for the state revolving funds programs. The Authority's share of these 2009 funds was \$31.3 million, in addition to the base program grant of \$5.4 million. The ARRA grant did not require the Authority to provide state matching dollars. The ARRA grant contained significant additional conditions, such as: (1) 50% of the funds had to be used for providing grants, negative interest rate loans or principal forgiveness, (2) Davis-Bacon Act provisions apply to ARRA grant expenditures, (3) Buy American requirements were imposed as well as (4) 20% of the funds were required to be expended on "green" infrastructure. In November 2009, the Authority was notified that the Office of General Counsel issued an interpretation of the approved FFY 2010 appropriation legislation stating that Davis-Bacon Act provisions would be retroactively applied to all SRF funds (base program grants and reloan) that were not under contract as of October 30, 2009. Similar to ARRA, the 2010 base program grant conditions included (1) a minimum of 14.98% of the grant award be used for providing grants, negative interest rate loans or principal forgiveness, (2) Davis-Bacon Act provisions apply to the grant expenditures and (3) 20% of the funds are required to be expended on "green" infrastructure.

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.

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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.

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. Because the applications for ARRA grant funds exceeded the amount available, the WQCD, DLG and the Authority used the existing prioritization process, but added stringent deadlines, to determine which entities would receive funding. Furthermore, the Board approved a zero percent interest rate on ARRA loans with remaining principal balances after any application of principal forgiveness.

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. 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.

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

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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 2010 and 2009, the Authority incurred expenses for the two agencies totaling \$5,704,239 and \$6,065,627, 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 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. Similar to the WPCRF, in 2009 the DWRF received \$34.4 million in ARRA funding in addition to a \$14.4 million in 2009 base program grant. The ARRA grant did not require the Authority to provide state matching dollars. The ARRA grant contained significant additional conditions, such as: (1) 50% of the funds had to be used for providing grants, negative interest rate loans or principal forgiveness, (2) Davis-Bacon Act provisions apply to ARRA grant funds, (3) Buy American requirements were imposed and (4) 20% of the funds were required to be expended on “green” infrastructure. As discussed above in the WPCRF section, the FFY 2010 appropriation legislation includes Davis-Bacon Act provisions that are retroactively applied to all SRF funds (base program grants and reloan) that were not under contract as of October 30, 2009. Similar to ARRA, the 2010 base program grant conditions included (1) 30% of the grant award be used for providing grants, negative interest rate loans or principal forgiveness, (2) Davis-Bacon Act provisions apply to the grant expenditures and (3) 20% of the funds are required to be expended on “green” infrastructure.

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

When a loan to a local governmental agency is funded from the proceeds of bonds, the Authority allocates a specific amount from its federal capitalization grant for deposit to the project account(s). An amount of bond proceeds equal to the allocated capitalization grant is transferred to a reserve fund as project draws are made. In lieu of federal grant funds, the Authority may deposit a predetermined amount of reloan funds to the reserve account upon bond closing. Earnings on such 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

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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. Furthermore, the Board approved a zero percent interest rate on ARRA loans with remaining principal balances after any application of principal forgiveness.

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 (SSTTA) set aside to aid small community systems. The 2009 ARRA grant award included only the 4% administrative and 2% SSTTA set asides.

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 or directly into the DWRF reloan account.

State Loans

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

Note 2: Summary of Significant Accounting Policies

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

(a) Fund Accounting

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

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(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) Investments

The Authority records investments at fair value.

(e) Securities Not Held For Investment

Securities purchased with WRBP 2010 Series A bond proceeds were approved for purchase by the governmental agency (borrower) that executed the loan funded by the bonds. The maturities of the securities held in the project account coincide with the borrower's projected construction cost schedule. The borrower assumes the risk related to the value of the securities. The borrower also controls its reimbursement schedule and plans to hold each security to maturity. The securities held in the respective debt service reserve fund are subject to market fluctuations; however, the borrower is required to maintain the debt service reserve requirement pursuant to the terms of the bond resolution. Therefore, carrying these securities at par value is the appropriate accounting treatment, which reflects the value of the securities upon maturity. As discussed above, the Authority records investment interest as a liability in accounts payable – borrowers.

(f) 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.

(g) Restricted Assets

Restricted assets represent cash and cash equivalents, investments, securities not held for investment 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.

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(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Advance Receivable and Payable

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

(m) Net Assets

Invested in capital assets represents capital assets, net of accumulated depreciation. 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. Unrestricted net assets have no external restrictions and are available for the operations of the Authority.

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(n) 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 (loss) on the statements of revenues, expenses, and changes in fund net assets.

(o) 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.

(p) 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 associated leveraged loan borrowers. The reduction in bond debt service is credited to the loan repayments of the borrowers.

(q) 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.

(r) 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.

(s) Loan Principal Forgiveness

Leveraged loans in the WPCRF and DWRF contain interest rates that are subsidized, in part, by investment interest earned on outstanding principal balances in the respective borrowers' project accounts. After a borrower fully expends its project funds, any investment interest earned above the projected amount, is passed through to the borrower as additional loan interest or principal credits. If credits are applied to loan principal, a corresponding amount is recorded as principal forgiveness, an operating expense. The 2010 base program grants and the 2009 ARRA grants for the WPCRF and DWRF contained grant conditions that included additional loan subsidies, grants or principal forgiveness. The Authority chose to meet this condition by offering loan principal forgiveness. The 2010 grants included the requirement of 14.98%

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(WPCRF) and 30% (DWRP) forgiveness, while the ARRA grants contained 50% forgiveness. In general, the Authority adopted a policy to forgive loan principal of up to \$2.0 million per eligible loan.

(t) Reclassifications

Certain 2009 amounts have been reclassified to conform with 2010 presentation.

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, 2010 and 2009, the Authority's deposits had a bank balance of \$1,418,530 and \$445,763, respectively, and a carrying amount of \$1,297,168 and \$369,899, 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 was insured by federal depository insurance.

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, \$1,036,518 and \$53,940 was deemed to be exposed to custodial credit risk in 2010 and 2009, respectively.

	<u>2010</u>	<u>2009</u>
Collateralized by bank's single collateral pool for all public entities, but not held in the Authority's name	\$ 132,012	\$ 141,823
Collateralized with securities held by bank's trust department or agent, but not held in the Authority's name	1,036,518	53,940
	<u>\$ 1,168,530</u>	<u>\$ 195,763</u>

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Investments

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

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized at no less than 102% by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- Local government investment pools

The Authority's investment policy (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

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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, 2010 and 2009, reflect the rating of the underlying securities held as collateral.

2010					
Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 1,297,168		X		
Cash held by State Treasurer (see below)	64,425,993	N/A		X	
COLOTRUST PLUS	<u>147,348,040</u>	N/A			AAA
Total cash and cash equivalents	<u>213,071,201</u>				
U.S. Treasury Notes - SLGS	104,863,945	N/A	X		
U.S. Treasury Bonds	5,414,316	N/A	X		
U.S. Agency Notes	2,911,327	N/A			AAA
Repurchase Agreements-collateralized	<u>191,299,075</u>				See detail below
Total Investments	<u>304,488,663</u>				
Total cash and invested funds	<u>\$ 517,559,864</u>				

Investments are reported in the statement of net assets as follows:

Current assets/restricted assets/investments	\$ 52,767,178
Noncurrent assets/restricted assets/investments	<u>251,721,485</u>
Total investments	<u>\$ 304,488,663</u>

2009					
Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 369,899		X		
Cash held by State Treasurer (see below)	67,799,555	N/A		X	
COLOTRUST PLUS	<u>160,728,004</u>	N/A			AAA
Total cash and cash equivalents	<u>228,897,458</u>				
U.S. Treasury Notes - SLGS	23,380,484	N/A	X		
U.S. Treasury Bonds	6,786,984	N/A	X		
U.S. Agency Notes	2,855,185	N/A			AAA
Repurchase Agreements-collateralized	<u>200,991,755</u>				See detail below
Total Investments	<u>234,014,408</u>				
Total cash and invested funds	<u>\$ 462,911,866</u>				

Investments are reported in the statement of net assets as follows:

Current assets/restricted assets/investments	\$ 17,953,656
Noncurrent assets/restricted assets/investments	<u>216,060,752</u>
Total investments	<u>\$ 234,014,408</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, 2010 and 2009:

	2010		
	Collateral Securities		
	Exempt From Disclosure	Custodian Portfolio Percent	NRSRO Rating
U.S. Treasuries or obligations explicitly guaranteed by the U.S. Government	X	30.5%	
Government agencies		69.5%	A - AAA
Total		100.0%	

	2009		
	Collateral Securities		
	Exempt From Disclosure	Custodian Portfolio Percent	NRSRO Rating
U.S. Treasuries or obligations explicitly guaranteed by the U.S. Government	X	23.4%	
Government agencies		76.6%	AAA
Total		100.0%	

The U.S. Treasury Bonds, with maturity dates after 2010, 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 requires the sale (put) of the treasury bonds to the supplier, thereby allowing the Authority to use the proceeds to fund future loans. The put prices approximate fair value and are used to value the puts. Changes in fair value are reported in investment income. These agreements subject the Authority to the credit risk that the suppliers will not fulfill its obligations under the agreement. The risk is evidenced by a rating issued by an NRSRO, which regularly rate such entities. Below is a schedule of those ratings.

Put Agreement Supplier	2010 and 2009			Put Agreement Related Bond Series
	Standard & Poors	Moody's	Fitch Ratings	
Sumitomo Mitsui Banking Corporation	A+	Aa2	NR*	Clean Water Revenue Bonds (WPCRF) 1991 Series A and B
Morgan Stanley Bank, N.A.	A	A2	A	Clean Water Revenue Bonds (WPCRF) 1992 Series A
Societe Generale	A+	Aa2	A+	Clean Water Revenue Bonds (WPCRF) 1992 Series B

*NR - a credit rating from Fitch Ratings could not be located

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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, 2010 and 2009:

		2010							
		Credit Rating of Pool Securities							
	A1/P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed		100.0%							4.9%
Corporates		0.9%	48.0%	40.2%	4.1%	3.4%	3.4%		7.5%
Mortgage Securities		100.0%							4.6%
Commercial Paper	100.0%								5.1%
Treasuries		100.0%							11.7%
Federal Agencies		100.0%							63.0%
Certificates of Deposit								100.0%	0.3%
Money Market Funds								100.0%	2.9%
Total Portfolio	5.0%	84.3%	3.6%	3.0%	0.3%	0.3%	0.3%	3.2%	100.0%

		2009							
		Credit Rating of Pool Securities							
	A1/P1	AAA	AA	A	BBB	BB	B	Other	Portfolio Percent
Asset Backed		100.0%							10.1%
Corporates		2.4%	39.3%	39.2%	12.0%	5.8%		1.3%	7.3%
Mortgage Securities		100.0%							5.8%
Commercial Paper	100.0%								8.2%
Treasuries		100.0%							13.2%
Federal Agencies		100.0%							49.0%
Certificates of Deposit								100.0%	0.6%
Money Market Funds								100.0%	5.8%
Total Portfolio	8.2%	78.3%	2.9%	2.8%	0.9%	0.4%	0.0%	6.5%	100.0%

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The schedules below show repurchase agreements totaling \$191,299,075 and \$200,991,755 as of December 31, 2010 and 2009, 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.

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The schedules below show that five repurchase agreement providers (eligible providers) exceed 5% of total funds invested as of December 31, 2010 and 2009. 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.

2010			
Investment Type	Fair Value	Exempt From Disclosure	Pct. of Total Invest.
Cash held by State Treasurer	\$ 64,425,993		12.5%
COLOTRUST PLUS	147,348,040	X	N/A
U.S. Treasury Notes - SLGS	104,863,945	X	N/A
U.S. Treasury Bonds	5,414,316	X	N/A
U.S. Agency Notes	2,911,327	X	N/A
Repurchase Agreements-collateralized			
Trinity Plus Funding Company LLC	56,484,603		10.9%
HSBC Bank USA N.A.	913,700	X	N/A
Westdeutsche Landesbank	645,480	X	N/A
Citigroup Global Markets, Inc./Citigroup Global	34,753,878		6.7%
American International Group	57,252,435		11.1%
Assured Guaranty Municipal Corp.	26,893,209		5.2%
Societe Generale	14,355,770	X	N/A
Total funds invested	<u>516,262,696</u>		
Deposits	1,297,168		
Total cash and invested funds	<u>\$ 517,559,864</u>		

2009			
Investment Type	Fair Value	Exempt From Disclosure	Pct. of Total Invest.
Cash held by State Treasurer	\$ 67,799,555		14.7%
COLOTRUST PLUS	160,728,004	X	N/A
U.S. Treasury Notes - SLGS	23,380,484	X	N/A
U.S. Treasury Bonds	6,786,984	X	N/A
U.S. Agency Notes	2,855,185	X	N/A
Repurchase Agreements-collateralized			
Trinity Plus Funding Company LLC	61,030,044		13.2%
HSBC Bank USA N.A.	966,688	X	N/A
Westdeutsche Landesbank	743,520	X	N/A
Citigroup Global Markets, Inc./Citigroup Global	37,106,890		8.0%
American International Group	60,309,241		13.0%
Assured Guaranty Municipal Corp.	26,041,987		5.6%
Societe Generale	14,793,385	X	N/A
Total funds invested	<u>462,541,967</u>		
Deposits	369,899		
Total cash and invested funds	<u>\$ 462,911,866</u>		

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

As of December 31, 2010 and 2009, the Authority had the following investments and maturities:

Maturity	2010				
	U.S. Treasury Notes - SLGS	U.S. Treasury Bonds	U.S. Agency Notes	Repurchase Agreements	Total Investments
2011	\$ 36,935,477	\$ 2,677,255	\$ -	\$ 13,154,446	\$ 52,767,178
2012	10,796,412	1,735,776	-	12,702,258	25,234,446
2013	2,596,847	705,963	-	13,087,489	16,390,299
2014	2,600,118	295,322	2,911,327	13,271,696	19,078,463
2015	2,540,766	-	-	12,690,794	15,231,560
2016-2020	14,005,073	-	-	64,079,551	78,084,624
2021-2025	14,845,662	-	-	50,483,422	65,329,084
2026-2030	17,118,685	-	-	11,829,419	28,948,104
2031-2032	3,424,905	-	-	-	3,424,905
Total	\$ <u>104,863,945</u>	\$ <u>5,414,316</u>	\$ <u>2,911,327</u>	\$ <u>191,299,075</u>	\$ <u>304,488,663</u>

Maturity	2009				
	U.S. Treasury Notes - SLGS	U.S. Treasury Bonds	U.S. Agency Notes	Repurchase Agreements	Total Investments
2010	\$ 4,078,279	\$ 1,299,389	\$ -	\$ 12,575,987	\$ 17,953,655
2011	1,724,555	2,716,169	-	12,240,747	16,681,471
2012	1,141,124	1,759,509	-	12,702,257	15,602,890
2013	806,492	713,459	-	13,087,489	14,607,440
2014	861,114	298,458	2,855,185	13,271,696	17,286,453
2015-2019	4,633,969	-	-	65,315,291	69,949,260
2020-2024	4,528,671	-	-	48,671,597	53,200,268
2025-2029	5,051,235	-	-	23,126,691	28,177,926
2030	555,045	-	-	-	555,045
Total	\$ <u>23,380,484</u>	\$ <u>6,786,984</u>	\$ <u>2,855,185</u>	\$ <u>200,991,755</u>	\$ <u>234,014,408</u>

As previously discussed, the Authority had \$64,425,993 and \$67,799,555 as of December 31, 2010 and 2009, respectively, invested in the pool maintained by the State Treasurer, and that pool had an average maturity of 13.8 and 21.2 months as of December 31, 2010 and 2009, respectively. The Authority's investment represents approximately 1.1% and 1.3% of the total pool as of December 31, 2010 and 2009, 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, 2010 and 2009:

	<u>Balance January 1, 2010</u>	<u>New loans</u>	<u>Repayments/ loans canceled</u>	<u>Balance December 31, 2010</u>
Water Operations Fund:				
Small Water Resources Program	\$ 73,429,165	\$ -	\$ 14,662,916	\$ 58,766,249
Water Revenue Bonds Program	361,970,000	51,485,000	8,440,000	405,015,000
Interim loans	1,270,003	1,188,155	1,577,834	880,324
Small Hydro Loan Program	1,456,891	-	309,829	1,147,062
Water Pollution Control Fund:				
Direct loans	58,108,178	11,259,496	6,953,923	62,413,751
Leveraged loans	440,920,177	96,760,378	31,932,721	505,747,834
Drinking Water Fund:				
Direct loans	57,354,444	25,706,471	10,884,535	72,176,380
Leveraged loans	189,127,845	-	16,514,239	172,613,606
	<u>1,183,636,703</u>	<u>\$ 186,399,500</u>	<u>\$ 91,275,997</u>	<u>1,278,760,206</u>
Less current portion	<u>63,478,622</u>			<u>70,216,375</u>
Noncurrent portion	<u>\$ 1,120,158,081</u>			<u>\$ 1,208,543,831</u>
	<u>Balance January 1, 2009</u>	<u>New loans</u>	<u>Repayments/ loans canceled</u>	<u>Balance December 31, 2009</u>
Water Operations Fund:				
Small Water Resources Program	\$ 81,702,499	\$ -	\$ 8,273,334	\$ 73,429,165
Water Revenue Bonds Program	354,070,000	15,735,000	7,835,000	361,970,000
Interim loans	278,187	3,991,816	3,000,000	1,270,003
Small Hydro Loan Program	-	1,456,891	-	1,456,891
Water Pollution Control Fund:				
Direct loans	33,337,459	42,248,022	17,477,303	58,108,178
Leveraged loans	471,731,407	-	30,811,230	440,920,177
Drinking Water Fund:				
Direct loans	30,672,349	45,444,807	18,762,712	57,354,444
Leveraged loans	199,653,118	-	10,525,273	189,127,845
	<u>1,171,445,019</u>	<u>\$ 108,876,536</u>	<u>\$ 96,684,852</u>	<u>1,183,636,703</u>
Less current portion	<u>57,312,885</u>			<u>63,478,622</u>
Noncurrent portion	<u>\$ 1,114,132,134</u>			<u>\$ 1,120,158,081</u>

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Scheduled maturities of the loans receivable are as follows as of December 31, 2010:

	Water operations		WPCRF		DWRP		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 16,838,805	\$ 21,799,827	\$ 38,166,705	\$ 13,432,906	\$ 15,210,865	\$ 4,366,554	\$ 70,216,375	\$ 39,599,287
2012	16,634,309	21,637,039	37,203,924	12,957,593	15,865,939	4,305,929	69,704,172	38,900,561
2013	15,744,428	20,950,280	36,933,212	12,150,132	16,104,409	3,971,253	68,782,049	37,071,665
2014	16,423,733	20,248,206	34,996,733	11,208,311	16,513,471	3,628,290	67,933,937	35,084,807
2015	16,342,225	19,473,573	33,247,164	10,293,324	17,166,799	3,266,600	66,756,188	33,033,497
2016-2020	72,918,366	86,691,083	175,660,295	38,104,917	81,058,376	10,585,538	329,637,037	135,381,538
2021-2025	71,059,631	69,437,331	143,519,993	17,742,764	52,739,452	3,672,759	267,319,076	90,852,854
2026-2030	75,297,138	53,193,129	59,354,307	4,117,724	26,120,638	789,727	160,772,083	58,100,580
2031-2035	122,710,000	31,324,184	9,079,252	326,083	2,796,674	12,231	134,585,926	31,662,498
2036-2040	24,775,000	8,427,037	-	-	1,200,032	949	25,975,032	8,427,986
2041-2043	17,065,000	1,822,276	-	-	13,331	-	17,078,331	1,822,276
Total	\$ <u>465,808,635</u>	\$ <u>355,003,965</u>	\$ <u>568,161,585</u>	\$ <u>120,333,754</u>	\$ <u>244,789,986</u>	\$ <u>34,599,830</u>	\$ <u>1,278,760,206</u>	\$ <u>509,937,549</u>

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

The Water Operations Fund – The one loan in the SHLP has an interest rate of 2.00% and a final maturity date in 2030, SWRP loans receivable have interest rates of 3.96% to 6.85% and have scheduled final maturity dates of 2011 to 2023. The WRBP loans receivable have interest rates of 3.63% to 5.50% and have scheduled maturity dates of 2013 to 2043.

The WPCRF direct loans receivable have interest rates of 0.00% to 5.17% and have maturity dates of 2011 to 2031. The WPCRF leveraged loans receivable have interest rates of 2.50% to 5.17% and have scheduled final maturity dates of 2011 to 2032.

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 2041. 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, 2010 and 2009 was as follows:

	2010			
	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 100,166	\$ 46,668	\$ (12,317)	\$ 134,517
Less accumulated depreciation for equipment	(89,894)	(9,237)	12,317	(86,814)
	\$ 10,272	\$ 37,431	\$ -	\$ 47,703
	2009			
	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 100,166	\$ -	\$ -	\$ 100,166
Less accumulated depreciation for equipment	(85,324)	(4,570)	-	(89,894)
	\$ 14,842	\$ (4,570)	\$ -	\$ 10,272

Depreciation expense for the years ended December 31, 2010 and 2009 was \$9,237 and \$4,570, respectively.

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Note 6: Noncurrent Liabilities

Other than Bonds

Noncurrent liability activity, other than bonds, for the year ended December 31, 2010, was as follows:

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2010</u>	<u>Current portion</u>
Water operations:					
Project costs payable – direct loans	\$ 1,355,337	\$ -	\$ 1,355,337	\$ -	\$ -
Project costs payable – leveraged loans	13,540,613	44,088,211	10,405,274	47,223,550	3,206,997
Debt service reserve deposit	1,838,413	5,148,500	-	6,986,913	-
Other liabilities	<u>1,338,325</u>	<u>19,040</u>	<u>67,226</u>	<u>1,290,139</u>	<u>-</u>
Total water operations	<u>\$ 18,072,688</u>	<u>\$ 49,255,751</u>	<u>\$ 11,827,837</u>	<u>\$ 55,500,602</u>	<u>\$ 3,206,997</u>
Water pollution control:					
Project costs payable – direct loans	\$ 37,172,733	\$ 11,259,497	\$ 28,645,691	\$ 19,786,539	\$ 18,011,539
Project costs payable – leveraged loans	12,879,934	101,428,000	38,751,872	75,556,062	62,126,899
Advance payable	1,238,143	3,259,600	3,000,000	1,497,743	-
Deferred revenue	567,340	5,546	105,377	467,509	-
Other liabilities	<u>2,817,591</u>	<u>556,609</u>	<u>636,292</u>	<u>2,737,908</u>	<u>1,477,633</u>
Total water pollution control	<u>\$ 54,675,741</u>	<u>\$ 116,509,252</u>	<u>\$ 71,139,232</u>	<u>\$ 100,045,761</u>	<u>\$ 81,616,071</u>
Drinking water:					
Project costs payable – direct loans	\$ 39,710,201	\$ 25,706,471	\$ 40,409,033	\$ 25,007,639	\$ 20,388,552
Project costs payable – leveraged loans	10,484,236	-	7,006,691	3,477,545	3,477,545
Advance payable	-	4,814,800	-	4,814,800	-
Deferred revenue	83,344	23,587	6,580	100,351	-
Other liabilities	<u>3,356,961</u>	<u>249,575</u>	<u>2,525,075</u>	<u>1,081,461</u>	<u>521,370</u>
Total drinking water	<u>\$ 53,634,742</u>	<u>\$ 30,794,433</u>	<u>\$ 49,947,379</u>	<u>\$ 34,481,796</u>	<u>\$ 24,387,467</u>
Total enterprise funds:					
Project costs payable – direct loans	\$ 78,238,271	\$ 36,965,968	\$ 70,410,061	\$ 44,794,178	\$ 38,400,091
Project costs payable – leveraged loans	36,904,783	145,516,211	56,163,837	126,257,157	68,811,441
Debt service reserve deposit	1,838,413	5,148,500	-	6,986,913	-
Advance payable	1,238,143	8,074,400	3,000,000	6,312,543	-
Deferred revenue	650,684	29,133	111,957	567,860	-
Other liabilities	<u>7,512,877</u>	<u>825,224</u>	<u>3,228,593</u>	<u>5,109,508</u>	<u>1,999,003</u>
Total enterprise funds	<u>\$ 126,383,171</u>	<u>\$ 196,559,436</u>	<u>\$ 132,914,448</u>	<u>\$ 190,028,159</u>	<u>\$ 109,210,535</u>

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Noncurrent liability activity, other than bonds, for the year ended December 31, 2009, was as follows:

	<u>Balance January 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2009</u>	<u>Current portion</u>
Water operations:					
Project costs payable – direct loans	\$ -	\$ 1,456,891	\$ 101,554	\$ 1,355,337	\$ 1,355,337
Project costs payable – leveraged loans	4,510,607	15,019,676	5,989,670	13,540,613	13,540,613
Debt service reserve deposit	1,861,513	576,900	600,000	1,838,413	-
Other liabilities	1,311,822	107,039	80,536	1,338,325	-
Total water operations	<u>\$ 7,683,942</u>	<u>\$ 17,160,506</u>	<u>\$ 6,771,760</u>	<u>\$ 18,072,688</u>	<u>\$ 14,895,950</u>
Water pollution control:					
Project costs payable – direct loans	\$ 6,000,179	\$ 42,248,022	\$ 11,075,468	\$ 37,172,733	\$ 32,302,837
Project costs payable – leveraged loans	47,871,918	-	34,991,984	12,879,934	12,879,934
Advance payable	158,503	1,079,640	-	1,238,143	-
Deferred revenue	676,829	-	109,489	567,340	-
Other liabilities	2,868,861	287,206	338,476	2,817,591	669,062
Total water pollution control	<u>\$ 57,576,290</u>	<u>\$ 43,614,868</u>	<u>\$ 46,515,417</u>	<u>\$ 54,675,741</u>	<u>\$ 45,851,833</u>
Drinking water:					
Project costs payable – direct loans	\$ 7,044,480	\$ 45,444,807	\$ 12,779,086	\$ 39,710,201	\$ 38,527,697
Project costs payable – leveraged loans	36,963,944	-	26,479,708	10,484,236	9,398,436
Deferred revenue	89,924	-	6,580	83,344	-
Other liabilities	1,709,589	2,449,172	801,800	3,356,961	2,618,561
Total drinking water	<u>\$ 45,807,937</u>	<u>\$ 47,893,979</u>	<u>\$ 40,067,174</u>	<u>\$ 53,634,742</u>	<u>\$ 50,544,694</u>
Total enterprise funds:					
Project costs payable – direct loans	\$ 13,044,659	\$ 89,149,720	\$ 23,956,108	\$ 78,238,271	\$ 72,185,871
Project costs payable – leveraged loans	89,346,469	15,019,676	67,461,362	36,904,783	35,818,983
Debt service reserve deposit	1,861,513	576,900	600,000	1,838,413	-
Advance payable	158,503	1,079,640	-	1,238,143	-
Deferred revenue	766,753	-	116,069	650,684	-
Other liabilities	5,890,272	2,843,417	1,220,812	7,512,877	3,287,623
Total enterprise funds	<u>\$ 111,068,169</u>	<u>\$ 108,669,353</u>	<u>\$ 93,354,351</u>	<u>\$ 126,383,171</u>	<u>\$ 111,292,477</u>

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Bonds Payable

The following is an analysis of changes in bonds payable for the year ended December 31, 2010:

	<u>Balance January 1, 2010</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2010</u>
Water Operations:				
Small Water Resources Program:				
1993 Series A	\$ 670,000	\$ -	\$ 670,000	\$ -
1994 Series A	1,250,000	-	225,000	1,025,000
1996 Series A	830,000	-	830,000	-
1997 Series A	935,000	-	95,000	840,000
1997 Series B	3,690,000	-	1,320,000	2,370,000
1998 Series A	4,455,000	-	410,000	4,045,000
1998 Series B	4,985,000	-	1,080,000	3,905,000
2000 Series A	9,195,000	-	9,195,000	-
2001 Series A	13,320,000	-	270,000	13,050,000
2002 Series A	13,390,000	-	195,000	13,195,000
2003 Series A	8,505,000	-	230,000	8,275,000
2006 Series A	13,135,000	-	360,000	12,775,000
	<u>74,360,000</u>	<u>-</u>	<u>14,880,000</u>	<u>59,480,000</u>
Water Revenue Bonds Program:				
2003 Series A	10,645,000	-	565,000	10,080,000
2004 Series A	11,725,000	-	575,000	11,150,000
2004 Series B	19,690,000	-	2,220,000	17,470,000
2004 Series C	12,535,000	-	1,940,000	10,595,000
2004 Series D	100,150,000	-	1,195,000	98,955,000
2004 Series E	2,850,000	-	150,000	2,700,000
2005 Series A	50,400,000	-	960,000	49,440,000
2005 Series B	1,965,000	-	90,000	1,875,000
2005 Series C	7,555,000	-	165,000	7,390,000
2005 Series D	100,000,000	-	-	100,000,000
2005 Series E	26,270,000	-	-	26,270,000
2005 Series F	3,155,000	-	155,000	3,000,000
2008 Series A	8,665,000	-	155,000	8,510,000
2009 Series A	6,940,000	-	245,000	6,695,000
2010 Series A	-	51,485,000	-	51,485,000
	<u>362,545,000</u>	<u>51,485,000</u>	<u>8,415,000</u>	<u>405,615,000</u>
Total Water Operations	436,905,000	\$ <u>51,485,000</u>	\$ <u>23,295,000</u>	465,095,000
Less deferred costs	(353,102)			(273,478)
Less current portion	<u>(14,320,000)</u>			<u>(15,990,000)</u>
Noncurrent bonds payable – Water Operations	<u>\$ 422,231,898</u>			<u>\$ 448,831,522</u>

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	<u>Balance January 1, 2010</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2010</u>
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	\$ 50,000	\$ -	\$ 35,000	\$ 15,000
1990 Series A	5,000	-	5,000	-
1991 Series A	280,000	-	160,000	120,000
1991 Series B	130,000	-	90,000	40,000
1992 Series A	165,000	-	65,000	100,000
1992 Series B	560,000	-	180,000	380,000
1994 Series A	295,000	-	90,000	205,000
1995 Series A	545,000	-	140,000	405,000
1996 Series A	180,000	-	35,000	145,000
1997 Series A	2,015,000	-	320,000	1,695,000
1998 Series A	1,120,000	-	225,000	895,000
1998 Series B	1,210,000	-	170,000	1,040,000
1999 Series A	1,200,000	-	260,000	940,000
2000 Series A	3,220,000	-	1,600,000	1,620,000
2001 Series A	10,240,000	-	3,265,000	6,975,000
2002 Series A	40,400,000	-	2,690,000	37,710,000
2002 Series B	18,935,000	-	705,000	18,230,000
2003 Series A	11,300,000	-	665,000	10,635,000
2004 Series A	57,160,000	-	110,000	57,050,000
2005 Series A	34,310,000	-	1,605,000	32,705,000
2005 Series B	14,605,000	-	700,000	13,905,000
2006 Series A	20,690,000	-	910,000	19,780,000
2006 Series B	12,550,000	-	565,000	11,985,000
2007 Series A	34,370,000	-	1,000,000	33,370,000
2008 Series A	11,785,000	-	480,000	11,305,000
2010 Series A	-	73,835,000	-	73,835,000
2010 Series B	-	19,875,000	-	19,875,000
	<u>277,320,000</u>	<u>93,710,000</u>	<u>16,070,000</u>	<u>354,960,000</u>
Wastewater Revolving Fund				
Refunding Revenue Bonds:				
1996 Series A	8,400,000	-	3,410,000	4,990,000
2001 Series A	24,615,000	-	4,420,000	20,195,000
2004 Series A	32,435,000	-	1,595,000	30,840,000
2005 Series A and A2	75,850,000	-	4,205,000	71,645,000
	<u>141,300,000</u>	<u>-</u>	<u>13,630,000</u>	<u>127,670,000</u>
Total Water Pollution Control Revolving Fund	418,620,000	\$ <u>93,710,000</u>	\$ <u>29,700,000</u>	482,630,000
Deferred (costs) benefits	680,960			612,427
Less current portion	<u>(29,700,000)</u>			<u>(32,710,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	<u>\$ 389,600,960</u>			<u>\$ 450,532,427</u>

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	<u>Balance January 1, 2010</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2010</u>
Drinking Water Revolving Fund:				
Revenue Bonds:				
1997 Series A	\$ 12,140,000	\$ -	\$ 1,245,000	\$ 10,895,000
1998 Series A	8,495,000	-	750,000	7,745,000
1999 Series A	23,955,000	-	2,610,000	21,345,000
2000 Series A	3,845,000	-	1,570,000	2,275,000
2002 Series A	11,860,000	-	770,000	11,090,000
2003 Series A	18,915,000	-	1,175,000	17,740,000
2003 Series B	10,075,000	-	550,000	9,525,000
2006 Series A	10,015,000	-	455,000	9,560,000
2006 Series B	34,080,000	-	1,125,000	32,955,000
2008 Series A	11,020,000	-	155,000	10,865,000
2008 Series B	8,865,000	-	350,000	8,515,000
	<u>153,265,000</u>	<u>-</u>	<u>10,755,000</u>	<u>142,510,000</u>
Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	20,110,000	-	5,000	20,105,000
Total Drinking Water Revolving Fund	173,375,000	\$ -	\$ 10,760,000	162,615,000
Deferred (costs) benefits	145,247			127,133
Less current portion	<u>(10,760,000)</u>			<u>(15,095,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	<u>\$ 162,760,247</u>			<u>\$ 147,647,133</u>
Total enterprise funds:				
Revenue bonds at par	\$ 1,028,900,000	\$ <u>145,195,000</u>	\$ <u>63,755,000</u>	\$ 1,110,340,000
Deferred (costs) benefits	473,105			466,082
Current portion	<u>(54,780,000)</u>			<u>(63,795,000)</u>
Noncurrent bonds payable, net	<u>\$ 974,593,105</u>			<u>\$ 1,047,011,082</u>

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The following is an analysis of changes in bonds payable for the year ended December 31, 2009:

	<u>Balance January 1, 2009</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2009</u>
Water Operations:				
Small Water Resources Program:				
1993 Series A	\$ 1,665,000	\$ -	\$ 995,000	\$ 670,000
1994 Series A	1,760,000	-	510,000	1,250,000
1996 Series A	925,000	-	95,000	830,000
1997 Series A	2,635,000	-	1,700,000	935,000
1997 Series B	4,955,000	-	1,265,000	3,690,000
1998 Series A	4,845,000	-	390,000	4,455,000
1998 Series B	6,490,000	-	1,505,000	4,985,000
2000 Series A	10,070,000	-	875,000	9,195,000
2001 Series A	13,600,000	-	280,000	13,320,000
2002 Series A	13,580,000	-	190,000	13,390,000
2003 Series A	8,735,000	-	230,000	8,505,000
2006 Series A	13,480,000	-	345,000	13,135,000
	<u>82,740,000</u>	<u>-</u>	<u>8,380,000</u>	<u>74,360,000</u>
Water Revenue Bonds Program:				
1998 Taxable Series	1,380,000	-	1,380,000	-
2003 Series A	11,200,000	-	555,000	10,645,000
2003 Series B	695,000	-	695,000	-
2004 Series A	12,280,000	-	555,000	11,725,000
2004 Series B	19,695,000	-	5,000	19,690,000
2004 Series C	14,400,000	-	1,865,000	12,535,000
2004 Series D	101,310,000	-	1,160,000	100,150,000
2004 Series E	2,995,000	-	145,000	2,850,000
2005 Series A	51,330,000	-	930,000	50,400,000
2005 Series B	2,050,000	-	85,000	1,965,000
2005 Series C	7,715,000	-	160,000	7,555,000
2005 Series D	100,000,000	-	-	100,000,000
2005 Series E	26,270,000	-	-	26,270,000
2005 Series F	3,305,000	-	150,000	3,155,000
2008 Series A	-	8,795,000	130,000	8,665,000
2009 Series A	-	6,940,000	-	6,940,000
	<u>354,625,000</u>	<u>15,735,000</u>	<u>7,815,000</u>	<u>362,545,000</u>
Total Water Operations	437,365,000	\$ <u>15,735,000</u>	\$ <u>16,195,000</u>	436,905,000
Less deferred costs	(458,172)			(353,102)
Less current portion	<u>(12,685,000)</u>			<u>(14,320,000)</u>
Noncurrent bonds payable – Water Operations	<u>\$ 424,221,828</u>			<u>\$ 422,231,898</u>

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	<u>Balance January 1, 2009</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2009</u>
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	\$ 100,000	\$ -	\$ 50,000	\$ 50,000
1990 Series A	20,000	-	15,000	5,000
1991 Series A	495,000	-	215,000	280,000
1991 Series B	275,000	-	145,000	130,000
1992 Series A	245,000	-	80,000	165,000
1992 Series B	770,000	-	210,000	560,000
1994 Series A	410,000	-	115,000	295,000
1995 Series A	700,000	-	155,000	545,000
1996 Series A	220,000	-	40,000	180,000
1997 Series A	2,340,000	-	325,000	2,015,000
1998 Series A	1,355,000	-	235,000	1,120,000
1998 Series B	1,390,000	-	180,000	1,210,000
1999 Series A	3,440,000	-	2,240,000	1,200,000
2000 Series A	4,775,000	-	1,555,000	3,220,000
2001 Series A	13,405,000	-	3,165,000	10,240,000
2002 Series A	42,995,000	-	2,595,000	40,400,000
2002 Series B	19,625,000	-	690,000	18,935,000
2003 Series A	11,960,000	-	660,000	11,300,000
2004 Series A	57,270,000	-	110,000	57,160,000
2005 Series A	35,845,000	-	1,535,000	34,310,000
2005 Series B	15,290,000	-	685,000	14,605,000
2006 Series A	21,585,000	-	895,000	20,690,000
2006 Series B	13,095,000	-	545,000	12,550,000
2007 Series A	35,125,000	-	755,000	34,370,000
2008 Series A	12,305,000	-	520,000	11,785,000
	<u>295,035,000</u>	<u>-</u>	<u>17,715,000</u>	<u>277,320,000</u>
Wastewater Revolving Fund				
Refunding Revenue Bonds:				
1996 Series A	11,530,000	-	3,130,000	8,400,000
2001 Series A	29,455,000	-	4,840,000	24,615,000
2004 Series A	33,960,000	-	1,525,000	32,435,000
2005 Series A and A2	78,040,000	-	2,190,000	75,850,000
	<u>152,985,000</u>	<u>-</u>	<u>11,685,000</u>	<u>141,300,000</u>
Total Water Pollution Control Revolving Fund	448,020,000	\$ -	\$ 29,400,000	418,620,000
Deferred (costs) benefits	737,923			680,960
Less current portion	<u>(29,400,000)</u>			<u>(29,700,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	<u>\$ 419,357,923</u>			<u>\$ 389,600,960</u>

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	<u>Balance January 1, 2009</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2009</u>
Drinking Water Revolving Fund:				
Revenue Bonds:				
1997 Series A	\$ 13,355,000	\$ -	\$ 1,215,000	\$ 12,140,000
1998 Series A	9,225,000	-	730,000	8,495,000
1999 Series A	26,505,000	-	2,550,000	23,955,000
2000 Series A	5,360,000	-	1,515,000	3,845,000
2002 Series A	12,610,000	-	750,000	11,860,000
2003 Series A	19,235,000	-	320,000	18,915,000
2003 Series B	10,615,000	-	540,000	10,075,000
2006 Series A	10,460,000	-	445,000	10,015,000
2006 Series B	35,390,000	-	1,310,000	34,080,000
2008 Series A	11,235,000	-	215,000	11,020,000
2008 Series B	8,870,000	-	5,000	8,865,000
	<u>162,860,000</u>	<u>-</u>	<u>9,595,000</u>	<u>153,265,000</u>
Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	20,115,000	-	5,000	20,110,000
Total Drinking Water Revolving Fund	182,975,000	\$ -	\$ 9,600,000	173,375,000
Deferred (costs) benefits	163,364			145,247
Less current portion	<u>(9,600,000)</u>			<u>(10,760,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	<u>\$ 173,538,364</u>			<u>\$ 162,760,247</u>
Total enterprise funds:				
Revenue bonds at par	\$ 1,068,360,000	\$ <u>15,735,000</u>	\$ <u>55,195,000</u>	\$ 1,028,900,000
Deferred (costs) benefits	443,115			473,105
Current portion	<u>(51,685,000)</u>			<u>(54,780,000)</u>
Noncurrent bonds payable, net	<u>\$ 1,017,118,115</u>			<u>\$ 974,593,105</u>

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All of the SWRP bonds are insured by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc., except for the 1996 Series A, which is insured by Financial Guaranty Insurance Company (FGIC). These SWRP bonds are insured as to payment of principal and interest. FGIC also insures the Clean Water Revenue Bonds 1989 Series A as to payment of principal and interest. The Clean Water Revenue Bonds, Series 1992A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp. 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, Series 2005C, Series 2005D, Series 2008A, Series 2009A and Series 2010A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp.

As of December 31, 2010, the outstanding bonds of the Authority had original principal amounts of \$104,380,000 for the Small Water Resources Program, \$438,290,000 for the Water Revenue Bonds Program, \$757,800,000 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 \$1,757,455,000. Principal payments on the bonds are made annually and interest on the bonds is payable semiannually with interest rates ranging from 1.3% to 7.0% 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 Wastewater Revolving Fund Refunding Revenue Bonds Series 1996A, 2001A, 2005A and A-2 and the Drinking Water Revolving Fund Refunding Revenue Bonds Series 2005A, have optional initial call provisions, generally eight to ten years from the issue date. All outstanding bonds with call provisions may be called at par.

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, 2010:

	Water operations		WPCRF		DWRF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 15,990,000	\$ 21,854,939	\$ 32,710,000	\$ 22,525,289	\$ 15,095,000	\$ 7,518,251	\$ 63,795,000	\$ 51,898,479
2012	16,700,000	21,642,402	32,225,000	21,065,941	11,100,000	6,833,375	60,025,000	49,541,718
2013	15,675,000	20,930,249	31,500,000	19,523,168	11,250,000	6,347,230	58,425,000	46,800,647
2014	16,385,000	20,254,233	31,265,000	18,074,636	11,625,000	5,836,193	59,275,000	44,165,062
2015	16,205,000	19,496,905	28,075,000	16,599,059	11,875,000	5,290,153	56,155,000	41,386,117
2016-2020	72,010,000	86,979,769	150,205,000	62,064,691	58,940,000	17,664,678	281,155,000	166,709,138
2021-2025	72,610,000	69,592,939	121,950,000	28,156,470	31,840,000	6,149,147	226,400,000	103,898,556
2026-2030	74,970,000	53,173,242	45,885,000	6,705,631	10,890,000	1,091,069	131,745,000	60,969,942
2031-2035	122,710,000	31,324,184	8,815,000	520,200	-	-	131,525,000	31,844,384
2036-2040	24,775,000	8,427,038	-	-	-	-	24,775,000	8,427,038
2041-2043	17,065,000	1,822,275	-	-	-	-	17,065,000	1,822,275
Total	\$ 465,095,000	\$ 355,498,175	\$ 482,630,000	\$ 195,235,085	\$ 162,615,000	\$ 56,730,096	\$ 1,110,340,000	\$ 607,463,356

Total interest expense for 2010 and 2009 amounted to \$21,232,307, \$21,908,768, \$7,820,199 and \$21,336,249, \$21,388,472, \$8,260,038 for the Water Operations, Water Pollution Control and Drinking Water Funds, respectively.

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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.

Pursuant to terms set forth in the bond resolutions, various assets are pledged as security for the respective bonds issued to fund the loans. The pledged assets include loans receivable and investments held in project accounts, debt service reserve funds, debt service funds and various other accounts. Furthermore, as an additional credit enhancement, the Authority elected to cross collateralize the assets between the WPCRFB and the DWRFB programs.

	2010			
	Water Operations	Water Pollution Control	Drinking Water	Totals
Assets pledged for bonds payable	\$ 528,753,969	\$ 797,211,618	\$ 265,203,267	\$ 1,591,168,854
Bonds payable at par	465,095,000	482,630,000	162,615,000	1,110,340,000
	2009			
	Water Operations	Water Pollution Control	Drinking Water	Totals
Assets pledged for bonds payable	\$ 463,081,403	\$ 647,863,630	\$ 287,619,569	\$ 1,398,564,602
Bonds payable at par	436,905,000	418,620,000	173,375,000	1,028,900,000

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, 2010 and 2009, 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 and in the pledged asset totals above. 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, 2010 and 2009, the Authority had \$59,480,000 and \$74,360,000 of outstanding Small Water Resources Revenue Bonds, respectively.

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Note 7: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2010 and 2009 is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>2010 Amount</u>	<u>2009 Amount</u>
Water Operations	Water Pollution Control	\$ 419,135	\$ 555,981
	Drinking Water	<u>1,714,606</u>	<u>1,437,705</u>
Total		<u>\$ 2,133,741</u>	<u>\$ 1,993,686</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.

<u>Transfer Out</u>	<u>2010 Transfer In</u>	<u>2009 Transfer In</u>
	<u>Drinking Water</u>	<u>Drinking Water</u>
Water Pollution Control	\$ <u>229,942</u>	\$ <u>170,740</u>

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

Note 8: Board-Designated Accounts

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

	<u>2010</u>	<u>2009</u>
Self-insurance account	\$ 800,000	\$ 800,000
La Plata River escrow account	<u>17,527,429</u>	<u>18,423,751</u>
Total Board-designated accounts	<u>\$ 18,327,429</u>	<u>\$ 19,223,751</u>

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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 the base program capitalization grants recognized, by project, during 2010. The ARRA grants awarded in 2009 did not require state matching contributions to the programs.

	Federal grants recognized in 2010	Matching requirement for 2010
Water Pollution Control Revolving Fund Projects:		
Leveraged loans		
2006B Cherokee Metropolitan District	\$ 503,092	\$ 100,618
2008A Elizabeth, Town of	541,326	108,265
2005B Glendale, City of	31,399	6,280
2010A Glenwood Springs, City of	3,252,955	650,591
2003A Milliken, Town of	506	101
2008A New Castle, Town of	642,329	128,466
2010A Pueblo, City of	1,558,835	311,767
Total leveraged loans	6,530,442	1,306,088
 ARRA direct loans:		
Bayfield, Town of	19,396	Not required
Erie, Town of	1,620,947	Not required
Fremont Sanitation District	1,339,668	Not required
Georgetown, Town of	4,270,862	Not required
Gunnison County	275,068	Not required
Manitou Springs, City of	1,756,274	Not required
Monument Sanitation District	1,330,073	Not required
Pagosa Area Water and Sanitation District	3,374,223	Not required
Pueblo, City of	1,262,647	Not required
Red Cliff, Town of	1,733,705	Not required
Rye, Town of	1,593,937	Not required
Widefield Water and Sanitation District	892,528	Not required
Total ARRA direct loans	19,469,328	-
 Base Program Direct Loans:		
Campo, Town of	27,954	5,591
Cheyenne Wells Sanitation District #1	12,318	2,464
Mountain View Villages Water and Sanitation Dist.	113,746	22,749
	154,018	30,804
Total Water Pollution Control Fund	\$ 26,153,788	\$ 1,336,892

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	Federal grants recognized in 2010	Matching requirement for 2010
Drinking Water Revolving Fund Projects:		
2006B Alamosa, City of	\$ 494,768	\$ 98,954
2006B Arapahoe County Water and Sanitation District	361,822	72,364
2006B Cottonwood Water and Sanitation District	576,815	115,363
2008A Estes Park, Town of	19,777	3,955
2008A Pagosa Area Water and Sanitation District	1,370,876	274,175
2008B Project 7 Water Authority	128,132	25,626
Total leveraged loans	2,952,190	590,437
ARRA Funded Direct Loans:		
Arabian Acres Metropolitan District	169,701	Not required
Brighton, City of	881,279	Not required
Cheyenne Wells, Town of	1,075,600	Not required
Colorado City Metropolitan District	1,320,414	Not required
Divide MPC Metropolitan District #1	68,521	Not required
Florence, City of	1,682,842	Not required
Fraser, Town of	474,384	Not required
Gateway Metropolitan District	576,575	Not required
Georgetown, Town of	2,241,449	Not required
Hi-Land Acres Water and Sanitation District	899,459	Not required
Hot Sulphur Springs, Town of	2,323,253	Not required
Kit Carson, Town of	334,705	Not required
Kremmling, Town of	1,438,476	Not required
La Junta, City of	1,281,646	Not required
Lamar, City of	3,236,677	Not required
Manitou Springs, City of	1,486,026	Not required
Manitou Springs, City of	852,557	Not required
Norwood Water Commission, Town of	422,962	Not required
Ophir, Town of	460,562	Not required
Ridgway, Town of	450,000	Not required
Rocky Ford, City of	686,461	Not required
Seibert, Town of	1,139,739	Not required
Total ARRA direct loans	23,503,288	-
Base Program Direct Loans:		
Colorado Springs Utilities	4,993,689	998,738
Grand Junction, City of	3,656,202	731,240
Holly, Town of	60,178	12,036
Kit Carson, Town of	369,125	73,825
Orchard City, Town of	824,428	164,886
Sawpit, Town of	98,093	19,619
Two Buttes, Town of	11,512	2,302
	10,013,227	2,002,646
Total Drinking Water Revolving Fund	36,468,705	2,593,083
Total EPA Capitalization Grants	\$ 62,622,493	\$ 3,929,975

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During 2010, the Authority forgave (Note 2s) \$1,870,496 and \$7,222,200 in WPCRF and DWRF base program loans, respectively, for base program grant-funded loans executed during the year. The amounts are included in loan principal forgiven in the statement of revenues, expenses and changes in fund net assets. Because the Authority recognizes capitalization grant revenue only when all applicable eligibility requirements are met (Note 2b), \$154,018 and \$1,363,336 in WPCRF and DWRF EPA capitalization grant revenue, respectively, related to the 2010 loans receiving principal forgiveness. For 2009 ARRA grant-funded loans receiving principal forgiveness, grant revenues of \$17,426,911 and \$15,746,465 was recognized in 2010 in WPCRF and DWRF, respectively.

The following table details the EPA capitalization grants and matching requirements of \$1 of state match for every \$5 of the base program capitalization grants recognized, by project, during 2009. The ARRA grants awarded in 2009 did not require state matching contributions to the programs.

	Federal grants recognized in 2009	Matching requirement for 2009
Water Pollution Control Revolving Fund Projects:		
Leveraged loans		
2006B Cherokee Metropolitan District	\$ 2,213,406	\$ 442,681
2007A Eagle, Town of	978,047	195,609
2008A Elizabeth, Town of	1,333,296	266,659
2005B Glendale, City of	819,237	163,847
2006A Granby Sanitation District	120,869	24,174
2003A Milliken, Town of	77,627	15,525
2008A New Castle, Town of	2,584,082	516,816
2007A Rifle, City of	2,819,403	563,881
Total leveraged loans	10,945,967	2,189,192
ARRA direct loans:		
Bayfield, Town of	174,560	Not required
Erie, Town of	379,053	Not required
Fremont Sanitation District	365,826	Not required
Georgetown, Town of	708,547	Not required
Gunnison County	132,767	Not required
Monument Sanitation District	641,901	Not required
Pagosa Area Water and Sanitation District	519,583	Not required
Pueblo, City of	237,353	Not required
Red Cliff, Town of	266,295	Not required
Rye, Town of	374,063	Not required
Widefield Water and Sanitation District	537,369	Not required
Total ARRA direct loans	4,337,317	-
Total Water Pollution Control Fund	\$ 15,283,284	\$ 2,189,192

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	Federal grants recognized in 2009	Matching requirement for 2009
Drinking Water Revolving Fund Projects:		
2006B Arapahoe County Water and Sanitation District	\$ 3,790,184	\$ 758,037
2006B Cottonwood Water and Sanitation District	2,143,248	428,650
2008A Estes Park, Town of	2,127,327	425,465
2003A Fountain Valley Authority	13,341	2,668
2003A Lyons, Town of	19,802	3,960
2008A Pagosa Area Water and Sanitation District	143,340	28,668
2008B Project 7 Water Authority	3,116,618	623,324
Total leveraged loans	11,353,860	2,270,772
ARRA Funded Loans:		
Arabian Acres Metropolitan District	117,739	Not required
Blanca, Town of	50,000	Not required
Cheyenne Wells, Town of	656,917	Not required
Colorado City Metropolitan District	459,586	Not required
Divide MPC Metropolitan District #1	60,515	Not required
Fraser, Town of	177,871	Not required
Georgetown, Town of	265,250	Not required
Hi-Land Acres Water and Sanitation District	226,738	Not required
Hot Sulphur Springs, Town of	783,624	Not required
Kit Carson, Town of	51,566	Not required
Kremmling, Town of	354,871	Not required
La Junta, City of	548,354	Not required
Norwood Water Commission, Town of	117,188	Not required
Rocky Ford, City of	115,413	Not required
Seibert, Town of	579,761	Not required
Total ARRA direct loans	4,565,393	-
Total Drinking Water Revolving Fund	15,919,253	2,270,772
Total EPA Capitalization Grants	\$ 31,202,537	\$ 4,459,964

In 2009, the Authority forgave (Note 2s) \$15,673,850 and \$17,176,000 in WPCRF and DWRF ARRA loan principal, respectively and these amounts are included in loan principal forgiven on its statement of revenues, expenses and changes in fund net assets. Because the Authority recognizes capitalization grant revenue only when all applicable eligibility requirements are met (Note 2b), \$4,337,317 and \$4,565,393 in WPCRF and DWRF EPA capitalization grant revenue, respectively, related to those loans for 2009, was recognized in 2009.

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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.

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.

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

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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.

Prior to July 1, 2010, all employees were required to contribute 8.0% percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1 through December 31, 2010, employees were required to contribute at the rate of 10.5%, pursuant to Senate Bill 10-146. The Authority's contribution rates were 13.85% from January 1 to June 30, 2010 and 11.35% from July 1 to December 31, 2010. In previous years the Authority's rates were 12.95% and 12.05% in 2009 and 2008, respectively. Included in the 2010, 2009 and 2008 rates were an additional 2.2%, 1.8%, and 1.4% for the Amortization Equalization Disbursement (AED). Also included in the rates is a supplemental amortization equalization disbursement rate that totaled 1.5%, 1.0% and 0.5% in 2010, 2009 and 2008, respectively. These rate adjustments are discussed below. Also included in these rates was 1.02 % that was allocated to the Health Care Trust Fund (HCTF), 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 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. During 2010, Senate Bill 10-001 extended the annual 0.4% AED rate increases from 2012 through 2017, resulting in a maximum cumulative increase of five percent.

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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. Similar to the AED, Senate Bill 10-001 extended the annual 0.5% SAED rate increases from 2013 through 2017, resulting in a maximum cumulative increase of five percent. The SAED will be funded from the monies otherwise available for increases to employees' salaries. 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 2010, 2009 and 2008 were \$120,782, \$130,142 and \$119,265, 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 HCTF is maintained by an employer's contribution rate as discussed above. The Authority's contributions to the HCTF for 2010, 2009 and 2008 were \$9,865, \$10,411 and \$10,250, 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, 2009, there were 46,985 enrollees in the plan.

Note 11: Postemployment Healthcare Benefits

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

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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, 2010, 2009 and 2008, the Authority's employer contributions to the HCTF were \$9,865, \$10,411, and \$10,250, 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 (\$16,500 and \$15,500 in 2010 and 2009, respectively, 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, 2010 and 2009, the 401(k) Plan member contributions from the Authority were \$82,128 and \$77,708, respectively.

Note 13: Commitments

Leases

The Authority leases office facilities under an operating lease that expires December 31, 2012. Rent expense totaled \$118,581 and \$138,748 for 2010 and 2009, respectively. Below is a schedule of the non-cancelable lease payments due as of December 31, 2010:

<u>Year</u>	<u>Rent</u>
2011	\$ 105,952
2012	<u>109,605</u>
Total	<u>\$ 215,557</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. There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the Authority's insurance coverage during the past three years.

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

Note 16: Significant Estimates and Concentrations

Current Economic Conditions

Beginning 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.

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Like other areas of the country, Colorado communities are experiencing budget shortfalls. The impact of these economic conditions 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 March 30, 2011, the Authority issued Drinking Water Revenue Bonds 2011 Series A in the principal amount of \$24,795,000 dated March 30, 2011. The bond proceeds were used to fund a loan to the City of Sterling, a local government. The bonds consist of serial bonds maturing annually through September 1, 2032. Interest on the bonds is payable semiannually with rates ranging from 2.0% to 4.375%. The bonds maturing on or after September 1, 2022 are subject to optional redemption on or after September 1, 2021 at a redemption price equal to the principal amount of the bonds to be redeemed plus accrued interest to the redemption date.