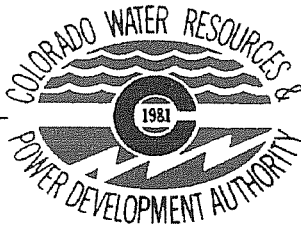




# Colorado Water Resources and Power Development Authority



## 2011 Annual Report



## COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

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April 30, 2012

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

Dear Governor Hickenlooper:

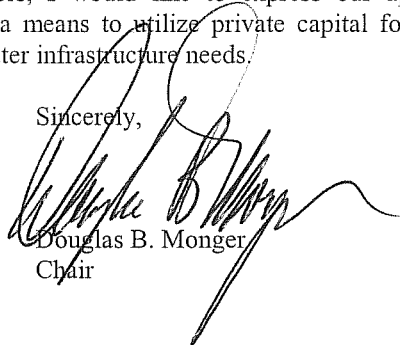
Pursuant to section 37-95-116 C.R.S., attached is the annual report of the Colorado Water Resources and Power Development Authority for fiscal year 2011. The 2011 report includes a description of the Authority's 2011 accomplishments and activities, and a copy of the Authority's 2011 financial statements audited by BKD, LLP.

During 2011 the Authority executed \$28,534,484 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 \$39,872,180 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,



Douglas B. Monger  
Chair

Attachment

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



COLORADO WATER RESOURCES  
AND  
POWER DEVELOPMENT AUTHORITY  
  
2011 ANNUAL REPORT

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Cover Photo: Englewood/Littleton Wastewater Treatment Plant  
Courtesy: Cities of Englewood & Littleton

The 2011 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 2011 along with its audited financial statements for the years ended December 31, 2011 and 2010.

## **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 17 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 2012, there are 405 projects on the DWRF project eligibility list representing a cumulative need of over \$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 the funding level was set at \$150,000. For 2011 and 2012, the annual funding level was increased to \$250,000 for new grants. Through 2011, 118 grants have been awarded that have resulted in \$116.6 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 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 2011, 46 disadvantaged community loans totaling \$32.3 million have been executed.

As of December 31, 2011, the EPA has awarded \$243,897,600, including \$34,352,000 from ARRA, in capitalization grants to Colorado. Of this amount, \$189,029,035 has been deposited in the DWRF. The remaining \$54,868,565 was set aside for administration (\$9,755,904), technical assistance to small communities (\$4,596,420), public water system supervision (\$13,938,928), in kind services (\$150,000), source water protection (\$1,660,065) and local set-asides (\$24,767,248) which includes capacity development and wellhead protection. On March 28, 2012, the Authority applied for its 2012 capitalization grant in the amount of \$15,920,000. Funding from Congress is likely to decrease for 2013. Through December 31, 2011, 172 loans have been executed under the DWRF program totaling \$413,093,690 with an outstanding principal balance of \$263,469,161. In 2012, the Authority anticipates issuing up to \$40 million in loans using annual grant funds and reloan funds. As of December 31, 2011, 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 two outstanding SHLP loans as of December 31, 2011, was \$3,088,164.

The Board authorized \$150,000 to provide matching grants to communities to plan and design small hydropower facilities. Seven matching grants in the amount of \$105,000 were awarded in 2011.

### ***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 2011, the Authority had issued 48 loans totaling \$149,590,000 with an outstanding balance of \$50,783,333. As of December 31, 2011, 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 2012, there are 381 projects on the WPCRF project eligibility list representing a cumulative need of nearly \$3.4 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 DWRP 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 the funding level was set at \$150,000. For 2011 and 2012, the annual funding level was increased to \$250,000 for new planning and design grants. Through 2011, 120 grants have been awarded which have resulted in \$108.1 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 DWRP program. Through 2011, 33 disadvantaged community loans totaling \$23.1 million have been executed.

As of December 31, 2011, the EPA has awarded \$282,626,923 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.

On April 13, 2012, the Authority applied for its 2012 capitalization grant in the amount of \$11,305,000 (2012 Federal budget was just approved).

Through December 31, 2011, 210 loans have been executed under the WPCRF Program totaling \$928,880,093 with an outstanding principal balance of \$555,979,840. In 2012, the Authority anticipates issuing up to \$40 million in loans using annual grant funds and reloan funds. As of December 31, 2011, 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 DWRP, 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 2011, 21 loans have been executed under the WRB program totaling \$479,855,000 and having an outstanding loan balance of \$411,720,000. As of December 31, 2011, 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. Three WRB loans were executed in 2011, totaling \$27,665,000. For 2012 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 2011 no interim loans were executed.

## ***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. It is anticipated that the City and the District will enter into agreements with the Authority for their respective purchases of Project water in 2012 or 2013.

As of December 31, 2011, construction of the Project facilities in Colorado was complete. Pumping water to fill the reservoir began in the spring of 2009 and was completed by June 30, 2011.

Through 2011, 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 2011 was \$1,504,954 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, 2011, this escrow contained \$17,114,874 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. In early 2012, the Authority Board agreed to provide an additional \$2.5 million to the Long Hollow Project. Construction is expected to begin by Summer 2012.

#### ***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 2012 represents the balance in all accounts that are not obligated or restricted as to use by the Authority as of December 31, 2011.

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 CASH FLOWS					
	2012	2013	2014	2015	2016
Beginning cash balance	\$ 31,456,942	\$ 27,612,242	\$ 22,179,072	\$16,699,902	\$ 13,821,732
Cash inflows					
Investment interest	475,000	450,000	460,000	470,000	480,000
SRF programs	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Interim loans - loan interest	460,000	105,000	105,000	105,000	105,000
Interim loans - repaid	13,145,000	14,000,000	14,000,000	14,000,000	14,000,000
SHLP - loan repayments	71,000	72,000	74,000	76,000	77,000
Other	3,300	358,830	358,830	358,830	358,830
Cash outflows:					
SRF programs	(2,895,000)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)
SHLP program	(257,000)	(2,199,000)	(2,199,000)	(2,049,000)	(49,000)
Interim loans	(13,145,000)	(14,000,000)	(14,000,000)	(14,000,000)	(14,000,000)
Stop gap grant program	(2,500,000)	(2,500,000)	(2,500,000)	-	-
Other loan programs expenses	(1,427,000)	(1,290,000)	(1,290,000)	(1,290,000)	(1,290,000)
Administrative costs & other	(2,275,000)	(2,330,000)	(2,388,000)	(2,449,000)	(2,513,000)
Estimated ending cash balance	\$ 27,612,242	\$ 22,179,072	\$ 16,699,902	\$13,821,732	\$ 12,890,562

Expenditures for the Authority include funds obligated to the SHLP and interim loans (if applicable), 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.

## BOARD OF DIRECTORS

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The members of the Board of Directors of the Authority as of December 31, 2011, are listed below:

### **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.

### **For terms expiring October 1, 2014:**

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.

\*Messrs. Wattenberg and Kugel were reappointed by Governor Hickenlooper for terms expiring October 1, 2015, on January 12, 2012. Senate confirmation hearings were held on March 21, 2012, and both reappointments were confirmed by the Senate on March 26, 2012.

## OFFICERS

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*Officers as of December 31, 2011*

<b>Chair</b>	Douglas B. Monger
<b>Vice Chair</b>	Gregory J. Higel
<b>Secretary/Treasurer</b>	Gregory C. Fisher

## STAFF

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*As of April 30, 2012*

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

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

Independent Accountants' Reports, Management's Discussion and Analysis,  
Financial Statements and Single Audit Reports

December 31, 2011 and 2010

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
December 31, 2011 and 2010**

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(A Component Unit of the State of Colorado)  
December 31, 2011 and 2010**

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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 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, 2011 and 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of Colorado Water Resources and Power Development Authority as of December 31, 2011 and 2010, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our 2011 audit.



Board of Directors  
Colorado Water Resources and  
Power Development Authority

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the 2011 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 basic financial statements or to the 2011 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2011 basic financial statements as a whole.

*BKD, LLP*

April 13, 2012

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, 2011 and 2010

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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, 2011 and 2010.

### **2011 Financial Highlights**

- In 2009, the Water Pollution Control Revolving Fund (WPCRF) and the Drinking Water Revolving Fund (DWRP) received grant awards pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). Of the amounts awarded, \$29.6 million (94.6%) and \$33.4 million (97.1%) were expended as of December 31, 2011, in the WPCRF and DWRP, respectively.
- Combined net assets of the Authority's enterprise funds totaled \$589.3 million. The \$22.2 million increase in combined total net assets was the net effect of capitalization grant revenue from the United States Environmental Protection Agency (EPA) totaling \$24.6 million offsetting the combined operating loss of \$2.4 million.
- Total loans receivable increased to \$1.3 billion. During 2011, the Authority executed 35 direct loans and eight leveraged loans totaling \$101.1 million. Of the 35 direct loans executed, nine borrowers received full or partial principal forgiveness totaling \$6.2 million related to requirements under the grant conditions. Three leveraged loan borrowers and one direct loan borrower prepaid their loans in full totaling \$13.9 million.
- Total bonds payable equaled \$1.1 billion. During 2011, the Authority defeased and/or called \$17.9 million of the remaining portion of bonds associated with the prepayment of three leveraged loans. The Authority sold bonds (five issuances) with par values totaling \$67.1 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.

### **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.

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**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, 2011 and 2010 in a comparative format. Furthermore, schedules of total enterprise fund data and analysis is provided in comparative year format for 2011-2010 and 2010-2009.

Unrestricted current and other assets primarily consist of cash and cash equivalents, investment and loan interest receivable, loans receivable 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, in whole or in part, with bond proceeds. Noncurrent debt is the total of bonds payable more than one year subsequent to the fiscal year end. Net assets are classified into three categories: invested in capital assets, restricted, and unrestricted.

Each of the enterprise funds contains one or more leveraged loan programs that are funded all or in part with bond proceeds. Bonds are issued only to provide capital for pre-approved loans. Each additional loan-bond financing package directly increases four major line items on the respective fund's summary schedule 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.

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A summary schedule and discussion of changes in major line items for total enterprise funds and for each enterprise fund follows.

*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.

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 and DWRP programs allow 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, into 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 borrower project accounts (restricted).

During 2011, the \$24.7 million increase in total unrestricted current and other assets was the net result of the deallocation of \$28.4 million to the reloan accounts offset by the transfer from the reloan account to fund new direct loans. Although \$23.5 million was deallocated in 2010, the net increase in unrestricted current and other assets was limited to \$1.7 million in 2010 due, in part, to the greater amount transferred from the reloan account for new loan funding.

New loan funding (net of grant funded direct loans) totaling \$164.3 million, offset by \$74.9 million in project draws, was the main contributor to the \$114.4 million increase in restricted assets in 2010. In comparison, in 2011, project requisitions totaling \$82.7 million exceeded the \$94.6 million in new loan funding (net of grant funded loans), contributing to the \$10.1 million decrease in restricted assets. During 2010, direct loan requisitions totaling \$70.0 million, including \$53.1 million in grant funded requisitions, contributed to the \$16.7 million decrease in current and other liabilities. In 2011, \$29.4 million in direct loan project requisitions, including \$11.9 million in grant funded requisitions, contributed to the \$3.1 million decrease in current and other liabilities.

During 2011, \$101.1 million in new loan executions, offset by loan principal repayments, reductions, principal forgiveness and prepayments totaling \$94.9 million, contributed to the \$6.6 million increase in noncurrent loans receivable. In 2010, new loan executions totaling \$186.4 million, offset by \$91.3 million in loan repayments, reductions, principal forgiveness and prepayments, contributed to the \$88.4 million increase in noncurrent loans receivable. During 2011, bond issuances totaling \$67.1 million were offset by \$77.3 million in bond principal payments, calls and defeasances contributing to a \$6.6 million decrease in noncurrent bonds payable. In contrast, bond issuances totaling \$145.2 million, offset by \$63.8 million in bond principal payments and calls, resulted in the \$72.4 million increase in noncurrent bonds payable for 2010.

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<i>Total Enterprise Funds (2011- 2010)</i>	Schedule 1A			
Summary of Net Assets as of December 31				
	2011	2010	Change	Pct Chg
Unrestricted current and other assets	\$ 238,046,617	\$ 213,297,886	\$ 24,748,731	11.6%
Restricted assets	456,496,597	466,639,905	(10,143,308)	(2.2%)
Capital assets, net	42,834	47,703	(4,869)	(10.2%)
Noncurrent loans receivable	1,215,110,723	1,208,543,831	6,566,892	0.5%
Total assets	1,909,696,771	1,888,529,325	21,167,446	1.1%
Current and other liabilities	144,955,417	148,106,347	(3,150,930)	(2.1%)
Project costs payable-leveraged loans	135,034,393	126,257,157	8,777,236	7.0%
Noncurrent bonds payable, net	1,040,369,493	1,047,011,082	(6,641,589)	(0.6%)
Total liabilities	1,320,359,303	1,321,374,586	(1,015,283)	(0.1%)
Net assets:				
Invested in capital assets	42,834	47,703	(4,869)	(10.2%)
Restricted	521,058,210	501,646,711	19,411,499	3.9%
Unrestricted	68,236,424	65,460,325	2,776,099	4.2%
Total Net assets	\$ 589,337,468	\$ 567,154,739	\$ 22,182,729	3.9%

<i>Total Enterprise Funds (2010- 2009)</i>	Schedule 1B			
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	1,888,529,325	1,683,964,586	204,564,739	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	1,321,374,586	1,176,272,543	145,102,043	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	\$ 567,154,739	\$ 507,692,043	\$ 59,462,696	11.7%

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The discussion below describes the changes to each of the three enterprise fund's summary schedule of net assets for the current year.

*Water Operations Fund*

One Small Hydro Loan Program direct loan and three Water Revenue Bonds Program (WRBP) leveraged loans for a combined total of \$30.2 million were executed in 2011. The increase in noncurrent loans receivable is a result of the new loan executions offset by \$30.4 million in loan principal payments, including \$12.9 million in prepayments from two borrowers. Similarly, the decrease in noncurrent bonds payable was the result of three bond issuances totaling \$27.7 million offset by \$29.5 million in bond principal payments, including \$13.5 million in bond defeasances related to the loan prepayments. New loan funding offset by \$10.4 million in project draws also contributed to increases in restricted assets and project costs payable-leveraged loans by \$16.2 million and \$19.6 million, respectively.

Water Operations Fund	Schedule 2			
	Summary of Net Assets as of December 31			
	2011	2010	Change	Pct Chg
Unrestricted current and other assets	\$ 99,883,475	\$ 98,196,772	\$ 1,686,703	1.7%
Restricted assets	87,050,316	70,874,674	16,175,642	22.8%
Capital assets, net	42,834	47,703	(4,869)	(10.2%)
Noncurrent loans receivable	449,635,522	448,969,830	665,692	0.1%
Total assets	<u>636,612,147</u>	<u>618,088,979</u>	<u>18,523,168</u>	3.0%
Current and other liabilities	34,994,481	32,696,003	2,298,478	7.0%
Project costs payable-leveraged loans	66,809,967	47,223,550	19,586,417	41.5%
Noncurrent bonds payable, net	446,845,290	448,831,522	(1,986,232)	(0.4%)
Total liabilities	<u>548,649,738</u>	<u>528,751,075</u>	<u>19,898,663</u>	3.8%
Net assets:				
Invested in capital assets	42,834	47,703	(4,869)	(10.2%)
Restricted	23,705,025	27,671,411	(3,966,386)	(14.3%)
Unrestricted	64,214,550	61,618,790	2,595,760	4.2%
Total Net assets	<u>\$ 87,962,409</u>	<u>\$ 89,337,904</u>	<u>\$ (1,375,495)</u>	(1.5%)

*Water Pollution Control Fund*

The deallocation of \$20.5 million, offset by the transfers from the reloan account to fund new direct loans, was the main contributor to the \$14.5 million increase in unrestricted current and other assets. During 2011, the Authority executed four leveraged loans and twelve direct loans, including four direct loans that received \$1.2 million in partial or full principal forgiveness related to requirements under the grant conditions, for the combined total of \$31.1 million. To fund the leveraged loans, the Authority issued bonds totaling \$14.6 million. Increases to noncurrent loans receivable from new loan funding was offset by \$37.7 million in loan principal payments, including two borrower prepayments, and \$5.6 million in loan reductions and principal forgiveness, contributing to the \$12.0 million decrease in noncurrent loans receivable. Likewise, the increase in noncurrent bonds payable from new bond issuances was offset by \$32.7 million in bond principal payments contributing to the \$18.3 million decrease.

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The \$29.9 million decrease in project costs payable-leveraged loans was the net result of the deposit of bond proceeds totaling \$17.5 million in 2011 offset by \$47.4 million in project requisitions for new and previous year's executed leveraged loans. Project requisitions paid to leveraged loan and non-grant funded direct loan borrowers and deallocation to the reloan account contributed to the \$38.2 million decrease in restricted assets. The decrease was limited by the deposit of bond proceeds to fund new leveraged loans and the transfer from the reloan account to fund direct loans.

<i>Water Pollution Control Fund</i>	Schedule 3			
	Summary of Net Assets as of December 31			
	2011	2010	Change	Pct Chg
Unrestricted current and other assets	\$ 85,876,696	\$ 71,365,045	\$ 14,511,651	20.3%
Restricted assets	257,379,580	295,587,149	(38,207,569)	(12.9%)
Noncurrent loans receivable	518,013,655	529,994,880	(11,981,225)	(2.3%)
Total assets	<u>861,269,931</u>	<u>896,947,074</u>	<u>(35,677,143)</u>	<u>(4.0%)</u>
Current and other liabilities	63,439,533	65,090,403	(1,650,870)	(2.5%)
Project costs payable-leveraged loans	45,652,870	75,556,062	(29,903,192)	(39.6%)
Noncurrent bonds payable, net	432,204,904	450,532,427	(18,327,523)	(4.1%)
Total liabilities	<u>541,297,307</u>	<u>591,178,892</u>	<u>(49,881,585)</u>	<u>(8.4%)</u>
Net assets:				
Restricted	<u>319,972,624</u>	<u>305,768,182</u>	<u>14,204,442</u>	<u>4.6%</u>
Total Net assets	<u>\$ 319,972,624</u>	<u>\$ 305,768,182</u>	<u>\$ 14,204,442</u>	<u>4.6%</u>

*Drinking Water Fund*

The deallocation of \$7.6 million, offset by the transfers from the reloan account to fund new direct loans, was the main contributor to the \$8.6 million increase in unrestricted current and other assets. During 2011, the Authority executed one leveraged loan and thirteen direct loans, including five direct loans that received \$4.9 million in partial or full principal forgiveness related to grant condition requirements, for a combined total of \$39.9 million. To fund the leveraged loan, the Authority issued bonds totaling \$24.8 million. The \$17.9 million increase to noncurrent loans receivable resulted from new loan funding offset by \$15.0 million in loan repayments and \$6.2 million in loan reductions and principal forgiveness. Likewise, the \$13.7 million increase in noncurrent bonds payable was a result of new bond issuances offset by \$15.1 million in bond principal payments, including \$4.4 million in called bonds related to a borrower loan prepayment in 2010.

The \$19.1 million increase in project costs payable-leveraged loans was a net result of the deposit of bond proceeds totaling \$29.0 million in 2011, offset by \$9.9 million in project requisitions for new and previous year's executed leveraged loans. The deposit of bond proceeds to fund new leveraged loans and the transfer from the reloan account to fund direct loans contributed to the \$11.9 million increase in restricted assets. The increase was limited by project requisitions paid to leveraged loan and non-grant funded direct loan borrowers and deallocation to the reloan account.

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<i>Drinking Water Fund</i>	Schedule 4			
	Summary of Net Assets as of December 31			
	2011	2010	Change	Pct Chg
Unrestricted current and other assets	\$ 52,286,446	\$ 43,736,069	\$ 8,550,377	19.5%
Restricted assets	112,066,701	100,178,082	11,888,619	11.9%
Noncurrent loans receivable	247,461,546	229,579,121	17,882,425	7.8%
Total assets	<u>411,814,693</u>	<u>373,493,272</u>	<u>38,321,421</u>	10.3%
Current and other liabilities	46,521,403	50,319,941	(3,798,538)	(7.5%)
Project costs payable-leveraged loans	22,571,556	3,477,545	19,094,011	549.1%
Noncurrent bonds payable, net	161,319,299	147,647,133	13,672,166	9.3%
Total liabilities	<u>230,412,258</u>	<u>201,444,619</u>	<u>28,967,639</u>	14.4%
Net assets:				
Restricted	177,380,561	168,207,118	9,173,443	5.5%
Unrestricted	4,021,874	3,841,535	180,339	4.7%
Total Net assets	<u>\$ 181,402,435</u>	<u>\$ 172,048,653</u>	<u>\$ 9,353,782</u>	5.4%

**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 DWRP, 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 2011, interest on investments and interest on loans contributed 19.2% and 58.5%, respectively, to total operating revenues. Interest on bonds and principal forgiveness contributed 73.7% and 10.7%, respectively, to total operating expenses.

The WPCRF and DWRP 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 DWRP loans, which is computed on the original loan receivable balance and is a component of loan interest, was increased from 0.8% to 1.25%. Due to the structure of the loan program, the increase in the administrative fee rate does not affect the subsidized loan rate charged to the borrowers. The administrative fee surcharge rate on WPCRF loans remains at 0.8%. Generally, these fees remain constant over the term of the loan. Zero interest rate loans (i.e.: certain disadvantaged community and ARRA loans) in both the WPCRF and DWRP programs are not assessed an administrative fee surcharge. (For



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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 DWRP, federal capitalization grant revenues are recorded as nonoperating revenue. Grant revenue from the DWRP 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. 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, 2011 activity, supplemented by EPA capitalization grant draws, resulted in changes in net assets totaling \$22.2 million, \$59.5 million and \$5.7 million for 2011, 2010, and 2009, respectively.

Total combined interest on investments for 2011, 2010 and 2009 reflect a continued decline in investment rates. The average annual interest rate for COLOTRUST was 0.1% for 2011 compared to 0.2% for 2010 and 0.4% for 2009. The investment interest from additional restricted assets in 2010, not fully realized until 2011, was offset by the continued decline in investment rates resulting in \$0.6 million decrease in interest on investments in 2011 compared to the \$1.0 million decrease in 2010.

Over the three years, increases in interest on loans were limited by 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. Interest received from borrowers' prepayments during 2011 and the interest from a WRBP loan executed in 2010 contributed to the \$2.5 million increase in interest on loans in 2011. The increase in interest on loans was the principal contributor to the \$2.5 million net increase in operating revenues for 2011. In comparison, the \$0.8 million decrease in 2010 operating revenues resulted from the \$1.0 million decrease in interest on investments.

In the WPCRF and DWRP funds, administrative fee income is a component of total loan interest (but recorded separately) as discussed in the Overview of this section. In 2011 and 2010, administrative fee and other income increased \$0.5 million which correlates to WPCRF and DWRP loans executed during 2011, 2010 and 2009. 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 and 2011 grant awards in both the WPCRF and DWRP, certain loans executed in 2010 and 2011 received one-time

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principal forgiveness as well. Loan principal forgiven totaled \$7.9 million, \$9.9 million and \$33.4 million for 2011, 2010 and 2009, respectively. For all three years, this additional operating expense was a major contributor to the operating loss.

<i>Total Enterprise Funds (2011- 2010)</i>		Schedule 5A		
Summary of Changes in Net Assets as of December 31				
	2011	2010	Change	Pct Chg
<b>Operating revenues:</b>				
Interest on loans	\$ 41,608,813	\$ 39,109,851	\$ 2,498,962	6.4%
Interest on investments	13,623,175	14,194,190	(571,015)	(4.0%)
Administrative fees and other income	9,347,643	8,854,690	492,953	5.6%
EPA grants	6,508,515	6,474,880	33,635	0.5%
Total operating revenues	<u>71,088,146</u>	<u>68,633,611</u>	<u>2,454,535</u>	3.6%
<b>Operating expenses:</b>				
Interest on bonds	54,175,900	50,961,274	3,214,626	6.3%
Grant administration	4,473,115	3,773,527	699,588	18.5%
Loan principal forgiven	7,880,017	9,926,993	(2,046,976)	(20.6%)
General, administrative, and other expenses	2,186,447	2,614,972	(428,525)	(16.4%)
EPA set asides	4,751,063	4,516,642	234,421	5.2%
Total operating expenses	<u>73,466,542</u>	<u>71,793,408</u>	<u>1,673,134</u>	2.3%
Operating income (loss)	(2,378,396)	(3,159,797)	781,401	(24.7%)
EPA capitalization grants	24,561,125	62,622,493	(38,061,368)	(60.8%)
Change in net assets	22,182,729	59,462,696	(37,279,967)	(62.7%)
Net assets – beginning of year	567,154,739	507,692,043	59,462,696	11.7%
Net assets – end of year	<u>\$ 589,337,468</u>	<u>\$ 567,154,739</u>	<u>\$ 22,182,729</u>	3.9%

<i>Total Enterprise Funds (2010- 2009)</i>		Schedule 5B		
Summary of Changes in Net Assets as of December 31				
	2010	2009	Change	Pct Chg
<b>Operating revenues:</b>				
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	<u>68,633,611</u>	<u>69,405,463</u>	<u>(771,852)</u>	(1.1%)
<b>Operating expenses:</b>				
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	<u>71,793,408</u>	<u>94,931,106</u>	<u>(23,137,698)</u>	(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	<u>\$ 567,154,739</u>	<u>\$ 507,692,043</u>	<u>\$ 59,462,696</u>	11.7%

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Combined EPA capitalization grants totaled \$24.6 million, \$62.6 million, and \$31.2 million for 2011, 2010, and 2009, respectively. As explained earlier in this section, grant funds are drawn as requisitions are paid to borrowers with projects financed with capitalization grant monies. ARRA grants were obligated to fund projects that were ready to proceed with construction. As a result of the expedited construction schedules, a majority of the \$62.4 million ARRA grants was drawn in 2010 and caused the \$31.4 million spike in EPA capitalization grants. Conversely, during 2011, project draws decreased because many ARRA projects reached or neared completion, resulting in a \$38.1 million decrease in EPA capitalization grants. Capitalization grant revenue was the primary contributor to the total change in net assets for 2011, 2010, and 2009.

Combined change in net assets decreased by \$37.3 million in 2011, compared to a \$53.8 million increase in 2010. The decrease in change in net assets in 2011 was primarily the result of the \$38.1 million decrease in EPA Capitalization grants. In 2010, the increase in change in net assets was primarily attributed to a decrease in loan principal forgiveness of \$23.4 million offset by an increase in EPA capitalization grants (\$31.4 million).

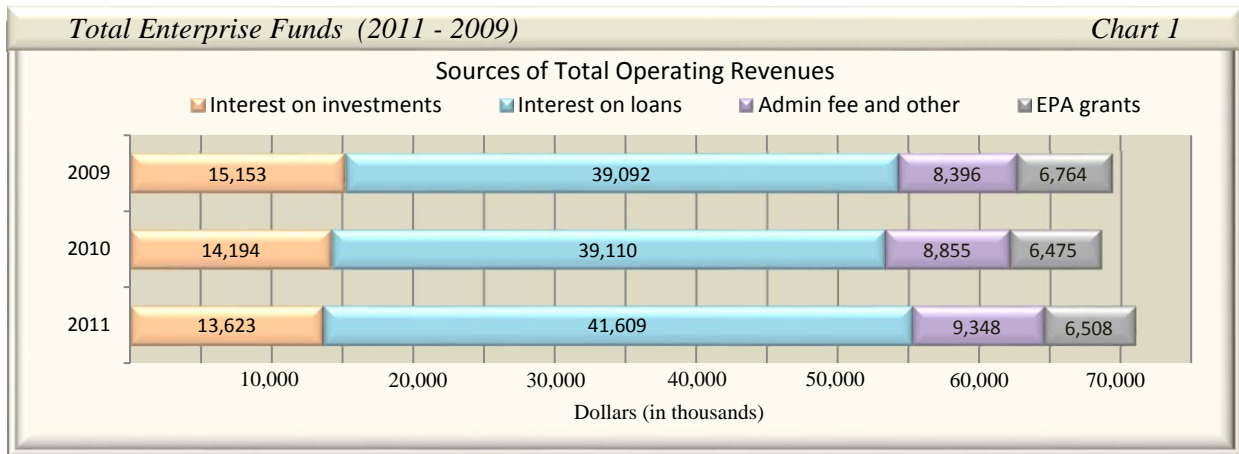


Chart 1 compares the major sources of combined operating revenues among the years. Note the increase in interest on loans and administrative and other income, which had the most impact on the increase in total operating revenues for 2011. The discussion below describes the changes to each of the three-enterprise 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 2011 and 2010.

*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

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State Treasurer, which saw a decline in the average annual rate from 2.23% in 2010 to 1.57% in 2011 and a \$4.1 million decrease in investment balance.

<i>Water Operations Fund</i>	Schedule 6			
Summary of Changes in Net Assets as of December 31				
	2011	2010	Change	Pct Chg
<b>Operating revenues:</b>				
Interest on loans	\$ 23,762,338	\$ 20,938,435	\$ 2,823,903	13.5%
Interest on investments	879,101	1,358,992	(479,891)	(35.3%)
Other	5	5	-	0.0%
Total operating revenues	<u>24,641,444</u>	<u>22,297,432</u>	<u>2,344,012</u>	10.5%
<b>Operating expenses:</b>				
Interest on bonds	24,225,805	21,232,307	2,993,498	14.1%
Loan principal forgiven	2,773	490	2,283	465.9%
General, administrative, and other expenses	1,788,361	2,341,653	(553,292)	(23.6%)
Total operating expenses	<u>26,016,939</u>	<u>23,574,450</u>	<u>2,442,489</u>	10.4%
Operating income (loss)	<u>(1,375,495)</u>	<u>(1,277,018)</u>	<u>(98,477)</u>	7.7%
Change in net assets	(1,375,495)	(1,277,018)	(98,477)	7.7%
Net assets – beginning of year	89,337,904	90,614,922	(1,277,018)	(1.4%)
Net assets – end of year	<u>\$ 87,962,409</u>	<u>\$ 89,337,904</u>	<u>\$ (1,375,495)</u>	(1.5%)

Interest earned on the three WRBP loans executed in 2011 and one in 2010, plus interest received from two loan prepayments (one WRBP and one SWRP), contributed to the \$2.8 million increase in interest on loans. The \$3.0 million increase in interest on bonds is related to the same factors for the increase in interest on loans. The bonds associated with the two loan prepayments were legally defeased when the prepayments were received and the total bond interest expense was recognized in 2011.

In 2010, the Authority's Board of Directors approved the cost to design the Long Hollow dam and reservoir in southwestern Colorado. Engineering and other costs associated with this project decreased from \$1.4 million in 2010 to \$0.8 million dollars in 2011, which contributed to the \$0.6 million decrease in general, administrative and other expenses.

*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 2011, the net effect of these factors resulted in a net decrease in interest on loans.

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<i>Water Pollution Control Fund</i>	Schedule 7			
	Summary of Changes in Net Assets as of December 31			
	2011	2010	Change	Pct Chg
<b>Operating revenues:</b>				
Interest on loans	\$ 13,249,962	\$ 13,285,546	\$ (35,584)	(0.3%)
Interest on investments	9,298,756	9,127,316	171,440	1.9%
Administrative fee and other income	6,258,525	6,177,337	81,188	1.3%
EPA grants-administrative	821,044	1,000,079	(179,035)	(17.9%)
Total operating revenues	<u>29,628,287</u>	<u>29,590,278</u>	<u>38,009</u>	0.1%
<b>Operating expenses:</b>				
Interest on bonds	22,112,799	21,908,768	204,031	0.9%
Grant administration	2,709,056	2,012,272	696,784	34.6%
Loan principal forgiven	2,583,232	2,603,408	(20,176)	(0.8%)
General, administrative, and other expenses	213,806	217,979	(4,173)	(1.9%)
Total operating expenses	<u>27,618,893</u>	<u>26,742,427</u>	<u>876,466</u>	3.3%
Operating income (loss)	2,009,394	2,847,851	(838,457)	(29.4%)
EPA capitalization grants	12,376,224	26,153,788	(13,777,564)	(52.7%)
Transfers in (out)	<u>(181,176)</u>	<u>(229,942)</u>	<u>48,766</u>	(21.2%)
Change in net assets	14,204,442	28,771,697	(14,567,255)	(50.6%)
Net assets – beginning of year	<u>305,768,182</u>	<u>276,996,485</u>	<u>28,771,697</u>	10.4%
Net assets – end of year	<u>\$ 319,972,624</u>	<u>\$ 305,768,182</u>	<u>\$ 14,204,442</u>	4.6%

Generally, in the WPCRF, bonds and loans have maturities of 20 years; therefore, the fund has reached its financial maturity. Financial activity for new bonds and loans is being offset by the amortization of existing bonds and loans, resulting in year-to-year comparable operating revenues and expenses. However, in 2011, grant administration expenses totaled \$2.7 million, an increase of \$0.7 million, due, in part, to special projects conducted by the Water Quality Control Division of the Colorado Department of Public Health and Environment. Operating income of \$2.0 million plus \$12.4 million in EPA capitalization grants resulted in a change in fund net assets of \$14.2 million, a decrease of \$14.6 million compared to 2010. As discussed above in the Overview section, decreases in ARRA project draws resulted in the \$13.8 million decrease in EPA capitalization grants.

*Drinking Water Fund*

Interest on loans is affected by several factors; additional interest resulting from new loans executed, declining interest due to normal loan amortization, and various credits, in addition to normal subsidy credits, that adjust loan interest from time to time. Certain ARRA loans and disadvantaged community base program loans have zero interest rates that will not add to interest on loans. For certain loans, a majority or all of the loan interest is allocated to administrative fee income. In 2011, the net effect of these factors resulted in the \$0.3 million decrease in interest on loans and the \$0.4 million increase to administrative fee and other income.

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<i>Drinking Water Fund</i>	Schedule 8			
	Summary of Changes in Net Assets as of December 31			
	2011	2010	Change	Pct Chg
<b>Operating revenues:</b>				
Interest on loans	\$ 4,596,513	\$ 4,885,870	\$ (289,357)	(5.9%)
Interest on investments	3,445,318	3,707,882	(262,564)	(7.1%)
Administrative fee and other income	3,089,113	2,677,348	411,765	15.4%
EPA grants	5,687,471	5,474,801	212,670	3.9%
Total operating revenues	<u>16,818,415</u>	<u>16,745,901</u>	<u>72,514</u>	0.4%
<b>Operating expenses:</b>				
Interest on bonds	7,837,296	7,820,199	17,097	0.2%
Grant administration	1,764,059	1,761,255	2,804	0.2%
Loan principal forgiven	5,294,012	7,323,095	(2,029,083)	(27.7%)
General, administrative, and other expenses	184,280	55,340	128,940	233.0%
EPA set asides	4,751,063	4,516,642	234,421	5.2%
Total operating expenses	<u>19,830,710</u>	<u>21,476,531</u>	<u>(1,645,821)</u>	(7.7%)
Operating income (loss)	(3,012,295)	(4,730,630)	1,718,335	(36.3%)
EPA capitalization grants	12,184,901	36,468,705	(24,283,804)	(66.6%)
Transfers in (out)	181,176	229,942	(48,766)	(21.2%)
Change in net assets	9,353,782	31,968,017	(22,614,235)	(70.7%)
Net assets – beginning of year	<u>172,048,653</u>	<u>140,080,636</u>	<u>31,968,017</u>	22.8%
Net assets – end of year	<u>\$ 181,402,435</u>	<u>\$ 172,048,653</u>	<u>\$ 9,353,782</u>	5.4%

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 interest on investment is attributed to the COLOTRUST average annualized interest rate decrease from 0.2% in 2010 to 0.1% in 2011. In 2011, the net effect of these factors resulted in a \$0.3 million decrease in interest on investments.

Loan principal forgiven totaled \$5.3 million in 2011, a \$2.0 million decrease from 2010. As required by the conditions of EPA capitalization grants, five projects funded in 2011 received principal forgiveness totaling \$4.9 million compared to nine projects funded in 2010 that received \$7.2 million in principal forgiveness. Principal forgiveness expense represented 26.7% of operating expenses in 2011 compared to 34.1% in 2010. The decrease in principal forgiveness was the primary contributor to the \$1.6 million decrease in operating expenses in 2011 and the \$1.7 million reduction in operating loss.

Net operating loss of \$3.0 million offset by \$12.2 million in EPA capitalization grants resulted in a change in fund net assets of \$9.4 million, a decrease of \$22.6 million compared to 2010. As discussed above in the Overview section, decreases in ARRA project draws resulted in the \$24.3 million decrease in EPA capitalization grants.

**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:

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- 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.
- Low interest rates on municipal bonds issued by the Authority result in lower loan interest rates, especially those loans subsidized by the WPCRF and DWRP, 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 DWRP in 2012. As of December 31, 2011, out of the total amount of EPA capitalization grant funds awarded to the WPCRF through 2011, \$2.2 million remains unobligated and available for loans. As of December 31, 2011, out of the total amount of EPA capitalization grant funds awarded to the DWRP, \$9.4 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, 2011, 92 base program DC loans had been executed, 57 in the DWRP and 35 in the WPCRF, with original principal amounts of \$45.3 million and \$25.6 million, respectively. Of the 92 loans, 43 are financed at a zero percent interest rate, 21 are financed at reduced rates and 30 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.

Colorado's share of the 2012 Clean Water Revolving Fund grant allotment (for the WPCRF) is \$11.3 million and the Drinking Water Revolving Fund grant allotment is \$15.9 million. The Authority has submitted applications for both grants. 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. As discussed in the current economic conditions note to the financial statements, the Authority continues to monitor its loan portfolio for the potential impact resulting from current economic conditions at the state and local level.

### **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, 2011**

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
<b>Current assets:</b>				
Cash and cash equivalents	\$ 49,371,816	\$ 40,528,981	\$ 32,202,079	\$ 122,102,876
Federal grants receivable	-	13,868	1,652,967	1,666,835
Investment income receivable	60,220	341,643	148,032	549,895
Loans receivable	15,955,975	37,966,185	16,007,615	69,929,775
Due from other funds	2,579,121	-	-	2,579,121
Accounts receivable – borrowers	7,090,524	7,026,019	2,275,753	16,392,296
Other assets	39,609	-	-	39,609
<b>Restricted assets:</b>				
Cash and cash equivalents	28,434,614	38,289,437	23,135,715	89,859,766
Investments	-	24,860,196	8,757,915	33,618,111
Investment income receivable	226,518	683,689	311,529	1,221,736
Securities not held for investment	27,492,000	-	-	27,492,000
<b>Total current assets</b>	<b>131,250,397</b>	<b>149,710,018</b>	<b>84,491,605</b>	<b>365,452,020</b>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
Cash and cash equivalents	11,899,238	4,596,781	9,625,424	26,121,443
Investments	-	186,442,407	69,463,597	255,906,004
Investment income receivable	1,946	2,507,070	772,521	3,281,537
Securities not held for investment	18,996,000	-	-	18,996,000
Advance receivable	12,078,243	-	-	12,078,243
Loans receivable	449,635,522	518,013,655	247,461,546	1,215,110,723
Water depletion rights – Animas-La Plata	7,646,901	-	-	7,646,901
Capital assets – equipment, net of accumulated depreciation of \$100,905	42,834	-	-	42,834
Other assets	5,061,066	-	-	5,061,066
<b>Total noncurrent assets</b>	<b>505,361,750</b>	<b>711,559,913</b>	<b>327,323,088</b>	<b>1,544,244,751</b>
<b>Total assets</b>	<b>636,612,147</b>	<b>861,269,931</b>	<b>411,814,693</b>	<b>1,909,696,771</b>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Project costs payable – direct loans	-	16,428,436	22,019,402	38,447,838
Project costs payable – leveraged loans	48,015,825	45,441,230	21,186,556	114,643,611
Bonds payable	16,230,000	32,870,000	11,105,000	60,205,000
Accrued interest payable	6,346,891	7,097,538	2,579,138	16,023,567
Accounts payable – borrowers	1,335,001	-	-	1,335,001
Accounts payable – other	2,332,528	40,870	-	2,373,398
Due to other funds	-	698,172	1,880,949	2,579,121
Other liabilities	-	1,231,572	190,625	1,422,197
<b>Total current liabilities</b>	<b>74,260,245</b>	<b>103,807,818</b>	<b>58,961,670</b>	<b>237,029,733</b>
<b>Noncurrent liabilities:</b>				
Project costs payable – direct loans	-	400,000	300,000	700,000
Project costs payable – leveraged loans	18,794,142	211,640	1,385,000	20,390,782
Bonds payable, net	446,845,290	432,204,904	161,319,299	1,040,369,493
Advance payable	-	3,975,643	8,102,600	12,078,243
Debt service reserve deposit	7,458,875	-	-	7,458,875
Deferred revenue	-	444,622	70,184	514,806
Other liabilities	1,291,186	252,680	273,505	1,817,371
<b>Total noncurrent liabilities</b>	<b>474,389,493</b>	<b>437,489,489</b>	<b>171,450,588</b>	<b>1,083,329,570</b>
<b>Total liabilities</b>	<b>548,649,738</b>	<b>541,297,307</b>	<b>230,412,258</b>	<b>1,320,359,303</b>
<b>Net assets:</b>				
Invested in capital assets	42,834	-	-	42,834
Restricted	23,705,025	319,972,624	177,380,561	521,058,210
Unrestricted	64,214,550	-	4,021,874	68,236,424
<b>Total net assets</b>	<b>\$ 87,962,409</b>	<b>\$ 319,972,624</b>	<b>\$ 181,402,435</b>	<b>\$ 589,337,468</b>

See accompanying notes to financial statements

**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
<b>Current assets:</b>				
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
<b>Restricted assets:</b>				
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>
<b>Noncurrent assets:</b>				
<b>Restricted assets:</b>				
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>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
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>
<b>Noncurrent liabilities:</b>				
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>
<b>Net assets:</b>				
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 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, 2011**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans	\$ 23,762,338	\$ 13,249,962	\$ 4,596,513	\$ 41,608,813
Interest on investments	879,101	9,298,756	3,445,318	13,623,175
Loan administrative fees	-	6,220,983	3,061,163	9,282,146
EPA grants	-	821,044	5,687,471	6,508,515
Other	5	37,542	27,950	65,497
Total operating revenues	<u>24,641,444</u>	<u>29,628,287</u>	<u>16,818,415</u>	<u>71,088,146</u>
Operating expenses:				
Interest on bonds	24,225,805	22,112,799	7,837,296	54,175,900
Grant administration	-	2,709,056	1,764,059	4,473,115
Project expenses	1,155,554	-	-	1,155,554
General and administrative	632,807	-	-	632,807
EPA set asides	-	-	4,751,063	4,751,063
Loan principal forgiven (includes \$6,150,634 under 2011 grant requirements)	2,773	2,583,232	5,294,012	7,880,017
Other	-	213,806	184,280	398,086
Total operating expenses	<u>26,016,939</u>	<u>27,618,893</u>	<u>19,830,710</u>	<u>73,466,542</u>
Operating income (loss)	(1,375,495)	2,009,394	(3,012,295)	(2,378,396)
EPA capitalization grants	-	12,376,224	12,184,901	24,561,125
Transfers in (out)	-	(181,176)	181,176	-
Change in net assets	(1,375,495)	14,204,442	9,353,782	22,182,729
Net assets – beginning of year	<u>89,337,904</u>	<u>305,768,182</u>	<u>172,048,653</u>	<u>567,154,739</u>
Net assets – end of year	<u>\$ 87,962,409</u>	<u>\$ 319,972,624</u>	<u>\$ 181,402,435</u>	<u>\$ 589,337,468</u>

See accompanying notes to financial statements

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Year Ended December 31, 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	-
Change in net assets	(1,277,018)	28,771,697	31,968,017	59,462,696
Net assets – beginning of year	90,614,922	276,996,485	140,080,636	507,692,043
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 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, 2011**

	<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	\$ -	\$ 6,121,096	\$ 2,960,972	\$ 9,082,068
Federal funds received	-	986,071	5,574,603	6,560,674
Cash payments for salaries and related benefits	(577,770)	(415,900)	(269,886)	(1,263,556)
Cash payments to other state agencies for services	-	(1,240,676)	(1,154,334)	(2,395,010)
Cash payments to vendors	(1,482,038)	(937,264)	(5,108,838)	(7,528,140)
Net cash provided (used) by operating activities	<u>(2,059,808)</u>	<u>4,513,327</u>	<u>2,002,517</u>	<u>4,456,036</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	28,460,340	15,211,044	25,544,825	69,216,209
Deposits for option to purchase water depletion rights	1,802	-	-	1,802
Federal funds received	-	12,376,224	12,184,901	24,561,125
Principal paid on bonds	(29,475,000)	(32,710,000)	(15,095,000)	(77,280,000)
Bond call premium paid	-	-	(21,975)	(21,975)
Reduction in debt service reserve	(488,831)	-	-	(488,831)
Interest paid on bonds	(23,154,784)	(22,525,289)	(7,782,076)	(53,462,149)
Cash payment for bond issuance costs	(582,808)	(207,408)	(280,754)	(1,070,970)
Net cash provided (used) by noncapital financing activities	<u>(25,239,281)</u>	<u>(27,855,429)</u>	<u>14,549,921</u>	<u>(38,544,789)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(9,397)	-	-	(9,397)
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	7,884,000	48,364,805	9,700,460	65,949,265
Interest received on investments	1,924,605	9,752,133	3,353,058	15,029,796
Interest received on loans	22,961,838	13,428,754	4,402,396	40,792,988
Principal repayments from localities on loans	30,373,977	37,663,490	14,963,894	83,001,361
Cash received from (paid to) other accounts	(5,765,700)	2,296,724	3,468,976	-
Purchase of investments	-	(16,779,126)	(26,420,815)	(43,199,941)
Purchase of securities not held for investment	(5,687,466)	-	-	(5,687,466)
Cash disbursed to localities for loans	(10,407,740)	(61,270,622)	(22,972,463)	(94,650,825)
Cash payment for arbitrage rebate	-	(1,458,394)	(581,332)	(2,039,726)
Cash payments of interest to borrowers	(84,418)	-	-	(84,418)
Net cash provided (used) by investing activities	<u>41,199,096</u>	<u>31,997,764</u>	<u>(14,085,826)</u>	<u>59,111,034</u>
Net increase in cash and cash equivalents	13,890,610	8,655,662	2,466,612	25,012,884
Cash and cash equivalents, beginning of year	75,815,058	74,759,537	62,496,606	213,071,201
Cash and cash equivalents, end of year	<u>\$ 89,705,668</u>	<u>\$ 83,415,199</u>	<u>\$ 64,963,218</u>	<u>\$ 238,084,085</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, 2011**

	<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	\$ 49,371,816	\$ 40,528,981	\$ 32,202,079	\$ 122,102,876
Current restricted cash and cash equivalents	28,434,614	38,289,437	23,135,715	89,859,766
Noncurrent restricted cash and cash equivalents	11,899,238	4,596,781	9,625,424	26,121,443
Total cash and cash equivalents	<u>\$ 89,705,668</u>	<u>\$ 83,415,199</u>	<u>\$ 64,963,218</u>	<u>\$ 238,084,085</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,375,495)	\$ 2,009,394	\$ (3,012,295)	\$ (2,378,396)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	14,266	-	-	14,266
Accrued sick leave expense	(700)	-	-	(700)
Interest on bonds	24,225,805	22,112,799	7,837,296	54,175,900
Cost of issuance adjustments	-	(37,542)	(27,950)	(65,492)
Interest on loans	(23,762,338)	(13,249,962)	(4,596,513)	(41,608,813)
Interest on investments	(879,101)	(9,298,756)	(3,445,318)	(13,623,175)
Put fees on Treasury bonds	-	49,985	-	49,985
Loan principal forgiven	2,773	2,583,232	5,294,012	7,880,017
Amortization of deferred revenue	-	(56,510)	(16,579)	(73,089)
Change in assets and liabilities:				
(Increase) in due from other funds	(456,846)	-	-	(456,846)
(Increase) in accounts receivable – borrowers	-	(43,377)	(83,611)	(126,988)
Decrease (Increase) in federal grant receivables	-	165,027	(112,868)	52,159
Decrease in deposits	4,460	-	-	4,460
(Increase) in other assets	(1,314)	-	-	(1,314)
Increase in accounts payable – other	168,682	-	-	168,682
Increase in due to other funds	-	279,037	166,343	445,380
Net cash provided (used) by operating activities	<u>\$ (2,059,808)</u>	<u>\$ 4,513,327</u>	<u>\$ 2,002,517</u>	<u>\$ 4,456,036</u>
Supplemental cash flows information				
Noncash investing activities				
Loans receivable issued related to projects payable	\$ 27,664,999	\$ 31,114,484	\$ 39,872,180	\$ 98,651,663
Fair market value adjustment on investments	-	99,226	-	99,226
Amortization of deferred loan interest income	-	19,062	13,587	32,649
Principal forgiveness/reductions on loans	2,773	5,632,738	6,229,111	11,864,622
Noncash noncapital financing activities				
Amortization of deferred amount from refunding	63,768	77,523	17,834	159,125
Amortization of bond issuance costs	528,094	-	-	528,094
Other	-	37,481	-	37,481

See accompanying notes to financial statements

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



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**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Notes to Financial Statements  
December 31, 2011 and 2010**

**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.

**Colorado Water Resources  
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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 borrowers that executed loans funded by the WRBP 2010 Series A and 2011 Series C bonds, to invest the bond proceeds in securities allowable under the Authority's investment policy. The purchases of securities with bond proceeds was approved because the yield on these securities was greater than the rate available from local government investment pools and because the borrowers assumed the risks associated with changes in the market values. The securities are held in project accounts and debt service reserve funds and 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. No payments to the Bureau were required in 2011. These payments are capitalized as Water depletion rights on the statement of net assets.

**Colorado Water Resources  
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Notes to Financial Statements  
December 31, 2011 and 2010**

In 2002, the Authority entered into a marketing agreement with the District to promote the sale of these water depletion rights. In early 2005, the 2,600 ac-ft of average annual depletion was committed to two entities. The District contracted to purchase 700 ac-ft of average annual depletion and provided an earnest money deposit of \$90,453. In addition, the City of Durango executed an agreement giving it the option to purchase 1,900 ac-ft of average annual depletion and provided an option payment of \$1,051,175. Both parties will be required to pay the remaining amounts due at project completion. The project is expected to 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 2011 and 2010, the Authority incurred expenses for the two agencies totaling \$1,385,101 and \$1,208,997, 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 the ARRA funds was \$31.3 million. The ARRA grant did not require the Authority to provide state matching dollars. 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 2011 and 2010 base program grants contained conditions that included (1) a minimum of percentage of the grant award be used for providing grants, negative interest rate loans or principal forgiveness, (2) a requirement that Davis-Bacon Act provisions be applied to the grant expenditures and (3) 20% of the funds are required to be expended on "green" infrastructure.

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

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

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

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. 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.

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Pursuant to statutes, with the written consent of the Colorado Department of Public Health and Environment, the Authority is authorized, on behalf of the State, to execute all operating agreements and capitalization grant agreements with the EPA. The Authority, the Water Quality Control Division of the Colorado Department of Public Health and Environment and the Division of Local Government of the Colorado Department of Local Affairs have entered into a Memorandum of Agreement under which each has agreed to assume specified responsibilities in connection with the operation of the DWRF. In 2011 and 2010, the Authority incurred expenses for the two agencies totaling \$5,985,706 and \$5,704,239, 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. The ARRA grant did not require the Authority to provide state matching dollars. 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 2011 and 2010 base program grants contained conditions that included (1) a minimum of percentage of the grant award be used for providing grants, negative interest rate loans or principal forgiveness, (2) a requirement that Davis-Bacon Act provisions be applied 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. 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 bond proceeds were approved for purchase by the governmental agencies (borrowers) that executed the loans funded by the bonds. The maturities of the securities held in the project accounts coincide with the borrowers' projected construction cost schedules. The borrowers assume the risks related to the value of the securities. The borrowers also control their reimbursement schedules and plan to hold each security to maturity. The securities held in the respective debt service reserve funds are subject to market fluctuations; however, the borrowers are required to maintain the debt service reserve requirement pursuant to the terms of the bond resolutions. 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 loan prepayment, 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 to 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 2011 and 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. In general, the Authority adopted a policy to forgive loan principal of up to \$2.0 million per eligible loan.

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**Note 3: Deposits and Investments**

***Deposits***

The Colorado Public Deposit Protection Act (PDPA) requires that all units of Colorado government deposit cash in eligible public depositories. State regulators determine the eligibility of depositories. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another financial institution or held in trust. The fair value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State regulatory commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2011 and 2010, the Authority's deposits had a bank balance of \$541,485 and \$1,418,530, respectively, and a carrying amount of \$454,687 and \$1,297,168, 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, \$282,585 and \$1,036,518 was deemed to be exposed to custodial credit risk in 2011 and 2010, respectively.

	<u>2011</u>	<u>2010</u>
Collateralized by bank's single collateral pool for all public entities, but not held in the Authority's name (PDPA)	\$ 8,900	\$ 132,012
Collateralized with securities held by bank's trust department or agent, but not held in the Authority's name	282,585	1,036,518
	<u>\$ 291,485</u>	<u>\$ 1,168,530</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.

The Authority utilizes two local government investment pools for investment, when a high degree of liquidity is prudent. The two pools are the Colorado Local Government Liquid Asset Trust (COLOTRUST) and the Colorado Surplus Asset Fund Trust (CSAFE) and both pools are considered 2a7-like investment pools. The State Securities Commissioner administers and enforces all State statutes governing the Trusts. The Trusts operate similarly to a money market fund and each share is equal in value to \$1.00, although not guaranteed. The Trusts may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and highly rated commercial paper. A designated custodial bank serves as custodian for the Trusts' 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 custodians' internal records segregate investments owned by the Trusts.

*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 under GASB 40.

Although the policy requires repurchase agreements to be collateralized by authorized securities with a market value no less than 102% of the carrying value of the investment, all existing repurchase agreements specify a collateralization rate of 103% if the securities are direct obligations of the U.S. government and most agreements specify a 105% collateralization rate for authorized agency securities, if allowed.

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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, 2011 and 2010, reflect the rating of the underlying securities held as collateral.

2011					
Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 454,687		X		
Cash held by State Treasurer (see below)	58,435,133	N/A		X	
COLOTRUST PLUS	172,844,535	N/A			AAA
Colorado Surplus Asset Fund Trust	6,349,730				AAA
Total cash and cash equivalents	<u>238,084,085</u>				
U.S. Treasury Notes - SLGS	104,754,183	N/A	X		
U.S. Treasury Bonds	2,728,119	N/A	X		
U.S. Agency Notes	2,868,342	N/A			AAA
Repurchase Agreements-collateralized	179,173,471				See detail below
Total Investments	<u>289,524,115</u>				
Total cash and invested funds	<u>\$ 527,608,200</u>				

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

Current assets/restricted assets/investments	\$ 33,618,111
Noncurrent assets/restricted assets/investments	<u>255,906,004</u>
Total investments	<u>\$ 289,524,115</u>

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	147,348,040	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	191,299,075				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>

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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, 2011 and 2010:

	2011 Collateral Securities		
	Exempt From Disclosure	Custodian Portfolio Percent	NRSRO Rating
	U.S. Treasuries or obligations explicitly guaranteed by the U.S. Government	X	21.7%
Government agencies		78.3%	AAA
Total		100.0%	

	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%	

The U.S. Treasury Bonds, with maturity dates after 2011, 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 require 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	2011			Put Agreement Related Bond Series
	Standard & Poors	Moody's	Fitch Ratings	
Sumitomo Mitsui Banking Corporation	A+	Aa3	A	Clean Water Revenue Bonds (WPCRF) 1991 Series A and B
Morgan Stanley Bank, N.A.	A	A1	A	Clean Water Revenue Bonds (WPCRF) 1992 Series A
Societe Generale	A+	A1	A+	Clean Water Revenue Bonds (WPCRF) 1992 Series B

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Put Agreement Supplier	2010			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

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, 2011 and 2010:

	2011								Portfolio Percent
	Credit Rating of Pool Securities								
	A1/P1	AAA	AA	A	BBB	BB	B	Other	
Asset Backed		100.0%							3.7%
Corporates		5.2%	36.9%	55.9%	2.0%				12.5%
Mortgage Securities			100.0%						2.8%
Commercial Paper	100.0%								4.1%
Treasuries			100.0%						12.3%
Federal Agencies			100.0%						64.5%
Certificates of Deposit								100.0%	0.1%
Money Market Funds									0.0%
Total Portfolio	4.1%	4.4%	84.2%	7.0%	0.2%	0.0%	0.0%	0.1%	100.0%

	2010								Portfolio Percent
	Credit Rating of Pool Securities								
	A1/P1	AAA	AA	A	BBB	BB	B	Other	
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%

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*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 \$179,173,471 and \$191,299,075 as of December 31, 2011 and 2010, 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 as of December 31, 2011 or 2010 are shown in the tables below.

The schedules below show that four repurchase agreement providers (eligible providers) exceed 5% of total funds invested as of December 31, 2011 or 2010. 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.

2011			
Investment Type	Fair Value	Exempt From Disclosure	Pct. of Total Invest.
Cash held by State Treasurer	\$ 58,435,133		11.1%
COLOTRUST PLUS	172,844,535	X	N/A
Colorado Surplus Asset Fund Trust	6,349,730	X	N/A
U.S. Treasury Notes - SLGS	104,754,183	X	N/A
U.S. Treasury Bonds	2,728,119	X	N/A
U.S. Agency Notes	2,868,342	X	N/A
Repurchase Agreements-collateralized			
Trinity Plus Funding Company LLC	51,817,830		9.8%
HSBC Bank USA N.A.	904,491	X	N/A
Westdeutsche Landesbank	544,075	X	N/A
Citigroup Global Markets, Inc./Citigroup Global	32,323,309		6.1%
American International Group	54,107,101		10.3%
Assured Guaranty Municipal Corp.	25,595,860		4.9%
Societe Generale	13,880,805	X	N/A
Total funds invested	<u>527,153,513</u>		
Deposits	454,687		
Total cash and invested funds	<u>\$ 527,608,200</u>		



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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>		

*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, 2011 and 2010, the Authority had the following investments and maturities:

Maturity	2011				Total Investments
	U.S. Treasury Notes - SLGS	U.S. Treasury Bonds	U.S. Agency Notes	Repurchase Agreements	
2012	\$ 18,288,673	\$ 1,722,689	\$ -	\$ 13,606,749	\$ 33,618,111
2013	4,718,091	708,885	-	13,087,487	18,514,463
2014	4,081,455	296,545	2,868,342	13,271,696	20,518,038
2015	4,061,485	-	-	12,690,794	16,752,279
2016	4,057,139	-	-	14,014,934	18,072,073
2017-2021	20,829,285	-	-	63,606,786	84,436,071
2022-2026	22,754,183	-	-	38,149,337	60,903,520
2027-2031	22,849,644	-	-	10,745,688	33,595,332
2032	3,114,228	-	-	-	3,114,228
Total	<u>\$ 104,754,183</u>	<u>\$ 2,728,119</u>	<u>\$ 2,868,342</u>	<u>\$ 179,173,471</u>	<u>\$ 289,524,115</u>

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2010					
Maturity	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	\$ 104,863,945	\$ 5,414,316	\$ 2,911,327	\$ 191,299,075	\$ 304,488,663

As previously discussed, the Authority had \$58,435,133 and \$64,425,993 as of December 31, 2011 and 2010, respectively, invested in the pool maintained by the State Treasurer, and that pool had an average maturity of 16.0 and 13.8 months as of December 31, 2011 and 2010, respectively. The Authority's investment represents approximately 1.1% of the total pool as of December 31, 2011 and 2010.

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**Note 4: Loans Receivable**

The following is an analysis of changes in loans receivable for the years ended December 31, 2011 and 2010:

	<b>Balance January 1, 2011</b>	<b>New loans</b>	<b>Repayments/ loans canceled</b>	<b>Balance December 31, 2011</b>
Water Operations Fund:				
Small Water Resources Program	\$ 58,766,249	\$ -	\$ 7,982,916	\$ 50,783,333
Water Revenue Bonds Program	405,015,000	27,665,000	20,960,000	411,720,000
Interim loans	880,324	494,610	1,374,934	-
Small Hydro Loan Program	1,147,062	2,000,000	58,898	3,088,164
Water Pollution Control Fund:				
Direct loans	62,413,751	13,949,966	7,791,024	68,572,693
Leveraged loans	505,747,834	17,164,518	35,505,205	487,407,147
Drinking Water Fund:				
Direct loans	72,176,380	11,313,335	9,339,386	74,150,329
Leveraged loans	172,613,606	28,558,845	11,853,619	189,318,832
	1,278,760,206	\$ 101,146,274	\$ 94,865,982	1,285,040,498
Less current portion	70,216,375			69,929,775
Noncurrent portion	\$ 1,208,543,831			\$ 1,215,110,723
	<b>Balance January 1, 2010</b>	<b>New loans</b>	<b>Repayments/ loans canceled</b>	<b>Balance December 31, 2010</b>
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
	1,183,636,703	\$ 186,399,500	\$ 91,275,997	1,278,760,206
Less current portion	63,478,622			70,216,375
Noncurrent portion	\$ 1,120,158,081			\$ 1,208,543,831

The above Small Hydro Loan Program balance includes a loan made to a local governmental agency that employs a member of the Authority's board of directors. The board member recused himself from the discussion and subsequent approval of the loan.

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Scheduled maturities of the loans receivable are as follows as of December 31, 2011:

	Water operations		WPCRF		DWRF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 15,955,975	\$ 22,355,329	\$ 37,966,185	\$ 13,056,250	\$ 16,007,615	\$ 4,676,069	\$ 69,929,775	\$ 40,087,648
2013	15,556,741	21,701,333	37,892,665	12,340,695	17,559,485	4,367,097	71,008,891	38,409,125
2014	16,212,693	21,023,899	35,967,099	11,397,418	17,987,950	4,009,545	70,167,742	36,430,862
2015	16,117,864	20,266,680	34,229,865	10,473,530	18,660,721	3,633,730	69,008,450	34,373,940
2016	15,067,254	19,519,430	36,418,895	9,581,196	19,030,100	3,246,841	70,516,249	32,347,467
2017-2021	72,383,241	87,657,049	178,445,193	34,328,608	83,398,281	10,383,855	334,226,715	132,369,512
2022-2026	71,563,323	70,706,212	135,720,255	14,583,188	56,283,896	3,769,151	263,567,474	89,058,551
2027-2031	87,669,491	52,911,854	54,116,036	3,119,713	28,987,033	895,647	170,772,560	56,927,214
2032-2036	115,269,915	26,687,154	5,223,647	117,296	4,525,673	35,603	125,019,235	26,840,053
2037-2041	28,130,000	7,544,038	-	-	1,013,486	371	29,143,486	7,544,409
2042-2043	11,665,000	926,363	-	-	14,921	-	11,679,921	926,363
Total	\$ 465,591,497	\$ 351,299,341	\$ 555,979,840	\$ 108,997,894	\$ 263,469,161	\$ 35,017,909	\$ 1,285,040,498	\$ 495,315,144

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

The Water Operations Fund – The two loans in the SHLP have interest rates of 2.00% and have final maturity dates of 2030 and 2032, SWRP loans receivable have interest rates of 3.96% to 6.54% and have scheduled final maturity dates of 2012 to 2023. The WRBP loans receivable have interest rates of 3.63% to 5.78% and have scheduled maturity dates of 2015 to 2043. During 2011 two loans were prepaid from the proceeds of borrower-issued refunding bonds and the associated SWRP and WRBP bonds were escrowed and legally defeased. The gross prepayment amounts, net of loan principal balances and reimbursed Authority costs, were recorded as loan interest income.

The WPCRF direct loans receivable have interest rates of 0.00% to 5.17% and have maturity dates of 2012 to 2032. The WPCRF leveraged loans receivable have interest rates of 2.50% to 5.17% and have scheduled final maturity dates of 2012 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 2042. The Drinking Water Fund leveraged loans receivable have interest rates of 2.50% to 4.60% and have scheduled final maturity dates of 2017 to 2032.

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**Note 5: Capital Assets**

Capital assets activity for the years ended December 31, 2011 and 2010 was as follows:

	<b>2011</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Equipment	\$ 134,517	\$ 9,397	\$ (175)	\$ 143,739
Less accumulated depreciation for equipment	(86,814)	(14,266)	175	(100,905)
	\$ 47,703	\$ (4,869)	\$ -	\$ 42,834
	<b>2010</b>			
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
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

Depreciation expense for the years ended December 31, 2011 and 2010 was \$14,266 and \$9,237, respectively.

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**Note 6: Noncurrent Liabilities**

***Other than Bonds***

Noncurrent liability activity, other than bonds, for the year ended December 31, 2011, was as follows:

	<u>Balance January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2011</u>	<u>Current portion</u>
Water operations:					
Project costs payable – leveraged loans	\$ 47,223,550	\$ 27,476,475	\$ 7,890,058	\$ 66,809,967	\$ 48,015,825
Debt service reserve deposit	6,986,913	1,557,293	1,085,331	7,458,875	-
Other liabilities	1,290,139	1,984	937	1,291,186	-
Total water operations	<u>\$ 55,500,602</u>	<u>\$ 29,035,752</u>	<u>\$ 8,976,326</u>	<u>\$ 75,560,028</u>	<u>\$ 48,015,825</u>
Water pollution control:					
Project costs payable – direct loans	\$ 19,786,539	\$ 13,949,966	\$ 16,908,069	\$ 16,828,436	\$ 16,428,436
Project costs payable – leveraged loans	75,556,062	17,508,867	47,412,059	45,652,870	45,441,230
Advance payable	1,497,743	2,477,900	-	3,975,643	-
Deferred revenue	467,509	105,369	128,256	444,622	-
Other liabilities	2,737,908	1,245,641	2,499,297	1,484,252	1,231,572
Total water pollution control	<u>\$ 100,045,761</u>	<u>\$ 35,287,743</u>	<u>\$ 66,947,681</u>	<u>\$ 68,385,823</u>	<u>\$ 63,101,238</u>
Drinking water:					
Project costs payable – direct loans	\$ 25,007,639	\$ 11,313,335	\$ 14,001,572	\$ 22,319,402	\$ 22,019,402
Project costs payable – leveraged loans	3,477,545	29,000,000	9,905,989	22,571,556	21,186,556
Advance payable	4,814,800	3,287,800	-	8,102,600	-
Deferred revenue	100,351	-	30,167	70,184	-
Other liabilities	1,081,461	421,395	1,038,726	464,130	190,625
Total drinking water	<u>\$ 34,481,796</u>	<u>\$ 44,022,530</u>	<u>\$ 24,976,454</u>	<u>\$ 53,527,872</u>	<u>\$ 43,396,583</u>
Total enterprise funds:					
Project costs payable – direct loans	\$ 44,794,178	\$ 25,263,301	\$ 30,909,641	\$ 39,147,838	\$ 38,447,838
Project costs payable – leveraged loans	126,257,157	73,985,342	65,208,106	135,034,393	114,643,611
Debt service reserve deposit	6,986,913	1,557,293	1,085,331	7,458,875	-
Advance payable	6,312,543	5,765,700	-	12,078,243	-
Deferred revenue	567,860	105,369	158,423	514,806	-
Other liabilities	5,109,508	1,669,020	3,538,960	3,239,568	1,422,197
Total enterprise funds	<u>\$ 190,028,159</u>	<u>\$ 108,346,025</u>	<u>\$ 100,900,461</u>	<u>\$ 197,473,723</u>	<u>\$ 154,513,646</u>

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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>
<b>Water operations:</b>					
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	1,338,325	19,040	67,226	1,290,139	-
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>
<b>Water pollution control:</b>					
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	2,817,591	556,609	636,292	2,737,908	1,477,633
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>
<b>Drinking water:</b>					
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	3,356,961	249,575	2,525,075	1,081,461	521,370
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>
<b>Total enterprise funds:</b>					
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	7,512,877	825,224	3,228,593	5,109,508	1,999,003
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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**Bonds Payable**

The following is an analysis of changes in bonds payable for the year ended December 31, 2011:

	<u>Balance January 1, 2011</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2011</u>
Water Operations:				
Small Water Resources Program:				
1994 Series A	\$ 1,025,000	\$ -	\$ 235,000	\$ 790,000
1997 Series A	840,000	-	100,000	740,000
1997 Series B	2,370,000	-	1,275,000	1,095,000
1998 Series A	4,045,000	-	430,000	3,615,000
1998 Series B	3,905,000	-	1,125,000	2,780,000
2001 Series A	13,050,000	-	565,000	12,485,000
2002 Series A	13,195,000	-	3,140,000	10,055,000
2003 Series A	8,275,000	-	245,000	8,030,000
2006 Series A	12,775,000	-	800,000	11,975,000
	<u>59,480,000</u>	<u>-</u>	<u>7,915,000</u>	<u>51,565,000</u>
Water Revenue Bonds Program:				
2003 Series A	10,080,000	-	580,000	9,500,000
2004 Series A	11,150,000	-	11,150,000	-
2004 Series B	17,470,000	-	2,305,000	15,165,000
2004 Series C	10,595,000	-	2,015,000	8,580,000
2004 Series D	98,955,000	-	1,255,000	97,700,000
2004 Series E	2,700,000	-	150,000	2,550,000
2005 Series A	49,440,000	-	990,000	48,450,000
2005 Series B	1,875,000	-	95,000	1,780,000
2005 Series C	7,390,000	-	175,000	7,215,000
2005 Series D	100,000,000	-	2,270,000	97,730,000
2005 Series E	26,270,000	-	-	26,270,000
2005 Series F	3,000,000	-	160,000	2,840,000
2008 Series A	8,510,000	-	160,000	8,350,000
2009 Series A	6,695,000	-	255,000	6,440,000
2010 Series A	51,485,000	-	-	51,485,000
2011 Series A	-	9,350,000	-	9,350,000
2011 Series B	-	12,350,000	-	12,350,000
2011 Series C	-	5,965,000	-	5,965,000
	<u>405,615,000</u>	<u>27,665,000</u>	<u>21,560,000</u>	<u>411,720,000</u>
Total Water Operations	465,095,000	\$ <u>27,665,000</u>	\$ <u>29,475,000</u>	463,285,000
Less deferred costs	(273,478)			(209,710)
Less current portion	<u>(15,990,000)</u>			<u>(16,230,000)</u>
Noncurrent bonds payable – Water Operations	<u>\$ 448,831,522</u>			<u>\$ 446,845,290</u>



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	<u>Balance January 1, 2011</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2011</u>
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1989 Series A	\$ 15,000	\$ -	\$ 15,000	\$ -
1991 Series A	120,000	-	95,000	25,000
1991 Series B	40,000	-	40,000	-
1992 Series A	100,000	-	50,000	50,000
1992 Series B	380,000	-	150,000	230,000
1994 Series A	205,000	-	75,000	130,000
1995 Series A	405,000	-	125,000	280,000
1996 Series A	145,000	-	35,000	110,000
1997 Series A	1,695,000	-	305,000	1,390,000
1998 Series A	895,000	-	200,000	695,000
1998 Series B	1,040,000	-	165,000	875,000
1999 Series A	940,000	-	230,000	710,000
2000 Series A	1,620,000	-	255,000	1,365,000
2001 Series A	6,975,000	-	3,390,000	3,585,000
2002 Series A	37,710,000	-	2,775,000	34,935,000
2002 Series B	18,230,000	-	710,000	17,520,000
2003 Series A	10,635,000	-	675,000	9,960,000
2004 Series A	57,050,000	-	110,000	56,940,000
2005 Series A	32,705,000	-	1,660,000	31,045,000
2005 Series B	13,905,000	-	715,000	13,190,000
2006 Series A	19,780,000	-	935,000	18,845,000
2006 Series B	11,985,000	-	575,000	11,410,000
2007 Series A	33,370,000	-	1,090,000	32,280,000
2008 Series A	11,305,000	-	470,000	10,835,000
2010 Series A	73,835,000	-	2,365,000	71,470,000
2010 Series B	19,875,000	-	10,000	19,865,000
2011 Series A	-	14,620,000	-	14,620,000
	<u>354,960,000</u>	<u>14,620,000</u>	<u>17,220,000</u>	<u>352,360,000</u>
Wastewater Revolving Fund Refunding Revenue Bonds:				
1996 Series A	4,990,000	-	3,400,000	1,590,000
2001 Series A	20,195,000	-	4,635,000	15,560,000
2004 Series A	30,840,000	-	3,085,000	27,755,000
2005 Series A and A2	71,645,000	-	4,370,000	67,275,000
	<u>127,670,000</u>	<u>-</u>	<u>15,490,000</u>	<u>112,180,000</u>
Total Water Pollution Control Revolving Fund	482,630,000	<u>\$ 14,620,000</u>	<u>\$ 32,710,000</u>	464,540,000
Deferred (costs) benefits	612,427			534,904
Less current portion	<u>(32,710,000)</u>			<u>(32,870,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	<u>\$ 450,532,427</u>			<u>\$ 432,204,904</u>

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Drinking Water Revolving Fund:				
Revenue Bonds:				
1997 Series A	\$ 10,895,000	\$ -	\$ 1,280,000	\$ 9,615,000
1998 Series A	7,745,000	-	765,000	6,980,000
1999 Series A	21,345,000	-	6,070,000	15,275,000
2000 Series A	2,275,000	-	305,000	1,970,000
2002 Series A	11,090,000	-	785,000	10,305,000
2003 Series A	17,740,000	-	1,190,000	16,550,000
2003 Series B	9,525,000	-	555,000	8,970,000
2006 Series A	9,560,000	-	465,000	9,095,000
2006 Series B	32,955,000	-	1,830,000	31,125,000
2008 Series A	10,865,000	-	180,000	10,685,000
2008 Series B	8,515,000	-	355,000	8,160,000
2011 Series A	-	24,795,000	-	24,795,000
	<u>142,510,000</u>	<u>24,795,000</u>	<u>13,780,000</u>	<u>153,525,000</u>
Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	20,105,000	-	1,315,000	18,790,000
Total Drinking Water Revolving Fund	162,615,000	<u>\$ 24,795,000</u>	<u>\$ 15,095,000</u>	172,315,000
Deferred (costs) benefits	127,133			109,299
Less current portion	<u>(15,095,000)</u>			<u>(11,105,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	<u>\$ 147,647,133</u>			<u>\$ 161,319,299</u>
Total enterprise funds:				
Revenue bonds at par	\$ 1,110,340,000	<u>\$ 67,080,000</u>	<u>\$ 77,280,000</u>	\$ 1,100,140,000
Deferred (costs) benefits	466,082			434,493
Current portion	<u>(63,795,000)</u>			<u>(60,205,000)</u>
Noncurrent bonds payable, net	<u>\$ 1,047,011,082</u>			<u>\$ 1,040,369,493</u>

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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	\$ 162,760,247			\$ 147,647,133
Total enterprise funds:				
Revenue bonds at par	\$ 1,028,900,000	\$ 145,195,000	\$ 63,755,000	\$ 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	\$ 974,593,105			\$ 1,047,011,082

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All the outstanding SWRP bonds are insured by National Public Finance Guaranty, a wholly owned subsidiary of MBIA, Inc. The SWRP bonds are insured 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 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, Series 2010A, and 2011A are insured as to payment of principal and interest by Assured Guaranty Municipal Corp.

As of December 31, 2011, the outstanding bonds of the Authority had original principal amounts of \$104,380,000 for the Small Water Resources Program, \$451,455,000 for the Water Revenue Bonds Program, \$551,325,000 for the Clean Water Revenue Bonds, \$196,140,000 for the Wastewater Revolving Fund Refunding Revenue Bonds, \$265,335,000 for the Drinking Water Revolving Fund Bonds and \$20,305,000 for Drinking Water Revolving Fund Refunding Revenue Bonds, for a total of \$1,588,940,000. 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.

During 2011 two loans were prepaid from the proceeds of borrower-issued refunding bonds and the associated SWRP and WRBP bonds were escrowed and legally defeased. The total amounts deposited into the escrow accounts, net of outstanding bond principal balances, was recorded as bond interest expense.

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, 2011:

	Water operations		WPCRF		DWRF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 16,230,000	\$ 22,288,169	\$ 32,870,000	\$ 21,447,567	\$ 11,105,000	\$ 7,737,413	\$ 60,205,000	\$ 51,473,149
2013	15,435,000	21,626,675	32,150,000	19,971,293	12,320,000	7,251,168	59,905,000	48,849,136
2014	16,120,000	20,974,574	31,925,000	18,509,761	12,710,000	6,718,730	60,755,000	46,203,065
2015	15,925,000	20,239,136	28,755,000	17,014,384	12,975,000	6,150,990	57,655,000	43,404,510
2016	14,880,000	19,501,891	30,430,000	15,681,204	13,795,000	5,564,667	59,105,000	40,747,762
2017-2021	71,110,000	87,732,361	151,135,000	56,500,633	59,330,000	18,547,340	281,575,000	162,780,334
2022-2026	71,800,000	70,632,244	111,525,000	23,537,394	34,390,000	7,168,024	217,715,000	101,337,662
2027-2031	86,840,000	52,852,156	40,865,000	5,291,637	14,145,000	1,800,919	141,850,000	59,944,712
2032-2036	115,150,000	26,684,756	4,885,000	195,400	1,545,000	67,594	121,580,000	26,947,750
2037-2041	28,130,000	7,544,038	-	-	-	-	28,130,000	7,544,038
2042-2043	11,665,000	926,363	-	-	-	-	11,665,000	926,363
Total	\$ 463,285,000	\$ 351,002,363	\$ 464,540,000	\$ 178,149,273	\$ 172,315,000	\$ 61,006,845	\$ 1,100,140,000	\$ 590,158,481

Total interest expense on bonds for 2011 and 2010 amounted to \$24,225,805, \$22,112,799, \$7,837,296 and to \$21,232,307, \$21,908,768, \$7,820,199 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 WPCRF and the DWRF programs.

	2011			
	<b>Water Operations</b>	<b>Water Pollution Control</b>	<b>Drinking Water</b>	<b>Totals</b>
Assets pledged for bonds payable	\$ 547,697,356	\$ 741,146,176	\$ 295,806,793	\$ 1,584,650,325
Bonds payable at par	463,285,000	464,540,000	172,315,000	1,100,140,000

	2010			
	<b>Water Operations</b>	<b>Water Pollution Control</b>	<b>Drinking Water</b>	<b>Totals</b>
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

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, 2011 and 2010, 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, 2011 and 2010, the Authority had \$51,565,000 and \$59,480,000 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, 2011 and 2010 is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>2011 Amount</u>	<u>2010 Amount</u>
Water Operations	Water Pollution Control	\$ 698,172	\$ 419,135
	Drinking Water	<u>1,880,949</u>	<u>1,714,606</u>
Total		<u>\$ 2,579,121</u>	<u>\$ 2,133,741</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>2011 Transfer In</u>	<u>2010 Transfer In</u>
	<u>Drinking Water</u>	<u>Drinking Water</u>
Water Pollution Control	\$ <u>181,176</u>	\$ <u>229,942</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>2011</u>	<u>2010</u>
Self-insurance account	\$ 800,000	\$ 800,000
La Plata River escrow account	<u>17,080,874</u>	<u>17,527,429</u>
Total Board-designated accounts	<u>\$ 17,880,874</u>	<u>\$ 18,327,429</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 2011 and 2010. The ARRA grants awarded in 2009 did not require state matching contributions to the programs. Included in the base program capitalization grants recognized is the principal forgiveness recognized under the WPCRF and DWRP programs during 2011 and 2010.

During 2011, the Authority forgave (Note 2s) \$1,218,934 and \$4,931,700 and during 2010, forgave \$1,870,496 and \$7,222,200 in WPCRF and DWRP 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.

	<b>Federal grants recognized in 2011</b>	<b>Matching requirement for 2011</b>
Water Pollution Control Revolving Fund Projects:		
Leveraged loans		
2008A Elizabeth, Town of	\$ 86,587	\$ 17,317
2005B Glendale, City of	19,613	3,923
2010A Glenwood Springs, City of	3,213,621	642,724
2008A New Castle, Town of	84,446	16,889
2010A Pueblo, City of	4,130,881	826,176
Total leveraged loans	7,535,148	1,507,029
ARRA direct loans:		
Fremont Sanitation District	294,506	Not required
Georgetown, Town of	820,591	Not required
Gunnison County	66,185	Not required
Manitou Springs, City of	312,411	Not required
Monument Sanitation District	28,026	Not required
Pagosa Area Water and Sanitation District	2,738,439	Not required
Widefield Water and Sanitation District	298,696	Not required
Total ARRA direct loans	4,558,854	-
Base Program Direct Loans:		
Cheraw, Town of	28,255	5,651
Cheyenne Wells Sanitation District #1	24,920	4,984
Empire, Town of	32,383	6,477
Mountain View Villages Water and Sanitation Dist.	73,903	14,781
Olathe, Town of	9,720	1,944
Silver Plume, Town of	113,041	22,608
	282,222	56,445
Total Water Pollution Control Fund	\$ 12,376,224	\$ 1,563,474

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	<b>Federal grants recognized in 2011</b>	<b>Matching requirement for 2011</b>
<b>Drinking Water Revolving Fund Projects:</b>		
Leveraged loans		
2006B Alamosa, City of	\$ 95,902	\$ 19,180
2006B Arapahoe County Water and Sanitation District	8,837	1,767
2008A Pagosa Area Water and Sanitation District	1,329,343	265,869
2011A Sterling, City of	3,696,399	739,280
Total leveraged loans	5,130,481	1,026,096
<b>ARRA Funded Direct Loans:</b>		
Brighton, City of	60,886	Not required
Divide MPC Metropolitan District #1	16,893	Not required
Florence, City of	317,158	Not required
Georgetown, Town of	820,402	Not required
Hot Sulphur Springs, Town of	193,124	Not required
Kit Carson, Town of	5,729	Not required
Kremmling, Town of	206,653	Not required
Lamar, City of	582,464	Not required
Manitou Springs, City of	28,192	Not required
Manitou Springs, City of	910,999	Not required
Ophir, Town of	34,438	Not required
Rocky Ford, City of	143,463	Not required
Total ARRA direct loans	3,320,401	-
<b>Base Program Direct Loans:</b>		
Blanca, Town of	53,137	10,627
Colorado Springs Utilities	1,320,686	264,137
Grand Junction, City of	127,722	25,544
Holly, Town of	43,214	8,643
Hotchkiss, Town of	198,895	39,779
Kit Carson, Town of	10,000	2,000
Orchard City, Town of	945,918	189,184
Paonia, Town of	285,880	57,176
Rocky Ford, City of	603,964	120,793
Sawpit, Town of	1,907	381
Swink, Town of	40,006	8,001
Two Buttes, Town of	102,690	20,538
	3,734,019	746,803
Total Drinking Water Revolving Fund	12,184,901	1,772,899
Total EPA Capitalization Grants	\$ 24,561,125	\$ 3,336,373

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	<b>Federal grants recognized in 2010</b>	<b>Matching requirement for 2010</b>
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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	<b>Federal grants recognized in 2010</b>	<b>Matching requirement for 2010</b>
<b>Drinking Water Revolving Fund Projects:</b>		
Leveraged loans		
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
<b>ARRA Funded Direct Loans:</b>		
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	-
<b>Base Program Direct Loans:</b>		
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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**Note 10: Defined Benefit Pension Plan, Health Care Program and Life Insurance Program**

***Defined Benefit Pension Plan – Plan Description***

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

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

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

Defined benefit plan members vest after five years of service and are eligible for 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 any 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 any years of service.
- Hired between January 1, 2007 and December 31, 2010 – 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 any years of service.
- Hired on or after January 1, 2011 – any age with 35 years of service, age 58 with 30 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

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highest average salary (HAS). HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to the following increases between periods:

- If you began membership on or before December 31, 2006, and you were eligible to retire on January 1, 2011, your annual increase limit is 15 percent.
- If you began membership on or before December 31, 2006, and you were not eligible to retire on January 1, 2011, your annual increase limit is 8 percent.
- If you began membership on or after January 1, 2007, your annual increase limit is 8 percent.

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

- Hired before January 1, 2007 – 2 percent per year unless PERA has a negative investment year. If PERA has a negative investment year, then for the next three years, the annual increase becomes the lesser of 2 percent or the average of the monthly Consumer Price Index amounts for the prior calendar year.
- Hired after January 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index amounts for the prior calendar year. In no case can the sum of annual increases paid to a division's benefit recipients exceed 10 percent of the divisional annual increase reserve (the reserve is funded by 1 percent of the employer contributions for this population).
- If PERA's overall funded status is at or above 103 percent, the annual increase cap of 2 percent will increase by 0.25 percent per year. If after PERA's overall funded status reaches 103 percent and it subsequently drops below 90 percent, the 2 percent annual increase cap will decrease by 0.25 percent per year, but will never drop below 2 percent.

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, 2010, through June 30, 2012, the employee contribution rate is 10.5%. The Authority's contribution rates were 12.25% for 2011, 11.35% from July 1 to December 31, 2010, 13.85% from January 1 to June 30, 2010 and 12.95% in 2009. Included in the 2011, 2010 and 2009 rates were an additional 2.60%, 2.2% and 1.8% for the Amortization Equalization Disbursement (AED). Also included in the rates is a supplemental amortization equalization disbursement rate that totaled 2.0%, 1.5% and 1.0% in 2011, 2010 and 2009, 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.

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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.

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 2011, 2010 and 2009 were \$117,143, \$120,782 and \$130,142, 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 2011, 2010 and 2009 were \$9,873, \$9,865 and \$10,411, 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.

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**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](http://www.copera.org) or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

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

The Authority is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. For the years ended December 31, 2011, 2010 and 2009, the Authority's employer contributions to the HCTF were \$9,873, \$9,865 and \$10,411, 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 in 2011 and 2010 and up to an additional \$5,500 for participants over age 50 in 2011 and 2010). 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, 2011 and 2010, the 401(k) Plan member contributions from the Authority were \$69,711 and \$82,128, respectively.



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**Note 13: Commitments**

**Leases**

The Authority leases office facilities under an operating lease that expires December 31, 2012. Rent expense totaled \$136,556 and \$118,581 for 2011 and 2010, respectively. Below is a schedule of the non-cancelable lease payments due as of December 31, 2011:

<u>Year</u>	<u>Rent</u>
2012	\$ <u>109,605</u>
Total	\$ <u><u>109,605</u></u>

**Note 14: Tax, Spending and Debt Limitations**

In November 1992, the voters of Colorado approved Amendment 1, referred to as the Taxpayer's Bill of Rights (TABOR), which added 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.

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December 31, 2011 and 2010**

**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. While there are signs that the economy is improving it continues to be unclear as to the length and breadth of the current recession.

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 continue to be at or 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. Low interest rates also increase the incentive for some borrowers to prepay loans from the Authority by utilizing surplus cash or by issuing refunding debt. The Authority also continues to monitor market conditions for the economic feasibility of issuing refunding debt.

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. Some communities, particularly smaller communities, may generally be more vulnerable to the effects of downturns in the economy. In one such case, the Board has approved a short-term restructuring of loan repayments to assist this particular small local government. Additional requests for loan repayment restructuring are anticipated and those requests will be considered on a case-by-case basis. The Authority continues to monitor the financial status of its borrowers as part of an overall loan portfolio monitoring process.

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SUPPLEMENTARY INFORMATION

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**Colorado Water Resources  
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Regulatory Basis  
Combining Schedule of Net Assets  
Water Pollution Control Fund  
December 31, 2011**

<b>Assets</b>	<b>State Revolving Fund</b>	<b>Nonrevolving Fund</b>	<b>Water Pollution Control Fund</b>
Current assets:			
Cash and cash equivalents	\$ 23,427,002	\$ 17,101,979	\$ 40,528,981
Federal grants receivable	-	13,868	13,868
Investment income receivable	2,441	339,202	341,643
Loans receivable	37,966,185	-	37,966,185
Accounts receivable – borrowers	4,908,506	2,117,513	7,026,019
Restricted assets:			
Cash and cash equivalents	37,840,532	448,905	38,289,437
Investments	24,860,196	-	24,860,196
Investment income receivable	683,689	-	683,689
Total current assets	<u>129,688,551</u>	<u>20,021,467</u>	<u>149,710,018</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	4,596,781	-	4,596,781
Investments	186,442,407	-	186,442,407
Investment income receivable	2,507,070	-	2,507,070
Loans receivable	518,013,655	-	518,013,655
Total noncurrent assets	<u>711,559,913</u>	<u>-</u>	<u>711,559,913</u>
Total assets	<u>841,248,464</u>	<u>20,021,467</u>	<u>861,269,931</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Project costs payable – direct loans	16,428,436	-	16,428,436
Project costs payable – leveraged loans	45,441,230	-	45,441,230
Bonds payable	32,870,000	-	32,870,000
Accrued interest payable	7,097,538	-	7,097,538
Accounts payable-other	-	40,870	40,870
Due to other funds	-	698,172	698,172
Other liabilities	-	1,231,572	1,231,572
Total current liabilities	<u>101,837,204</u>	<u>1,970,614</u>	<u>103,807,818</u>
Noncurrent liabilities:			
Project costs payable – direct loans	400,000	-	400,000
Project costs payable – leveraged loans	211,640	-	211,640
Bonds payable, net	432,204,904	-	432,204,904
Advance payable	-	3,975,643	3,975,643
Deferred revenue	44,280	400,342	444,622
Other liabilities	-	252,680	252,680
Total noncurrent liabilities	<u>432,860,824</u>	<u>4,628,665</u>	<u>437,489,489</u>
Total liabilities	<u>534,698,028</u>	<u>6,599,279</u>	<u>541,297,307</u>
Net assets:			
Restricted	<u>306,550,436</u>	<u>13,422,188</u>	<u>319,972,624</u>
Total net assets	<u>\$ 306,550,436</u>	<u>\$ 13,422,188</u>	<u>\$ 319,972,624</u>

See accompanying notes to regulatory basis schedules

**Colorado Water Resources  
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Regulatory Basis**

**Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets  
Water Pollution Control Fund  
Year Ended December 31, 2011**

	<u>State Revolving Fund</u>	<u>Nonrevolving Fund</u>	<u>Water Pollution Control Fund</u>
Operating revenues:			
Interest on loans	\$ 13,249,962	\$ -	\$ 13,249,962
Interest on investments	8,619,826	678,930	9,298,756
Loan administrative fees:			
Program revenue	-	689,507	689,507
Non-program revenue	-	5,531,476	5,531,476
EPA grants	-	821,044	821,044
Other	37,542	-	37,542
	<u>21,907,330</u>	<u>7,720,957</u>	<u>29,628,287</u>
Total operating revenues			
Operating expenses:			
Interest on bonds	22,112,799	-	22,112,799
Grant administration	-	2,709,056	2,709,056
Loan principal forgiven	2,583,232	-	2,583,232
Other	49,985	163,821	213,806
	<u>24,746,016</u>	<u>2,872,877</u>	<u>27,618,893</u>
Total operating expenses			
Operating income (loss)	(2,838,686)	4,848,080	2,009,394
EPA capitalization grants	12,376,224	-	12,376,224
Transfers in (out)	2,930,916	(3,112,092)	(181,176)
	<u>12,468,454</u>	<u>1,735,988</u>	<u>14,204,442</u>
Change in net assets			
Net assets – beginning of year	294,081,982	11,686,200	305,768,182
Net assets – end of year	<u>\$ 306,550,436</u>	<u>\$ 13,422,188</u>	<u>\$ 319,972,624</u>

See accompanying notes to regulatory basis schedules

**Colorado Water Resources  
and Power Development Authority  
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Regulatory Basis**

**Notes to the Regulatory Basis of the Combining Schedule of Net Assets and the Combining  
Schedule of Revenues, Expenses and Changes in Fund Net Assets  
Water Pollution Control Fund  
December 31, 2011**

**Note 1: Purpose**

The regulatory basis combining schedule of net assets and the combining schedule of revenues, expenses, and changes in fund net assets have been prepared as required by the U.S. Environmental Protection Agency (EPA) for purposes of segregating the activities of the Water Pollution Control Fund between the State Revolving Fund and Nonrevolving Fund. The State Revolving Fund and Nonrevolving Fund are activities within the Water Pollution Control enterprise fund, a major fund for accounting purposes. The State Revolving Fund and Nonrevolving Fund, individually, do not constitute a fund for reporting purposes under generally accepted accounting principles. The regulatory basis in the aggregate is consistent with generally accepted accounting principles.

**Note 2: Grant Administration**

All loan administrative fees revenues and expenses related to the operation of the Water Pollution Control Fund, including the administration of EPA capitalization grants, are accounted for in the Nonrevolving Fund.

**Note 3: Advance Payable**

The Nonrevolving Fund accounts for the advance from the Water Operations Fund. A cash advance is made, as needed, to the Nonrevolving Fund to meet the state match requirement of EPA capitalization grants. The cash transferred to the State Revolving Fund is included in the net transfers line item. The advance is periodically repaid to the Water Operations Fund with revenue generated from loan administrative fees paid by borrowers.



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**Colorado Water Resources  
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Regulatory Basis  
Combining Schedule of Net Assets  
Drinking Water Fund  
December 31, 2011**

Assets	State Revolving Fund	Nonrevolving Fund	Drinking Water Fund
Current assets:			
Cash and cash equivalents	\$ 18,817,029	\$ 13,385,050	\$ 32,202,079
Federal grants receivable	-	1,652,967	1,652,967
Investment income receivable	1,727	146,305	148,032
Loans receivable	15,750,834	256,781	16,007,615
Accounts receivable – borrowers	1,442,349	833,404	2,275,753
Restricted assets:			
Cash and cash equivalents	18,541,219	4,594,496	23,135,715
Investments	8,757,915	-	8,757,915
Investment income receivable	311,529	-	311,529
Due from another account	10,197	5,000	15,197
Total current assets	<u>63,632,799</u>	<u>20,874,003</u>	<u>84,506,802</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	9,625,424	-	9,625,424
Investments	69,463,597	-	69,463,597
Investment income receivable	772,521	-	772,521
Loans receivable	246,421,141	1,040,405	247,461,546
Total noncurrent assets	<u>326,282,683</u>	<u>1,040,405</u>	<u>327,323,088</u>
Total assets	<u>389,915,482</u>	<u>21,914,408</u>	<u>411,829,890</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Project costs payable – direct loans	22,019,402	-	22,019,402
Project costs payable – leveraged loans	21,186,556	-	21,186,556
Bonds payable	11,105,000	-	11,105,000
Accrued interest payable	2,579,138	-	2,579,138
Due to other funds	-	1,880,949	1,880,949
Due to another account	-	15,197	15,197
Other liabilities	-	190,625	190,625
Total current liabilities	<u>56,890,096</u>	<u>2,086,771</u>	<u>58,976,867</u>
Noncurrent liabilities:			
Project costs payable – direct loans	300,000	-	300,000
Project costs payable – leveraged loans	1,385,000	-	1,385,000
Bonds payable, net	161,319,299	-	161,319,299
Advance payable	-	8,102,600	8,102,600
Deferred revenue	-	70,184	70,184
Other liabilities	-	273,505	273,505
Total noncurrent liabilities	<u>163,004,299</u>	<u>8,446,289</u>	<u>171,450,588</u>
Total liabilities	<u>219,894,395</u>	<u>10,533,060</u>	<u>230,427,455</u>
Net assets:			
Restricted	170,021,087	7,359,474	177,380,561
Unrestricted	-	4,021,874	4,021,874
Total net assets	<u>\$ 170,021,087</u>	<u>\$ 11,381,348</u>	<u>\$ 181,402,435</u>

See accompanying notes to regulatory basis schedules

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

**Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets  
Drinking Water Fund  
Year Ended December 31, 2011**

	<u>State Revolving Fund</u>	<u>Nonrevolving Fund</u>	<u>Drinking Water Fund</u>
Operating revenues:			
Interest on loans	\$ 4,549,307	\$ 47,206	\$ 4,596,513
Interest on investments	2,933,464	511,854	3,445,318
Loan administrative fees	-	3,061,163	3,061,163
EPA set aside grants:			
Administrative	-	936,408	936,408
Small Systems Training and Technical Assistance Program	-	673,888	673,888
Capacity Development	-	1,631,073	1,631,073
Wellhead Protection	-	860,587	860,587
Public Water System Supervision	-	1,585,515	1,585,515
Other	27,950	-	27,950
Total operating revenues	<u>7,510,721</u>	<u>9,307,694</u>	<u>16,818,415</u>
Operating expenses:			
Interest on bonds	7,837,296	-	7,837,296
Grant administration – state funded	-	827,651	827,651
EPA set asides:			
Administrative	-	936,408	936,408
Small Systems Training and Technical Assistance Program	-	673,888	673,888
Capacity Development	-	1,631,073	1,631,073
Wellhead Protection	-	860,587	860,587
Public Water System Supervision	-	1,585,515	1,585,515
Loan principal forgiven	5,294,012	-	5,294,012
Other	-	184,280	184,280
Total operating expenses	<u>13,131,308</u>	<u>6,699,402</u>	<u>19,830,710</u>
Operating income (loss)	(5,620,587)	2,608,292	(3,012,295)
EPA capitalization grants	12,184,901	-	12,184,901
Transfers in (out)	5,776,533	(5,595,357)	181,176
Change in net assets	12,340,847	(2,987,065)	9,353,782
Net assets – beginning of year	<u>157,680,240</u>	<u>14,368,413</u>	<u>172,048,653</u>
Net assets – end of year	<u>\$ 170,021,087</u>	<u>\$ 11,381,348</u>	<u>\$ 181,402,435</u>

See accompanying notes to regulatory basis schedules

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

**Regulatory Basis**

**Notes to the Regulatory Basis of the Combining Schedule of Net Assets and the Combining  
Schedule of Revenues, Expenses and Changes in Fund Net Assets**

**Drinking Water Fund**

**December 31, 2011**

**Note 1: Purpose**

The regulatory basis combining schedule of net assets and the combining schedule of revenues, expenses, and changes in fund net assets have been prepared as required by the U.S. Environmental Protection Agency (EPA) for purposes of segregating the activities of the State Revolving Fund and Nonrevolving Fund. The State Revolving Fund and Nonrevolving Fund are activities within the Drinking Water enterprise fund, a major fund for accounting purposes. The State Revolving Fund and Nonrevolving Fund, individually, do not constitute a fund for reporting purposes under generally accepted accounting principles. The regulatory basis in the aggregate is consistent with generally accepted accounting principles.

**Note 2: Nonrevolving Fund**

The Authority issues direct loans to eligible municipalities which are funded with money from sources other than the State Revolving Funds. These loans are accounted for in the Nonrevolving Fund. The Drinking Water Fund nonfederal direct loans receivable amounted to \$1,297,186 at December 31, 2011. There are currently 12 loans outstanding at year-end that mature in years 2015 to 2017.

**Note 3: Grant Administration**

All administrative expenses, both federally and state (loan surcharge fees) funded, related to the operation of the Drinking Water Fund, including the administration of EPA capitalization grants and set aside programs, are accounted for in the Nonrevolving Fund.

**Note 4: Set Aside Revenue and Expenses**

The set aside activities of the Drinking Water Fund are recorded in the Nonrevolving Fund. Set asides for each capitalization grant, other than for administration, are provided to public and private entities to improve the performance or quality of drinking water systems. The 20% state match for these set asides is deposited to the State Revolving Fund by the Authority.

**Note 5: Advance Payable**

The Nonrevolving Fund accounts for the advance from the Water Operations Fund. A cash advance is made, as needed, to the Nonrevolving Fund to meet the state match requirement of EPA capitalization grants. The cash transferred to the State Revolving Fund is included in the net transfers line item. The advance is periodically repaid to the Water Operations Fund with revenue generated from loan administrative fees paid by borrowers.

**Colorado Water Resources  
and Power Development Authority**  
**(A Component Unit of the State of Colorado)**  
**Schedule of Revenues, Expenditures and Changes in Funds Available -**  
**Actual (Non-GAAP Budgetary Basis) and Budget**  
**Water Operations Fund**  
**Year Ended December 31, 2011**

	<u>Actual</u>	<u>Original budget</u>	<u>Changes</u>	<u>Final budget</u>	<u>Variance – favorable (unfavorable)</u>
<b>Revenues:</b>					
Interest on investments	\$ 879,101	\$ 947,000	\$ -	\$ 947,000	\$ (67,899)
WPCRF state match loan repayment	-	4,700,000	-	4,700,000	(4,700,000)
DWRF state match loan repayment	-	7,816,000	-	7,816,000	(7,816,000)
Loan principal payments – SWRP	7,980,145	5,014,000	-	5,014,000	2,966,145
Loan principal payments – WRBP	20,960,000	12,934,000	10,550,000	23,484,000	(2,524,000)
Loan principal payments – interim	1,374,934	14,800,000	-	14,800,000	(13,425,066)
Loan principal payments – WPFHP	-	300,000	-	300,000	(300,000)
Loan principal payments – SHLP	58,898	60,000	-	60,000	(1,102)
Bond proceeds – WRBP	28,460,340	83,000,000	(10,550,000)	72,450,000	(43,989,660)
Bond proceeds – Watershed Prot.	-	10,000,000	-	10,000,000	(10,000,000)
Refunding bond proceeds – SWRP	-	25,000,000	-	25,000,000	(25,000,000)
Loan interest income – SWRP	2,872,928	2,777,000	-	2,777,000	95,928
Loan interest income – WRBP	20,856,817	20,691,000	-	20,691,000	165,817
Loan interest income – WPFHP	-	500,000	-	500,000	(500,000)
Loan interest income – SHLP	22,956	200,000	-	200,000	(177,044)
Loan interest income – interim loans	9,637	518,000	-	518,000	(508,363)
Other	5	-	-	-	5
Total revenues	<u>83,475,761</u>	<u>189,257,000</u>	<u>-</u>	<u>189,257,000</u>	<u>(105,781,239)</u>
<b>Expenditures:</b>					
WPCRF state match loans	2,477,900	3,400,000	-	3,400,000	922,100
DWRF state match loans	3,287,800	5,000,000	-	5,000,000	1,712,200
General/administrative	621,313	1,024,500	-	1,024,500	403,187
Interim loans made	494,611	14,800,000	-	14,800,000	14,305,389
Bond principal payments – SWRP	7,915,000	5,000,000	3,000,000	8,000,000	85,000
Bond principal payments – WRBP	21,560,000	13,000,000	10,550,000	23,550,000	1,990,000
Bond principal payments – WPFHP	-	300,000	-	300,000	300,000
Bond interest expense – SWRP	2,931,673	2,900,000	50,000	2,950,000	18,327
Bond interest expense – WRBP	21,294,132	21,200,000	100,000	21,300,000	5,868
Bond interest expense – WPFHP	-	500,000	-	500,000	500,000
Bond Cost of Issuance – WPFHP	-	400,000	-	400,000	400,000
Loans made – WRBP	27,665,000	83,000,000	(10,650,000)	72,350,000	44,685,000
Loans made – WPFHP	-	10,000,000	-	10,000,000	10,000,000
SHLP Loan Draws	2,000,000	8,000,000	-	8,000,000	6,000,000
SHLP Planning & Design Grants	79,923	150,000	-	150,000	70,077
Refunding Bonds Escrow Deposit – SWRP	-	24,550,000	(3,050,000)	21,500,000	21,500,000
Refunding Issuance Costs – SWRP	-	450,000	-	450,000	450,000
Project expenditures	1,075,632	11,622,000	-	11,622,000	10,546,368
Arbitrage rebate – SWRP	-	100,000	-	100,000	100,000
Total expenditures	<u>91,402,984</u>	<u>205,396,500</u>	<u>-</u>	<u>205,396,500</u>	<u>113,993,516</u>
Excess of revenues over (under) expenditures	<u>\$ (7,927,223)</u>	<u>\$ (16,139,500)</u>	<u>\$ -</u>	<u>\$ (16,139,500)</u>	<u>\$ 8,212,277</u>

See accompanying notes to budgetary basis reconciliation

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Reconciliation and Note of Non-GAAP Budgetary Basis (Actual) to Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Water Operations Fund  
Year Ended December 31, 2011**

Revenues (budgetary basis)	\$	83,475,761
Loan principal payments – SWRP (a.)		(7,980,145)
Loan principal payments – WRBP (a.)		(20,960,000)
Loan principal payments – interim (a.)		(1,374,934)
Loan principal payments – SHLP (a.)		(58,898)
Bond proceeds – WRBP (b.)		(28,460,340)
Revenues (GAAP basis)		24,641,444
Expenditures (budgetary basis)		91,402,984
Depreciation (c.)		14,266
WPCRF and DWRF advance – state match provided (d.)		(5,765,700)
Bond principal payments – SWRP (e.)		(7,915,000)
Bond principal payments – WRBP (e.)		(21,560,000)
Loans made – WRBP (f.)		(27,665,000)
Interim loans made (g.)		(494,611)
SHLP loans made (g.)		(2,000,000)
Expenses (GAAP basis)		26,016,939
Change in net assets per statement of revenues, expenses, and changes in fund net assets	\$	(1,375,495)

The budget for the Water Operations Fund is reported on the same basis as described in the Basis of Accounting section, except as follows:

- a. Leveraged, interim and SHLP loan principal payments are recorded as revenue when received from the borrower.
- b. Bond proceeds are treated as revenue when issued.
- c. Depreciation of equipment is not budgeted.
- d. WPCRF and DWRF advance – state match provided is treated as expenditure when transferred to the respective program.
- e. Bond principal payments are treated as expenditures when paid.
- f. Leveraged loans are treated as expenditures when loans are executed.
- g. Interim and SHLP loans are treated as expenditures when draws are made from project accounts.

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Schedule of Revenues, Expenditures and Changes in Funds Available –  
Actual (non-GAAP Budgetary Basis) and Budget  
Water Pollution Control Fund  
Year Ended December 31, 2011**

	<u>Actual</u>	<u>Original budget</u>	<u>Changes</u>	<u>Final budget</u>	<u>Variance – favorable (unfavorable)</u>
<b>Revenues:</b>					
Interest on investments	\$ 9,298,756	\$ 10,252,000	\$ -	\$ 10,252,000	\$ (953,244)
Administrative fee	6,220,983	6,618,000	-	6,618,000	(397,017)
Loan interest income	13,249,962	15,260,000	-	15,260,000	(2,010,038)
EPA grants	13,197,268	75,469,000	-	75,469,000	(62,271,732)
Colorado state match	2,477,900	3,200,000	-	3,200,000	(722,100)
Loan principal repayments	37,663,490	40,333,000	-	40,333,000	(2,669,510)
Bond proceeds	15,211,044	59,200,000	-	59,200,000	(43,988,956)
Other	37,542	-	-	-	37,542
Total revenues	<u>97,356,945</u>	<u>210,332,000</u>	<u>-</u>	<u>210,332,000</u>	<u>(112,975,055)</u>
<b>Expenditures:</b>					
Grant administration	2,709,056	3,453,406	-	3,453,406	744,350
Bond principal payments	32,710,000	36,000,000	-	36,000,000	3,290,000
Advance repayments – state match	-	4,700,000	(15,000)	4,685,000	4,685,000
Transfer Administrative to DWRF	181,176	278,000	-	278,000	96,824
Project costs paid – direct loans	13,858,562	73,736,000	-	73,736,000	59,877,438
Loans made – leveraged loans	17,164,518	60,400,000	-	60,400,000	43,235,482
Planning and design grants to small local governments	163,821	325,600	15,000	340,600	176,779
Other	1,508,379	1,904,000	-	1,904,000	395,621
Loan principal forgiven	2,583,232	5,100,000	-	5,100,000	2,516,768
Bond interest expense	22,112,799	24,000,000	-	24,000,000	1,887,201
Capital asset acquisitions	-	5,000	-	5,000	5,000
Total expenditures	<u>92,991,543</u>	<u>209,902,006</u>	<u>-</u>	<u>209,902,006</u>	<u>116,910,463</u>
Excess of revenues over expenditures	<u>\$ 4,365,402</u>	<u>\$ 429,994</u>	<u>\$ -</u>	<u>\$ 429,994</u>	<u>\$ 3,935,408</u>

See accompanying notes to budgetary basis reconciliation

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Reconciliation and Note of Non-GAAP Budgetary Basis (Actual) to  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Water Pollution Control Fund  
Year Ended December 31, 2011**

Revenues (budgetary basis)	\$	97,356,945
Loan principal payments (a.)		(37,663,490)
Advance – state match provided (b.)		(2,477,900)
Bond proceeds (c.)		(15,211,044)
		<u>42,004,511</u>
Revenues (GAAP basis)		<u>42,004,511</u>
Expenditures (budgetary basis)		92,991,543
Project costs paid – direct loans (d.)		(13,858,562)
Bond principal payments (e.)		(32,710,000)
Leveraged loans made (f.)		(17,164,518)
Arbitrage rebate payments (g.)		(1,458,394)
		<u>27,800,069</u>
Expenses (GAAP basis)		<u>27,800,069</u>
Change in net assets per statement of revenues, expenses, and changes in fund net assets	\$	<u>14,204,442</u>

The budget for the Water Pollution Control Fund is reported on the same basis as described in the Basis of Accounting section, except as follows:

- a. Loan principal payments are recorded as revenue when received from the borrower.
- b. Advance – state match is treated as revenue when transferred from Water Operations.
- c. Bond proceeds are treated as revenue when issued.
- d. Direct loans are treated as expenditures when draws are made from project accounts.
- e. Bond principal payments are treated as expenditures when paid.
- f. Leveraged loans are treated as expenditures when loans are executed.
- g. Arbitrage rebate payments are treated as expenditures when paid to the United States Treasury.



**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Schedule of Revenues, Expenditures and Changes in Funds Available -  
Actual (Non-GAAP Budgetary Basis) and Budget  
Drinking Water Fund  
Year Ended December 31, 2011**

	<u>Actual</u>	<u>Original budget</u>	<u>Changes</u>	<u>Final budget</u>	<u>Variance – favorable (unfavorable)</u>
Revenues:					
Interest on investments	\$ 3,445,318	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 445,318
Loan interest income	4,596,513	7,391,000	-	7,391,000	(2,794,487)
Loan principal repayments	14,963,894	20,121,000	-	20,121,000	(5,157,106)
Bond proceeds	25,544,825	59,200,000	-	59,200,000	(33,655,175)
Refunding bond proceeds	-	40,000,000	-	40,000,000	(40,000,000)
Capital contributions – EPA	12,184,901	45,607,000	-	45,607,000	(33,422,099)
Colorado state match	3,287,800	4,800,000	-	4,800,000	(1,512,200)
EPA capitalization grant set asides revenue	5,687,471	9,276,121	-	9,276,121	(3,588,650)
Transfer Administrative Fees – WPCRF	181,176	278,000	-	278,000	(96,824)
Administrative fee income	3,061,163	4,336,000	-	4,336,000	(1,274,837)
Other	27,950	-	-	-	27,950
Total revenues	<u>72,981,011</u>	<u>194,009,121</u>	<u>-</u>	<u>194,009,121</u>	<u>(121,028,110)</u>
Expenditures:					
Grant administration – State funded	1,764,060	2,334,580	-	2,334,580	570,520
Bond principal payments made	15,095,000	15,000,000	200,000	15,200,000	105,000
Advance repayments – state match	-	7,816,000	(70,000)	7,746,000	7,746,000
Project costs paid – direct loans	13,066,473	52,113,790	-	52,113,790	39,047,317
Loans made – leveraged	28,558,845	59,000,000	-	59,000,000	30,441,155
Planning and design grants to small local governments	184,280	289,000	70,000	359,000	174,720
Payment to refunded bond escrow	-	39,300,000	(200,000)	39,100,000	39,100,000
Refunding bonds issuance cost	-	700,000	-	700,000	700,000
Loan principal forgiven	5,294,012	10,200,000	-	10,200,000	4,905,988
Bond interest expense	7,837,296	12,000,000	-	12,000,000	4,162,704
EPA capitalization grant set asides	4,751,062	7,898,594	-	7,898,594	3,147,532
Arbitrage rebate payments	581,332	750,000	-	750,000	168,668
Capital asset acquisitions	-	5,000	-	5,000	5,000
Total expenditures	<u>77,132,360</u>	<u>207,406,964</u>	<u>-</u>	<u>207,406,964</u>	<u>130,274,604</u>
Excess of revenues over expenditures	<u>\$ (4,151,349)</u>	<u>\$ (13,397,843)</u>	<u>\$ -</u>	<u>\$ (13,397,843)</u>	<u>\$ 9,246,494</u>

See accompanying notes to budgetary basis reconciliation

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Reconciliation and Note of Non-GAAP Budgetary Basis (Actual) to  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Drinking Water Fund  
Year Ended December 31, 2011**

Revenues (budgetary basis)	\$	72,981,011
Loan principal payments (a.)		(14,963,894)
Advance – state match provided (b.)		(3,287,800)
Bond proceeds (c.)		(25,544,825)
		29,184,492
Revenues (GAAP basis)		29,184,492
Expenditures (budgetary basis)		77,132,360
Project costs paid – direct loans (d.)		(13,066,473)
Bond principal payments made (e.)		(15,095,000)
Leveraged loans made (f.)		(28,558,845)
Arbitrage rebate payments (g.)		(581,332)
		19,830,710
Expenses (GAAP basis)		19,830,710
Change in net assets per statement of revenues, expenses, and changes in fund net assets	\$	9,353,782

The budget for the Drinking Water Fund is reported on the same basis as described in the Basis of Accounting section, except as follows:

- a. Loan principal payments are recorded as revenue when received from the borrower.
- b. Advance – state match is treated as revenue when transferred from Water Operations.
- c. Bond proceeds are treated as revenue when issued.
- d. Direct loans are treated as expenditures when draws are made from project accounts.
- e. Bond principal payments are treated as expenditures when paid.
- f. Leveraged loans are treated as expenditures when loans are executed.
- g. Arbitrage rebate payments are treated as expenditures when paid to the United States Treasury.

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Schedule of Project Costs Payable – By Borrower  
December 31, 2011**

The following pages contain information, by borrower, showing balances in project costs payable (loan proceeds remaining) and loans receivable. The borrower accounts are categorized by fund, by programs within the fund and by loan types.

Leveraged loans are funded by bond proceeds and may be partially funded by EPA Capitalization Grants and Authority resources. These loans are designated by the year and series of bonds providing the related capital, such as 2006A.

Projects in the SHLP, WPCRF and DWRF may be financed by direct loans. Loans are funded by EPA Capitalization Grants, reloan monies and/or Authority resources. Base program loans are those not funded by 2009 ARRA grants. Disadvantaged Community loans are discussed in the notes to the financial statements. ARRA loans are listed separately. As discussed in the notes to the financial statements, the Authority provided principal forgiveness on certain ARRA and 2011 and 2010 base program directs. Therefore, certain borrowers that received principal forgiveness will appear in the project costs payable list, but not in the loans receivable list.

Certain DWRF loans were funded from Authority cash and are listed separately under the State Direct loan heading.

	<u><b>Project costs payable</b></u>
Water Operations Fund:	
WRBP:	
Donala Water and Sanitation District	\$ 6,302,642
Fountain, City of	8,421,538
North Weld County Water District	2,394,849
Parker Water and Sanitation District	39,746,236
Steamboat Springs, City of	9,944,702
	<u>66,809,967</u>
Total Water Operations Fund	<u>66,809,967</u>
Water Pollution Control Revolving Fund:	
Direct loans:	
Base program:	
Burlington, City of	745,350
Cherry Hills Heights Water and Sanitation District	61,342
Eagle, Town of	1,288,966
Empire, Town of	467,612
Erie, Town of	764,197
Larimer County Local Improvement District	198,784
Nederland, Town of	2,000,000
Pagosa Area Water and Sanitation District	976,530
Ralston Valley Water and Sanitation District	538,658
Tabernash Meadows Water and Sanitation District	43,745

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Schedule of Project Costs Payable – By Borrower  
December 31, 2011**

	<u>Project costs payable</u>
Water Pollution Control Revolving Fund (Continued):	
Base program - disadvantaged communities:	
Campo, Town of	148,947
Cheraw, Town of	376,745
Cheyenne Wells Sanitation District #1	732,762
Crowley, Town of	1,844,996
Kit Carson, Town of	152,251
Las Animas, City of	300,344
Mancos, Town of	48,247
Mancos, Town of	500,000
Mountain View Villages Water and Sanitation District	100,952
Olathe, Town of	490,280
Pagosa Springs San General Improvement District	2,000,000
Redstone Water and Sanitation District	1,197,754
Romeo, Town of	25,000
Seibert, Town of	9,721
Silver Plume, Town of	86,959
ARRA direct loans:	
Manitou Springs, City of	14,716
Pagosa Area Water and Sanitation District	1,713,578
Total direct loans	<u>16,828,436</u>
Leveraged loans:	
2010B Boxelder Sanitation District	10,215,183
2010B Brush, City of	2,394,297
2008A Elizabeth, Town of	12,463
2011A Fountain Sanitation District	7,000,000
2010A Fruita, City of	3,716,837
2010A Glenwood Springs, City of	6,977,562
2011A Nederland, Town of	2,000,000
2010A Pueblo, City of	4,827,661
2011A Pueblo West Metropolitan District	5,340,000
2011A Windsor, Town of	3,168,867
Total leveraged loans	<u>45,652,870</u>
Total Water Pollution Control Revolving Fund	<u>62,481,306</u>

**Colorado Water Resources  
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Schedule of Project Costs Payable – By Borrower  
December 31, 2011**

	<u>Project costs payable</u>
Drinking Water Revolving Fund:	
Direct loans:	
Base Program:	
Alma, Town of	453,815
Baca Grande Water and Sanitation District	144,041
BMR Metropolitan District	569,889
Colorado Springs Utilities	2,285,625
Crested Butte South Metropolitan District	44,494
El Rancho Florida Metropolitan District	1,400,000
Georgetown, Town of	900,000
Lamar, City of	1,067,625
Mountain Water and Sanitation District	636,711
Ouray, City of	144,740
Palmer Lake, Town of	421,604
Ralston Valley Water and Sanitation District	82,955
Salida, City of	545,000
Teller County Water and Sanitation District #1	1,400,361
Tree Haus Metropolitan District	535,352
Base program - disadvantaged communities:	
Blanca, Town of	434,913
Creede, City of	67,165
Grover, Town of	518,000
Hotchkiss, Town of	374,966
Hotchkiss, Town of	576,105
La Jara, Town of	729,000
Monte Vista, City of	400,000
Nunn, Town of	2,424,000
Orchard City, Town of	229,654
Paonia, Town of	265,261
Rico, Town of	1,600,000
Rocky Ford, City of	1,396,036
Swink, Town of	592,994
Two Buttes, Town of	1,177,298

**Colorado Water Resources  
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Schedule of Project Costs Payable – By Borrower  
December 31, 2011**

	<b>Project costs payable</b>
Drinking Water Revolving Fund (continued):	
ARRA direct loans:	
Brighton, City of	101,835
Georgetown, Town of	12,900
Hi-Land Acres Water and Sanitation District	73,802
Lamar, City of	133,234
Manitou Springs, City of	575,027
Ophir, Town of	5,000
Total direct loans	22,319,402
Leveraged loans:	
2006B Alamosa, City of	321,391
2011A Sterling, City of	22,250,165
Total leveraged loans	22,571,556
Total Drinking Water Revolving Fund	44,890,958
Total project costs payable	\$ 174,182,231

**Colorado Water Resources  
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Schedule of Loans Receivable – By Borrower  
December 31, 2011**

	<u>Loans Receivable</u>
Water Operations Fund:	
Small Hydro Loan Program:	
2009            Cortez, City of	\$      1,088,164
2011            Northern Water Conservancy District	2,000,000
Total Water Operations Fund loans receivable – SHLP	<u>          3,088,164</u>
Small Water Resources Program:	
1992A            Brush, City of	85,000
1994B            Carbondale, Town of	547,500
2003A            Clifton Water District	5,077,500
2003A            Eaton, Town of	1,819,167
1992A            Fort Lupton, City of	255,000
1994A            Fort Morgan, City of	535,833
1992B            Glenwood Springs, City of	220,000
1992A            La Salle, Town of	155,000
1992A            Louisville, City of	476,250
1992B            Minturn, Town of	5,000
1997A            Monument, Town of	740,000
1998A            Morgan County Quality Water District	1,340,000
1992B            Mount Werner Water and Sanitation District	312,500
1992B            North Weld County Water District	12,337,500
1998A            North Weld County Water District	63,750
2001A            North Weld County Water District	2,205,000
1994A            Parker Water and Sanitation District	9,750,833
1997A            Parker Water and Sanitation District	10,055,000
2000A            Parker Water and Sanitation District	128,334
2002A            Parker Water and Sanitation District	1,975,833
1994A            Platteville, Town of	207,500
1994B            Project 7 Water Authority	1,193,333
1994B            Rifle, City of	1,013,333
2003A            Rifle, City of	284,167
Total Water Operations Fund loans receivable – SWRP	<u>         50,783,333</u>

**Colorado Water Resources  
and Power Development Authority  
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Schedule of Loans Receivable – By Borrower (Continued)  
December 31, 2011**

		<b>Loans Receivable</b>
Water Revenue Bond Program:		
2005E	Arapahoe County Water and Wastewater Public Improvement District	26,270,000
2005D	Aurora, City of	97,730,000
2004E	Copper Mountain Consolidated Metropolitan District	2,550,000
2005F	Copper Mountain Consolidated Metropolitan District	2,840,000
2011C	Donala Water and Sanitation District	5,965,000
2005A	East Cherry Creek Valley Water and Sanitation District	48,450,000
2004B	Englewood, City of	15,165,000
2005B	Fort Lupton, City of	1,780,000
2005C	Fountain, City of	7,215,000
2008A	Fountain, City of	8,350,000
2011A	Fountain, City of	9,350,000
2004C	Littleton, City of	8,580,000
2003A	Louisville, City of	9,500,000
2009A	North Weld County Water District	6,440,000
2004D	Parker Water and Sanitation District	97,700,000
2010A	Parker Water and Sanitation District	51,485,000
2011B	Steamboat Springs, City of	12,350,000
	Total Water Operations Fund loans receivable – WRBP	411,720,000
	Total Water Operations Fund loans receivable	465,591,497

Water Pollution Control Revolving Fund:

Federal Direct loans:

Base Program:

2006	Bennett, Town of	132,776
2006	Boulder County	1,339,482
1996	Broomfield, City of	825,288
2010	Burlington, City of	1,884,372
1998	Byers Water and Sanitation District	172,616
2010	Cherry Hills Heights Water and Sanitation District	206,516
2011	Colorado Centre Metropolitan District	2,000,000
2000	Columbine Water and Sanitation District	144,912
2007	Cortez Sanitation District	1,663,057
2010	Crested Butte South Metropolitan District	1,428,883
2006	Cucharas Sewer and Water District	644,917
2007	Donala Water and Sanitation District	1,768,216
1991	Eagle, Town of	1,288,966
2007	Elizabeth, Town of	889,525
1997	Erie, Town of	203,085
2009	Erie, Town of	1,439,575
1998	Evans, City of	191,691
2009	Evergreen Metropolitan District	1,865,798
2008	Fairplay Sanitation District	1,791,502
1994	Fort Lupton, City of	26,796
1995	Fruita, City of	19,618
2004	Garden Valley Water and Sanitation District	223,138
2002	Julesburg, Town of	519,300



**Colorado Water Resources  
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Schedule of Loans Receivable – By Borrower (Continued)  
December 31, 2011**

		<u>Loans Receivable</u>
Water Pollution Control Revolving Fund (continued):		
1999	Kersey, Town of	87,338
2006	Kersey, Town of	1,455,559
2005	Kremmling Sanitation District	730,483
1999	La Junta, City of	192,036
2010	Lamar, City of	1,979,544
2008	Larimer County Local Improvement District	335,734
2010	Larimer County Local Improvement District	293,175
1998	Las Animas, City of	487,237
1999	Left Hand Water and Sanitation District	58,595
2000	Left Hand Water and Sanitation District	28,330
1995	Log Lane Village, Town of	76,332
1997	Manzanola, Town of	30,074
1999	Monte Vista, Town of	472,278
2011	Nederland, Town of	2,000,000
1999	New Castle, Town of	228,280
1992	Nucla Sanitation District	5,233
1996	Ordway, Town of	119,719
1992	Ouray, City of	30,212
2009	Pagosa Area Water and Sanitation District	927,704
1997	Pagosa Springs Sanitation GID, Town of	223,727
2003	Pikes Peak-America's Mountain	611,955
2006	Ralston Valley Water and Sanitation District	977,779
1994	Saint Mary's Glacier Water and Sanitation District	27,139
2000	Springfield, Town of	110,839
2011	Tabernash Meadows Water and Sanitation District	365,000
2008	Triview Metropolitan District	1,804,658
2010	Upper Blue Sanitation District	1,908,682
1997	Vona, Town of	29,714
2010	Woodland Park, City of	640,236
Base Program-Disadvantaged Communities:		
2006	Ault, Town of	1,059,879
2009	Boone, Town of	291,375
2010	Cheyenne Wells Sanitation District #1	266,943
2006	Clifton Sanitation District #2	1,523,810
2009	Crested Butte South Metropolitan District	2,157,510
2011	Crowley, Town of	2,000,000
2006	Haxtun, Town of	248,578
2009	Kit Carson, Town of	239,575
2006	La Jara, Town of	543,750
2008	Las Animas, City of	320,450
2011	Las Animas, City of	309,000
2009	Mancos, Town of	900,000
2011	Mancos, Town of	58,493
2008	Manzanola, Town of	84,000
2009	Mountain View Villages Water and Sanitation District	1,400,000
2006	Ordway, Town of	464,225
2008	Pagosa Springs Sanitation GID, Town of	1,914,171
2008	Penrose Sanitation District	115,556
2006	Pierce, Town of	781,091
2011	Redstone Water and Sanitation District	2,000,000
2007	Romeo, Town of	144,375
2009	Seibert, Town of	138,750
2011	Silver Plume, Town of	129,573

**Colorado Water Resources  
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Schedule of Loans Receivable – By Borrower (Continued)  
December 31, 2011**

		<b>Loans Receivable</b>
Water Pollution Control Revolving Fund (continued):		
2006	Springfield, Town of	413,850
2006	Stratton, Town of	357,671
2006	Sugar City Town of	244,800
2009	Sugar City Town of	43,289
ARRA direct loans:		
2009	Erie, Town of	1,850,000
2009	Georgetown, Town of	3,515,000
2009	Manitou Springs, City of	77,145
2009	Pagosa Area Water and Sanitation District	6,684,713
2009	Pueblo, City of	1,387,500
Total WPCRF direct loans		68,572,693
Leveraged loans:		
1999A	Aurora, City of	5,716,215
2007A	Bayfield, Town of	4,385,000
2002A	Berthoud, Town of	4,855,000
2004A	Berthoud, Town of	1,685,000
2002A	Blackhawk-Central City Sanitation District	15,232,179
2010B	Boxelder Sanitation District	10,405,000
2005A	Breckenridge, Town of	3,325,000
1995A	Brighton, City of	1,458,336
2010B	Brush!, City of	9,460,000
1998A	Buena Vista Sanitation District	1,480,565
2006B	Cherokee Metropolitan District	12,257,764
2006A	Clifton Sanitation District #2	7,960,000
2003A	Colorado City Metropolitan District	1,219,402
1998B	Colorado Springs, City of	12,825,340
2001A	Cortez Sanitation District	5,470,000
1995A	Craig, City of	278,218
1996A	Crested Butte, Town of	822,360
1989A	Denver Southeast Suburban Water and Sanitation District	4,325,000
2002B	Denver Southeast Suburban Water and Sanitation District	3,725,000
2006A	Donala Water and Sanitation District	3,968,904
1992A	Eagle River Water and Sanitation District	1,077,658
1995A	Eagle River Water and Sanitation District	1,558,146
1998A	Eagle River Water and Sanitation District	5,982,932
1997A	Eagle, Town of	11,202,840
2007A	Eagle, Town of	864,023
2005A	Eaton, Town of	4,011,263
2008A	Elizabeth, Town of	4,540,267
1991A	Englewood, City of	29,526,818
2004A	Englewood, City of	855,533
1997A	Erie, Town of	683,802
1998A	Evans, City of	470,714

**Colorado Water Resources  
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Schedule of Loans Receivable – By Borrower (Continued)  
December 31, 2011**

		<b>Loans Receivable</b>
Water Pollution Control Revolving Fund (continued):		
1992B	Fort Collins, City of	5,442,500
2001A	Fort Collins, City of	3,248,842
1992A	Fort Lupton, City of	599,232
1995A	Fort Morgan, City of	2,466,044
2011A	Fountain Sanitation District	6,860,303
1999A	Fremont Sanitation District	3,993,606
2010A	Fruita, City of	21,390,000
2005B	Glendale, City of	7,676,058
2010A	Glenwood Springs, City of	30,394,550
2006A	Granby Sanitation District	3,880,146
1999A	Grand County Water and Sanitation District	1,738,887
1994A	Greeley, City of	3,381,949
1996A	Idaho Springs, City of	506,635
2001A	Lafayette, City of	5,104,636
1991A	Littleton, City of	855,580
2004A	Littleton, City of	29,640,281
1992B	Longmont, City of	158,837
2007A	Mead, Town of	2,545,000
2002A	Mesa County	6,870,000
2003A	Milliken, Town of	4,219,367
2001A	Mount Crested Butte Water and Sanitation District	2,971,819
2011A	Nederland, Town of	1,961,090
2008A	New Castle, Town of	7,252,292
1994A	Parker Water and Sanitation District	6,511,242
1997A	Parker Water and Sanitation District	2,848,284
2000A	Parker Water and Sanitation District	12,061,016
2001A	Parker Water and Sanitation District	358,517
2002B	Parker Water and Sanitation District	1,222,196
2001A	Plum Creek Wastewater Authority	15,040,000
2002B	Plum Creek Wastewater Authority	2,085,000
2005A	Plum Creek Wastewater Authority	1,165,000
2011A	Pueblo West Metropolitan District	5,232,582
2003A	Pueblo, City of	5,484,509
2010A	Pueblo, City of	22,621,977
2007A	Rifle, City of	15,812,052
2005A	Roxborough Water and Sanitation District	7,450,000
2002A	South Adams County Water and Sanitation District	4,667,500
1995A	Steamboat Springs, City of	3,392,169
1999A	Steamboat Springs, City of	400,226
2001A	Steamboat Springs, City of	1,392,820
1997A	Sterling, City of	818,902
2000A	Summit County	9,160,883
2000A	Three Lakes Water and Sanitation District	3,291,624
1998A	Trinidad, City of	2,868,117
2006A	Triview Metropolitan District	3,968,904
1997A	Upper Blue Sanitation District	6,160,000
2005B	Upper Blue Sanitation District	3,025,751

**Colorado Water Resources  
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Schedule of Loans Receivable – By Borrower (Continued)  
December 31, 2011**

	<b>Loans Receivable</b>
Water Pollution Control Revolving Fund (continued):	
2002A Wellington, Town of	3,011,686
1997A Westminster, City of	11,362,500
1998A Westminster, City of	5,245,835
2005A Westminster, City of	1,413,038
2011A Windsor, Town of	3,110,543
2002A Winter Park West Water and Sanitation District	1,438,341
Total WPCRF leveraged loans	487,407,147
Total Water Pollution Control Revolving Fund loans receivable	555,979,840
Drinking Water Fund:	
State Direct loans:	
1996 Bayfield, Town of	116,065
1995 Elizabeth, Town of	141,681
1995 Empire, Town of	95,485
1995 Fairplay, Town of	61,723
1997 Fairplay, Town of	79,633
1997 Idaho Springs, City of	190,220
1995 Idledale Water and Sanitation District	62,156
1996 Lake Creek Metropolitan District	135,175
1995 Minturn, Town of	86,429
1996 Nunn, Town of	111,637
1998 Redstone Water and Sanitation District	165,616
1997 Westlake Water and Sanitation District	51,366
Federal Direct loans:	
Base Program:	
2011 Alma, Town of	614,284
2009 Baca Grande Water and Sanitation District	1,401,327
2002 Basalt, Town of	620,682
2010 BMR Metropolitan District	1,034,840
2009 Bow Mar Water and Sanitation District	233,345
2006 Castle Pines Metropolitan District	1,653,130
2006 Castle Pines Metropolitan District	209,934
1998 Chatfield South Water District	182,272
2010 Colorado Springs Utility	8,263,864
2010 Cortez, City of	428,928
2010 Crested Butte South Metropolitan District	989,803
2006 Cucharas Sanitation and Water District	225,889
2002 Dillon, Town of	122,987
2010 Divide MPC Metropolitan District #1	134,773
2011 El Rancho Florida Metropolitan District	1,400,000
2005 Florence, City of	592,976
2011 Georgetown, Town of	900,000
2010 Grand Junction, City of	3,607,289
1997 Grand Lake, Town of	198,384
2002 Hayden, Town of	589,461
2009 Lake Durango Water Authority	1,822,485
2009 Lamar, City of	1,017,905
1998 Left Hand Water and Sanitation District	81,704
2011 Mountain Water and Sanitation District	975,000
2003 Mustang Water Authority	499,586
2009 Nederland, Town of	2,255,861

**Colorado Water Resources  
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Schedule of Loans Receivable – By Borrower (Continued)  
December 31, 2011**

		<b>Loans Receivable</b>
Drinking Water Fund (continued):		
2003	Oak Creek, Town of	618,671
2005	Olde Stage Water District	75,851
2008	Olde Stage Water District	135,028
2003	Ouray, City of	719,702
2009	Palmer Lake, Town of	1,765,349
2010	Pine Drive Water District	237,019
2006	Pinewood Springs Water District	89,384
2004	Pinewood Springs Water District	594,473
2008	Platte Canyon Water and Sanitation District Subdistrict #2	324,986
2006	Platte Canyon Water and Sanitation District Subdistrict #1	370,289
2006	Ralston Valley Water and Sanitation District	1,091,656
2011	Salida, City of	545,000
2000	Sedalia Water and Sanitation District	170,183
2000	Springfield, Town of	186,970
2004	Swink, Town of	474,653
2010	Teller County Water & Sanitation District	1,718,000
1999	Thunderbird Water and Sanitation District	153,304
2002	Thunderbird Water and Sanitation District	219,146
2010	Tree Haus Metropolitan District	1,068,954
2001	Wellington, Town of	625,116
2003	Westwood Lakes Water District	334,343
2002	Woodland Park, City of	504,465
Base Program-Disadvantaged Communities:		
2009	Arriba, Town of	471,333
2006	Bethune, Town of	348,333
2011	Blanca, Town of	403,350
2006	Boone, Town of	428,581
2006	Bristol Water and Sanitation District	160,000
2009	Creede, City of	1,181,519
2008	Del Norte, Town of	634,125
2008	East Alamosa Water and Sanitation District	1,766,667
2008	Eckley, Town of	82,500
2006	Genoa, Town of	148,750
2007	Hillrose, Town of	664,687
2008	Hotchkiss, Town of	786,250
2008	Kim, Town of	106,200
2005	La Jara, Town of	135,000
2008	La Veta, Town of	1,073,022
2008	Las Animas, Town of	730,800
2005	Log Lane Village, Town of	838,201
2011	Manassa, Town of	484,685
2011	Mesa Water and Sanitation District	200,000
2011	Monte Vista, City of	400,000
2011	Nunn, Town of	424,000
2006	Ordway, Town of	170,000
2007	Ordway, Town of	99,060
2006	Palisade, Town of	1,666,667
2008	Paonia, Town of	407,488
2006	Pritchett, Town of	163,333
2009	Rockvale, Town of	281,328
2009	Rye, Town of	508,225

**Colorado Water Resources  
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Schedule of Loans Receivable – By Borrower (Continued)  
December 31, 2011**

		<b>Loans Receivable</b>
Drinking Water Fund (continued):		
2006	Sedgwick, Town of	342,183
2007	Stratton, Town of	444,191
2008	Stratton, Town of	84,526
2010	Swink, Town of	345,697
2005	Victor, Town of	113,200
2006	Walden, Town of	748,729
ARRA Direct Loans:		
2009	Divide MPC Metropolitan District	1,800,000
2009	Florence, City of	134,985
2009	Gateway Metropolitan District	533,332
2009	Georgetown, Town of	1,239,500
2009	Hot Sulphur Springs, Town of	1,202,500
2009	La Junta, City of	1,692,750
2009	Lamar, City of	3,655,947
2009	Manitou Springs, City of	1,148,259
2009	Manitou Springs, City of	496,982
2009	Manitou Springs, City of	1,148,259
2009	Orphir, Town of	462,499
2009	Ridgway, Town of	416,249
	Total Drinking Water Fund direct loans	74,150,329
Leveraged loans:		
2006B	Alamosa, City of	9,564,862
2006B	Arapahoe County Water and Wastewater PID	12,597,717
1997A	Arapahoe Estates Water District	375,193
1998A	Buena Vista, Town of	540,682
2006B	Cottonwood Water and Sanitation District	8,688,117
2006A	Craig, City of	4,898,864
1997A	Englewood, City of	6,173,023
2008A	Estes Park, Town of	5,125,467
2000A	Evergreen Metropolitan District	2,938,644
2002A	Evergreen Metropolitan District	1,240,338
2003B	Florence, City of	9,659,010
1997A	Fort Collins, City of	3,523,516
1999A	Fort Collins, City of	2,221,811
1998A	Fort Morgan, City of	6,752,437
2000A	Fountain Valley Authority	3,979,383
2003A	Fountain Valley Authority	2,101,214
1999A	Glenwood Springs, City of	2,037,936
1999A	Grand County Water and Sanitation District	1,302,080
2002A	Grand Junction, City of	2,295,073
1999A	Greeley, City of	7,093,701
2002A	Idaho Springs, City of	1,414,889

**Colorado Water Resources  
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Schedule of Loans Receivable – By Borrower (Continued)  
December 31, 2011**

	<u>Loans Receivable</u>
Drinking Water Fund (continued):	
1999A Julesburg, Town of	464,511
2002A La Junta, City of	6,258,952
1999A Left Hand Water District	2,963,108
2000A Limon, Town of	763,737
2006A Little Thompson Water District	5,002,749
2003A Longmont, City of	13,052,113
2003A Lyons, Town of	3,209,959
2008A Pagosa Area Water and Sanitation District	6,845,425
2006B Palisade, Town of	3,415,884
2008B Project 7 Water Authority	9,361,932
2000A Pueblo Board of Waterworks	7,368,572
2011A Sterling, City of	28,558,845
2000A Westminster, City of	7,529,088
Total Drinking Water Fund leveraged loans	<u>189,318,832</u>
Total Drinking Water Fund loans receivable	<u>263,469,161</u>
Total loans receivable	<u>\$ 1,285,040,498</u>

**Colorado Water Resources  
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Schedule of Bonds Payable – By Issue  
December 31, 2011**

<u>Water Operations Fund</u>	<u>Original issue amount</u>	<u>Current amount outstanding</u>	<u>Interest rate</u>	<u>Due dates</u>	<u>Early redemption</u>
Small Water Resources Program Revenue Bonds:					
1994 Series A	\$ 5,835,000	\$ 790,000	3.4% – 5.875%	Serial Bonds through 2003, term bonds subject to mandatory redemption 2004 – 2014. Serial bonds totaling \$315,000 from 2007 to 2014 were refunded by the 2006A bond issue	After 2004 at par
1997 Series A	9,725,000	740,000	4.1% – 5.6%	Serial Bonds through 2012, term bonds subject to mandatory redemption 2013 – 2017. Various bonds totaling \$3,060,000 from 2008 to 2017 were refunded by the 2006A bond issue	After 2009 at par
1997 Series B	12,500,000	1,095,000	3.8% – 4.9%	Serial Bonds through 2010, term bonds subject to mandatory redemption in 2011 and 2012	After 2009 at par
1998 Series A	8,765,000	3,615,000	3.35% – 4.88%	Serial Bonds through 2013, term bonds subject to mandatory redemption in 2014 through 2018	After 2010 at par
1998 Series B	13,850,000	2,780,000	3.35% – 4.75%	Serial Bonds through 2013, term bonds subject to mandatory redemption in 2014 and 2015	After 2010 at par
2001 Series A	15,510,000	12,485,000	3.9% – 4.875%	Serial Bonds through 2016, term bonds subject to mandatory redemption in 2017 through 2023	2012 – 2023 at par
2002 Series A	14,615,000	10,055,000	1.3% – 5.375%	Serial Bonds through 2022, term bonds subject to mandatory redemption in 2019 through 2020	2013 – 2022 at par
2003 Series A	9,610,000	8,030,000	2.0% – 4.50%	Serial Bonds through 2023	2014 – 2023 at par
2006 Series A	13,970,000	11,975,000	3.75% - 5.00%	Serial Bonds through 2019	The bonds are not subject to early redemption
Total Small Water Resources Program Revenue Bonds	<u>104,380,000</u>	<u>51,565,000</u>			



**Colorado Water Resources  
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Schedule of Bonds Payable – By Issue (Continued)  
December 31, 2011**

<u>Water Operations Fund</u>	<u>Original issue amount</u>	<u>Current amount outstanding</u>	<u>Interest rate</u>	<u>Due dates</u>	<u>Early redemption</u>
Water Revenue Bonds Program:					
2003 Series A	13,800,000	9,500,000	2.0% – 4.125%	Serial Bonds through 2024	2014 – 2024 at par
2004 Series B	19,715,000	15,165,000	3.0% – 5.0%	Serial Bonds through 2017	2014 – 2017 at par
2004 Series C	19,695,000	8,580,000	3.0% – 5.5%	Serial Bonds through 2015	2014 – 2015 at par
2004 Series D	105,420,000	97,700,000	1.6% – 5.25%	Serial Bonds through 2026, term bonds subject to mandatory redemption 2027 – 2043	2014 – 2015 at par
2004 Series E	3,540,000	2,550,000	2.0% – 4.54%	Serial Bonds through 2024	2014 – 2024 at par
2005 Series A	53,970,000	48,450,000	3.0% – 5.5%	Serial Bonds through 2032, term bonds subject to mandatory redemption 2033 - 2035	2016 – 2035 at par
2005 Series B	2,300,000	1,780,000	3.0% – 4.625%	Serial Bonds through 2017, term bonds subject to mandatory redemption 2020 - 2025	2015 – 2025 at par
2005 Series C	8,170,000	7,215,000	2.85% – 5.0%	Serial Bonds through 2017, term bonds subject to mandatory redemption 2020 - 2035	2016 – 2035 at par
2005 Series D	100,000,000	97,730,000	3.2% – 5.0%	Serial Bonds 2011 - 2025, term bonds subject to mandatory redemption 2027 - 2035	2016 – 2035 at par
2005 Series E	26,270,000	26,270,000	4.375% – 5.0%	Serial Bonds 2023 - 2024, term bonds subject to mandatory redemption 2035	2016 – 2035 at par
2005 Series F	3,690,000	2,840,000	4.0% – 4.5%	Serial Bonds through 2024	2016 – 2024 at par
2008 Series A	8,795,000	8,350,000	3.0% – 5.25%	Serial Bonds through 2023, term bonds subject to mandatory redemption 2038	2019 – 2038 at par
2009 Series A	6,940,000	6,440,000	2.5% – 4.55%	Serial Bonds through 2029	2020 – 2029 at par
2010 Series A	51,485,000	51,485,000	4.55% – 5.9%	Serial Bonds 2023 - 2027, term bonds subject to mandatory redemption 2030 and 2035	2020 – 2035 at par
2011 Series A	9,350,000	9,350,000	2.0% – 5.125%	Serial Bonds 2013 - 2026, term bonds subject to mandatory redemption 2031, 2036 and 2041	2022 – 2041 at par
2011 Series B	12,350,000	12,350,000	3.0% – 5.0%	Serial Bonds 2012 - 2023, term bonds subject to mandatory redemption 2026 and 2031	2022 – 2031 at par
2011 Series C	5,965,000	5,965,000	2.0% – 5.0%	Serial Bonds 2013 - 2027, term bonds subject to mandatory redemption 2030 and 2036	2022 – 2036 at par
Total Water Revenue Bonds Program	<u>451,455,000</u>	<u>411,720,000</u>			
Total Water Operations Fund	<u>\$ 555,835,000</u>	<u>\$ 463,285,000</u>			

**Colorado Water Resources  
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Schedule of Bonds Payable – By Issue (Continued)  
December 31, 2011**

<b>Water Pollution Control Revolving Fund</b>	<b>Original issue amount</b>	<b>Current amount outstanding</b>	<b>Interest rate</b>	<b>Due dates</b>	<b>Early redemption</b>
Clean Water Revenue Bonds:					
Clean Water 1991 Series A (City of Englewood – City of Littleton)	22,915,000	25,000	5.75% – 7.0%	Serial Bonds through 2007, term bonds subject to mandatory redemption 2008 – 2012. \$11,985,000 of bonds maturing in 2002 and thereafter were refunded with the issuance of the 1996 Series A Wastewater Revolving Fund Refunding Revenue Bonds	After 2003 at par
Clean Water 1992 Series A (City of Fort Lupton, Frisco Sanitation District, and Eagle River Water and Sanitation District)	15,200,000	50,000	4.15% – 6.25%	Term bonds subject to mandatory redemptions in 2007 and 2008 – 2013 \$8,725,000 of bonds maturing in 2003 and thereafter were refunded with the issuance of the 2001 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	After 2004 at par
Clean Water 1992 Series B (City of Fort Collins and City of Longmont)	25,785,000	230,000	3.75% – 6.0%	Term bonds subject to mandatory redemption 2007 – 2009 and 2010 – 2014. \$14,355,000 of bonds maturing in 2003 and thereafter were refunded with the issuance of the 2001 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	After 2004 at par
Clean Water 1994 Series A (City of Alamosa, City of Greeley, Town of Windsor, Parker Water and Sanitation District, and Genesee Water and Sanitation District)	22,510,000	130,000	3.8% – 6.3%	Serial Bonds through 2008, term bonds subject to mandatory redemption 2009 – 2011 and 2012 – 2014 \$13,945,000 of bonds maturing in 2004 and thereafter were refunded with the issuance of the 2001 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	After 2004 at par
Clean Water 1995 Series A (City of Fort Morgan, Eagle River Water and Sanitation District, City of Brighton, Winter Park Water and Sanitation District, City of Steamboat Springs, and City of Craig)	24,525,000	280,000	4.1% – 5.85%	Serial Bonds through 2009, term bonds subject to mandatory redemption 2010 – 2012 and 2013 – 2015 \$14,485,000 of bonds maturing in 2005 and thereafter were refunded with the issuance of the 2001 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	After 2005 at par
Clean Water 1996 Series A (Town of Crested Butte, Mt. Crested Butte Water and Sanitation District, Fountain Sanitation District, and City of Idaho Springs)	6,710,000	110,000	4.25% – 5.9%	Serial Bonds through 2008, term bonds subject to mandatory redemption 2009 – 2011 and 2012 – 2016 \$2,710,000 of bonds maturing in 2007 and thereafter were refunded with the issuance of the 2004 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	After 2008 at par
Clean Water 1997 Series A (City of Westminster, Breckenridge Sanitation District, Parker Water and Sanitation District, City of Sterling, Town of Carbondale, Town of Erie, and Town of Eagle)	31,605,000	1,390,000	4.05% – 5.8%	Serial Bonds through 2011, term bonds subject to mandatory redemption 2012 – 2015 and 2016 – 2017 \$14,675,000 of bonds maturing in 2008 and thereafter were refunded with the issuance of the 2004 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	After 2009 at par

**Colorado Water Resources  
and Power Development Authority**  
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**Schedule of Bonds Payable – By Issue (Continued)**  
**December 31, 2011**

<b>Water Pollution Control Revolving Fund</b>	<b>Original issue amount</b>	<b>Current amount outstanding</b>	<b>Interest rate</b>	<b>Due dates</b>	<b>Early redemption</b>
Clean Water 1998 Series A (Eagle River Water and Sanitation District, City of Trinidad, City of Westminster, Buena Vista Sanitation District, and City of Evans)	31,190,000	695,000	3.7% – 5.125%	Serial Bonds through 2012, term bonds subject to mandatory redemption 2013 – 2018. \$15,375,000 of bonds maturing in 2009 and thereafter were refunded with the issuance of the 2005 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	2009 at par
Clean Water 1998 Series B (City of Colorado Springs)	20,810,000	875,000	3.7% – 5.375%	Serial Bonds through 2012, term bonds subject to mandatory redemption 2013 – 2016 and 2017 – 2019 \$13,630,000 of bonds maturing in 2009 and thereafter were refunded with the issuance of the 2005 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	2009 at par
Clean Water 1999 Series A (City of Aurora, Fremont Sanitation District, Grand County Water and Sanitation District, Mt. Werner Water and Sanitation District, and City of Steamboat Springs)	39,220,000	710,000	4.25% – 5.25%	Serial Bonds through 2014, term bonds subject to mandatory redemption 2015 – 2019. Mt. Werner Water and Sanitation District's outstanding bonds in the amount of \$2,700,000 were defeased in 2001. \$15,435,000 of bonds maturing in 2010 and thereafter were refunded with the issuance of the 2005 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	2009 at par
Clean Water 2000 Series A (Parker Water and Sanitation District, Summit County, and Three Lakes Water and Sanitation District)	33,575,000	1,365,000	5.0% – 6.25%	Serial Bonds through 2013, term bonds subject to mandatory redemption in 2014 through 2020 \$17,900,000 of bonds maturing in 2011 and thereafter were refunded with the issuance of the 2004 Series A Wastewater Revolving Fund Refunding Revenue Bonds.	2011 – 2020 at par
Clean Water 2001 Series A (Cortez Sanitation District, City of Fort Collins, Fraser Sanitation District, City of Lafayette, Mt. Crested Butte Water and Sanitation District, Parker Water and Sanitation District, Plum Creek Wastewater Authority, and City of Steamboat Springs)	69,710,000	3,585,000	4.0% – 5.625%	Serial Bonds through 2019, term bonds subject to mandatory redemption in 2020 through 2021 \$37,250,000 of bonds maturing in 2012 and thereafter were refunded with the issuance of the 2005 Series A-2 Wastewater Revolving Fund Refunding Revenue Bonds.	2012 – 2021 at par
Clean Water 2002 Series A (Town of Berthoud, Blackhawk-Central City Water and Sanitation District, Mesa County, South Adams County Water and Sanitation District, Town of Wellington, and Winter Park West Water and Sanitation District)	55,310,000	34,935,000	3.0% – 5.25%	Serial Bonds through 2021, term bonds subject to mandatory redemption in 2022 through 2024	2013 – 2021 at par
Clean Water 2002 Series B (Denver SE Water and Sanitation District, Parker Water and Sanitation District, and Plum Creek Wastewater Authority)	23,435,000	17,520,000	2.0% – 4.75%	Serial Bonds through 2023, term bonds subject to mandatory redemption in 2024 through 2025	2013 – 2023 at par
Clean Water 2003 Series A (City of Pueblo, Colorado City Metropolitan District, and Town of Milliken)	14,750,000	9,960,000	2.0% – 4.5%	Serial Bonds through 2024	2014 – 2024 at par

**Colorado Water Resources  
and Power Development Authority  
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Schedule of Bonds Payable – By Issue (Continued)  
December 31, 2011**

<b>Water Pollution Control Revolving Fund</b>	<b>Original issue amount</b>	<b>Current amount outstanding</b>	<b>Interest rate</b>	<b>Due dates</b>	<b>Early redemption</b>
Clean Water 2004 Series A (Town of Berthoud, City of Englewood, and City of Littleton)	57,710,000	56,940,000	2.0% – 5.0%	Serial Bonds through 2025	2014 – 2025 at par
Clean Water 2005 Series A (Town of Breckenridge, Denver Southeast Suburban Water and Sanitation District, Town of Eaton, Plum Creek Wastewater Authority, Roxborough Park Metropolitan District, and City of Westminster)	40,090,000	31,045,000	4.0% – 5.0%	Serial Bonds through 2027	2016 – 2027 at par
Clean Water 2005 Series B (Breckenridge Sanitation District and City of Glendale)	17,350,000	13,190,000	2.8% – 4.5%	Serial Bonds through 2027	2016 – 2027 at par
Clean Water 2006 Series A (Clifton Water & Sanitation District #2, Donala Water & Sanitation District, Granby Sanitation District and Triview Metropolitan District)	23,270,000	18,845,000	4.25% - 5.0%	Serial Bonds through 2027	2017 – 2027 at par
Clean Water 2006 Series B (Cherokee Water & Sanitation District)	14,195,000	11,410,000	4.0% - 4.375%	Serial Bonds through 2025, term bond subject to mandatory redemption in 2026 and 2027.	2017 – 2027 at par
Clean Water 2007 Series A (Bayfield Sanitation District, City of Rifle, Town of Rifle, Town of Eagle, Town of Mead)	35,330,000	32,280,000	4.0% - 5.0%	Serial Bonds through 2026, term bond subject to mandatory redemption in 2027 and 2028.	2018 – 2028 at par
Clean Water 2008 Series A (Town of Elizabeth, Town of New Castle)	12,305,000	10,835,000	3.5% - 5.0%	Serial Bonds through 2028, term bond subject to mandatory redemption in 2030	2019 – 2030 at par
Clean Water 2010 Series A (City of Fruita, City of Glenwood Springs, City of Pueblo)	73,835,000	71,470,000	2.0% - 5.0%	Serial Bonds through 2030, term bond subject to mandatory redemptions in 2029 and 2032	2020 – 2032 at par
Clean Water 2010 Series B (Boxelder Sanitation District, City of Brush)	19,875,000	19,865,000	2.0% - 4.0%	Serial Bonds through 2032	2020 – 2032 at par
Clean Water 2011 Series A	14,620,000	14,620,000	2.0% - 4.0%	Serial Bonds through 2032	2021 – 2032 at par
Total WPCRF Clean Water Revenue Bonds payable	<u>745,830,000</u>	<u>352,360,000</u>			
Wastewater Revolving Fund Refunding					
Revenue Bonds 1996 Series A (Partial Refunding of the following Clean Water Bonds: 1989A, 1990A, 1991A, and 1991B)	28,950,000	1,590,000	3.5% – 6.0%	Serial Bonds 1997 through 2012	The bonds are not subject to early redemption
Revenue Bonds 2001 Series A (Partial refunding of the following Clean Water Bonds: 1992A, 1992B, 1994A, and 1995A)	51,620,000	15,560,000	3.0% – 5.25%	Serial Bonds through 2015	The bonds are not subject to early redemption
Revenue Bonds 2004 Series A (Partial refunding of the following Clean Water Bonds: 1996A, 1997B, and 2000A)	36,705,000	27,755,000	3.0% – 5.0%	Serial Bonds through 2020	2015 – 2020 at par
Revenue Bonds 2005 Series A and A2 (Partial refunding of the following Clean Water Bonds: 1998A, 1998B, 1999A, and 2001A)	78,865,000	67,275,000	3.0% – 5.25%	Serial Bonds through 2021	The bonds are not subject to early redemption
Total Water Pollution Control Revolving Fund	<u>\$ 941,970,000</u>	<u>\$ 464,540,000</u>			

**Colorado Water Resources  
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**Schedule of Bonds Payable – By Issue (Continued)**  
**December 31, 2011**

<u>Drinking Water Revolving Fund</u>	<u>Original issue amount</u>	<u>Current amount outstanding</u>	<u>Interest rate</u>	<u>Due dates</u>	<u>Early redemption</u>
Drinking Water Revenue Bonds Series 1997A (Arapahoe Estates Water District, City of Englewood, and City of Fort Collins)	\$ 24,095,000	\$ 9,615,000	3.8% – 5.3%	Serial Bonds through 2011, term bonds subject to mandatory redemption 2012 – 2015 and 2016 – 2018	after 2009 at par
Drinking Water Revenue Bonds Series 1998A (Town of Buena Vista, and City of Fort Morgan)	15,205,000	6,980,000	3.85% – 5.0%	Serial Bonds through 2004 and 2008 – 2010, term bonds subject to mandatory redemption 2005 – 2007, 2011 – 2015, and 2016 – 2019	after 2009 at par
Drinking Water Revenue Bonds Series 1999A (City of Aurora, City of Fort Collins, City of Glenwood Springs, Grand County Water and Sanitation District No. 1, City of Greeley, Town of Julesburg, and Left Hand Water District)	46,855,000	15,275,000	3.28% – 5.0%	Serial Bonds through 2017, term bonds subject to mandatory redemption 2018 – 2019	after 2011 at par
Drinking Water Revenue Bonds Series 2000A (Evergreen Metropolitan District, Fountain Valley Authority, Town of Limon, Pueblo Board of Waterworks, and City of Westminster)	36,110,000	1,970,000	4.8% – 5.75%	Serial Bonds through 2017, term bonds subject to mandatory redemption 2018 – 2022. \$20,535,000 of bonds maturing in 2011 and thereafter were refunded with the issuance of the 2005 Series A Drinking Water Revolving Fund Refunding Revenue Bonds.	2011 – 2022 at par
Drinking Water Revenue Bonds Series 2002A (Evergreen Metro. District, City of Grand Junction, City of Idaho Springs, and City of La Junta)	16,320,000	10,305,000	3.0% – 5.125%	Serial Bonds through 2020, term bonds subject to mandatory redemption 2021 – 2022	2013 – 2020 at par
Drinking Water Revenue Bonds Series 2003A (City of Longmont, Town of Lyons, and Fountain Valley Authority)	20,835,000	16,550,000	2.0% – 4.25%	Serial Bonds through 2024	2014 – 2024 at par
Drinking Water Revenue Bonds Series 2003B (City of Florence)	11,695,000	8,970,000	3.25% – 4.75%	Serial Bonds through 2025	2014 – 2025 at par
Drinking Water Revenue Bonds Series 2006A (City of Craig and Little Thompson Water District)	11,275,000	9,095,000	4.0% - 5.0%	Serial Bonds through 2027, term bond subject to mandatory redemption in 2025 and 2026.	2017 - 2027 at par
Drinking Water Revenue Bonds Series 2006B (City of Alamosa, Arapahoe County Water & Wastewater PID, Cottonwood Water & Sanitation District, and Town of Palisade)	38,045,000	31,125,000	4.0% - 5.0%	Serial Bonds through 2024, term bonds subject to mandatory redemption in 2025 through 2028.	2017 - 2028 at par
Drinking Water Revenue Bonds Series 2008A (Pagosa Area Water and Sanitation District, Town of Estes Park)	11,235,000	10,685,000	3.5% - 4.25	Serial Bonds through 2029	2019 - 2029 at par
Drinking Water Revenue Bonds Series 2008B (Project 7 Water Authority)	8,870,000	8,160,000	3.0% - 5%	Serial Bonds through 2024, term bonds subject to mandatory redemption in 2026 through 2030.	2019 - 2030 at par
Drinking Water Revenue Bonds Series 2011A (City of Sterling)	24,795,000	24,795,000	2.0% - 4.375%	Serial Bonds through 2032	2022 - 2032 at par
Total DWRP Revenue Bonds payable	<u>265,335,000</u>	<u>153,525,000</u>			
Drinking Water Revolving Fund Refunding Revenue Bonds 2005 Series A (Partial Refunding of the Drinking Water Revolving Fund Revenue Bonds Series 2000A)	<u>20,305,000</u>	<u>18,790,000</u>	3.0% – 5.5%		The bonds are not subject to early redemption
Total Drinking Water Revolving Fund	<u>\$ 285,640,000</u>	<u>\$ 172,315,000</u>			

**Colorado Water Resources  
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**Schedule of Cash, Cash Equivalents and Investments Held by Trustees – By Investment Type  
December 31, 2011**

	Cash	Cash held by State Treasurer	Local Government Investment Pool	U.S. Treasury Notes – SLGS	U.S. Agency Bills, Notes, Bonds, and Agency (fair value)	Securities Not Held for Investment	Repurchase agreements	Total cash and investments by bond issue
Water Operations Fund:								
Small Water Resources Projects Program Debt Service Reserve Fund	\$ -	\$ -	\$ 8,500,000	\$ -	\$ -	\$ -	\$ -	\$ 8,500,000
Small Water Resources Projects Bonded Funds	54,198	-	1,262,534	-	-	-	-	1,316,732
Water Revenue Bonds Program	-	-	28,889,291	-	-	46,488,000	-	75,377,291
Animas-La Plata Account	-	1,504,954	-	-	-	-	-	1,504,954
Small Hydro Loan Program Project Accounts	-	-	1,160	-	-	-	-	1,160
Interim Loan Project Accounts	-	-	-	-	-	-	-	-
Authority Operating	172,102	49,270,144	51,285	-	-	-	-	49,493,531
Subtotal – Water Operations Fund	<u>226,300</u>	<u>50,775,098</u>	<u>38,704,270</u>	<u>-</u>	<u>-</u>	<u>46,488,000</u>	<u>-</u>	<u>136,193,668</u>
Water Pollution Control Revolving Fund:								
Clean Water Revenue Bonds, 1991 Series A	-	-	56,556	-	756,025	-	904,490	1,717,071
Clean Water Revenue Bonds, 1992 Series A	891	-	487,041	-	159,327	-	-	647,259
Clean Water Revenue Bonds, 1992 Series B	-	-	683,653	-	1,812,767	-	-	2,496,420
Clean Water Revenue Bonds, 1994 Series A	-	-	300,391	-	2,868,342	-	-	3,168,733
Clean Water Revenue Bonds, 1995 Series A	-	-	3,421,401	-	-	-	-	3,421,401
Clean Water Revenue Bonds, 1996 Series A	-	-	172,631	9,595	-	-	544,075	726,301
Refunding Revenue Bonds, 1996 Series A	-	-	398,533	-	-	-	-	398,533
Clean Water Revenue Bonds, 1997 Series A	-	-	359,578	-	-	-	3,527,540	3,887,118
Clean Water Revenue Bonds, 1998 Series A	-	-	291,948	-	-	-	4,205,495	4,497,443
Clean Water Revenue Bonds, 1998 Series B	-	-	217,041	-	-	-	4,026,700	4,243,741
Clean Water Revenue Bonds, 1999 Series A	-	-	159,555	-	-	-	4,482,641	4,642,196
Clean Water Revenue Bonds, 2000 Series A	-	-	354,417	-	-	-	5,518,745	5,873,162
Clean Water Revenue Bonds, 2001 Series A	167	-	630,066	21,762	-	-	15,180,585	15,832,580
Refunding Revenue Bonds, 2001 Series A	68	-	2,118,142	1,406,207	-	-	-	3,524,417
Clean Water Revenue Bonds, 2002 Series A	-	-	625,998	-	-	-	13,698,792	14,324,790
Clean Water Revenue Bonds, 2002 Series B	-	-	59,306	-	-	-	7,836,593	7,895,899
Clean Water Revenue Bonds, 2003 Series A	-	-	109,894	-	-	-	4,816,390	4,926,284
Clean Water Revenue Bonds, 2004 Series A	-	-	978,643	-	-	-	20,359,186	21,337,829
Refunding Revenue Bonds, 2004 Series A	-	-	177,695	331,364	-	-	-	509,059
Clean Water Revenue Bonds, 2005 Series A	-	-	570,275	-	-	-	15,096,978	15,667,253
Clean Water Revenue Bonds, 2005 Series B	-	-	475,105	-	-	-	6,011,531	6,486,636
Refunding Revenue Bonds, 2005 Series A and A2	2	-	731,479	1,374,535	-	-	-	2,106,016
Clean Water Revenue Bonds, 2006 Series A	-	-	83,492	-	-	-	8,226,875	8,310,367
Clean Water Revenue Bonds, 2006 Series B	-	-	61,145	-	-	-	4,238,819	4,299,964
Clean Water Revenue Bonds, 2007 Series A	-	-	998,023	-	-	-	13,880,805	14,878,828
Clean Water Revenue Bonds, 2008 Series A	-	-	34,187	4,787,797	-	-	-	4,821,984
Clean Water Revenue Bonds, 2010 Series A	-	-	9,725,394	30,566,120	-	-	-	40,291,514
Clean Water Revenue Bonds, 2010 Series B	-	-	7,058,672	19,502,322	-	-	-	26,560,994
Clean Water Revenue Bonds, 2011 Series A	-	-	2,399,691	15,150,200	-	-	-	17,549,891
Direct Loan Project Accounts	-	-	12,695,885	-	-	-	-	12,695,885
WPCRF State Match Holding Account	-	448,905	-	-	-	-	-	448,905
Direct Loan Surplus Matching Account	-	-	1,254,629	-	-	-	-	1,254,629
CWSRF Reloan Account	-	-	23,427,002	-	-	-	-	23,427,002
WPCRF Administrative Fee Account	160,833	-	11,686,865	-	-	-	-	11,847,698
Subtotal – Water Pollution Control Revolving Fund	<u>161,961</u>	<u>448,905</u>	<u>82,804,333</u>	<u>73,149,902</u>	<u>5,596,461</u>	<u>-</u>	<u>132,556,240</u>	<u>294,717,802</u>

**Colorado Water Resources  
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**Schedule of Cash, Cash Equivalents and Investments Held by Trustees – By Investment Type (Continued)  
December 31, 2011**

	<u>Cash</u>	<u>Cash held by State Treasurer</u>	<u>Local Government Investment Pool</u>	<u>U.S. Treasury Notes – SLGS</u>	<u>U.S. Agency Bills, Notes, Bonds, and Agency (fair value)</u>	<u>Securities Not Held for Investment</u>	<u>Repurchase agreements</u>	<u>Total cash and investments by bond issue</u>
Drinking Water Revolving Fund:								
Drinking Water Revenue Bonds, 1997 Series A	-	-	835,609	-	-	-	3,734,578	4,570,187
Drinking Water Revenue Bonds, 1998 Series A	-	-	633,899	-	-	-	3,177,921	3,811,820
Drinking Water Revenue Bonds, 1999 Series A	-	-	1,183,052	-	-	-	6,922,698	8,105,750
Drinking Water Revenue Bonds, 2000 Series A	-	-	9,469,138	-	-	-	-	9,469,138
Drinking Water Revenue Bonds, 2002 Series A	-	-	91,445	-	-	-	3,815,408	3,906,853
Drinking Water Revenue Bonds, 2003 Series A	-	-	197,253	-	-	-	7,650,993	7,848,246
Drinking Water Revenue Bonds, 2003 Series B	-	-	714,520	-	-	-	4,220,387	4,934,907
Refunding Revenue Bonds, 2005 Series A	-	-	468,890	-	-	-	-	468,890
Drinking Water Revenue Bonds, 2006 Series A	-	-	220,028	-	-	-	3,965,080	4,185,108
Drinking Water Revenue Bonds, 2006 Series B	-	-	1,066,049	-	-	-	13,130,166	14,196,215
Drinking Water Revenue Bonds, 2008 Series A	-	-	137,843	5,685,491	-	-	-	5,823,334
Drinking Water Revenue Bonds, 2008 Series B	-	-	525	5,071,444	-	-	-	5,071,969
Drinking Water Revenue Bonds, 2011 Series A	-	-	5,106,130	20,847,346	-	-	-	25,953,476
Federal Direct Loan Projects Pre-Construction Accounts	-	-	-	-	-	-	-	-
Federal Direct Loan Project, Accounts	-	-	8,386,355	-	-	-	-	8,386,355
Drinking Water Funding Account	-	2,616,633	-	-	-	-	-	2,616,633
Drinking Water State Match Holding Account	-	4,594,497	-	-	-	-	-	4,594,497
State Direct Loan Surplus Matching Account	-	-	99,807	-	-	-	-	99,807
State Direct Loan Reloan Account	-	-	-	-	-	-	-	-
State Direct Loan Administrative Fee Account	-	-	-	-	-	-	-	-
Federal Direct Loan Surplus Matching Account	-	-	1,417,987	-	-	-	-	1,417,987
DWRF Reloan Account	-	-	18,817,029	-	-	-	-	18,817,029
DWRF Administrative Fee Account	66,426	-	8,840,103	-	-	-	-	8,906,529
Subtotal – Drinking Water Revolving Fund	<u>66,426</u>	<u>7,211,130</u>	<u>57,685,662</u>	<u>31,604,281</u>	<u>-</u>	<u>-</u>	<u>46,617,231</u>	<u>143,184,730</u>
Colorado Water Resources and Power Development Authority – total cash and investments	<u>\$ 454,687</u>	<u>\$ 58,435,133</u>	<u>\$ 179,194,265</u>	<u>\$ 104,754,183</u>	<u>\$ 5,596,461</u>	<u>\$ 46,488,000</u>	<u>\$ 179,173,471</u>	<u>\$ 574,096,200</u>

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

**Schedule of Cash, Cash Equivalents and Investments Held by Trustees – By Account Type  
December 31, 2011**

	<u>Rebate accounts</u>	<u>SWRP revenue or Debt service funds</u>	<u>Debt service reserve funds</u>	<u>Project accounts</u>	<u>DWRF and WPCRF matching accounts</u>	<u>Other accounts</u>	<u>Total cash and investments by bond issue</u>
Water Operations Fund:							
Small Water Resources Projects Program Debt Service Reserve Fund	\$ -	\$ -	\$ 8,500,000	\$ -	\$ -	\$ -	\$ 8,500,000
Small Water Resources Projects Bonded Funds	-	1,316,732	-	-	-	-	1,316,732
Water Revenue Bonds Program	-	1,271	7,466,475	67,909,545	-	-	75,377,291
Animas-La Plata Account	-	-	-	-	-	1,504,954	1,504,954
Small Hydro Loan Program Project Accounts	-	-	-	-	-	1,160	1,160
Interim Loan Project Accounts	-	-	-	-	-	-	-
Authority Operating	-	-	-	-	-	49,493,531	49,493,531
Subtotal – Water Operations Fund	<u>-</u>	<u>1,318,003</u>	<u>15,966,475</u>	<u>67,909,545</u>	<u>-</u>	<u>50,999,645</u>	<u>136,193,668</u>
Water Pollution Control Revolving Fund:							
Clean Water Revenue Bonds, 1991 Series A	-	6	-	-	1,717,065	-	1,717,071
Clean Water Revenue Bonds, 1992 Series A	-	892	-	-	646,367	-	647,259
Clean Water Revenue Bonds, 1992 Series B	-	6	-	-	2,496,414	-	2,496,420
Clean Water Revenue Bonds, 1994 Series A	195,692	4	-	-	2,973,037	-	3,168,733
Clean Water Revenue Bonds, 1995 Series A	98,399	29,865	-	-	3,293,137	-	3,421,401
Clean Water Revenue Bonds, 1996 Series A	146,680	9,596	-	-	569,138	887	726,301
Refunding Revenue Bonds, 1996 Series A	-	398,533	-	-	-	-	398,533
Clean Water Revenue Bonds, 1997 Series A	358,520	-	-	-	3,528,598	-	3,887,118
Clean Water Revenue Bonds, 1998 Series A	283,097	-	-	-	4,214,346	-	4,497,443
Clean Water Revenue Bonds, 1998 Series B	216,275	-	-	-	4,027,466	-	4,243,741
Clean Water Revenue Bonds, 1999 Series A	157,747	-	-	-	4,484,449	-	4,642,196
Clean Water Revenue Bonds, 2000 Series A	352,078	-	-	-	5,521,084	-	5,873,162
Clean Water Revenue Bonds, 2001 Series A	609,841	21,930	-	-	15,200,809	-	15,832,580
Refunding Revenue Bonds, 2001 Series A	-	3,524,417	-	-	-	-	3,524,417
Clean Water Revenue Bonds, 2002 Series A	353,845	261,070	-	-	13,709,875	-	14,324,790
Clean Water Revenue Bonds, 2002 Series B	20,063	-	-	-	7,875,836	-	7,895,899
Clean Water Revenue Bonds, 2003 Series A	90,601	-	-	-	4,835,683	-	4,926,284
Clean Water Revenue Bonds, 2004 Series A	975,410	-	-	-	20,362,419	-	21,337,829
Refunding Revenue Bonds, 2004 Series A	-	509,059	-	-	-	-	509,059
Clean Water Revenue Bonds, 2005 Series A	66,215	498,219	-	-	15,102,819	-	15,667,253
Clean Water Revenue Bonds, 2005 Series B	157,755	-	-	-	6,328,881	-	6,486,636
Refunding Revenue Bonds, 2005 Series A and A2	-	2,106,016	-	-	-	-	2,106,016
Clean Water Revenue Bonds, 2006 Series A	80,098	-	-	-	8,230,269	-	8,310,367
Clean Water Revenue Bonds, 2006 Series B	59,209	-	-	-	4,240,755	-	4,299,964
Clean Water Revenue Bonds, 2007 Series A	991,875	-	-	-	13,886,953	-	14,878,828
Clean Water Revenue Bonds, 2008 Series A	-	13	-	12,463	4,809,508	-	4,821,984
Clean Water Revenue Bonds, 2010 Series A	-	15,590	-	15,522,060	24,753,864	-	40,291,514
Clean Water Revenue Bonds, 2010 Series B	-	9,609	-	12,609,480	13,941,905	-	26,560,994
Clean Water Revenue Bonds, 2011 Series A	-	-	-	17,509,010	-	40,881	17,549,891
Direct Loan Project Accounts	-	-	-	12,695,885	-	-	12,695,885
WPCRF State Match Holding Account	-	-	-	-	-	448,905	448,905
Direct Loan Surplus Matching Account	-	-	-	-	-	1,254,629	1,254,629
CWSRF Reloan Account	-	-	-	-	-	23,427,002	23,427,002
WPCRF Administrative Fee Account	-	-	-	-	-	11,847,698	11,847,698
Subtotal – Water Pollution Control Revolving Fund	<u>5,213,400</u>	<u>7,384,825</u>	<u>-</u>	<u>58,348,898</u>	<u>186,750,677</u>	<u>37,020,002</u>	<u>294,717,802</u>



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

**Schedule of Cash, Cash Equivalents and Investments Held by Trustees – By Account Type (Continued)  
December 31, 2011**

	Rebate accounts	SWRP revenue or Debt service funds	Debt service reserve funds	Project accounts	DWRP and WPCRF matching accounts	Other accounts	Total cash and investments by bond issue
Drinking Water Revolving Fund:							
Drinking Water Revenue Bonds, 1997 Series A	203,345	578,871	-	-	3,787,971	-	4,570,187
Drinking Water Revenue Bonds, 1998 Series A	138,426	452,688	-	-	3,220,706	-	3,811,820
Drinking Water Revenue Bonds, 1999 Series A	328,049	522,851	-	-	7,254,850	-	8,105,750
Drinking Water Revenue Bonds, 2000 Series A	11,458	-	-	-	9,457,680	-	9,469,138
Drinking Water Revenue Bonds, 2002 Series A	81,859	-	-	-	3,824,994	-	3,906,853
Drinking Water Revenue Bonds, 2003 Series A	79,032	-	-	-	7,769,214	-	7,848,246
Drinking Water Revenue Bonds, 2003 Series B	290,837	383,525	-	-	4,260,545	-	4,934,907
Refunding Revenue Bonds, 2005 Series A	-	468,890	-	-	-	-	468,890
Drinking Water Revenue Bonds, 2006 Series A	22,321	177,412	-	-	3,985,375	-	4,185,108
Drinking Water Revenue Bonds, 2006 Series B	606,754	84	-	321,391	13,267,986	-	14,196,215
Drinking Water Revenue Bonds, 2008 Series A	-	115,610	-	-	5,707,724	-	5,823,334
Drinking Water Revenue Bonds, 2008 Series B	-	-	-	-	5,071,969	-	5,071,969
Drinking Water Revenue Bonds, 2011 Series A	-	5,787	-	22,250,165	3,697,524	-	25,953,476
Federal Direct Loan Projects Pre-Construction Accounts	-	-	-	-	-	-	-
Federal Direct Loan Project Accounts	-	-	-	8,386,355	-	-	8,386,355
Drinking Water Funding Account	-	-	-	-	-	2,616,633	2,616,633
Drinking Water State Match Holding Account	-	-	-	-	-	4,594,497	4,594,497
State Direct Loan Surplus Matching Account	-	-	-	-	-	99,807	99,807
State Direct Loan Reloan Account	-	-	-	-	-	-	-
State Direct Loan Administrative Fee Account	-	-	-	-	-	-	-
Federal Direct Loan Surplus Matching Account	-	-	-	-	-	1,417,987	1,417,987
DWRP Reloan Account	-	-	-	-	-	18,817,029	18,817,029
DWRP Administrative Fee Account	-	-	-	-	-	8,906,529	8,906,529
Subtotal – Drinking Water Revolving Fund	<u>1,762,081</u>	<u>2,705,718</u>	<u>-</u>	<u>30,957,911</u>	<u>71,306,538</u>	<u>36,452,482</u>	<u>143,184,730</u>
Colorado Water Resources and Power Development Authority – total cash and investments	<u>\$ 6,975,481</u>	<u>\$ 11,408,546</u>	<u>\$ 15,966,475</u>	<u>\$ 157,216,354</u>	<u>\$ 258,057,215</u>	<u>\$ 124,472,129</u>	<u>\$ 574,096,200</u>

**Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Based on an  
Audit of the Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited the financial statements of each major fund of Colorado Water Resources and Power Development Authority (the Authority), a component unit of the State of Colorado, as of and for the year ended December 31, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors  
Colorado Water Resources and  
Power Development Authority

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and others within the Authority and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

\s\ **BKD, LLP**

April 13, 2012

**Independent Accountants' Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
and on Internal Control Over Compliance in Accordance With  
OMB Circular A-133**

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

### **Compliance**

We have audited the Colorado Water Resources and Power Development Authority's (the Authority), a component unit of the State of Colorado, compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

### ***Internal Control Over Compliance***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Authority and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

\s\ **BKD, LLP**

April 13, 2012

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2011**

<u>Grantor program title</u>	<u>Federal grant number</u>	<u>Federal CFDA number</u>	<u>Grant award</u>	<u>Accrued January 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued December 31, 2011</u>
U.S. Environmental Protection Agency:							
Capitalization Grants for Clean Water							
State Revolving Funds:							
Base Program							
2009 Grant		66.458	5,398,200 \$	- \$	581,546 \$	581,546 \$	-
2009 Grant - ARRA	2W-97880801	66.458	31,347,700	-	4,558,854	4,558,854	-
2010 Grant		66.458	16,298,000	178,895	8,161,198	7,996,171	13,868
2011 Grant		66.458	12,389,500	-	60,698	60,698	-
Total federal awards – WPCRF				<u>178,895</u>	<u>13,362,296</u>	<u>13,197,269</u>	<u>13,868</u>
Capitalization Grants for Drinking Water State Revolving Funds:							
2005 Grant		66.468	13,708,600	183,605	223,922	40,317	-
2006 Grant		66.468	14,497,300	123,236	703,128	579,892	-
2007 Grant		66.468	14,497,000	247,225	870,172	869,426	246,479
2008 Grant		66.468	14,350,000	-	6,009,573	6,460,031	450,457
2009 Grant		66.468	14,350,000	650,242	3,935,498	3,285,255	-
2009 Grant - ARRA	2F-97881401	66.468	34,352,000	80,825	3,638,877	3,583,979	25,928
2010 Grant		66.468	24,074,000	254,966	2,378,334	3,053,471	930,103
2011 Grant		66.468	16,439,000	-	-	-	-
Total federal awards – DWRF				<u>1,540,099</u>	<u>17,759,504</u>	<u>17,872,372</u>	<u>1,652,967</u>
Total federal awards				<u>\$ 1,718,994</u>	<u>\$ 31,121,800</u>	<u>\$ 31,069,641</u>	<u>\$ 1,666,835</u>

See accompanying notes to schedule of expenditures of federal awards.

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2011**

**Note 1: Basis of Presentation**

This schedule includes the federal awards of Colorado Water Resources and Power Development Authority, a component unit of the State of Colorado, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Notes to Schedule of Expenditures of Federal Awards (Continued)  
Year Ended December 31, 2011**

**Note 2: Subrecipients**

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, 94% of the Capitalization Grants for Clean Water State Revolving Funds (WPCRF) and 68% of the Capitalization Grants for Drinking Water State Revolving Funds (DWRF) were provided to subrecipients as follows:

	<b>Federal grants Provided to Subrecipients</b>
Water Pollution Control Revolving Fund Projects (CFDA #66.458):	
Base Program	
Cheraw, Town of	\$ 28,255
Cheyenne Wells Sanitation District #1	24,920
Elizabeth, Town of	86,587
Empire, Town of	32,383
Glendale, City of	19,613
Glenwood Springs, City of	3,213,621
Mountain View Villages Water and Sanitation Dist.	73,902
New Castle, Town of	84,447
Olathe, Town of	9,720
Pueblo, City of	4,130,881
Silver Plume, Town of	113,041
Total Base Program	7,817,370
ARRA Grant	
Fremont Sanitation District	294,506
Georgetown, Town of	820,591
Gunnison County	66,185
Manitou Springs, City of	312,410
Monument Sanitation District	28,026
Pagosa Area Water and Sanitation District	2,738,439
Widefield Water and Sanitation District	298,697
Total ARRA	4,558,854
Total WPCRF	\$ 12,376,224



**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Notes to Schedule of Expenditures of Federal Awards (Continued)  
Year Ended December 31, 2011**

		<b>Federal grants Provided to Subrecipients</b>
Drinking Water Revolving Fund Projects (CFDA # 66.468):		
Base Program		
Alamosa, City of	\$	95,902
Arapahoe County Water and Sanitation District		8,837
Blanca, Town of		53,137
Colorado Springs Utilities		1,320,686
Grand Junction, City of		127,722
Holly, Town of		43,214
Hotchkiss, Town of		198,895
Kit Carson, Town of		10,000
Orchard City, Town of		945,918
Pagosa Area Water and Sanitation District		1,329,343
Paonia, Town of		285,880
Rocky Ford, City of		603,964
Sawpit, Town of		1,907
Sterling, City of		3,696,399
Swink, Town of		40,006
Two Buttes, Town of		102,690
Total Base Program		8,864,500
ARRA Grant		
Brighton, City of		60,886
Divide MPC Metropolitan District #1		16,893
Florence, City of		317,158
Georgetown, Town of		820,402
Hot Sulphur Springs, Town of		193,124
Kit Carson, Town of		5,729
Kremmling, Town of		206,653
Lamar, City of		582,464
Manitou Springs, City of		939,191
Ophir, Town of		34,438
Rocky Ford, City of		143,463
Total ARRA		3,320,401
Total DWRF	\$	12,184,901

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Notes to Schedule of Expenditures of Federal Awards (Continued)  
Year Ended December 31, 2011**

**Note 3: Set Asides**

For the year ended December 31, 2011, the following DWRP grant amounts were used for the set aside programs:

	<u>Set aside amount</u>
DWRP program year:	
2005	\$ 40,317
2006	579,892
2007	869,426
2008	717,669
2009	163,117
2009 - ARRA	263,579
2010	3,053,471
Total	\$ <u><u>5,687,471</u></u>

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**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2011**

**Section I - Summary of Auditor's Results**

*Financial Statements*

1. Type of auditor's report issued:  
 Unqualified       Qualified       Adverse       Disclaimer
  
2. Internal control over financial reporting:
  - Material weakness(es) identified?       Yes       No
  - Significant deficiency(ies) identified?       Yes       None Reported
  
3. Noncompliance material to financial statements noted?       Yes       No

*Federal Awards*

4. Internal control over major programs:
  - Material weakness(es) identified?       Yes       No
  - Significant deficiency(ies) identified?       Yes       None Reported
  
5. Types of auditor's report issued on compliance for major programs:  
 Unqualified       Qualified       Adverse       Disclaimer
  
6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?       Yes       No

7. Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds

**Colorado Water Resources  
and Power Development Authority  
(A Component Unit of the State of Colorado)  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2011**

8. Dollar threshold used to distinguish between Type A and Type B programs: \$932,089.
9. Auditee qualified as low-risk auditee?  Yes  No

**Section II – Financial Statement Findings**

Reference Number	Finding	Questioned Costs
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No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

Reference Number	Finding	Questioned Costs
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No matters are reportable.

**Colorado Water Resources  
and Power Development Authority**  
(A Component Unit of the State of Colorado)  
**Summary Schedule of Prior Audit Findings**  
**Year Ended December 31, 2011**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
10-01	<p>ARRA - Capitalization Grants for Drinking Water State Revolving Funds and ARRA - Capitalization Grants for Clean Water State Revolving Funds</p> <p>U.S. Environmental Protection Agency</p> <p><i>Reporting</i> – Inaccurate information was reported to the Federal awarding agency. The Authority should ensure guidance obtained from the Federal awarding agency is documented. Additionally, the Authority should implement procedures to ensure the ARRA 1512 report is accurate and complete. This should include procedures to reconcile information reported by Water Quality Control Division to its own records and a detailed review of the report.</p>	Implemented

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