



Colorado Water Resources and Power Development Authority



2012 Annual Report



COLORADO WATER RESOURCES
AND
POWER DEVELOPMENT AUTHORITY

2012 ANNUAL REPORT

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

The 2012 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 2012 along with its audited financial statements for the years ended December 31, 2012 and 2011.

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 \$6.2 million. Over the last 18 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 financing the costs of infrastructure to achieve or maintain compliance with SDWA requirements and to attain the public health objectives of the SDWA. 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 2013, there are 432 projects on the DWRF project eligibility list representing a cumulative need of over \$3.3 billion.

In 2001, the Authority's Board of Directors (Board) authorized, and the Authority staff, working with the WQCD and the DLG, established a planning and design grant program ("P&D") for communities having a population of 10,000 or less, and having a median household income less than the statewide median, or with monthly user rates exceeding the statewide average. The P&D grant funds are to be used by communities to initiate engineering studies and project development. The P&D program is funded from DWRF loan administrative fees. Table 1 summarizes the results of this program through 2012.

Table 1

Drinking Water Revolving Fund
 Planning & Design Grant Activity
 As of December 31, 2012

Year	Amount Authorized	Amount Awarded	Number of Recipients	Projects Associated with P&D Grants			
				Amount Funded with Loans	Number of Projects	Amount Funded with GAP Grants	Number of Projects
2001	\$ 50,000	\$ 50,000	5	\$ 10,836,100	3		
2002	100,000	85,500	9	16,190,417	5		
2003	100,000	50,000	5	5,026,165	3		
2004	100,000	100,000	10	2,202,027	5		
2005	100,000	80,000	8	8,033,342	5		
2006	100,000	90,000	9	15,267,488	7		
2007	100,000	90,000	9	10,388,687	6		
2008	100,000	100,000	10	15,087,928	6		
2009	100,000	100,000	10	12,450,048	7		
2010	150,000	148,490	15	7,307,435	9		
2011	150,000	130,000	13	27,227,367	4		
2011B	100,000	99,918	10	3,110,000	2		
2012	150,000	150,000	15	1,000,000	1	37,670	1
2012B	100,000	100,000	10	3,548,589	3	0	0
Total	\$ 1,500,000	\$ 1,373,908	138	\$ 137,675,591	66	\$ 37,670	1

In 2011 and 2012, the Authority Board authorized additional P&D funding (2011B, 2012B)

In 2004, the Authority Board authorized, and the Authority staff, working with the WQCD and the DLG, established a disadvantaged communities program for communities with median household incomes below the state median and having a population of 5,000 or less. 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 2012, 59 disadvantaged community loans totaling \$44.4 million have been executed. Table 2 provides a summary of projects financed with the assistance of the DWRF disadvantaged community program from inception through December 31, 2012.

Table 2

DWRF Disadvantaged Community Loans	Amount	Number of Projects
Base Program - reduced interest	\$ 6,432,808.29	10
Base Program - zero percent interest	13,258,581.18	24
Base Program - full principal forgiven	10,979,373.00	14
Base Program - partial principal forgiven	2,735,143.44	3
Base Program - partial principal forgiven & reduced interest	2,424,000.00	1
ARRA - full principal forgiven	6,619,354.00	6
ARRA - zero percent	2,000,000.00	1
TOTAL	\$ 44,449,259.91	59

As of December 31, 2012, the EPA has awarded \$260.1 million, including \$34.4 million from the American Recovery and Reinvestment Act of 2009 ("ARRA"), in capitalization grants to the state's Drinking Water Revolving Fund program. Of this amount, \$200.2 million has been deposited in the DWRF for loans. The remaining \$59.9 million was set aside for administration (\$10.4 million), technical assistance to small communities (\$4.9 million), public water system supervision (\$15.6 million), in kind services (\$150,000), source water protection (\$1.7 million and local set-asides \$27.2 million) which includes capacity development and wellhead protection. As of December 31, 2012, 99.3% of EPA grant funds have been obligated to loans and set aside programs. On March 28, 2013,

the Authority applied for its 2013 capitalization grant in the amount of \$15.9 million. Funding from Congress is likely to decrease for 2014.

Through December 31, 2012, 184 loans have been executed under the DWRP program totaling \$443.8 million with an outstanding principal balance of \$274.8 million. A \$17.9 million DWRP bond issue was sold in 2012 to fund a \$21.9 million loan. Eleven projects totaling \$9.1 million were funded through the DWRP direct loan program. In compliance with the conditions of the 2009 through 2012 DWRP grant awards, certain loans financed in 2012 received one-time principal forgiveness (subsidization) totaling \$3.2 million. In 2013, the Authority anticipates financing up to \$40 million in loans using capitalization grant funds and program reloan funds (recycled grant funds). As of December 31, 2012, all borrowers were current with loan repayments. In February, 2013, \$35.5 million in refunding bonds were issued to provide funds, along with \$29.8 million in funds from the liquidation of investments associated with the refunded bonds and other funds on hand, to pay interest and principal on four current and two advanced refunded bond issues totaling \$63.1 million. The programmatic rating of the Drinking Water Revenue Bonds continues to be "AAA" by all three bond rating agencies.

SMALL HYDROPOWER LOAN PROGRAM

In 2009, the Authority Board authorized the establishment of the Small Hydropower Loan Program ("SHLP") to support the development and use of clean and renewable sources of electrical power for the citizens of Colorado. The Board budgeted \$10 million in Authority funds to provide loans to local governments for new small hydropower projects (less than 5 megawatts). Loans may extend to 20 years with an interest rate of two percent (2%). The outstanding principal balance of the two outstanding SHLP loans as of December 31, 2012, is \$3.0 million. No new SHLP loans were financed in 2012, and all loans are current.

In addition, beginning in 2009, the Board budgeted \$150,000 in Authority funds each year to provide matching grants to assist communities in planning and design costs of small hydropower projects. Table 3 is a summary of SHLP matching grants awarded.

Table 3

Small Hydro Loan Program
Planning & Design Grant Activity
As of December 31, 2012

Year	Amount Authorized	Amount Awarded	Number of Recipients	Projects Associated with P&D Grants	
				Amount Funded with Loans	Number of Projects
2009	\$ 150,000	\$ 103,746	8	\$ -	0
2010	150,000	48,814	7	-	0
2011	150,000	96,094	7	2,000,000	1
2012	150,000	49,500	5	0	0
Total	\$ 600,000	\$ 298,154	27	\$ 2,000,000	1

SMALL WATER RESOURCES PROJECTS PROGRAM

The Small Water Resources Projects ("SWRP") Program 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.

From inception through December 31, 2012, 14 bond issues were sold to fund 48 loans totaling \$149.6 million. During 2012, eight borrowers prepaid the remaining portion of their loans, totaling \$26.8 million, and the associated bonds were called and/or defeased totaling \$27.4 million. As of December 31, 2012, eight borrowers remain with loan principal outstanding totaling \$20.0 million and four bond issues, including refundings, remain with outstanding principal totaling \$20.2 million. As of December 31, 2012, 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 2013, there are 392 projects on the WPCRF project eligibility list representing a cumulative need of nearly \$4.9 billion. As projects are funded and/or reach compliance they are deleted from the eligibility list.

In 2001, a planning and design grant program ("P&D") similar to the DWRF program was implemented. See Table 4 for a summary of P&D grant activity from inception through December 31, 2012.

Table 4

Water Pollution Control Revolving Fund
Planning & Design Grant Activity
As of December 31, 2012

Year	Amount Authorized	Amount Awarded	Number of Recipients	Projects Associated with P&D Grants			
				Amount Funded with Loans	Number of Projects	Amount Funded with GAP Grants	Number of Pprojects
2001	\$ 50,000	\$ 50,000	5	\$ 7,823,131	4		
2002	100,000	84,142	9	8,080,854	3		
2003	100,000	59,988	6	23,158,988	4		
2004	100,000	100,000	10	19,126,808	7		
2005	100,000	92,438	10	32,784,198	5		
2006	100,000	90,000	9	15,728,039	8		
2007	100,000	94,064	10	9,896,732	5		
2008	100,000	82,000	9	12,865,172	7		
2008GW	100,000	100,000	10	2,688,000	3		
2009	100,000	90,000	9	4,376,900	4	185,160	1
2010	150,000	139,000	14	500,000	1	0	0
2011	150,000	130,000	13	3,668,300	4	0	0
2011B	100,000	99,809	10	706,000	1	55,000	1
2012	150,000	150,000	15	2,439,000	3	750,000	3
2012B	100,000	100,000	10	850,000	2	91,000	1
Total	\$ 1,600,000	\$ 1,461,441	149	\$ 144,692,122	61	\$ 1,081,160	6

In 2008, the Authority Board authorized additional planning and design funding for ground water mitigation projects (2008GW).
In 2011 and 2012, the Authority Board authorized additional planning and design grant funding (2011B, 2012B)

In 2005, the Authority Board, working with the WQCD and the DLG, established a disadvantaged communities program, starting in 2006, similar to the DWRF program. Table 5 summarizes the loans financed under the WPCRF disadvantaged community loan program from inception through December 31, 2012. Through 2012, 39 disadvantaged community loans totaling \$26.4 million have been executed.

Table 5

WPCRF Disadvantaged Community Loans	Loan amount	Number of Loans
Base Program - reduced interest	\$ 7,936,891.00	9
Base Program - zero percent interest	10,289,038.54	17
Base Program - full principal forgiveness	2,327,496.00	7
Base Program - partial principal forgiven	1,200,000.00	2
Base Program - partial principal forgiven & reduced interest	200,000.00	1
ARRA - full principal forgiven	4,442,019.00	3
ARRA - zero percent	0.00	0
TOTAL	\$ 26,395,444.54	39

As of December 31, 2012, the EPA has awarded \$293.9 million in capitalization grants to Colorado, including \$31.3 million from ARRA. As of December 31, 2012, 96.7% of Clean Water grant awards have been obligated to loans or grant administrative costs (4.0% of each grant award). On March 14, 2013, the Authority applied for its 2013 capitalization grant in the amount of \$11.3 million. Clean Water Act funding from Congress is likely to decrease for 2014.

As of December 31, 2012, 218 loans have been executed under the WPCRF, totaling \$935.2 million, with an outstanding principal balance of \$497.4 million. In 2012, six borrowers prepaid their

loans in full totaling \$27.8 million and \$19.7 million in bonds were called and/or defeased. Nine direct loans totaling \$8.9 million were financed in 2012, including three direct loans that received \$0.9 million in principal forgiveness as required by the conditions of the 2009 through 2012 EPA grants. No bonds were issued in 2012. In 2013, the Authority anticipates financing up to \$40 million in loans using annual grant funds and reloan funds. As of December 31, 2012, all borrowers were current with loan repayments. In February, 2013, \$57.8 million in WPCRF refunding bonds were issued to provide funds, along with \$43.2 million in funds from the liquidation of investments associated with the refunded bonds and other funds on hand, to pay interest and principal on two current and two advanced refunded bond issues totaling \$100.7 million. The programmatic rating of the Clean Water Revenue Bonds is "AAA" by all three bond rating agencies.

GRANT ASSISTANCE PROGRAM

In 2012, the Board approved a one-time Grant Assistance Program ("GAP") in the amount of \$2.5 million to fund eligible water and wastewater projects (\$1.25 million allocated to each). The grants are funded from unrestricted Authority cash. The program was created to fill the gap in available federal funds and other sources by providing financial assistance to smaller local governmental agencies. The program contained specific eligibility requirements and limited grants to \$250,000 per entity with a 20% matching requirement from the governmental agency. The applications were subject to a GAP prioritization process that was used to rank projects prior to approval. During 2012, eight drinking water and seven wastewater GAP grants were awarded.

WATER REVENUE BONDS

In response to occasional requests for funding for water-related projects that do not qualify for funding from the DWRF, WPCRF or SWRP programs, the Authority issues bonds under the Water Revenue Bond ("WRB") Program. Under this program, the Authority assists the borrower with the structuring of the bonds, subsidizes the costs of bond issuance and may purchase a surety bond in lieu of a cash-funded debt service reserve fund, if available. Through 2012, 21 loans have been executed under the WRB program, totaling \$479.9 million, with outstanding principal balance of \$265.2 million. During 2012, two borrowers partially prepaid their loans totaling \$135.4 million and the associated bonds were defeased. No bonds were issued and no new loans were funded in 2012. As of December 31, 2012, 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. For 2013 the maximum subsidy level was maintained at \$250,000 per borrower.

INTERIM LOANS

The Authority has issued interim loans, funded from Authority unrestricted 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 refinance the interim loan with long-term financing. In 2012 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 \$68.2 million for construction of the project. The Authority placed \$30.0 million 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 \$42.4 million. Earnings above the \$42.4 million (\$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 \$7.3 million in exchange for its allocation of 2,600 acre-feet of average annual depletion. This agreement also dedicated \$15.0 million 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 \$1.1 million. It is anticipated that the City and the District will enter into agreements with the Authority for their respective purchases of Project water in 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 2012 draws on the Authority's escrow and the Durango option payment (after netting an overpayment to the Bureau of Reclamation in the amount of \$0.6 million) totaled \$7.6 million. The escrow balance at the end of 2012 was \$1.5 million 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 \$15.0 million 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, 2012, this escrow contained \$15.0 million 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 began in 2012 and is expected to be completed in early 2014.

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

Table 6 illustrates projected income and expenditures for the next five years for the Authority. The beginning balance in 2013 represents the balance in all accounts that are not obligated or restricted as to use by the Authority as of December 31, 2012.

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.

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.

Table 6

FIVE-YEAR PROJECTED CASH FLOWS					
	2013	2014	2015	2016	2017
Beginning cash balance	\$ 25,767,804	\$ 16,064,104	\$ 14,246,869	\$ 12,565,273	\$ 13,226,346
Cash inflows from:					
Investment interest	237,000	230,000	225,000	220,000	215,000
SRF programs	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Interim loans - loan interest	350,000	350,000	350,000	350,000	350,000
Interim loans - repaid	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
SHLP - loan repayments	404,000	600,000	800,000	1,000,000	1,000,000
Other	-	-	-	-	-
Cash outflows to:					
SRF programs	(5,300,000)	(3,600,000)	(3,600,000)	(3,600,000)	(3,600,000)
SHLP program	(2,250,000)	(2,250,000)	(2,250,000)	(50,000)	(50,000)
Interim loans	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
GAP grant program	(2,500,000)	-	-	-	-
Other loan programs expenses	(928,000)	(917,000)	(917,000)	(907,000)	(907,000)
Administrative costs & other	(5,716,700)	(2,230,235)	(2,289,597)	(2,351,927)	(2,417,373)
Estimated ending cash balance	\$ 16,064,104	\$ 14,246,869	\$ 12,565,273	\$ 13,226,346	\$ 13,816,973

BOARD OF DIRECTORS

The members of the Board of Directors of the Authority as of December 31, 2012, are listed below:

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.

For terms expiring October 1, 2015:

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, 2016:

*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.

*Messrs. Fisher and Carlson were reappointed by Governor Hickenlooper for terms expiring October 1, 2016, on November 8, 2012. Senate confirmation hearings were held on February 21, 2013, and both reappointments were confirmed by the Senate on February 26, 2013.

OFFICERS

Officers as of December 31, 2012

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

STAFF

As of April 30, 2013

Executive Director	Michael W. Brod
Director of Finance	Keith S. McLaughlin
Controller	Duane A. Dohrer
Office Manager	Sabrina Speed
Senior Financial Analyst	Ryan Shipley
Financial Analyst	Ross Kuhn
Financial Analyst	Shanna Quinn
Financial Analyst	Wesley Williams
Assistant Controller	Claudia L. Walters
Senior Accountant	Valerie Lovato
Senior Accountant	Justin Noll
Accounting Technician	Jennifer Flores
Record Systems Clerk/Secretary	Cheryl Gantner

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

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

December 31, 2012 and 2011

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
December 31, 2012 and 2011**

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and Power Development Authority
(A Component Unit of the State of Colorado)
December 31, 2012 and 2011**

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Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

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, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of Directors
Colorado Water Resources and
Power Development Authority

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, in 2012, the Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported As Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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 audit 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.

Supplementary Information

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 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statements or to the 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 basic financial statements as a whole.

Board of Directors
Colorado Water Resources and
Power Development Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2013, 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 audit.

BKD, LLP

Denver, Colorado
April 16, 2013

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

Management's Discussion and Analysis (Unaudited)
Years ended December 31, 2012 and 2011

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, 2012 and 2011.

2012 Financial Highlights

- Combined net position of the Authority totaled \$605.2 million. The \$17.2 million increase in combined total net position was the net effect of capitalization grant revenue from the United States Environmental Protection Agency (EPA) totaling \$22.4 million offsetting the combined operating loss of \$5.2 million.
- Total loans receivable decreased \$224.7 million to \$1.1 billion. During 2012, the Authority executed 20 direct loans and one leveraged loan totaling \$39.9 million. Of the 20 direct loans executed, nine borrowers received full or partial principal forgiveness totaling \$4.1 million related to requirements under the grant conditions. Thirteen leveraged loan borrowers and one direct loan borrower prepaid their loans in full totaling \$54.7 million and two borrowers partially prepaid their loans for a total of \$135.3 million.
- The Water Pollution Control Revolving Fund (WPCRF) and the Drinking Water Revolving Fund (DWRF) received grant awards pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). As of December 31, 2012, all amounts awarded have been expended.
- Total bonds payable equaled \$876.8 million. During 2012, the Authority sold bonds (one DWRF issuance) with par values totaling \$18.0 million. The Authority defeased and/or called \$182.4 million of the bonds associated with the prepayments of fourteen leveraged loans.
- Implementation of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2012 necessitated a change in accounting principle adjustment to the 2011 net position-beginning year balance and the restatement of the December 31, 2011, financial statements. See Note 17 in the Notes to the Financial Statements for detailed information.

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

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funds: 1) The Water Operations Fund, 2) The Water Pollution Control Fund, and 3) The Drinking Water Fund. The basic financial statements for each fund are included in this report. Each fund is considered a major fund.

Notes to the Financial Statements

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

Financial Analysis of Enterprise Funds

Summary of Net Position

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, 2012 and 2011 in a comparative format. Furthermore, schedules of total enterprise fund data and analysis is provided in comparative year format for 2012-2011 and 2011-2010. In 2012, the January 1, 2011, beginning net position balance was adjusted and the 2011 financial statements were restated due to the implementation of GASB 65 as discussed and detailed in Note 17 of the Notes to the Financial Statements; however, 2010 numbers have not been adjusted as it is not practical to do so.

Unrestricted current and other assets primarily consist of cash and cash equivalents, investment and loan interest receivable, 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(f) 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. Loans receivable includes the current and noncurrent portion of direct and leveraged loan balances. Loans receivable provide security for associated bonds; and loan repayments 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, advance payable, and various other miscellaneous liabilities. The project costs payable line item contains the total current and noncurrent remaining proceeds available for projects funded with leveraged and/or direct loans. Bonds payable includes the current and noncurrent portion of bonds outstanding. Net position is classified into three categories: net investment in capital assets, restricted, and unrestricted.

Deferred inflows of resources and deferred outflows of resources were added to the financial statements in 2012, for the years 2011 and 2012, pursuant to the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and the balances in these accounts were impacted by the implementation of GASB 65. See Note 17 in the Notes to the Financial Statements for further explanation of the implementations' impact on the 2012 and 2011 financial statements.

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

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loan-bond financing package directly increases four major line items on the respective fund's summary schedule of net position: bonds payable, restricted assets, loans receivable, and project costs payable.

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.

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 position 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 2012, the \$13.9 million increase in total unrestricted current and other assets was the net result of the deallocation of \$28.9 million to the reloan accounts offset by the transfer from the reloan account to fund new direct loans. Similarly, although \$29.6 million was deallocated in 2011, the net increase in unrestricted current and other assets was limited to \$23.2 million in 2011 due, in part, to the transfer from the reloan account for new loan funding.

Bond proceeds and cash transfers for new loan funding totaling \$36.9 million, offset by \$63.9 million in project draws, was the main contributor to the \$32.5 million decrease in restricted assets in 2012. In 2011, new loan funding (excluding grant-funded direct loans) totaling \$94.7 million, offset by project requisitions totaling \$82.7 million, contributing to the \$10.1 million decrease in restricted assets.

In 2012, \$39.9 million in new loan funding, offset by \$77.8 million in project requisitions and loan reductions, contributed to the \$36.7 million decrease in project costs payable. In 2012, \$190.0 million in loan prepayments and \$74.6 million in scheduled loan repayments, reductions, and principal forgiveness, offset by new loan executions totaling \$39.9 million, resulted in the \$224.7 million decrease in loans receivable. In contrast, during 2011, \$101.1 million in new loan executions, offset by scheduled loan repayments, reductions, principal forgiveness and prepayments totaling \$94.8 million, resulted in a \$6.3 million increase in loans receivable.

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Total Enterprise Funds (2012- 2011)

Schedule 1A

Summary of Net Position as of December 31

	2012	2011	Change	Pct Chg
Unrestricted current and other assets	\$ 180,169,911	\$ 166,281,353	\$ 13,888,558	8.4%
Restricted assets	424,035,368	456,496,597	(32,461,229)	(7.1%)
Capital assets, net	37,108	42,834	(5,726)	(13.4%)
Loans receivable	1,060,354,012	1,285,040,498	(224,686,486)	(17.5%)
Total assets	<u>1,664,596,399</u>	<u>1,907,861,282</u>	<u>(243,264,883)</u>	(12.8%)
Deferred outflows of resources	520,380	692,839	(172,459)	(24.9%)
Current and other liabilities	44,676,337	45,087,773	(411,436)	(0.9%)
Project costs payable	137,437,173	174,182,231	(36,745,058)	(21.1%)
Bonds payable	876,845,000	1,100,140,000	(223,295,000)	(20.3%)
Total liabilities	<u>1,058,958,510</u>	<u>1,319,410,004</u>	<u>(260,451,494)</u>	(19.7%)
Deferred inflows of resources	963,277	1,171,612	(208,335)	(17.8%)
Net position:				
Net investment in capital assets	37,108	42,834	(5,726)	(13.4%)
Restricted	546,881,039	519,693,247	27,187,792	5.2%
Unrestricted	58,276,845	68,236,424	(9,959,579)	(14.6%)
Total net position	<u>\$ 605,194,992</u>	<u>\$ 587,972,505</u>	<u>\$ 17,222,487</u>	2.9%

Total Enterprise Funds (2011- 2010)

Schedule 1B

Summary of Net Position as of December 31

	2011	2010	Change	Pct Chg
Unrestricted current and other assets	\$ 166,281,353	\$ 143,081,511	\$ 23,199,842	16.2%
Restricted assets	456,496,597	466,639,905	(10,143,308)	(2.2%)
Capital assets, net	42,834	47,703	(4,869)	(10.2%)
Loans receivable	1,285,040,498	1,278,760,206	6,280,292	0.5%
Total assets	<u>1,907,861,282</u>	<u>1,888,529,325</u>	<u>19,331,957</u>	1.0%
Deferred outflows of resources	692,839	-	692,839	100.0%
Current and other liabilities	45,087,773	39,517,169	5,570,604	14.1%
Project costs payable	174,182,231	171,051,335	3,130,896	1.8%
Bonds payable	1,100,140,000	1,110,806,082	(10,666,082)	(1.0%)
Total liabilities	<u>1,319,410,004</u>	<u>1,321,374,586</u>	<u>(1,964,582)</u>	(0.1%)
Deferred inflows of resources	1,171,612	-	1,171,612	100.0%
Net position:				
Net investment in capital assets	42,834	47,703	(4,869)	(10.2%)
Restricted	519,693,247	501,646,711	18,046,536	3.6%
Unrestricted	68,236,424	65,460,325	2,776,099	4.2%
Total net position	<u>\$ 587,972,505</u>	<u>\$ 567,154,739</u>	<u>\$ 20,817,766</u>	3.7%

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During 2012, \$241.3 million in bond principal payments, including \$182.4 million in called and/or defeased bonds associated with leveraged loan prepayments, offset by one bond issuance totaling \$18.0 million, resulted in the \$223.3 million decrease in bonds payable. In contrast, bond issuances totaling \$67.1 million were offset by \$77.3 million in bond principal payments, calls and defeasances contributing to a \$10.7 million decrease in bonds payable for 2011.

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

Water Operations Fund

Water Operations Fund	Schedule 2			
	Summary of Net Position as of December 31			
	2012	2011	Change	Pct Chg
Unrestricted current and other assets	\$ 70,780,511	\$ 82,092,011	\$ (11,311,500)	(13.8%)
Restricted assets	72,163,265	87,050,316	(14,887,051)	(17.1%)
Capital assets, net	37,108	42,834	(5,726)	(13.4%)
Loans receivable	288,179,688	465,591,497	(177,411,809)	(38.1%)
Total assets	<u>431,160,572</u>	<u>634,776,658</u>	<u>(203,616,086)</u>	(32.1%)
Deferred outflows of resources	154,417	209,710	(55,293)	(26.4%)
Current and other liabilities	17,179,523	18,764,481	(1,584,958)	(8.4%)
Project costs payable	49,627,277	66,809,967	(17,182,690)	(25.7%)
Bonds payable	285,385,000	463,285,000	(177,900,000)	(38.4%)
Total liabilities	<u>352,191,800</u>	<u>548,859,448</u>	<u>(196,667,648)</u>	(35.8%)
Net position:				
Net investment in capital assets	37,108	42,834	(5,726)	(13.4%)
Restricted	22,399,207	21,869,536	529,671	2.4%
Unrestricted	56,686,874	64,214,550	(7,527,676)	(11.7%)
Total net position	<u>\$ 79,123,189</u>	<u>\$ 86,126,920</u>	<u>\$ (7,003,731)</u>	(8.1%)

Total assets and total liabilities decreased by \$203.6 million and \$196.7 million, respectively. The 32.1% decrease in total assets is mainly attributed to \$177.4 million reduction in loans receivable from principal payments received in 2012, including \$162.2 million in prepayments from ten borrowers. Likewise, the 35.8% decrease in total liabilities is mainly attributed to the decrease in bonds payable from bonds paid at maturity totaling \$15.2 million plus called and/or legally defeased bonds related to the prepayments totaling \$162.7 million in 2012. No new bonds were issued and no new loans were funded through the Water Operations Fund in 2012.

Also contributing to the decrease in total assets is the \$11.3 million decrease in unrestricted current and other assets and the \$14.9 million decrease in restricted assets. With no new loan funding, restricted assets, project costs payable and total liabilities were reduced by the payment of project requisitions totaling \$17.2 million for loans funded in previous years through the WRBP. Payment of expenses related to the Long Hollow dam and reservoir project totaling \$4.6 million and \$2.1 million transferred to project accounts (restricted assets) for Grant Assistance Program (GAP) projects were the main contributors to

Colorado Water Resources and Power Development Authority
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Years ended December 31, 2012 and 2011

the decrease in unrestricted current and other assets. (See Note 1 in the Notes to the Financial Statements for further information on Authority funded non-reimbursable projects and programs.)

Water Pollution Control Fund

<i>Water Pollution Control Fund</i>	Schedule 3			
Summary of Net Position as of December 31				
	2012	2011	Change	Pct Chg
Unrestricted current and other assets	\$ 66,675,116	\$ 47,910,511	\$ 18,764,605	39.2%
Restricted assets	229,753,871	257,379,580	(27,625,709)	(10.7%)
Loans receivable	497,384,787	555,979,840	(58,595,053)	(10.5%)
Total assets	<u>793,813,774</u>	<u>861,269,931</u>	<u>(67,456,157)</u>	(7.8%)
Deferred outflows of resources	365,963	483,129	(117,166)	(24.3%)
Current and other liabilities	13,812,117	13,296,475	515,642	3.9%
Project costs payable	36,455,855	62,481,306	(26,025,451)	(41.7%)
Bonds payable	412,280,000	464,540,000	(52,260,000)	(11.2%)
Total liabilities	<u>462,547,972</u>	<u>540,317,781</u>	<u>(77,769,809)</u>	(14.4%)
Deferred inflows of resources	870,917	1,062,313	(191,396)	(18.0%)
Net position:				
Restricted	330,760,848	320,372,966	10,387,882	3.2%
Total Net position	<u>\$ 330,760,848</u>	<u>\$ 320,372,966</u>	<u>\$ 10,387,882</u>	3.2%

The deallocation of \$19.0 million, offset by the transfers from the reloan account to fund new direct loans, was the main contributor to the \$18.8 million increase in unrestricted current and other assets. Project requisitions paid to leveraged loan and reloan funded direct loan borrowers and deallocation to the reloan account contributed to the \$27.6 million decrease in restricted assets. The decrease was limited by the transfer of funds from the reloan account to fund direct loans.

During 2012, the Authority executed nine direct loans totaling \$8.9 million, including three direct loans that received \$0.9 million in partial or full principal forgiveness related to requirements under the grant conditions. Increases to loans receivable from new loan funding was offset by \$63.3 million in loan principal payments, including prepayments from six borrowers totaling \$27.8 million and \$4.2 million in loan reductions and principal forgiveness, resulting in the \$58.6 million decrease in loans receivable.

The \$26.0 million decrease in project costs payable was the net result of loan executions totaling \$8.9 million in 2012 offset by \$32.3 million in project requisitions for current and previous year's executed loans and \$2.6 million in loan reductions. With no bonds issued under the WPCRF in 2012, bonds payable decreased by \$52.3 million from bonds paid at maturity totaling \$32.6 million and called and/or legally defeased bonds related to the prepayments totaling \$19.7 million.

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Drinking Water Fund

The deallocation of \$8.4 million and the transfer of state match deposits to the reloan account totaling \$3.6 million, offset by the transfers from the reloan account to fund new direct loans, were the main contributors to the \$6.4 million increase in unrestricted current and other assets. During 2012, the Authority executed one leveraged loan and eleven direct loans, including five direct loans that received \$3.2 million in partial or full principal forgiveness related to grant condition requirements, for a combined total of \$31.0 million. To fund the leveraged loan, the Authority issued bonds totaling \$18.0 million. The \$11.3 million increase to loans receivable resulted from new loan funding offset by \$16.0 million in loan repayments and \$3.7 million in loan reductions and principal forgiveness. Likewise, the \$6.9 million increase in bonds payable was a result of one bond issuance offset by \$11.1 million in bond principal payments.

<i>Drinking Water Fund</i>		Schedule 4		
Summary of Net Position as of December 31				
	2012	2011	Change	Pct Chg
Unrestricted current and other assets	\$ 42,714,284	\$ 36,278,831	\$ 6,435,453	17.7%
Restricted assets	122,118,232	112,066,701	10,051,531	9.0%
Loans receivable	274,789,537	263,469,161	11,320,376	4.3%
Total assets	<u>439,622,053</u>	<u>411,814,693</u>	<u>27,807,360</u>	6.8%
Current and other liabilities	13,684,697	13,026,817	657,880	5.1%
Project costs payable	51,354,041	44,890,958	6,463,083	14.4%
Bonds payable	179,180,000	172,315,000	6,865,000	4.0%
Total liabilities	<u>244,218,738</u>	<u>230,232,775</u>	<u>13,985,963</u>	6.1%
Deferred inflows of resources	92,360	109,299	(16,939)	(15.5%)
Net position:				
Restricted	193,720,984	177,450,745	16,270,239	9.2%
Unrestricted	1,589,971	4,021,874	(2,431,903)	(60.5%)
Total net position	<u>\$ 195,310,955</u>	<u>\$ 181,472,619</u>	<u>\$ 13,838,336</u>	7.6%

The \$6.5 million increase in project costs payable was a net result of new loan executions totaling \$31.0 million in 2012, offset by \$25.4 million in project requisitions for new and previous year's executed loans. The deposit of bond proceeds to fund one leveraged loan and the transfer from the reloan account to fund direct loans contributed to the \$10.1 million increase in restricted assets. The increase was limited by project requisitions paid to leveraged loan and reloan-funded direct loan borrowers and deallocation to the reloan account. New loan funding, which increases both restricted assets and loans receivable, is the main contributor to the \$27.8 million increase in total assets. Likewise, bonds issued to fund the leveraged loan in 2012, increased both project costs payable and bonds outstanding and was the main contributor to the \$14.0 million increase in total liabilities.

Colorado Water Resources and Power Development Authority
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Summary of Changes in Net Position

Overview

As described in the Notes to the Financial Statements, the Authority issues bonds to fund certain program loans. Debt service on bonds is paid from loan repayments; however, in the WPCRF and DWRF, a portion of bond interest is paid by investment income earned on restricted assets held in the borrowers' project accounts and in bond debt service reserve funds and represents the loan interest subsidy provided to the borrowers.

Below are schedules showing the summary of changes in net position 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 position in a comparative year format. These schedules quantify the changes in financial position of the Authority as a financing entity. For 2012, interest on investments and interest on loans, including gain on loan prepayments, contributed 16.1% and 64.3%, respectively, to total operating revenues. Interest on bonds, including loss on extinguishments, and principal forgiveness contributed 73.8% and 6.0%, respectively, to total operating expenses.

The WPCRF and DWRF programs are allowed to collect a loan administrative fee surcharge to supplement the EPA grant funds available for the reimbursement of expenses related to grant administration. Beginning in 2009, the maximum allowable annual administrative fee surcharge rate on DWRF loans, which is computed on the original loan receivable balance and is a component of loan interest, was increased from 0.8% to 1.25%. Due to the structure of the loan program, the increase in the administrative fee rate does not affect the subsidized loan rate charged to the borrowers. The administrative fee surcharge rate on WPCRF loans remains at 0.8%. Generally, these fees remain constant over the term of the loan. Zero interest rate loans (i.e. certain disadvantaged community and ARRA loans) in both the WPCRF and DWRF programs are not assessed an administrative fee surcharge. (For more information regarding the disadvantaged community loan program, see the Notes to the Financial Statements.)

Pursuant to the implementation of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, for the WPCRF and the DWRF, federal capitalization grant revenues are recorded as nonoperating revenue. Grant revenue from the DWRF set asides and grant reimbursements for program administrative costs for both revolving funds are recorded as operating revenue.

For loans funded with grant dollars, each project requisition generates a draw from the respective program's grant(s). Capitalization grant revenue is shown below operating income (loss) on the Summary of Changes in Net Position. 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.

To better reflect the classification of expenses incurred in the Water Operations Fund, grants to localities-Authority funded was added as a separate line item on the Summary of Changes in Net Position for the years 2012 and 2011. This line item reflects the funding of and payment of requisitions for Authority funded non reimbursable projects, such as the Long Hollow dam and reservoir, SHLP planning and

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design grants, and GAP. Also, due to the implementation of GASB 65, bond issuance expense has been added as a line item. See the Notes to the Financial Statements for further information on these line items.

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, 2012 activity, supplemented by EPA capitalization grant draws, resulted in changes in net position totaling \$17.2 million, \$22.0 million and \$59.5 million for 2012, 2011, and 2010, respectively.

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 interest on loans. However, other factors such as decreasing loan interest due to normal amortization, and credits to loan interest from both refunding savings and additional earnings may affect interest on loans. During 2012, fifteen leveraged loans totaling \$189.3 million were prepaid, or partially prepaid, from the proceeds of borrower-issued refunding bonds or cash on hand. The gross prepayment amounts, net of loan principal balances, administrative fees and reimbursed Authority costs, were recorded as interest on loans. The gain recognized from these prepayments totaled \$11.9 million in 2012 and was the main contributor to the \$9.3 million increase in interest on loans.

The loan interest component of the prepayments, together with the loan principal portion to pay bonds, was either deposited into debt service funds until the call date of the associated bonds or into escrow funds along with the legally defeased bonds. Similarly, the amounts that were deposited into the debt service funds or escrow accounts that exceeded the \$182.4 million par value of the bonds called or defeased was recorded as interest on bonds. During 2012, a \$12.3 million loss on extinguishments of debt was recognized and was the main contributor to the \$8.6 million increase in interest on bonds.

The \$0.9 million decrease in combined interest on investments was the result of two major factors. The balance invested in cash held by the Colorado State Treasurer cash pool (STCP) in the Water Operations Fund decreased by \$10.4 million and the average interest rate decreased 0.4%, which resulted in a decrease in interest on investments that totaled \$0.3 million. In the WPCRF and DWRF, repurchase agreement (repo) balances decreased by \$13.5 million due to annual releases (deallocation) from the debt service reserve funds that had an average interest rate of 4.59%, which resulted in a \$0.6 million decrease in interest on investments.

The increase in interest on loans, offset mainly by the \$0.9 decrease in interest on investments, resulted in the \$8.1 million increase in operating revenues for 2012. In 2011, an increase in interest on loans of \$2.5 million, offset mainly by \$0.6 million decrease in interest on investments, resulted in an increase in operating revenues of \$2.4 million.

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<i>Total Enterprise Funds (2012- 2011)</i>	Schedule 5A			
	Summary of Changes in Net Position as of December 31			
	2012	2011	Change	Pct Chg
Operating revenues:				
Interest on loans (including gain on prepayments)	\$ 50,895,172	\$ 41,608,813	\$ 9,286,359	22.3%
Interest on investments	12,730,463	13,623,175	(892,712)	(6.6%)
Administrative fees and other income	9,111,352	9,274,553	(163,201)	(1.8%)
EPA grants	6,383,967	6,508,515	(124,548)	(1.9%)
Total operating revenues	79,120,954	71,015,056	8,105,898	11.4%
Operating expenses:				
Interest on bonds (including loss on extinguishments)	62,245,209	53,647,808	8,597,401	16.0%
Bond issuance expense	1,196,543	654,509	542,034	82.8%
Grant administration	4,094,932	4,473,115	(378,183)	(8.5%)
Grants to localities - Authority funded	4,633,387	821,881	3,811,506	463.8%
Loan principal forgiven	5,019,163	7,880,017	(2,860,854)	(36.3%)
General, administrative, and other expenses	1,874,431	1,364,566	509,865	37.4%
EPA set asides	5,271,278	4,751,063	520,215	10.9%
Total operating expenses	84,334,943	73,592,959	10,741,984	14.6%
Operating loss	(5,213,989)	(2,577,903)	(2,636,086)	102.3%
EPA capitalization grants	22,436,476	24,561,125	(2,124,649)	(8.7%)
Change in net position	17,222,487	21,983,222	(4,760,735)	(21.7%)
Net position – beginning of year	587,972,505	567,154,739	20,817,766	3.7%
Adjustment for change in accounting principle	-	(1,165,456)	1,165,456	100.0%
Net position - adjusted beginning of year	587,972,505	565,989,283	21,983,222	3.9%
Net position – end of year	\$ 605,194,992	\$ 587,972,505	\$ 17,222,487	2.9%

<i>Total Enterprise Funds (2011- 2010)</i>	Schedule 5B			
	Summary of Changes in Net Position as of December 31			
	2011	2010	Change	Pct Chg
Operating revenues:				
Interest on loans (including gain on prepayments)	\$ 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	9,274,553	8,854,690	419,863	4.7%
EPA grants	6,508,515	6,474,880	33,635	0.5%
Total operating revenues	71,015,056	68,633,611	2,381,445	3.5%
Operating expenses:				
Interest on bonds (including loss on extinguishments)	53,647,808	50,961,274	2,686,534	5.3%
Bond issuance expense	654,509	-	654,509	100.0%
Grant administration	4,473,115	3,773,527	699,588	18.5%
Grants to localities - Authority funded	821,881	-	821,881	100.0%
Loan principal forgiven	7,880,017	9,926,993	(2,046,976)	(20.6%)
General, administrative, and other expenses	1,364,566	2,614,972	(1,250,406)	(47.8%)
EPA set asides	4,751,063	4,516,642	234,421	5.2%
Total operating expenses	73,592,959	71,793,408	1,799,551	2.5%
Operating loss	(2,577,903)	(3,159,797)	581,894	(18.4%)
EPA capitalization grants	24,561,125	62,622,493	(38,061,368)	(60.8%)
Change in net position	21,983,222	59,462,696	(37,479,474)	(63.0%)
Net position – beginning of year	567,154,739	507,692,043	59,462,696	11.7%
Adjustment for change in accounting principle	(1,165,456)	-	(1,165,456)	100.0%
Net position - adjusted beginning of year	565,989,283	507,692,043	58,297,240	11.5%
Net position – end of year	\$ 587,972,505	\$ 567,154,739	\$ 20,817,766	3.7%

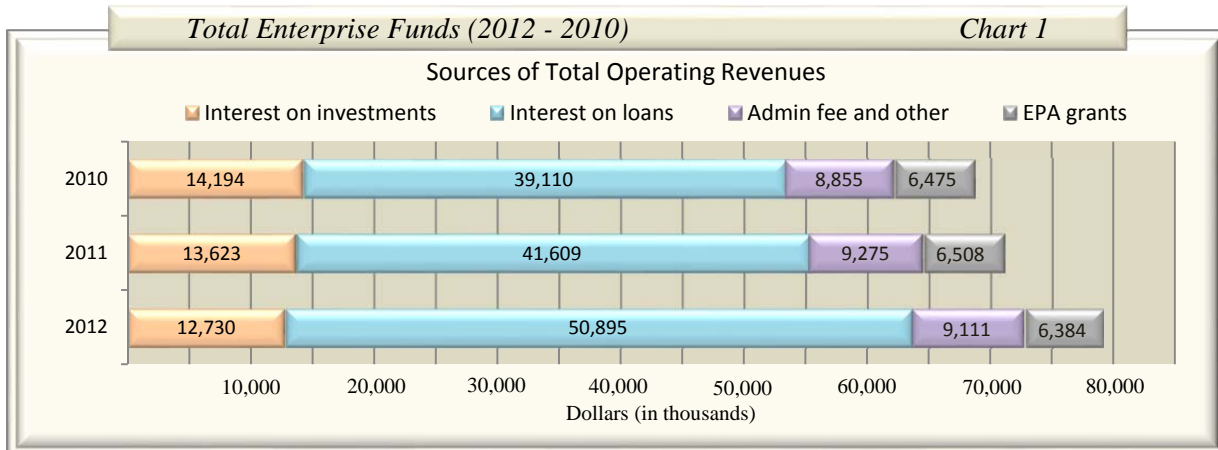
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In compliance with the conditions of the 2012 and 2011 grant awards in both the WPCRF and DWRF, certain loans executed in 2012 and 2011 received one-time principal forgiveness. Loan principal forgiven totaled \$5.0 million, \$7.9 million and \$9.9 million for 2012, 2011 and 2010, respectively. For all three years, this additional operating expense was a major contributor to the operating loss. In addition, \$4.6 million expended for grants to localities-Authority funded, an increase of \$3.8 million, contributed to the 2012 operating loss. The increase in grants to localities-Authority funded, due to the construction start of the Long Hollow dam and the increase in interest on bonds, offset mainly by the decrease in loan principal forgiven, were the main contributors to the \$10.7 million increase in operating expenses in 2012. In contrast, a \$2.7 million increase in interest on bonds, offset mainly by the \$2.0 million and \$1.3 million decreases in loan principal forgiven and general, administrative and other expenses, respectively, resulted in a \$0.6 million increase in operating income (or decrease in operating loss) for 2011. In general, the changes in interest on bonds and the interest on loans are correlated. For 2012, the difference between the increase in interest on bonds and the interest on loans was offset mainly by the \$3.8 million increase in grants to localities-Authority funded (expense) and the decrease in interest on investments (revenue), resulting in a \$2.6 million increase in operating loss.

Combined EPA capitalization grants totaled \$22.4 million, \$24.6 million, and \$62.6 million for 2012, 2011, and 2010, respectively. As explained earlier in this section, grant funds are drawn as requisitions are paid to borrowers with projects financed with capitalization grant monies. As a result of the expedited construction schedules, a majority of the \$62.4 million in ARRA grants was drawn in 2010, and during 2011, project draws decreased because many ARRA projects reached or neared completion, resulting in a \$38.1 million decrease in EPA capitalization grants. The \$2.1 million decrease in EPA capitalization grants for 2012 reflects the reduction in grant-funded loans coinciding with the decrease in capitalization awards for 2012, 2011, and 2010. Nevertheless, capitalization grant revenue was the primary contributor to the total change in net position for 2012, 2011, and 2010.

Combined change in net position decreased by \$4.8 million in 2012, compared to a \$37.5 million decrease in 2011. The decrease in change in net position in 2012 was primarily the result of the \$2.1 million decrease in EPA Capitalization grants and the \$2.6 million increase in operating loss. In 2011, the decrease in change in net position was primarily attributed to a decrease in EPA capitalization grants (\$38.1 million).



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Chart 1 compares the major sources of combined operating revenues among the years. Note the increase in interest on loans (including gain on prepayments) had the most impact on the increase in total operating revenues for 2012. The discussion below describes the changes to each of the three-enterprise fund's summary schedule of changes in net position and the associated charts provide visual information of the components of income and expense that impact the change in net position for 2012 and 2011.

As explained previously in the narrative, GASB 65 was implemented in 2012, which necessitated the adjustment to January 1, 2011, beginning net position for adjustments made to certain financial statement line items. The \$1.2 million net effect of the accounting change is reflected in the adjustment for change in accounting principle in Schedule 5B. The line items affected by the accounting change are explained in further detail in each fund section.

Water Operations Fund

<i>Water Operations Fund</i>	Schedule 6			
	Summary of Changes in Net Position as of December 31			
	2012	2011	Change	Pct Chg
Operating revenues:				
Interest on loans (including gain on prepayments)	\$ 33,230,768	\$ 23,762,338	\$ 9,468,430	39.8%
Interest on investments	597,393	879,101	(281,708)	(32.0%)
Other	41,847	5	41,842	100.0%
Total operating revenues	<u>33,870,008</u>	<u>24,641,444</u>	<u>9,228,564</u>	37.5%
Operating expenses:				
Interest on bonds (including loss on extinguishments)	33,723,671	23,697,713	10,025,958	42.3%
Bond issuance expense	1,196,543	654,509	542,034	82.8%
Grants to localities-Authority funded	4,633,387	821,881	3,811,506	463.8%
Loan principal forgiven	10,168	2,773	7,395	266.7%
General, administrative, and other expenses	1,309,970	966,480	343,490	35.5%
Total operating expenses	<u>40,873,739</u>	<u>26,143,356</u>	<u>14,730,383</u>	56.3%
Operating loss	<u>(7,003,731)</u>	<u>(1,501,912)</u>	<u>(5,501,819)</u>	366.3%
Change in net position	<u>(7,003,731)</u>	<u>(1,501,912)</u>	<u>(5,501,819)</u>	366.3%
Net position – beginning of year	86,126,920	89,337,904	(3,210,984)	(3.6%)
Adjustment for change in accounting principle	-	(1,709,072)	1,709,072	(100.0%)
Net position - adjusted beginning of year	<u>86,126,920</u>	<u>87,628,832</u>	<u>(1,501,912)</u>	(1.7%)
Net position – end of year	<u>\$ 79,123,189</u>	<u>\$ 86,126,920</u>	<u>\$ (7,003,731)</u>	(8.1%)

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 STCP,

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which saw a decline in the average annual rate from 1.57% in 2011 to 1.19% in 2012 and a \$10.4 million decrease in STCP investment balance, contributing to the \$0.3 million decrease in interest on investments.

Interest earned on the three WRBP loans executed in 2011, plus the \$11.4 million gain recognized from two partial loan prepayments in the WRBP, offset by the foregone loan interest from the other prepayments received in SWRP in 2012 and 2011, contributed to the \$9.5 million increase in interest on loans and total operating revenues. The \$10.0 million increase in interest on bonds is related to the same factors for the increase in interest on loans. The bonds associated with the SWRP and WRBP loan prepayments were legally defeased or called and a \$12.1 million loss on extinguishments was recognized in 2012 and is included in interest on bonds.

In 2010, the Authority's Board of Directors approved the cost to design the Long Hollow dam and reservoir in southwestern Colorado. After the design plans were approved, the Authority authorized the construction and work began in 2012. Construction and engineering costs, recorded as grants to localities-Authority funded increased from \$0.8 million in 2011 to \$4.6 million in 2012. The increases in interest on bonds and grants to localities-Authority funded were the two main expenses contributing to the \$14.7 million increase in operating expenses and the \$5.5 million increase in operating loss.

As discussed previously and in the Notes to the Financials, the Authority implemented GASB 65 in 2012. Previously, all bond issuance costs (COI) funded by the Authority were recorded as assets and amortized annually. GASB 65 limits the capitalization of bond issuance costs to bond insurance. The \$ 1.7 million difference between the previously recorded remaining unamortized COI costs and the remaining bond insurance portion was recorded as a change in accounting principle adjustment reducing the 2011 net position—beginning of year.

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. Nine direct loans totaling \$8.9 million were funded in 2012 and included three loans that received \$0.9 million in partial or full principal forgiveness. No leveraged loans were executed and no bonds were issued under the WPCRF in 2012. The net effect of these factors resulted in a \$0.5 million decrease in interest on loans.

In 2012, the funds from the liquidation (for deallocation) of \$12.7 million in repos earning a higher investment rate were deposited into the reloan account and invested in COLOTRUST, which earns a lower yield. The result of this activity was the main contributor to the \$0.6 million decrease in interest on investments. A decrease in recent EPA awards decreased the amount of grant funds available for administering the grants. As a result, more administrative fee income was used to pay administrative costs in 2012, instead of EPA grant funds, resulting in a decrease of \$0.7 million in EPA grants-administrative. The decreases in interest on loans, interest on investments and EPA grants-administrative contributed to the \$2.1 million decrease in operating revenues.

Generally, in the WPCRF, bonds and loans have maturities of 20 years; therefore, the fund has reached its financial maturity. With no new bonds issued in 2012, interest on bonds decreased by \$1.4 million as a result of maturity of the bonds and called and/or defeased bonds in 2012 and 2011. The \$0.9 million

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decrease in loan principal forgiveness for 2012 was a result of the decrease in principal forgiveness requirements for the 2012, 2011 and 2010 EPA grant awards. Decreases in interest on bonds and loan principal forgiven were the main contributors to the \$2.5 million decrease in operating expenses. EPA capitalization grant revenues decreased by \$4.2 million in 2012; however, EPA capitalization grant revenue of \$8.2 million plus the \$2.4 million in operating income resulted in a \$10.4 million change in net position for 2012.

<i>Water Pollution Control Fund</i>		Schedule 7		
Summary of Changes in Net Position as of December 31				
	2012	2011	Change	Pct Chg
Operating revenues:				
Interest on loans (including gain on prepayments)	\$ 12,791,101	\$ 13,249,962	\$ (458,861)	(3.5%)
Interest on investments	8,739,867	9,298,756	(558,889)	(6.0%)
Administrative fee and other income	5,822,405	6,202,015	(379,610)	(6.1%)
EPA grants-administrative	129,579	821,044	(691,465)	(84.2%)
Total operating revenues	<u>27,482,952</u>	<u>29,571,777</u>	<u>(2,088,825)</u>	<u>(7.1%)</u>
Operating expenses:				
Interest on bonds (including loss on extinguishments)	20,726,174	22,112,799	(1,386,625)	(6.3%)
Grant administration	2,454,471	2,709,056	(254,585)	(9.4%)
Loan principal forgiven	1,654,315	2,583,232	(928,917)	(36.0%)
General, administrative, and other expenses	288,825	213,806	75,019	35.1%
Total operating expenses	<u>25,123,785</u>	<u>27,618,893</u>	<u>(2,495,108)</u>	<u>(9.0%)</u>
Operating income	2,359,167	1,952,884	406,283	20.8%
EPA capitalization grants	8,205,431	12,376,224	(4,170,793)	(33.7%)
Transfers in (out)	(176,716)	(181,176)	4,460	(2.5%)
Change in net position	<u>10,387,882</u>	<u>14,147,932</u>	<u>(3,760,050)</u>	<u>(26.6%)</u>
Net position – beginning of year	320,372,966	305,768,182	14,604,784	4.8%
Adjustment for change in accounting principle	-	456,852	(456,852)	(100.0%)
Net position – adjusted beginning of year	<u>320,372,966</u>	<u>306,225,034</u>	<u>14,147,932</u>	<u>4.6%</u>
Net position – end of year	<u>\$ 330,760,848</u>	<u>\$ 320,372,966</u>	<u>\$ 10,387,882</u>	<u>3.2%</u>

As discussed previously and in the Notes to the Financials, the Authority implemented GASB 65 in 2012. Previously, the Authority recorded refunding bond proceeds allocated to offset future administrative costs as deferred revenue, which were amortized annually. GASB 65 specifies that this type of revenue be recognized currently rather than deferred. The \$0.5 million unamortized balance was recorded as a change in accounting principle adjustment increasing the 2011 net position – beginning of year.

Drinking Water Fund

Similar to WPCRF, interest on loans in this fund is affected by several factors; additional interest resulting from new loans executed, declining interest due to normal loan amortization, and various credits, in addition to normal subsidy credits, that adjust loan interest from time to time. Also, certain ARRA loans and disadvantaged community base program loans have zero interest rates that will not add to interest on loans. One leveraged loan and eleven direct loans totaling \$31.0 million were executed in

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2012. Of the eleven direct loans executed in 2012, five received partial or full principal forgiveness totaling \$3.2 million. The net effect of these factors resulted in a \$0.3 million increase in interest on loans.

<i>Drinking Water Fund</i>	Schedule 8			
	Summary of Changes in Net Position as of December 31			
	2012	2011	Change	Pct Chg
Operating revenues:				
Interest on loans	\$ 4,873,303	\$ 4,596,513	\$ 276,790	6.0%
Interest on investments	3,393,203	3,445,318	(52,115)	(1.5%)
Administrative fee and other income	3,247,100	3,072,533	174,567	5.7%
EPA grants	6,254,388	5,687,471	566,917	10.0%
Total operating revenues	<u>17,767,994</u>	<u>16,801,835</u>	<u>966,159</u>	5.8%
Operating expenses:				
Interest on bonds	7,795,364	7,837,296	(41,932)	(0.5%)
Grant administration	1,640,461	1,764,059	(123,598)	(7.0%)
Loan principal forgiven	3,354,680	5,294,012	(1,939,332)	(36.6%)
General, administrative, and other expenses	275,636	184,280	91,356	49.6%
EPA set asides	5,271,278	4,751,063	520,215	10.9%
Total operating expenses	<u>18,337,419</u>	<u>19,830,710</u>	<u>(1,493,291)</u>	(7.5%)
Operating loss	(569,425)	(3,028,875)	2,459,450	(81.2%)
EPA capitalization grants	14,231,045	12,184,901	2,046,144	16.8%
Transfers in (out)	176,716	181,176	(4,460)	(2.5%)
Change in net position	<u>13,838,336</u>	<u>9,337,202</u>	<u>4,501,134</u>	48.2%
Net position – beginning of year	181,472,619	172,048,653	9,423,966	5.5%
Adjustment for change in accounting principle	-	86,764	(86,764)	(100.0%)
Net position – adjusted beginning of year	<u>181,472,619</u>	<u>172,135,417</u>	<u>9,337,202</u>	5.4%
Net position – end of year	<u>\$ 195,310,955</u>	<u>\$ 181,472,619</u>	<u>\$ 13,838,336</u>	7.6%

Similar to WPCRF, repurchase agreement funds, which earn higher yields, totaling \$4.4 million were liquidated (for deallocation) and deposited into the reloan account and invested in COLOTRUST, which earns a lower yield. The decrease in investment interest from this activity, offset by the increase in interest earned on additional SLG investments purchased from new bond proceeds, contributed to the decrease in interest on investments in 2012. Increases in administrative costs and set aside activity incurred by the WQCD increased EPA grants revenue by \$0.6 million and EPA set asides expenses by \$0.5 million in 2012. The increases in interest on loans and EPA grants contributed to the \$1.0 million increase in operating revenues.

In 2012, the Authority issued \$18.0 million in bonds to fund the leveraged loan. The increase in interest on bonds resulting from bonds issued in 2012 and 2011 was offset by the decrease in bond interest due to normal amortization on prior issuances. The \$1.9 million decrease in loan principal forgiveness for 2012 was a result of the decrease in principal forgiveness requirements for the 2012, 2011 and 2010 EPA grant awards. Decreases in loan principal forgiven, offset by the increase in EPA set asides were the main contributors to the \$1.5 million decrease in operating expenses. In 2011, \$12.2 million in EPA capitalization grant revenue was offset by \$3.0 million operating loss, resulting in a \$9.3 million increase in change in net position. EPA capitalization grant revenues totaling \$14.2 million offset the \$0.6 million

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operating loss for 2012, resulting in a \$13.8 million change in net position for 2012, an increase of \$4.5 million from 2011.

As discussed previously and in the Notes to the Financials, the Authority implemented GASB 65 in 2012. Previously, the Authority recorded refunding bond proceeds allocated to offset future administrative costs as deferred revenue, which were amortized annually. GASB 65 specifies that this type of revenue be recognized currently rather than deferred. For the DWRF, an unamortized balance of \$86,764 was recorded as a change in accounting principle adjustment increase to the 2011 net position—beginning of year.

Economic Factors:

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

- More stringent, federal water quality standards often mandate the replacement of or upgrades to infrastructure.
- Colorado's population continues to increase, requiring plant expansions.
- The need to replace aging infrastructure is expanding.
- Low interest rates on municipal bonds issued by the Authority result in lower loan interest rates, especially those loans subsidized by the WPCRF and DWRF, thereby making project financing more affordable for local communities.
- If future EPA capitalization grants include conditions that mandate additional subsidies, such as principal forgiveness, the demand for loans will likely remain strong. Loan principal forgiveness reduces future loan capacity for both SRF programs.

The Authority plans to continue subsidizing loan interest rates for borrowers in both the WPCRF and DWRF in 2013. As of December 31, 2012, out of the total amount of EPA capitalization grant funds awarded to the WPCRF through 2012, \$10.4 million remains unobligated and available for loans. As of December 31, 2012, out of the total amount of EPA capitalization grant funds awarded to the DWRF, \$1.8 million remains unobligated and available for loans. Colorado's share of the 2013 Clean Water Revolving Fund grant allotment (for the WPCRF) is estimated to be between \$10.9 and \$11.5 million and the Drinking Water Revolving Fund 2013 grant allotment is estimated to be between \$15.1 and \$15.9 million, depending on congressional actions. The Authority has submitted applications for both grants.

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, 2012, 98 base program DC loans had been executed, 59 in the DWRF and 39 in the WPCRF, with original principal amounts of \$44.5 million and \$26.4 million, respectively. Of the 98 loans, 42 are financed at a zero percent interest rate, 19 are financed at reduced rates and 37 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.

In 2013, the Authority issued \$96.7 million in refunding bonds to refund \$155.7 million in bonds, reducing bonds payable by \$59.0 million. To provide additional capital for the refunding, \$61.0 million in repos were liquidated. The savings realized from the refundings were passed through to the respective

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, 2012 and 2011

borrowers as credits against loan interest but outstanding loan principal was not reduced. See details of the refundings in Note 19. These refundings are anticipated to have the following economic effects:

- A decrease in interest on investments; but a reduced investment risk.
- A decrease in interest on bonds.
- Additional amounts released from refunded bond accounts totaled \$11.9 million and these additional funds will be available for new loans in 2013.

The Authority continues to closely monitor the ratings of the counterparties of the remaining repurchase agreements and the collateral that secures the repurchase agreements, as described in the Notes to the Financial Statements, and the Authority will take appropriate action, as allowed under the terms of the agreements, if needed, to be reasonably assured that funds will be available when needed and/or that the ratings on the respective bonds are not lowered. The Authority 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:

Justin Noll, 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 Position
December 31, 2012

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
Cash and cash equivalents	\$ 39,256,066	\$ 60,070,850	\$ 38,479,476	\$ 137,806,392
Federal grants receivable	-	5,016	1,664,914	1,669,930
Investment income receivable	40,737	317,870	134,180	492,787
Loans receivable	11,413,408	34,233,488	17,754,465	63,401,361
Due from other funds	2,589,805	-	-	2,589,805
Accounts receivable – borrowers	4,121,363	6,281,380	2,435,714	12,838,457
Other assets	32,568	-	-	32,568
Restricted assets:				
Cash and cash equivalents	22,951,843	29,966,259	17,198,110	70,116,212
Investments	-	15,714,195	10,468,060	26,182,255
Investment income receivable	109,499	479,556	269,136	858,191
Securities not held for investment	13,301,000	-	-	13,301,000
Total current assets	<u>93,816,289</u>	<u>147,068,614</u>	<u>88,404,055</u>	<u>329,288,958</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	35,799,377	5,480,194	11,937,966	53,217,537
Investments	-	175,582,238	81,337,576	256,919,814
Investment income receivable	1,546	2,531,429	907,384	3,440,359
Advance receivable	15,023,243	-	-	15,023,243
Loans receivable	276,766,280	463,151,299	257,035,072	996,952,651
Water depletion rights – Animas-La Plata	7,646,901	-	-	7,646,901
Capital assets – equipment, net of accumulated depreciation of \$114,230	37,108	-	-	37,108
Other assets	2,069,828	-	-	2,069,828
Total noncurrent assets	<u>337,344,283</u>	<u>646,745,160</u>	<u>351,217,998</u>	<u>1,335,307,441</u>
Total assets	<u>431,160,572</u>	<u>793,813,774</u>	<u>439,622,053</u>	<u>1,664,596,399</u>
Deferred outflows of resources	154,417	365,963	-	520,380
Liabilities				
Current liabilities:				
Project costs payable – direct loans	-	12,600,750	14,950,642	27,551,392
Project costs payable – leveraged loans	33,637,277	23,355,105	30,013,399	87,005,781
Bonds payable	11,335,000	31,775,000	12,325,000	55,435,000
Accrued interest payable	3,547,684	6,330,898	2,624,623	12,503,205
Accounts payable – borrowers	2,240,496	-	-	2,240,496
Accounts payable – other	2,479,265	-	-	2,479,265
Due to other funds	-	766,218	1,823,587	2,589,805
Other liabilities	-	89,259	99,112	188,371
Total current liabilities	<u>53,239,722</u>	<u>74,917,230</u>	<u>61,836,363</u>	<u>189,993,315</u>
Noncurrent liabilities:				
Project costs payable – direct loans	-	500,000	2,250,000	2,750,000
Project costs payable – leveraged loans	15,990,000	-	4,140,000	20,130,000
Bonds payable	274,050,000	380,505,000	166,855,000	821,410,000
Advance payable	-	6,236,643	8,786,600	15,023,243
Debt service reserve deposit	7,458,370	-	-	7,458,370
Other liabilities	1,453,708	389,099	350,775	2,193,582
Total noncurrent liabilities	<u>298,952,078</u>	<u>387,630,742</u>	<u>182,382,375</u>	<u>868,965,195</u>
Total liabilities	<u>352,191,800</u>	<u>462,547,972</u>	<u>244,218,738</u>	<u>1,058,958,510</u>
Deferred inflows of resources	-	870,917	92,360	963,277
Net position				
Net investment in capital assets	37,108	-	-	37,108
Restricted	22,399,207	330,760,848	193,720,984	546,881,039
Unrestricted	56,686,874	-	1,589,971	58,276,845
Total net position	<u>\$ 79,123,189</u>	<u>\$ 330,760,848</u>	<u>\$ 195,310,955</u>	<u>\$ 605,194,992</u>

See accompanying notes to financial statements

**Colorado Water Resources
and Power Development Authority**
(A Component Unit of the State of Colorado)
Statement of Net Position
December 31, 2011
(as restated)

Assets	Water Operations	Water Pollution Control	Drinking Water	Totals
Current assets:				
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
Restricted assets:				
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
Total current assets	<u>131,250,397</u>	<u>149,710,018</u>	<u>84,491,605</u>	<u>365,452,020</u>
Noncurrent assets:				
Restricted assets:				
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	3,225,577	-	-	3,225,577
Total noncurrent assets	<u>503,526,261</u>	<u>711,559,913</u>	<u>327,323,088</u>	<u>1,542,409,262</u>
Total assets	<u>634,776,658</u>	<u>861,269,931</u>	<u>411,814,693</u>	<u>1,907,861,282</u>
Deferred outflows of resources	209,710	483,129	-	692,839
Liabilities				
Current liabilities:				
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
Total current liabilities	<u>74,260,245</u>	<u>103,807,818</u>	<u>58,961,670</u>	<u>237,029,733</u>
Noncurrent liabilities:				
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	447,055,000	431,670,000	161,210,000	1,039,935,000
Advance payable	-	3,975,643	8,102,600	12,078,243
Debt service reserve deposit	7,458,875	-	-	7,458,875
Other liabilities	1,291,186	252,680	273,505	1,817,371
Total noncurrent liabilities	<u>474,599,203</u>	<u>436,509,963</u>	<u>171,271,105</u>	<u>1,082,380,271</u>
Total liabilities	<u>548,859,448</u>	<u>540,317,781</u>	<u>230,232,775</u>	<u>1,319,410,004</u>
Deferred inflows of resources	-	1,062,313	109,299	1,171,612
Net position				
Net investment in capital assets	42,834	-	-	42,834
Restricted	21,869,536	320,372,966	177,450,745	519,693,247
Unrestricted	64,214,550	-	4,021,874	68,236,424
Total net position	<u>\$ 86,126,920</u>	<u>\$ 320,372,966</u>	<u>\$ 181,472,619</u>	<u>\$ 587,972,505</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 Net Position
Year Ended December 31, 2012**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans (including gain on prepayments of \$11,917,058)	\$ 33,230,768	\$ 12,791,101	\$ 4,873,303	\$ 50,895,172
Interest on investments	597,393	8,739,867	3,393,203	12,730,463
Loan administrative fees	-	5,769,050	3,203,096	8,972,146
EPA grants	-	129,579	6,254,388	6,383,967
Other	41,847	53,355	44,004	139,206
Total operating revenues	<u>33,870,008</u>	<u>27,482,952</u>	<u>17,767,994</u>	<u>79,120,954</u>
Operating expenses:				
Interest on bonds (including loss on extinguishment of \$12,276,145)	33,723,671	20,726,174	7,795,364	62,245,209
Bond issuance expense	1,196,543	-	-	1,196,543
Grant administration	-	2,454,471	1,640,461	4,094,932
Project expenses	336,595	-	-	336,595
Grants to localities - Authority funded	4,633,387	-	-	4,633,387
General and administrative	973,375	-	-	973,375
EPA set asides	-	-	5,271,278	5,271,278
Loan principal forgiven (includes \$4,219,712 under grant requirements)	10,168	1,654,315	3,354,680	5,019,163
Other	-	288,825	275,636	564,461
Total operating expenses	<u>40,873,739</u>	<u>25,123,785</u>	<u>18,337,419</u>	<u>84,334,943</u>
Operating income (loss)	(7,003,731)	2,359,167	(569,425)	(5,213,989)
EPA capitalization grants	-	8,205,431	14,231,045	22,436,476
Transfers in (out)	-	(176,716)	176,716	-
Change in net position	(7,003,731)	10,387,882	13,838,336	17,222,487
Net position – beginning of year	<u>86,126,920</u>	<u>320,372,966</u>	<u>181,472,619</u>	<u>587,972,505</u>
Net position – end of year	<u>\$ 79,123,189</u>	<u>\$ 330,760,848</u>	<u>\$ 195,310,955</u>	<u>\$ 605,194,992</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 Net Position
Year Ended December 31, 2011
(as restated)**

	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Operating revenues:				
Interest on loans (including gain on prepayments of \$863,106)	\$ 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	-	6,164,473	3,044,583	9,209,056
EPA grants	-	821,044	5,687,471	6,508,515
Other	5	37,542	27,950	65,497
	<u>24,641,444</u>	<u>29,571,777</u>	<u>16,801,835</u>	<u>71,015,056</u>
Total operating revenues				
Operating expenses:				
Interest on bonds (including loss on extinguishment of \$699,443)	23,697,713	22,112,799	7,837,296	53,647,808
Bond issuance expense	654,509	-	-	654,509
Grant administration	-	2,709,056	1,764,059	4,473,115
Project expenses	333,673	-	-	333,673
Grants to localities - Authority funded	821,881	-	-	821,881
General and administrative	632,807	-	-	632,807
EPA set asides	-	-	4,751,063	4,751,063
Loan principal forgiven (includes \$6,150,634 under grant requirements)	2,773	2,583,232	5,294,012	7,880,017
Other	-	213,806	184,280	398,086
	<u>26,143,356</u>	<u>27,618,893</u>	<u>19,830,710</u>	<u>73,592,959</u>
Total operating expenses				
Operating income (loss)	(1,501,912)	1,952,884	(3,028,875)	(2,577,903)
EPA capitalization grants	-	12,376,224	12,184,901	24,561,125
Transfers in (out)	-	(181,176)	181,176	-
	<u>(1,501,912)</u>	<u>14,147,932</u>	<u>9,337,202</u>	<u>21,983,222</u>
Change in net position				
Net position – beginning of year, as previously reported	89,337,904	305,768,182	172,048,653	567,154,739
Adjustment for change in accounting principle	(1,709,072)	456,852	86,764	(1,165,456)
Net position – beginning of year, as adjusted	<u>87,628,832</u>	<u>306,225,034</u>	<u>172,135,417</u>	<u>565,989,283</u>
Net position – end of year	<u>\$ 86,126,920</u>	<u>\$ 320,372,966</u>	<u>\$ 181,472,619</u>	<u>\$ 587,972,505</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, 2012**

	Water Operations	Water Pollution Control	Drinking Water	Totals
Cash flows from operating activities:				
Loan administrative fees received	\$ -	\$ 6,006,176	\$ 3,133,527	\$ 9,139,703
Federal funds received	-	138,431	6,242,440	6,380,871
Cash received for real estate tax exemption refund	41,847	-	-	41,847
Cash payments for salaries and related benefits	(520,408)	(437,917)	(336,482)	(1,294,807)
Cash payments to other state agencies for services	-	(1,509,137)	(1,187,910)	(2,697,047)
Cash payments to vendors	(588,267)	(687,719)	(5,720,345)	(6,996,331)
Cash payments to localities for grant programs	(4,672,868)	-	-	(4,672,868)
Net cash provided (used) by operating activities	<u>(5,739,696)</u>	<u>3,509,834</u>	<u>2,131,230</u>	<u>(98,632)</u>
Cash flows from noncapital financing activities:				
Proceeds from the sale of bonds	-	-	19,493,671	19,493,671
Deposits for option to purchase water depletion rights	157,551	-	-	157,551
Federal funds received	-	8,205,431	14,231,045	22,436,476
Principal paid on bonds	(177,900,000)	(52,260,000)	(11,105,000)	(241,265,000)
Reduction in debt service reserve	(67)	-	-	(67)
Interest paid on bonds (including extinguishments)	(36,467,584)	(21,580,251)	(7,766,818)	(65,814,653)
Cash payment for bond issuance costs	(40,793)	(11,466)	(354,756)	(407,015)
Net cash provided (used) by noncapital financing activities	<u>(214,250,893)</u>	<u>(65,646,286)</u>	<u>14,498,142</u>	<u>(265,399,037)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	<u>(7,995)</u>	<u>-</u>	<u>-</u>	<u>(7,995)</u>
Cash flows from investing activities:				
Proceeds from sales or maturities of investments	33,187,000	26,472,177	9,491,100	69,150,277
Proceeds from investment provider legal settlement	-	23,934	16,667	40,601
Interest received on investments	1,648,748	9,312,606	3,529,020	14,490,374
Interest received on loans (including prepayments)	36,199,930	13,311,821	4,782,878	54,294,629
Principal repayments from localities on loans	177,401,640	63,252,225	16,018,376	256,672,241
Cash received from (paid to) other accounts	(2,945,000)	2,084,284	860,716	-
Purchase of investments	-	(6,595,228)	(23,075,225)	(29,670,453)
Cash disbursed to localities for loans	(17,182,690)	(32,336,938)	(25,371,947)	(74,891,575)
Cash payment for arbitrage rebate	-	(1,286,325)	(228,623)	(1,514,948)
Cash payments of interest to borrowers	(9,426)	-	-	(9,426)
Net cash provided (used) by investing activities	<u>228,300,202</u>	<u>74,238,556</u>	<u>(13,977,038)</u>	<u>288,561,720</u>
Net increase in cash and cash equivalents	8,301,618	12,102,104	2,652,334	23,056,056
Cash and cash equivalents, beginning of year	89,705,668	83,415,199	64,963,218	238,084,085
Cash and cash equivalents, end of year	<u>\$ 98,007,286</u>	<u>\$ 95,517,303</u>	<u>\$ 67,615,552</u>	<u>\$ 261,140,141</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, 2012**

	<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 position				
Unrestricted cash and cash equivalents	\$ 39,256,066	\$ 60,070,850	\$ 38,479,476	\$ 137,806,392
Current restricted cash and cash equivalents	22,951,843	29,966,259	17,198,110	70,116,212
Noncurrent restricted cash and cash equivalents	35,799,377	5,480,194	11,937,966	53,217,537
Total cash and cash equivalents	<u>\$ 98,007,286</u>	<u>\$ 95,517,303</u>	<u>\$ 67,615,552</u>	<u>\$ 261,140,141</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (7,003,731)	\$ 2,359,167	\$ (569,425)	\$ (5,213,989)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	13,721	-	-	13,721
Accrued sick leave expense	5,000	-	-	5,000
Interest on bonds (including extinguishments)	33,723,671	20,726,174	7,795,364	62,245,209
Cost of issuance adjustments	-	(29,421)	(27,337)	(56,758)
Interest on loans (including prepayments)	(33,230,768)	(12,791,101)	(4,873,303)	(50,895,172)
Interest on investments	(597,393)	(8,739,867)	(3,393,203)	(12,730,463)
Repurchase agreement legal settlement	-	(23,934)	(16,667)	(40,601)
Put fees on Treasury bonds	-	40,477	-	40,477
Loan principal forgiven	10,168	1,654,315	3,354,680	5,019,163
Bond issuance expense	1,196,543	-	-	1,196,543
Change in assets and liabilities:				
(Increase) in due from other funds	(10,684)	-	-	(10,684)
(Increase) decrease in accounts receivable – borrowers	-	237,126	(69,570)	167,556
Decrease (increase) in federal grant receivables	-	8,852	(11,947)	(3,095)
Decrease in other assets	7,040	-	-	7,040
Increase in accounts payable – other	146,737	-	-	146,737
Increase (decrease) in due to other funds	-	68,046	(57,362)	10,684
Net cash provided (used) by operating activities	<u>\$ (5,739,696)</u>	<u>\$ 3,509,834</u>	<u>\$ 2,131,230</u>	<u>\$ (98,632)</u>
Supplemental cash flows information				
Noncash investing activities				
Loans receivable issued related to projects payable	\$ -	\$ 8,925,300	\$ 30,994,432	\$ 39,919,732
Fair market value adjustment on investments	-	129,221	-	129,221
Amortization of deferred loan interest income	-	22,759	-	22,759
Principal forgiveness/reductions on loans	10,168	4,182,299	3,655,680	7,848,147
Noncash noncapital financing activities				
Amortization of deferred amount from refunding	55,293	87,438	16,939	159,670
Amortization of prepaid bond insurance	1,155,748	-	-	1,155,748
Other	-	29,404	-	29,404

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
(as restated)**

	<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 (including extinguishments)	(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 (including prepayments)	(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 (including prepayments)	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)

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Statement of Cash Flows (Continued)
Year Ended December 31, 2011
(as restated)**

	<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 position				
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)	\$ (1,501,912)	\$ 1,952,884	\$ (3,028,875)	\$ (2,577,903)
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 (including extinguishments)	23,697,713	22,112,799	7,837,296	53,647,808
Bond issuance expense	654,509	-	-	654,509
Cost of issuance adjustments	-	(37,542)	(27,950)	(65,492)
Interest on loans (including prepayments)	(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
Change in assets and liabilities:				
(Increase) in due from other funds	(456,846)	-	-	(456,846)
(Increase) in accounts receivable – borrowers	-	(43,377)	(83,610)	(126,987)
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 prepaid bond insurance	161,058	-	-	161,058
Other	-	37,481	-	37,481

See accompanying notes to financial statements

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**Colorado Water Resources
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Notes to Financial Statements
December 31, 2012 and 2011**

Note 1: Organization

Colorado Water Resources and Power Development Authority (the Authority) is a political subdivision of the State of Colorado (the State) established pursuant to the Colorado Water Resources and Power Development Act, Title 37, Article 95 of the Colorado Revised Statutes, as amended. The Authority is governed by a nine-member Board of Directors (the Board) who are appointed by the Governor of the State of Colorado with consent of the Colorado State Senate.

Reporting Entity

The Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements that provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible governmental component unit in a primary government's financial reporting entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, or a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority is not financially accountable for any other organization. Under current GASB pronouncements, the Authority has been determined to be a component unit of the State of Colorado (the primary government). As such, the Authority's financial statements are included in the basic financial statements issued by the State.

The Authority was created to initiate, acquire, construct, maintain, repair, and operate, or cause to be operated, projects for the protection, preservation, conservation, upgrading, development, and utilization of the water resources of the State. The Authority is authorized to issue bonds, notes or other obligations which constitute its debt and not debt of the State.

Water Operations Enterprise Fund

One of the activities of the Water Operations Enterprise Fund is to administer the Small Water Resources Projects Program (SWRP). Although the Authority is statutorily authorized to finance individual water resources project loans up to \$500 million, the SWRP is currently limited by contract to \$150 million of total outstanding debt (excluding refunding bonds). All costs of project development may be financed through the SWRP.

Pursuant to the SWRP, proceeds of the bonds issued by the Authority are to be used to fund loans to local governmental agencies. Each local government evidences its obligations under its loan agreement by the issuance to the Authority of a governmental agency bond which is to be secured by a pledge of a specific revenue source or by a general obligation pledge. The repayments pursuant to the loan agreements by the local governmental agencies participating in the SWRP are structured to provide amounts sufficient to pay the principal and interest on the bonds issued by the Authority. The SWRP Debt Service Reserve for the bonds issued by the Authority is funded by the Authority from available monies of the Authority. The principal and interest on the bonds issued by the Authority have been insured as to repayment to the bondholders.

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In addition to the SWRP, 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 position.

As discussed in Note 2(f), 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 position as securities not held for investment.

During 2008, two new loan programs were created in the Water Operations Fund. Senate Bill 08-221 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%.

In 2012, the Board approved a one-time Grant Assistance Program (GAP) in the amount of \$2.5 million to fund eligible water and wastewater projects (\$1.25 million allocated to each). The grants are funded from unrestricted Authority cash. The program was created to fill the gap in available federal funds and other sources by providing financial assistance to smaller local governmental agencies. The program contained specific eligibility requirements, including a \$250,000 limit per entity subject to a 20% matching requirement from the governmental agency. The applications were subject to a GAP prioritization process that was used to rank projects prior to approval. During 2012, eight drinking water and seven wastewater GAP grants were awarded; however, most grant payments will not occur until 2013.

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. The Authority made construction progress payments to the Bureau for the construction of Animas-La Plata Project facilities. As of December 31, 2012, the Ridges Basin Dam is essentially complete and the Lake Nighthorse Reservoir

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has been filled to capacity. The payments are capitalized as water depletion rights on the statement of net position.

In 2005, the District contracted to purchase 700 ac-ft of average annual depletion and provided an earnest money deposit of \$90,453 and the City of Durango (the City) executed an agreement giving the City the option to purchase 1,900 ac-ft of average annual depletion and provided an option payment of \$1,051,175. Both entities are expected to execute contracts in 2013.

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 (the 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 the *Water Pollution Control Revolving Fund 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 2012 and 2011, the Authority incurred expenses for the two agencies totaling \$1,706,647 and \$1,385,101, 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. The 2012 and 2011 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) minimum percentages of the grants are required to be expended on “green” infrastructure.

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

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.

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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 0% interest rate on American Recovery and Reinvestment Act of 2009 (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 Revolving Fund Project Eligibility List* (the List). The List, established in accordance with State statute, consists of new or existing water management facilities that extend, protect, improve, or replace domestic drinking water supplies in the State of Colorado and for any other means specified in the SDWA. The statutes also authorize the Authority to issue bonds for such purposes and to designate assets in the DWRF that may be pledged and assigned as security for payment of such bonds.

Pursuant to statutes, with the written consent of the Colorado Department of Public Health and Environment, the Authority is authorized, on behalf of the State, to execute all operating agreements and capitalization grant agreements with the EPA. The Authority, the Water Quality Control Division of the 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 2012 and 2011, the Authority incurred expenses for the two agencies totaling \$6,356,302 and \$5,985,706, 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.

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The DWRF is capitalized by grants awarded by the EPA. Matching funds are provided by the Authority. In order to receive capitalization grants, matching funds must be provided in a ratio of \$1 of state match for every \$5 of total capitalization grants. Administrative expense reimbursements funded by EPA capitalization grants are limited to a percentage (4%) of the capitalization grants. The 2012 and 2011 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) for 2011 only a 20% minimum amount of the grant was 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 reserves are used to reduce the loan interest payable by the borrower.

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

Loans are made at or below market interest rates (at terms generally not exceeding 20 years plus the construction period) with principal and interest payments commencing not later than one year after completion of the borrowers’ project(s). During 2005, the Board approved a Disadvantaged Community Loan Program, whereby local governmental entities, with populations of 5,000 or less, may receive loans up to \$2 million for a term of up to 30 years. These loans carry a 0% interest rate if the community’s median household income is less than or equal to 60% of the State’s median household income, and an interest rate of 50% of the approved direct loan rate if the community’s median household income is 61% to 80% of the State’s median household income. The Board approved a 0% 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

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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 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*.

(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.

(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) Prepaid Bond Insurance Costs

Prepaid bond insurance costs are reported as an asset and are recognized as an expense over the duration of the related debt using the straight-line method.

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(e) Investments

The Authority records investments at fair value.

(f) 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.

(g) Loans Receivable

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

(h) 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.

(i) 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.

(j) Deferred Inflows and Outflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred outflows of resources of the Authority consist of deferred refunding costs. Deferred inflows of resources are comprised of deferred refunding benefits and prepaid interest on loans.

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(k) Amortization

Bond refunding costs or benefits 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 balances are recorded as deferred outflows or inflows. The cost of issuing bonds is expensed in the period incurred, except for the premiums paid for bond insurance. As described above, prepaid bond insurance costs are included in other assets and are amortized using the straight-line method over the remaining life of the bonds. Prepaid bond insurance amortization is a component of bond issuance expense. Prepaid loan interest, resulting from a negotiated loan prepayment, is amortized over the number of years for which interest was prepaid and the unamortized balance is recorded as a deferred inflow.

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 the amortization of these amounts.

(l) 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 position.

(m) 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.

(n) 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.

(o) Net Position

Net investment in capital assets represents capital assets, net of accumulated depreciation. Net position of the Authority is classified as restricted when external constraints imposed by debt agreements, grantors, or laws are placed on net position use. Unrestricted net position has no external restrictions and is available for the operations of the Authority.

(p) Operating Revenues and Expenses

Substantially all revenues and expenses, including interest received on investments and loans and interest paid on bonds, are considered operating items since the Authority issues bonds to finance loans for specific projects. In accordance with GASB 34, federal EPA capitalization grants are shown below operating income (loss) on the statements of revenues, expenses and changes in net position.

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(q) 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.

(r) 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. When approved by the Board, program funds may be used to augment refunding bond proceeds in current and advanced refunding cash flows. Program funds are repaid by borrowers' loan repayments that exceed refunding bond debt service over the terms of the loans and bonds.

(s) 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.

(t) 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 position.

(u) 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. Beginning in 2010, base program 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.

(v) Loan and Bond Prepayments

When favorable market conditions exist, borrowers may prepay loans, subject to the terms of the loan agreements and the associated bond resolutions. When a loan prepayment is authorized, the Authority uses the cash flow, including amounts above the carrying value of the loan (*i.e.* gain on prepayment), to extinguish the related debt, including the loss from the extinguishment. Historically, the amount of cash

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collected on the prepaid loans is approximately the same or slightly higher than the excess of cash required to extinguish the related debt.

(w) Reclassifications

Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

Note 3: Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of Colorado governments 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, 2012 and 2011, the Authority's deposits had a bank balance of \$628,502 and \$541,485, respectively, and a carrying amount of \$592,583 and \$454,687, 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, \$9,059 and \$282,585 was deemed to be exposed to custodial credit risk as of December 31, 2012 and 2011, respectively.

	<u>2012</u>	<u>2011</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralized by bank's single collateral pool for all public entities, but not held in the Authority's name (PDPA)	369,443	8,900
Collateralized with securities held by bank's trust department or agent, but not held in the Authority's name	<u>9,059</u>	<u>282,585</u>
Bank balance as of year-end	<u>\$ 628,502</u>	<u>\$ 541,485</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 utilized 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. 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 20-

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year period, from bond debt service reserve funds. The ratings of the repurchase agreements below, as of December 31, 2012 and 2011, reflect the rating of the underlying securities held as collateral.

2012					
Investment Type	Fair Value	Minimum Legal Rating	Exempt From Disclosure	Not Rated	NRSRO Rating
Deposits	\$ 592,583		X		
Cash held by State Treasurer (see below)	42,936,744	N/A		X	
COLOTRUST PLUS	171,695,215	N/A			AAA
Federated Prime Obligations Fund	45,915,599	N/A			AAA
Total cash and cash equivalents	<u>261,140,141</u>				
U.S. Treasury Notes - SLGS	113,649,401	N/A	X		
U.S. Treasury Bonds	1,047,794	N/A	X		
U.S. Agency Notes	2,762,928	N/A			AAA
Repurchase Agreements-collateralized	165,641,946				See detail below
Total investments	<u>283,102,069</u>				
Total cash and invested funds	<u>\$ 544,242,210</u>				

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

Current assets/restricted assets/investments	\$ 26,182,255
Noncurrent assets/restricted assets/investments	<u>256,919,814</u>
Total investments	<u>\$ 283,102,069</u>

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 position 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>

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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, 2012 and 2011:

	2012		
	Collateral Securities		
	Exempt From Disclosure	Custodian Portfolio Percent	NRSRO Rating
U.S. Treasuries or obligations explicitly guaranteed by the U.S. government	X	42.4%	
Government agencies		57.6%	AAA
Total		100.0%	

	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%	

The U.S. Treasury bonds, with maturity dates after 2012, 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:

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2012

Put Agreement Supplier	Standard & Poor's	Moody's	Fitch Ratings	Put Agreement Related Bond Series
Societe Generale	A	A2	A+	Clean Water Revenue Bonds (WPCRF) 1992 Series B

2011

Put Agreement Supplier	Standard & Poor's	Moody's	Fitch Ratings	Put Agreement Related Bond Series
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

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, 2012 and 2011:

	2012 Credit Rating of Pool Securities							Portfolio Percent	
	A1/P1	AAA	AA	A	BBB	BB	B		Other
Asset-Backed		100.0%							11.2%
Corporates		3.0%	36.3%	59.4%	1.3%				18.1%
Mortgage Securities			100.0%						1.0%
Commercial Paper	100.0%								1.4%
Treasuries			100.0%						11.4%
Federal Agencies			100.0%						56.9%
Certificates of Deposit							100.0%		0.0%
Total Portfolio	1.5%	11.7%	75.8%	10.8%	0.2%				<u>100.0%</u>

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	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%
Total Portfolio	4.1%	4.4%	84.2%	7.0%	0.2%	0.0%	0.0%	0.1%	<u>100.0%</u>

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 \$165,641,946 and \$179,173,471 as of December 31, 2012 and 2011, 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, 2012 and 2011 are shown in the tables below.

The schedules below show that three repurchase agreement providers (eligible providers) exceed 5% of total funds invested as of December 31, 2012 and 2011. Only a limited number of eligible providers offer this type of investment agreement, which results in a higher level of investment concentration. To ensure a price that equals fair market value, the Authority makes a good faith effort to meet the safe harbor provision of Treasury Regulation Sec. 1.148-5(d)(6)(iii), which requires a minimum of three bids be obtained from eligible providers. The fair market value is then used to determine the yield for arbitrage purposes. The policy does not limit the concentration of repurchase agreements with any one eligible provider.

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2012

Investment Type	Fair Value	Exempt From Disclosure	Pct. of Total Invest.
Cash held by State Treasurer	\$ 42,936,744		7.9%
COLOTRUST PLUS	171,695,215	X	N/A
Federated Prime Obligations Fund	45,915,599	X	N/A
U.S. Treasury Notes - SLGS	113,649,401	X	N/A
U.S. Treasury Bonds	1,047,794	X	N/A
U.S. Agency Notes	2,762,928	X	N/A
Repurchase Agreements-collateralized			
Trinity Plus Funding Company LLC	47,019,228		8.6%
Westdeutsche Landesbank	439,270	X	N/A
Citigroup Global Markets, Inc./Citigroup Global	29,810,325		5.5%
American International Group	50,878,267		9.4%
Assured Guaranty Municipal Corp.	24,237,816	X	N/A
Societe Generale	13,257,040	X	N/A
Total funds invested	<u>543,649,627</u>		
Deposits	592,583		
Total cash and invested funds	<u>\$ 544,242,210</u>		

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	X	N/A
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>		

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 20 years or more. These investments are exposed to interest rate risk; however, that risk is considered acceptable because the fixed earnings from these investments, included in the cash flow model, is required for future bond debt service.

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As of December 31, 2012 and 2011, the Authority had the following investments and maturities:

Maturity	2012				Total Investments
	U.S. Treasury Notes - SLGS	U.S. Treasury Bonds	U.S. Agency Notes	Repurchase Agreements	
2013	\$ 12,433,939	\$ 660,828	\$ -	\$ 13,087,488	\$ 26,182,255
2014	7,768,293	386,966	-	13,271,695	21,426,954
2015	4,696,020	-	2,762,928	12,690,794	20,149,742
2016	4,709,934	-	-	14,014,934	18,724,868
2017	4,605,396	-	-	13,671,611	18,277,007
2018-2022	24,963,242	-	-	58,479,733	83,442,975
2023-2027	27,028,639	-	-	36,092,917	63,121,556
2028-2032	25,531,203	-	-	4,332,774	29,863,977
2033	1,912,735	-	-	-	1,912,735
Total	\$ 113,649,401	\$ 1,047,794	\$ 2,762,928	\$ 165,641,946	\$ 283,102,069

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	\$ 104,754,183	\$ 2,728,119	\$ 2,868,342	\$ 179,173,471	\$ 289,524,115

As previously discussed, the Authority had \$42,936,744 and \$58,435,133 as of December 31, 2012 and 2011, respectively, invested in the pool maintained by the State Treasurer, and that pool had an average maturity of 18.5 and 16.0 months as of December 31, 2012 and 2011, respectively. The Authority's investment represents approximately 0.6% and 1.0% of the total pool as of December 31, 2012 and 2011, respectively.

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Note 4: Loans Receivable

The following is an analysis of changes in loans receivable for the years ended December 31, 2012 and 2011:

	<u>Balance January 1, 2012</u>	<u>New loans</u>	<u>Repayments/ loans canceled</u>	<u>Balance December 31, 2012</u>
Water Operations Fund:				
Small Water Resources Program	\$ 50,783,333	\$ -	\$ 30,814,167	\$ 19,969,166
Water Revenue Bonds Program	411,720,000	-	146,550,000	265,170,000
Small Hydro Loan Program	3,088,164	-	47,642	3,040,522
Water Pollution Control Fund:				
Direct loans	68,572,693	8,925,300	7,707,202	69,790,791
Leveraged loans	487,407,147	-	59,813,151	427,593,996
Drinking Water Fund:				
Direct loans	74,150,329	9,136,065	7,457,735	75,828,659
Leveraged loans	189,318,832	21,858,367	12,216,321	198,960,878
	<u>1,285,040,498</u>	<u>\$ 39,919,732</u>	<u>\$ 264,606,218</u>	<u>1,060,354,012</u>
Less current portion	69,929,775			63,401,361
Noncurrent portion	<u>\$ 1,215,110,723</u>			<u>\$ 996,952,651</u>
	<u>Balance January 1, 2011</u>	<u>New loans</u>	<u>Repayments/ loans canceled</u>	<u>Balance December 31, 2011</u>
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
	<u>1,278,760,206</u>	<u>\$ 101,146,274</u>	<u>\$ 94,865,982</u>	<u>1,285,040,498</u>
Less current portion	70,216,375			69,929,775
Noncurrent portion	<u>\$ 1,208,543,831</u>			<u>\$ 1,215,110,723</u>

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, 2012:

	Water Operations		WPCRF		DWRP		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 11,413,408	\$ 13,616,321	\$ 34,233,488	\$ 11,518,145	\$ 17,754,465	\$ 4,755,074	\$ 63,401,361	\$ 29,889,540
2014	12,012,693	13,124,647	32,236,868	10,716,913	19,064,474	4,373,451	63,314,035	28,215,011
2015	10,581,197	12,574,159	32,454,326	9,868,950	19,755,639	3,981,167	62,791,162	26,424,276
2016	9,393,088	12,094,616	34,576,567	9,044,338	20,149,494	3,568,619	64,119,149	24,707,573
2017	8,700,032	11,657,140	34,704,774	8,202,777	20,353,177	3,111,186	63,757,983	22,971,103
2018-2022	30,659,655	53,647,785	160,881,577	28,768,279	87,717,920	9,785,882	279,259,152	92,201,946
2023-2027	45,517,939	46,783,524	123,196,012	11,313,733	54,541,654	3,476,355	223,255,605	61,573,612
2028-2032	76,121,676	32,647,531	44,822,217	2,156,498	29,245,487	805,600	150,189,380	35,609,629
2033-2037	81,080,000	9,337,879	278,958	833	5,338,763	37,096	86,697,721	9,375,808
2038-2042	2,700,000	311,513	-	-	860,662	79	3,560,662	311,592
2043	-	-	-	-	7,802	-	7,802	-
Total	\$ 288,179,688	\$ 205,795,115	\$ 497,384,787	\$ 91,590,466	\$ 274,789,537	\$ 33,894,509	\$ 1,060,354,012	\$ 331,280,090

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

Included in the Water Operations Fund are two loans in the SHLP that have interest rates of 2.00% and final maturity dates of 2030 and 2032. SWRP loans receivable have interest rates of 3.96% to 6.15% and have scheduled final maturity dates of 2014 to 2023. WRBP loans receivable have interest rates of 3.63% to 5.78% and have scheduled maturity dates of 2015 to 2041. During 2012, 10 loans totaling \$162.2 million were prepaid or partially prepaid from the proceeds of borrower-issued refunding bonds or cash on hand. The associated SWRP and WRBP bonds were either called or escrowed and legally defeased. The gross prepayment amounts, net of loan principal balances and reimbursed Authority costs, were recorded in loan interest income.

The WPCRF direct loans receivable have interest rates of 0.00% to 5.17% and have maturity dates of 2013 to 2033. The WPCRF leveraged loans receivable have interest rates of 1.94% to 5.17% and have scheduled final maturity dates of 2013 to 2033. During 2012, six loans totaling \$27.8 million were prepaid from the proceeds of borrower-issued refunding bonds or cash on hand. The associated WPCRF bonds were either called or escrowed and legally defeased. The gross prepayment amounts, net of loan principal balances, administrative fees and reimbursed Authority costs, were recorded in loan interest income.

DWRP direct loans receivable have interest rates of 0.00% to 4.50% and have scheduled final maturity dates of 2015 to 2043. DWRP leveraged loans receivable have interest rates of 1.86% to 4.60% and have scheduled final maturity dates of 2017 to 2034.

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Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2012 and 2011 was as follows:

	2012			
	Beginning Balance	Additions	Retirements	Ending Balance
Equipment	\$ 143,739	\$ 7,995	\$ (396)	\$ 151,338
Less accumulated depreciation for equipment	(100,905)	(13,721)	396	(114,230)
	\$ 42,834	\$ (5,726)	\$ -	\$ 37,108
	2011			
	Beginning Balance	Additions	Retirements	Ending Balance
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

Depreciation expense for the years ended December 31, 2012 and 2011 was \$13,721 and \$14,266, respectively.

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Note 6: Noncurrent Liabilities

Other than Bonds Payable

Noncurrent liability activity, other than bonds payable, for the year ended December 31, 2012, was as follows:

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2012</u>	<u>Current portion</u>
Water Operations Fund:					
Project costs payable – leveraged loans	\$ 66,809,967	\$ -	\$ 17,182,690	\$ 49,627,277	\$ 33,637,277
Debt service reserve deposit	7,458,875	-	505	7,458,370	-
Other liabilities	<u>1,291,186</u>	<u>162,522</u>	<u>-</u>	<u>1,453,708</u>	<u>-</u>
Total Water Operations Fund	<u>\$ 75,560,028</u>	<u>\$ 162,522</u>	<u>\$ 17,183,195</u>	<u>\$ 58,539,355</u>	<u>\$ 33,637,277</u>
Water Pollution Control Fund:					
Project costs payable – direct loans	\$ 16,828,436	\$ 8,925,300	\$ 12,652,986	\$ 13,100,750	\$ 12,600,750
Project costs payable – leveraged loans	45,652,870	-	22,297,765	23,355,105	23,355,105
Advance payable	3,975,643	2,261,000	-	6,236,643	-
Other liabilities	<u>1,484,252</u>	<u>1,231,962</u>	<u>2,237,856</u>	<u>478,358</u>	<u>89,259</u>
Total Water Pollution Control Fund	<u>\$ 67,941,201</u>	<u>\$ 12,418,262</u>	<u>\$ 37,188,607</u>	<u>\$ 43,170,856</u>	<u>\$ 36,045,114</u>
Drinking Water Fund					
Project costs payable – direct loans	\$ 22,319,402	\$ 9,136,065	\$ 14,254,825	\$ 17,200,642	\$ 14,950,642
Project costs payable – leveraged loans	22,571,556	23,000,000	11,418,157	34,153,399	30,013,399
Advance payable	8,102,600	684,000	-	8,786,600	-
Other liabilities	<u>464,130</u>	<u>501,277</u>	<u>515,520</u>	<u>449,887</u>	<u>99,112</u>
Total Drinking Water Fund	<u>\$ 53,457,688</u>	<u>\$ 33,321,342</u>	<u>\$ 26,188,502</u>	<u>\$ 60,590,528</u>	<u>\$ 45,063,153</u>
Total enterprise funds:					
Project costs payable – direct loans	\$ 39,147,838	\$ 18,061,365	\$ 26,907,811	\$ 30,301,392	\$ 27,551,392
Project costs payable – leveraged loans	135,034,393	23,000,000	50,898,612	107,135,781	87,005,781
Debt service reserve deposit	7,458,875	-	505	7,458,370	-
Advance payable	12,078,243	2,945,000	-	15,023,243	-
Other liabilities	<u>3,239,568</u>	<u>1,895,761</u>	<u>2,753,376</u>	<u>2,381,953</u>	<u>188,371</u>
Total enterprise funds	<u>\$ 196,958,917</u>	<u>\$ 45,902,126</u>	<u>\$ 80,560,304</u>	<u>\$ 162,300,739</u>	<u>\$ 114,745,544</u>

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Noncurrent liability activity, other than bonds payable, for the year ended December 31, 2011, as restated, 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 Fund:					
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 Fund	<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 Fund:					
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	-
Other liabilities	2,737,908	1,245,641	2,499,297	1,484,252	1,231,572
Total Water Pollution Control Fund	<u>\$ 99,578,252</u>	<u>\$ 35,182,374</u>	<u>\$ 66,819,425</u>	<u>\$ 67,941,201</u>	<u>\$ 63,101,238</u>
Drinking Water Fund:					
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	-
Other liabilities	1,081,461	421,395	1,038,726	464,130	190,625
Total Drinking Water Fund	<u>\$ 34,381,445</u>	<u>\$ 44,022,530</u>	<u>\$ 24,946,287</u>	<u>\$ 53,457,688</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	-
Other liabilities	5,109,508	1,669,020	3,538,960	3,239,568	1,422,197
Total enterprise funds	<u>\$ 189,460,299</u>	<u>\$ 108,240,656</u>	<u>\$ 100,742,038</u>	<u>\$ 196,958,917</u>	<u>\$ 154,513,646</u>

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Bonds Payable

The following is an analysis of changes in bonds payable for the year ended December 31, 2012:

	<u>Balance January 1, 2012</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2012</u>
Water Operations:				
Small Water Resources Program:				
1994 Series A	\$ 790,000	\$ -	\$ 790,000	\$ -
1997 Series A	740,000	-	105,000	635,000
1997 Series B	1,095,000	-	1,095,000	-
1998 Series A	3,615,000	-	3,615,000	-
1998 Series B	2,780,000	-	1,835,000	945,000
2001 Series A	12,485,000	-	12,485,000	-
2002 Series A	10,055,000	-	10,055,000	-
2003 Series A	8,030,000	-	545,000	7,485,000
2006 Series A	11,975,000	-	825,000	11,150,000
	<u>51,565,000</u>	<u>-</u>	<u>31,350,000</u>	<u>20,215,000</u>
Water Revenue Bonds Program:				
2003 Series A	9,500,000	-	595,000	8,905,000
2004 Series B	15,165,000	-	2,410,000	12,755,000
2004 Series C	8,580,000	-	2,125,000	6,455,000
2004 Series D	97,700,000	-	94,890,000	2,810,000
2004 Series E	2,550,000	-	155,000	2,395,000
2005 Series A	48,450,000	-	1,020,000	47,430,000
2005 Series B	1,780,000	-	95,000	1,685,000
2005 Series C	7,215,000	-	180,000	7,035,000
2005 Series D	97,730,000	-	44,120,000	53,610,000
2005 Series E	26,270,000	-	-	26,270,000
2005 Series F	2,840,000	-	170,000	2,670,000
2008 Series A	8,350,000	-	165,000	8,185,000
2009 Series A	6,440,000	-	260,000	6,180,000
2010 Series A	51,485,000	-	-	51,485,000
2011 Series A	9,350,000	-	-	9,350,000
2011 Series B	12,350,000	-	365,000	11,985,000
2011 Series C	5,965,000	-	-	5,965,000
	<u>411,720,000</u>	<u>-</u>	<u>146,550,000</u>	<u>265,170,000</u>
Total Water Operations	463,285,000	\$ -	\$ 177,900,000	285,385,000
Less current portion	<u>(16,230,000)</u>			<u>(11,335,000)</u>
Noncurrent bonds payable – Water Operations	\$ <u>447,055,000</u>			\$ <u>274,050,000</u>

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	<u>Balance January 1, 2012</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2012</u>
Water Pollution Control Revolving Fund – Clean Water Revenue Bonds:				
1991 Series A	\$ 25,000	\$ -	\$ 25,000	\$ -
1992 Series A	50,000	-	35,000	15,000
1992 Series B	230,000	-	115,000	115,000
1994 Series A	130,000	-	60,000	70,000
1995 Series A	280,000	-	130,000	150,000
1996 Series A	110,000	-	35,000	75,000
1997 Series A	1,390,000	-	295,000	1,095,000
1998 Series A	695,000	-	185,000	510,000
1998 Series B	875,000	-	155,000	720,000
1999 Series A	710,000	-	195,000	515,000
2000 Series A	1,365,000	-	240,000	1,125,000
2001 Series A	3,585,000	-	555,000	3,030,000
2002 Series A	34,935,000	-	20,660,000	14,275,000
2002 Series B	17,520,000	-	725,000	16,795,000
2003 Series A	9,960,000	-	680,000	9,280,000
2004 Series A	56,940,000	-	1,695,000	55,245,000
2005 Series A	31,045,000	-	1,710,000	29,335,000
2005 Series B	13,190,000	-	725,000	12,465,000
2006 Series A	18,845,000	-	950,000	17,895,000
2006 Series B	11,410,000	-	590,000	10,820,000
2007 Series A	32,280,000	-	1,450,000	30,830,000
2008 Series A	10,835,000	-	475,000	10,360,000
2010 Series A	71,470,000	-	2,415,000	69,055,000
2010 Series B	19,865,000	-	400,000	19,465,000
2011 Series A	14,620,000	-	645,000	13,975,000
	<u>352,360,000</u>	<u>-</u>	<u>35,145,000</u>	<u>317,215,000</u>
Wastewater Revolving Fund Refunding Revenue Bonds:				
1996 Series A	1,590,000	-	1,590,000	-
2001 Series A	15,560,000	-	4,895,000	10,665,000
2004 Series A	27,755,000	-	3,220,000	24,535,000
2005 Series A and A2	67,275,000	-	7,410,000	59,865,000
	<u>112,180,000</u>	<u>-</u>	<u>17,115,000</u>	<u>95,065,000</u>
Total Water Pollution Control Revolving Fund	464,540,000	\$ -	\$ 52,260,000	412,280,000
Less current portion	<u>(32,870,000)</u>			<u>(31,775,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	\$ <u>431,670,000</u>			\$ <u>380,505,000</u>

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	<u>Balance January 1, 2012</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2012</u>
Drinking Water Revolving Fund:				
Revenue Bonds:				
1997 Series A	\$ 9,615,000	\$ -	\$ 1,310,000	\$ 8,305,000
1998 Series A	6,980,000	-	790,000	6,190,000
1999 Series A	15,275,000	-	1,730,000	13,545,000
2000 Series A	1,970,000	-	285,000	1,685,000
2002 Series A	10,305,000	-	810,000	9,495,000
2003 Series A	16,550,000	-	1,205,000	15,345,000
2003 Series B	8,970,000	-	560,000	8,410,000
2006 Series A	9,095,000	-	470,000	8,625,000
2006 Series B	31,125,000	-	1,875,000	29,250,000
2008 Series A	10,685,000	-	340,000	10,345,000
2008 Series B	8,160,000	-	360,000	7,800,000
2011 Series A	24,795,000	-	5,000	24,790,000
2012 Series A	-	17,970,000	-	17,970,000
	<u>153,525,000</u>	<u>17,970,000</u>	<u>9,740,000</u>	<u>161,755,000</u>
Drinking Water Revolving Fund Refunding Revenue Bonds				
2005 Series A	18,790,000	-	1,365,000	17,425,000
Total Drinking Water Revolving Fund	172,315,000	\$ <u>17,970,000</u>	\$ <u>11,105,000</u>	179,180,000
Less current portion	<u>(11,105,000)</u>			<u>(12,325,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	\$ <u>161,210,000</u>			\$ <u>166,855,000</u>
Total enterprise funds:				
Revenue bonds at par	\$ 1,100,140,000	\$ <u>17,970,000</u>	\$ <u>241,265,000</u>	\$ 876,845,000
Current portion	<u>(60,205,000)</u>			<u>(55,435,000)</u>
Noncurrent bonds payable	\$ <u>1,039,935,000</u>			\$ <u>821,410,000</u>

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

	<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	\$ 27,665,000	\$ 29,475,000	463,285,000
Less current portion	<u>(15,990,000)</u>			<u>(16,230,000)</u>
Noncurrent bonds payable – Water Operations	<u>\$ 449,105,000</u>			<u>\$ 447,055,000</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
Less current portion	<u>(32,710,000)</u>			<u>(32,870,000)</u>
Noncurrent bonds payable – Water Pollution Control Revolving Fund	\$ <u>449,920,000</u>			\$ <u>431,670,000</u>

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	<u>Balance January 1, 2011</u>	<u>New issues</u>	<u>Retirements</u>	<u>Balance December 31, 2011</u>
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	\$ 24,795,000	\$ 15,095,000	172,315,000
Less current portion	<u>(15,095,000)</u>			<u>(11,105,000)</u>
Noncurrent bonds payable – Drinking Water Revolving Fund	<u>\$ 147,520,000</u>			<u>\$ 161,210,000</u>
Total enterprise funds:				
Revenue bonds at par	\$ 1,110,340,000	\$ 67,080,000	\$ 77,280,000	\$ 1,100,140,000
Current portion	(63,795,000)			(60,205,000)
Noncurrent bonds payable, net	<u>\$ 1,046,545,000</u>			<u>\$ 1,039,935,000</u>

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 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.

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As of December 31, 2012, the outstanding bonds of the Authority had original principal amounts of \$47,155,000 for the Small Water Resources Program, \$451,455,000 for the Water Revenue Bonds Program, \$722,915,000 for the Clean Water Revenue Bonds, \$167,190,000 for the Wastewater Revolving Fund Refunding Revenue Bonds, \$283,305,000 for the Drinking Water Revolving Fund Bonds and \$20,305,000 for Drinking Water Revolving Fund Refunding Revenue Bonds, for a total of \$1,692,325,000. Principal payments on the bonds are made annually and interest on the bonds is payable semiannually with interest rates ranging from 1.6% to 6.3% and serial and term principal maturities, including mandatory sinking fund call provisions, extend through the year 2041. All bonds, except the Small Water Resources Series 2006A, the Wastewater Revolving Fund Refunding Revenue Bonds Series 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 2012 three loans were prepaid, or partially prepaid, from the proceeds of borrower-issued refunding bonds or available cash 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 in 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, 2012:

	Water Operations		WPCRF		DWRF		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 11,335,000	\$ 13,549,555	\$ 31,775,000	\$ 18,961,786	\$ 12,325,000	\$ 7,873,868	\$ 55,435,000	\$ 40,385,209
2014	11,865,000	13,059,176	30,300,000	17,536,821	13,390,000	7,341,330	55,555,000	37,937,327
2015	10,375,000	12,533,060	27,075,000	16,125,504	13,670,000	6,753,190	51,120,000	35,411,754
2016	9,215,000	12,068,220	28,700,000	14,879,179	14,510,000	6,139,068	52,425,000	33,086,467
2017	8,465,000	11,664,413	29,020,000	13,545,296	14,640,000	5,465,035	52,125,000	30,674,744
2018-2022	30,180,000	53,580,241	133,705,000	47,250,297	61,875,000	18,038,411	225,760,000	118,868,949
2023-2027	44,825,000	46,661,562	98,365,000	18,348,196	30,900,000	7,046,463	174,090,000	72,056,221
2028-2032	75,345,000	32,604,423	33,340,000	3,609,175	15,775,000	1,936,520	124,460,000	38,150,118
2033-2037	81,080,000	9,337,879	-	-	2,095,000	94,800	83,175,000	9,432,679
2038-2041	2,700,000	311,513	-	-	-	-	2,700,000	311,513
Total	\$ 285,385,000	\$ 205,370,042	\$ 412,280,000	\$ 150,256,254	\$ 179,180,000	\$ 60,688,685	\$ 876,845,000	\$ 416,314,981

Total interest expense on bonds (including loss on extinguishment) for 2012 was \$33,723,671, \$20,726,174, \$7,795,364 and for 2011 was \$23,697,713 (as restated), \$22,112,799, \$7,837,296 for the Water Operations, Water Pollution Control and Drinking Water Funds, respectively.

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

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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.

	2012			
	Water Operations	Water Pollution Control	Drinking Water	Totals
Assets pledged for bonds payable	\$ 353,340,379	\$ 652,256,528	\$ 319,607,448	\$ 1,325,204,355
Bonds payable at par	285,385,000	412,280,000	179,180,000	876,845,000

	2011			
	Water Operations	Water Pollution Control	Drinking Water	Totals
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

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, 2012 and 2011, the Small Water Resources Debt Service Reserve Account amounted to \$8,500,000 and was fully funded. This amount is reflected in restricted net position 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, 2012 and 2011, the Authority had \$20,215,000 and \$51,565,000 of outstanding Small Water Resources Revenue Bonds, respectively.

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Note 7: Deferred Inflows of Resources

The components of the deferred inflows of resources balances as of December 31, 2012 and 2011, as restated, are shown below:

	2012			
	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Deferred inflows of resources				
Refunding benefits	\$ -	\$ 813,430	\$ 92,360	\$ 905,790
Prepaid interest on loans	-	57,487	-	57,487
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 870,917</u>	<u>\$ 92,360</u>	<u>\$ 963,277</u>
	2011			
	<u>Water Operations</u>	<u>Water Pollution Control</u>	<u>Drinking Water</u>	<u>Totals</u>
Deferred inflows of resources				
Refunding benefits	\$ -	\$ 1,018,034	\$ 109,299	\$ 1,127,333
Prepaid interest on loans	-	44,279	-	44,279
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ 1,062,313</u>	<u>\$ 109,299</u>	<u>\$ 1,171,612</u>

Note 8: Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2012 and 2011 is as follows:

<u>Receivable Funds</u>	<u>Payable Funds</u>	<u>2012</u>	<u>2011</u>
Water Operations	Water Pollution Control	\$ 766,218	\$ 698,172
	Drinking Water	1,823,587	1,880,949
Total		<u>\$ 2,589,805</u>	<u>\$ 2,579,121</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>2012 Transfer In</u>	<u>2011 Transfer In</u>
	<u>Drinking Water</u>	<u>Drinking Water</u>
Water Pollution Control	<u>\$ 176,716</u>	<u>\$ 181,176</u>

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

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Note 9: Board-designated Accounts

Included in the balance of unrestricted net position of the Water Operations Enterprise Fund are monies designated by the Board for specific purposes. These amounts are not included in restricted net position, because the designations do not meet the definition of restricted net position 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>2012</u>	<u>2011</u>
Self-insurance account	\$ 800,000	\$ 800,000
La Plata River escrow account	12,688,262	17,080,874
Total Board-designated accounts	<u>\$ 13,488,262</u>	<u>\$ 17,880,874</u>

Note 10: 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 2012 and 2011. 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 2012 and 2011.

During 2012, the Authority forgave (Note 2u) \$942,436 and \$2,277,276 and during 2011, forgave \$570,427 and \$4,931,700 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 net position.

	<u>Federal grants recognized in 2012</u>	<u>Matching requirement in 2012</u>
Water Pollution Control Revolving Fund Projects:		
Leveraged loans:		
2008A Elizabeth, Town of	\$ 5,171	\$ 1,034
2010A Glenwood Springs, City of	1,366,528	273,306
2011A Nederland, Town of	1,430,450	286,090
2010A Pueblo, City of	1,074,783	214,957
2011A Pueblo West Metropolitan District	1,356,070	271,214
Total leveraged loans	<u>5,233,002</u>	<u>1,046,601</u>
ARRA direct loans:		
Manitou Springs, City of	14,716	Not required
Pagosa Area Water and Sanitation District	1,713,578	Not required
Total ARRA direct loans	<u>1,728,294</u>	<u>-</u>
Base program direct loans:		
Campo, Town of	148,947	29,789
Cheraw, Town of	18,450	3,690
Cheyenne Wells Sanitation District #1	650,567	130,113
Empire, Town of	207,502	41,500
Mountain View Villages Water and Sanitation Dist.	12,056	2,411
Naturita, Town of	57,019	11,404
Olathe, Town of	62,635	12,527
Silver Plume, Town of	86,959	17,392
	<u>1,244,135</u>	<u>248,826</u>
Total Water Pollution Control Revolving Fund	<u>\$ 8,205,431</u>	<u>\$ 1,295,427</u>

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	Federal grants recognized in 2012	Matching requirement for 2012
Drinking Water Revolving Fund Projects:		
Leveraged loans:		
2006B Alamosa, City of	\$ 75,225	\$ 15,045
2011A Sterling, City of	6,147,359	1,229,472
Total leveraged loans	6,222,584	1,244,517
ARRA direct loans:		
Brighton, City of	101,835	Not required
Georgetown, Town of	12,900	Not required
Hi-Land Acres Water and Sanitation District	73,802	Not required
Lamar, City of	133,234	Not required
Manitou Springs, City of	575,028	Not required
Ophir, Town of	5,000	Not required
Total ARRA direct loans	901,799	-
Base program direct loans:		
Blanca, Town of	432,356	86,471
Colorado Springs Utilities	46,587	9,317
Grover, Town of	492,101	98,420
Hotchkiss, Town of	268,857	53,771
La Jara, Town of	199,545	39,909
Lamar, City of	1,064,871	212,974
Louviers Water and Sanitation District	11,452	2,290
Nunn, Town of	549,788	109,958
Orchard City, Town of	229,654	45,931
Rico, Town of	1,310,891	262,178
Rocky Ford, City of	1,323,262	264,652
Two Buttes, Town of	1,177,298	235,460
	7,106,662	1,421,331
Total Drinking Water Revolving Fund	14,231,045	2,665,848
Total EPA Capitalization Grants	\$ 22,436,476	\$ 3,961,275

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	Federal grants recognized in 2011	Matching requirement for 2011
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	<u>7,535,148</u>	<u>1,507,029</u>
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	<u>4,558,854</u>	<u>-</u>
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 District	73,903	14,781
Olathe, Town of	9,720	1,944
Silver Plume, Town of	113,041	22,608
	<u>282,222</u>	<u>56,445</u>
Total Water Pollution Control Revolving Fund	<u>\$ 12,376,224</u>	<u>\$ 1,563,474</u>

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	Federal grants recognized in 2011	Matching requirement for 2011
Drinking Water Revolving Fund Projects:		
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
ARRA direct loans:		
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	-
Base program direct loans:		
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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Note 11: 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. Box 5800, Denver, Colorado 80217, or by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

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

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

Defined benefit plan members vest after five years of service and are eligible for 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% times the number of years of service times the highest

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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%.
- 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%.
- If you began membership on or after January 1, 2007, your annual increase limit is 8%.

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

- Hired before January 1, 2007 – 2% 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% or the average of the monthly Consumer Price Index amounts for the prior calendar year.
- Hired after January 1, 2007 – the lesser of 2% 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% of the divisional annual increase reserve (the reserve is funded by 1% of the employer contributions for this population).
- If PERA's overall funded status is at or above 103%, the annual increase cap of 2% will increase by 0.25% per year. If after PERA's overall funded status reaches 103% and it subsequently drops below 90%, the 2% annual increase cap will decrease by 0.25% per year, but will never drop below 2%.

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% 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 was 10.5%. The Authority's contribution rates were 15.65% from July 1 to December 31, 2012, 13.15% from January 1 to June 30, 2012, 12.25% for 2011, 11.35% from July 1 to December 31, 2010 and 13.85% from January 1 to June 30, 2010. Included in the 2012, 2011 and 2010 rates were an additional 3.0%, 2.60% and 2.2% for the Amortization Equalization Disbursement (AED). Also included in the rates is a supplemental amortization equalization disbursement rate that totaled 2.5%, 2.0% and 1.5% in 2012, 2011 and 2010, 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 5%.

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 5%. 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%.

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 2012, 2011 and 2010 were \$139,569, \$117,143 and \$120,782, respectively. These contributions met the contribution requirement for each year.

Health Care Program

The PERA Health Care Program (the 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 2012, 2011 and 2010 were \$10,054, \$9,873 and \$9,865, 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 12: Postemployment Healthcare Benefits

The Authority contributes to the HCTF, a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a healthcare premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, P.O. Box 5800, Denver, Colorado 80217 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, 2012, 2011 and 2010, the Authority's employer contributions to the HCTF were \$10,054, \$9,873 and \$9,865, respectively, equal to their required contributions for each year.

Note 13: 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 (\$17,000 in 2012 and \$16,500 in 2011 and up to an additional \$5,500 for participants over age 50 in 2012 and 2011). 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, 2012 and 2011, the 401(k) Plan member contributions from the Authority were \$58,796 and \$69,711, respectively.

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Note 14: Commitments

Leases

The Authority renewed its office facilities operating lease for six years with a termination date of December 31, 2018. Rent expense totaled \$119,750 and \$136,556 for 2012 and 2011, respectively. Below is a schedule of the non-cancelable lease payments due as of December 31, 2012:

<u>Year</u>	<u>Rent</u>
2013	\$ 107,778
2014	111,432
2015	113,259
2016	116,912
2017	120,566
2018	<u>124,219</u>
Total	<u>\$ 694,166</u>

Note 15: 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 16: 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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Note 17: Changes in Accounting Principles

GASB 63

During 2012, the Authority adopted GASB Statement No. 63 of the Governmental Accounting Standards Board (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position (previously “net assets”) in a statement of net position (previously “statement of net assets”) and related disclosures. GASB 63 also changes the caption “Invested in capital assets, net of related debt” to “Net investment in capital assets” in the statement of net position. Adoption of GASB 63 had no effect on the Authority’s beginning net position as of January 1, 2011 or on the change in net position for the year ended December 31, 2011.

GASB 65

During 2012, the Authority also adopted GASB Statement No. 65 of the Governmental Accounting Standards Board (GASB 65), *Items Previously Reported As Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations.

Adoption of GASB 65 resulted in the following changes in beginning net position as of January 1, 2011, a decrease of \$1,709,072 for the Water Operations Fund, an increase of \$456,852 for the Water Pollution Control Fund and an increase of \$86,764 for the Drinking Water Fund for a total net decrease of \$1,165,456 for the Authority. These changes resulted from the requirement in GASB 65 that debt issuance costs, except for any portion related to prepaid bond insurance costs, be recognized as an expense in the period incurred and are net of administrative fees recognized as revenue in the period received as also required under GASB 65. Additionally, adoption of GASB 65 resulted in decreases in the change in net position for the years ended December 31, 2011 of \$126,417 for the Water Operations Fund, \$56,510 for the Water Pollution Control Fund and \$16,580 for the Drinking Water Fund for a total of \$199,507 for the Authority. These decreases are the result of expensing debt issuance costs in the period incurred, net of amounts amortized to interest on bonds in 2011 and recognizing fees associated with loans in the period received.

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Changes in previously issued financial statements for 2011 as a result of adopting GASB 65, are as follows:

Water Operations Fund			
	As Previously Reported	Adjustment	As Restated
Statement of Net Assets (Net Position) as of December 31, 2011:			
Other assets (noncurrent)	\$ 5,061,066	\$ (1,835,489)	\$ 3,225,577
Deferred outflows of resources	-	209,710	209,710
Bonds payable, net (noncurrent)	446,845,290	209,710	447,055,000
Net assets (position) Restricted	23,705,025	(1,835,489)	21,869,536
Statement of Revenues, Expenses and Changes in Fund Net Assets (Net Position) for the year ended December 31, 2011:			
Interest on bonds	24,225,805	(528,092)	23,697,713
Bond issuance expense	-	654,509	654,509
Change in net assets (position)	(1,375,495)	(126,417)	(1,501,912)
Water Pollution Control Fund			
	As Previously Reported	Adjustment	As Restated
Statement of Net Assets (Net Position) as of December 31, 2011:			
Deferred outflows of resources	\$ -	\$ 483,129	\$ 483,129
Bonds payable, net (noncurrent)	432,204,904	(534,904)	431,670,000
Deferred revenue (noncurrent)	444,622	(444,622)	-
Deferred inflows of resources	-	1,062,313	1,062,313
Net assets (position) Restricted	319,972,624	400,342	320,372,966
Statement of Revenues, Expenses and Changes in Fund Net Assets (Net Position) for the year ended December 31, 2011:			
Loan administrative fees	6,220,983	(56,510)	6,164,473
Change in net assets (position)	14,204,442	(56,510)	14,147,932

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Drinking Water Fund			
	As Previously Reported	Adjustment	As Restated
Statement of Net Assets (Net Position)			
as of December 31, 2011:			
Bonds payable, net (noncurrent)	\$ 161,319,299	\$ (109,299)	\$ 161,210,000
Deferred revenue (noncurrent)	70,184	(70,184)	-
Deferred inflows of resources	-	109,299	109,299
Net assets (position)			
Restricted	177,380,561	70,184	177,450,745
Statement of Revenues, Expenses and Changes in Fund Net Assets (Net Position) for the year ended December 31, 2011:			
Loan administrative fees	3,061,163	(16,580)	3,044,583
Change in net assets (position)	9,353,782	(16,580)	9,337,202
Total Enterprise Funds			
	As Previously Reported	Adjustment	As Restated
Statement of Net Assets (Net Position)			
as of December 31, 2011:			
Other assets (noncurrent)	\$ 5,061,066	\$ (1,835,489)	\$ 3,225,577
Deferred outflows of resources	-	692,839	692,839
Bonds payable, net (noncurrent)	1,040,369,493	(434,493)	1,039,935,000
Deferred revenue (noncurrent)	514,806	(514,806)	-
Deferred inflows of resources	-	1,171,612	1,171,612
Net assets (position)			
Restricted	521,058,210	(1,364,963)	519,693,247
Statement of Revenues, Expenses and Changes in Fund Net Assets (Net Position) for the year ended December 31, 2011:			
Loan administrative fees	9,282,146	(73,090)	9,209,056
Interest on bonds	54,175,900	(528,092)	53,647,808
Bond issuance expense	-	654,509	654,509
Change in net assets (position)	22,182,729	(199,507)	21,983,222

**Colorado Water Resources
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Note 18: Future Accounting Standards

The Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Authority provides its employees with pension benefits through the State's multiple-employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

Employers participating in multiple-employer cost-sharing plans, such as PERA, must record their proportionate share of PERA's unfunded pension liability, as defined in GASB 68. The Authority has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA and the Colorado legislature. The requirement of GASB 68 to record a portion of PERA's unfunded liability will negatively impact the Authority's future unrestricted net position. GASB 68 is effective for fiscal year 2015. At the present time, management is unable to estimate the magnitude of the Authority's share of the unfunded pension liability. Information regarding PERA's current funding status can be found in their Comprehensive Annual Financial Report.

Note 19: Subsequent Events

Clean Water Refunding Revenue Bonds 2013 Series A

On February 21, 2013, the Authority issued refunding revenue bonds as shown in the schedule below. The refunding bond proceeds, plus WPCRF program funds from terminated repurchase agreements held in the Matching Accounts (debt service reserve funds), were used to refund the outstanding bonds associated with those Matching Accounts. The refunding bonds maturing on or after March 1, 2023, are subject to optional redemption on or after September 1, 2022, at a redemption price equal to the par amount of the bonds to be redeemed, plus accrued interest to the redemption date. The debt service savings created by the refunding plan are passed through to the borrowers, associated with the refunded bonds, as loan interest credits. The total amount of program funds used in the refunding plan is repaid by borrower loan repayments that exceed refunding bond debt service. The excess amounts are collected over the terms of the loans and bonds.

Drinking Water Refunding Revenue Bonds 2013 Series A

On February 21, 2013, the Authority issued refunding revenue bonds as shown in the schedule below. The refunding bond proceeds, plus DWRF program funds from terminated repurchase agreements held in the Matching Accounts (debt service reserve funds), were used to refund the outstanding bonds associated with those Matching Accounts. The refunding bonds maturing on or after March 1, 2023, are subject to optional redemption on or after September 1, 2022, at a redemption price equal to the par amount of the bonds to be redeemed, plus accrued interest to the redemption date. The total amount of program funds used in the refunding plan is repaid by borrower loan repayments that exceed refunding bond debt service. The excess amounts are collected over the terms of the loans and bonds.

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2013 Refunding Bond key elements are as follows:

	<u>WPCRF</u>	<u>DWRF</u>
Date of issue	2/21/2013	2/21/2013
Refunding bonds issued at par	\$ 61,215,000	\$ 35,460,000
Principal and interest payment dates	3/1 and 9/1	3/1 and 9/1
Interest rates ranging from	2.0% to 5.0%	2.0% to 5.0%
Serial maturities through	9/1/2025	9/1/2025
Terminated investment proceeds used for refunding	\$ 36,624,705	\$ 24,376,564
Net present value savings	\$ 6,524,340	\$ 4,351,809
Issues in current refunding:		
Clean Water Revenue Bonds 2002 Series A	\$ 13,060,000	\$ -
Clean Water Revenue Bonds 2002 Series B	16,795,000	-
Drinking Water Revenue Bonds 1997 Series A	-	8,305,000
Drinking Water Revenue Bonds 1998 Series A	-	6,190,000
Drinking Water Revenue Bonds 1999 Series A	-	13,545,000
Drinking Water Revenue Bonds 2002 Series A	-	9,495,000
Total bonds refunded-current	<u>29,855,000</u>	<u>37,535,000</u>
Issues in advance refunding:		
Clean Water Revenue Bonds 2003 Series A	9,280,000	-
Clean Water Revenue Bonds 2004 Series A	55,245,000	-
Drinking Water Revenue Bonds 2003 Series A	-	15,345,000
Drinking Water Revenue Bonds 2003 Series B	-	8,410,000
Total bonds refunded-advance	<u>64,525,000</u>	<u>23,755,000</u>
Total bonds refunded	<u>\$ 94,380,000</u>	<u>\$ 61,290,000</u>

Water Resources Revenue Bonds 2013 Series A

On March 14, 2013, the Authority issued Water Resources Revenue Bonds 2013 Series A in the par amount of \$11,615,000. The bond proceeds were used to fund a loan to the City of Fountain, a local government. The bonds consist of serial bonds maturing annually through September 1, 2027 and term bonds maturing through September 1, 2043. Interest on the bonds is payable semi-annually with rates ranging from 2.0% to 5.0%. Selected bonds with varying maturities are insured by Assured Guaranty Municipal Corporation. The bonds maturing on or after March 1, 2023, are subject to optional redemption on or after September 1, 2022, at a redemption price equal to the par amount of the bonds to be redeemed, plus accrued interest to the redemption date.

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SUPPLEMENTARY INFORMATION

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**Colorado Water Resources
and Power Development Authority
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Regulatory Basis
Combining Schedule of Net Position
Water Pollution Control Fund
December 31, 2012**

Assets	State Revolving Fund	Nonrevolving Fund	Water Pollution Control Fund
Current assets:			
Cash and cash equivalents	\$ 40,170,474	\$ 19,900,376	\$ 60,070,850
Federal grants receivable	-	5,016	5,016
Investment income receivable	8,750	309,120	317,870
Loans receivable	34,233,488	-	34,233,488
Accounts receivable – borrowers	4,400,992	1,880,388	6,281,380
Restricted assets:			
Cash and cash equivalents	27,886,794	2,079,465	29,966,259
Investments	15,714,195	-	15,714,195
Investment income receivable	479,556	-	479,556
Total current assets	<u>122,894,249</u>	<u>24,174,365</u>	<u>147,068,614</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	5,480,194	-	5,480,194
Investments	175,582,238	-	175,582,238
Investment income receivable	2,531,429	-	2,531,429
Loans receivable	463,151,299	-	463,151,299
Total noncurrent assets	<u>646,745,160</u>	<u>-</u>	<u>646,745,160</u>
Total assets	<u>769,639,409</u>	<u>24,174,365</u>	<u>793,813,774</u>
Deferred outflows of resources	365,963	-	365,963
Liabilities			
Current liabilities:			
Project costs payable – direct loans	12,600,750	-	12,600,750
Project costs payable – leveraged loans	23,355,105	-	23,355,105
Bonds payable	31,775,000	-	31,775,000
Accrued interest payable	6,330,898	-	6,330,898
Due to other funds	-	766,218	766,218
Other liabilities	-	89,259	89,259
Total current liabilities	<u>74,061,753</u>	<u>855,477</u>	<u>74,917,230</u>
Noncurrent liabilities:			
Project costs payable – direct loans	500,000	-	500,000
Bonds payable, net	380,505,000	-	380,505,000
Advance payable	-	6,236,643	6,236,643
Other liabilities	-	389,099	389,099
Total noncurrent liabilities	<u>381,005,000</u>	<u>6,625,742</u>	<u>387,630,742</u>
Total liabilities	<u>455,066,753</u>	<u>7,481,219</u>	<u>462,547,972</u>
Deferred inflows of resources	870,917	-	870,917
Net Position			
Restricted	314,067,702	16,693,146	330,760,848
Total net position	<u>\$ 314,067,702</u>	<u>\$ 16,693,146</u>	<u>\$ 330,760,848</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 Net Position
Water Pollution Control Fund
Year Ended December 31, 2012**

	<u>State Revolving Fund</u>	<u>Nonrevolving Fund</u>	<u>Water Pollution Control Fund</u>
Operating revenues:			
Interest on loans	\$ 12,791,101	\$ -	\$ 12,791,101
Interest on investments	8,149,682	590,185	8,739,867
Loan administrative fees:			
Program revenue	-	748,045	748,045
Non-program revenue	-	5,021,005	5,021,005
EPA grants	-	129,579	129,579
Other	53,355	-	53,355
Total operating revenues	<u>20,994,138</u>	<u>6,488,814</u>	<u>27,482,952</u>
Operating expenses:			
Interest on bonds	20,726,174	-	20,726,174
Grant administration	-	2,454,471	2,454,471
Loan principal forgiven	1,654,315	-	1,654,315
Other	40,477	248,348	288,825
Total operating expenses	<u>22,420,966</u>	<u>2,702,819</u>	<u>25,123,785</u>
Operating income (loss)	(1,426,828)	3,785,995	2,359,167
EPA capitalization grants	8,205,431	-	8,205,431
Transfers in (out)	738,663	(915,379)	(176,716)
Change in net position	<u>7,517,266</u>	<u>2,870,616</u>	<u>10,387,882</u>
Net Position – beginning of year	<u>306,550,436</u>	<u>13,822,530</u>	<u>320,372,966</u>
Net Position – end of year	<u>\$ 314,067,702</u>	<u>\$ 16,693,146</u>	<u>\$ 330,760,848</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 Position and the
Combining Schedule of Revenues, Expenses and Changes in Net Position
Water Pollution Control Fund
December 31, 2012**

Note 1: Purpose

The regulatory basis combining schedule of net position and the combining schedule of revenues, expenses and changes in net position 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.

**Colorado Water Resources
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Regulatory Basis
Combining Schedule of Net Position
Drinking Water Fund
December 31, 2012**

Assets	State Revolving Fund	Nonrevolving Fund	Drinking Water Fund
Current assets:			
Cash and cash equivalents	\$ 25,190,175	\$ 13,289,301	\$ 38,479,476
Federal grants receivable	-	1,664,914	1,664,914
Investment income receivable	5,848	128,332	134,180
Loans receivable	17,485,986	268,479	17,754,465
Accounts receivable – borrowers	1,535,505	900,209	2,435,714
Restricted assets:			
Cash and cash equivalents	16,834,310	363,800	17,198,110
Investments	10,468,060	-	10,468,060
Investment income receivable	269,136	-	269,136
Total current assets	<u>71,789,020</u>	<u>16,615,035</u>	<u>88,404,055</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	11,937,966	-	11,937,966
Investments	81,337,576	-	81,337,576
Investment income receivable	907,384	-	907,384
Loans receivable	256,263,146	771,926	257,035,072
Total noncurrent assets	<u>350,446,072</u>	<u>771,926</u>	<u>351,217,998</u>
Total assets	<u>422,235,092</u>	<u>17,386,961</u>	<u>439,622,053</u>
Liabilities			
Current liabilities:			
Project costs payable – direct loans	14,950,642	-	14,950,642
Project costs payable – leveraged loans	30,013,399	-	30,013,399
Bonds payable	12,325,000	-	12,325,000
Accrued interest payable	2,624,623	-	2,624,623
Due to other funds	-	1,823,587	1,823,587
Other liabilities	-	99,112	99,112
Total current liabilities	<u>59,913,664</u>	<u>1,922,699</u>	<u>61,836,363</u>
Noncurrent liabilities:			
Project costs payable – direct loans	2,250,000	-	2,250,000
Project costs payable – leveraged loans	4,140,000	-	4,140,000
Bonds payable, net	166,855,000	-	166,855,000
Advance payable	-	8,786,600	8,786,600
Other liabilities	-	350,775	350,775
Total noncurrent liabilities	<u>173,245,000</u>	<u>9,137,375</u>	<u>182,382,375</u>
Total liabilities	<u>233,158,664</u>	<u>11,060,074</u>	<u>244,218,738</u>
Deferred inflows of resources	92,360	-	92,360
Net Position			
Restricted	188,984,068	4,736,916	193,720,984
Unrestricted	-	1,589,971	1,589,971
Total net position	<u>\$ 188,984,068</u>	<u>\$ 6,326,887</u>	<u>\$ 195,310,955</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 Position
Drinking Water Fund
Year Ended December 31, 2012**

	<u>State Revolving Fund</u>	<u>Nonrevolving Fund</u>	<u>Drinking Water Fund</u>
Operating revenues:			
Interest on loans	\$ 4,834,853	\$ 38,450	\$ 4,873,303
Interest on investments	3,171,052	222,151	3,393,203
Loan administrative fees	-	3,203,096	3,203,096
EPA set aside grants:			
Administrative	-	983,110	983,110
Small Systems Training and Technical Assistance Program	-	794,204	794,204
Capacity Development	-	1,866,768	1,866,768
Wellhead Protection	-	864,529	864,529
Public Water System Supervision	-	1,745,777	1,745,777
Other	44,004	-	44,004
Total operating revenues	<u>8,049,909</u>	<u>9,718,085</u>	<u>17,767,994</u>
Operating expenses:			
Interest on bonds	7,795,364	-	7,795,364
Grant administration – state funded	-	657,351	657,351
EPA set asides:			
Administrative	-	983,110	983,110
Small Systems Training and Technical Assistance Program	-	794,204	794,204
Capacity Development	-	1,866,768	1,866,768
Wellhead Protection	-	864,529	864,529
Public Water System Supervision	-	1,745,777	1,745,777
Loan principal forgiven	3,354,680	-	3,354,680
Other	-	275,636	275,636
Total operating expenses	<u>11,150,044</u>	<u>7,187,375</u>	<u>18,337,419</u>
Operating income (loss)	(3,100,135)	2,530,710	(569,425)
EPA capitalization grants	14,231,045	-	14,231,045
Transfers in (out)	7,832,071	(7,655,355)	176,716
Change in net assets	18,962,981	(5,124,645)	13,838,336
Net position – beginning of year	<u>170,021,087</u>	<u>11,451,532</u>	<u>181,472,619</u>
Net position – end of year	<u>\$ 188,984,068</u>	<u>\$ 6,326,887</u>	<u>\$ 195,310,955</u>

See accompanying notes to regulatory basis schedules

**Colorado Water Resources
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Regulatory Basis**

**Notes to the Regulatory Basis of the Combining Schedule of Net Position and the
Combining Schedule of Revenues, Expenses and Changes in Net Position
Drinking Water Fund
December 31, 2012**

Note 1: Purpose

The regulatory basis combining schedule of net position and the combining schedule of revenues, expenses and changes in net position 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 \$1,040,405 at December 31, 2012. 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
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(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, 2012**

	<u>Actual</u>	<u>Original budget</u>	<u>Changes</u>	<u>Final budget</u>	<u>Variance – favorable (unfavorable)</u>
Revenues:					
Interest on investments	\$ 597,393	\$ 656,500	\$ -	\$ 656,500	\$ (59,107)
WPCRF state match loan repayment	-	2,800,000	-	2,800,000	(2,800,000)
DWRF state match loan repayment	-	3,000,000	-	3,000,000	(3,000,000)
Loan principal payments – SWRP	30,803,998	5,092,000	26,000,000	31,092,000	(288,002)
Loan principal payments – WRBP	146,550,000	13,483,000	133,517,000	147,000,000	(450,000)
Loan principal payments – interim	-	13,145,000	(1,000,000)	12,145,000	(12,145,000)
Loan principal payments – WPFHP	-	300,000	-	300,000	(300,000)
Loan principal payments – SHLP	47,642	50,000	-	50,000	(2,358)
Bond proceeds – WRBP	-	57,300,000	(57,300,000)	-	-
Refunding bond proceeds – WRBP	-	20,000,000	(20,000,000)	-	-
Bond proceeds – Watershed Prot.	-	10,000,000	-	10,000,000	(10,000,000)
Refunding bond proceeds – SWRP	-	25,000,000	(25,000,000)	-	-
Loan interest income – SWRP	1,715,075	2,528,000	-	2,528,000	(812,925)
Loan interest income – WRBP	31,481,549	22,492,000	10,000,000	32,492,000	(1,010,451)
Loan interest income – WPFHP	-	500,000	-	500,000	(500,000)
Loan interest income – SHLP	34,144	21,000	-	21,000	13,144
Loan interest income – interim loans	-	460,000	-	460,000	(460,000)
Other	41,847	-	-	-	41,847
Total revenues	<u>211,271,648</u>	<u>176,827,500</u>	<u>66,217,000</u>	<u>243,044,500</u>	<u>(31,772,852)</u>
Expenditures:					
WPCRF state match loans	2,261,000	2,209,580	60,000	2,269,580	8,580
DWRF state match loans	684,000	3,399,400	(60,000)	3,339,400	2,655,400
General/administrative	969,822	1,087,000	-	1,087,000	117,178
Interim loans made	-	13,145,000	-	13,145,000	13,145,000
Bond principal payments – SWRP	31,350,000	8,070,000	23,500,000	31,570,000	220,000
Bond principal payments – WRBP	146,550,000	13,900,000	134,000,000	147,900,000	1,350,000
Bond principal payments – WPFHP	-	300,000	-	300,000	300,000
Bond interest expense – SWRP	1,831,590	2,683,000	-	2,683,000	851,410
Bond Cost of Issuance – SWRP	3,765	-	4,000	4,000	235
Bond interest expense – WRBP	31,892,081	24,750,000	8,250,000	33,000,000	1,107,919
Bond Cost of Issuance – WRBP	1,192,777	-	1,500,000	1,500,000	307,223
Bond interest expense – WPFHP	-	500,000	-	500,000	500,000
Bond Cost of Issuance – WPFHP	-	400,000	-	400,000	400,000
Loans made – WRBP	-	57,300,000	(57,300,000)	-	-
Loans made – WPFHP	-	10,000,000	-	10,000,000	10,000,000
SHLP Loan Draws	-	8,000,000	-	8,000,000	8,000,000
SHLP Planning & Design Grants	145,372	208,000	-	208,000	62,628
GAP Program grants	19,024	2,500,000	-	2,500,000	2,480,976
Refunding Bonds Escrow					
Deposit – SWRP	-	24,550,000	(23,504,000)	1,046,000	1,046,000

(continued)

**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 (Continued)
Water Operations Fund
Year Ended December 31, 2012**

	<u>Actual</u>	<u>Original budget</u>	<u>Changes</u>	<u>Final budget</u>	<u>Variance – favorable (unfavorable)</u>
Refunding Issuance Costs – SWRP	-	450,000	-	450,000	450,000
Refunding Bonds Escrow					
Deposit – WRBP	-	18,500,000	(18,500,000)	-	-
Refunding Issuance Costs – WRBP	-	1,500,000	(1,500,000)	-	-
Project expenditures	4,805,587	20,741,000	-	20,741,000	15,935,413
Arbitrage rebate – SWRP	-	100,000	-	100,000	100,000
Total expenditures	<u>221,705,018</u>	<u>214,292,980</u>	<u>66,450,000</u>	<u>280,742,980</u>	<u>59,037,962</u>
Excess of revenues over					
(under) expenditures	<u>\$ (10,433,370)</u>	<u>\$ (37,465,480)</u>	<u>\$ (233,000)</u>	<u>\$ (37,698,480)</u>	<u>\$ 27,265,110</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 Net Position
Water Operations Fund
Year Ended December 31, 2012**

Revenues (budgetary basis)	\$ 211,271,648
Loan principal payments – SWRP (a.)	(30,803,998)
Loan principal payments – WRBP (a.)	(146,550,000)
Loan principal payments – SHLP (a.)	<u>(47,642)</u>
Revenues (GAAP basis)	<u>33,870,008</u>
Expenditures (budgetary basis)	221,705,018
Depreciation (b.)	13,721
WPCRF and DWRF advance – state match provided (c.)	(2,945,000)
Bond principal payments – SWRP (d.)	(31,350,000)
Bond principal payments – WRBP (d.)	<u>(146,550,000)</u>
Expenses (GAAP basis)	<u>40,873,739</u>
Change in net assets per statement of revenues, expenses and changes in net position	<u>\$ (7,003,731)</u>

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 and SHLP loan principal payments are recorded as revenue when received from the borrower.
- b. Depreciation of equipment is not budgeted.
- c. WPCRF and DWRF advance – state match provided is treated as expenditure when transferred to the respective program.
- d. Bond principal payments are treated as expenditures when paid.

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Schedule of Revenues, Expenses and Changes in Funds Available – Actual
(Non-GAAP Budgetary Basis) and Budget
Water Pollution Control Fund
Year Ended December 31, 2012**

	<u>Actual</u>	<u>Original budget</u>	<u>Changes</u>	<u>Final budget</u>	<u>Variance – favorable (unfavorable)</u>
Revenues:					
Interest on investments	\$ 8,739,867	\$ 8,586,000	\$ -	\$ 8,586,000	\$ 153,867
Administrative fee	5,769,050	6,188,000	-	6,188,000	(418,950)
Loan interest income	12,791,101	13,780,000	-	13,780,000	(988,899)
EPA grants	8,335,010	37,670,454	-	37,670,454	(29,335,444)
Colorado state match	2,261,000	2,209,580	-	2,209,580	51,420
Loan principal repayments	63,252,225	38,348,000	23,000,000	61,348,000	1,904,225
Bond proceeds	-	50,190,000	(50,190,000)	-	-
Other	53,355	-	-	-	53,355
Total revenues	<u>101,201,608</u>	<u>156,972,034</u>	<u>(27,190,000)</u>	<u>129,782,034</u>	<u>(28,580,426)</u>
Expenditures:					
Grant administration	2,454,471	3,464,330	-	3,464,330	1,009,859
Bond principal payments	52,260,000	37,000,000	15,500,000	52,500,000	240,000
Advance repayments – state match	-	2,800,000	-	2,800,000	2,800,000
Transfer Administrative to DWRF	176,716	277,000	-	277,000	100,284
Project costs paid – direct loans	10,039,173	52,479,651	(15,500,000)	36,979,651	26,940,478
Loans made – leveraged loans	-	53,000,000	(53,000,000)	-	-
Planning and design grants to small local governments	248,348	448,000	-	448,000	199,652
Other	1,324,803	1,420,000	-	1,420,000	95,197
Loan principal forgiven	1,654,315	3,500,000	-	3,500,000	1,845,685
Bond interest expense	20,726,174	26,000,000	-	26,000,000	5,273,826
Capital asset acquisitions	-	5,000	-	5,000	5,000
Total expenditures	<u>88,884,000</u>	<u>180,393,981</u>	<u>(53,000,000)</u>	<u>127,393,981</u>	<u>38,509,981</u>
Excess of revenues over expenditures	<u>\$ 12,317,608</u>	<u>\$ (23,421,947)</u>	<u>\$ 25,810,000</u>	<u>\$ 2,388,053</u>	<u>\$ 9,929,555</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 Net Position
Water Pollution Control Fund
Year Ended December 31, 2012**

Revenues (budgetary basis)	\$ 101,201,608
Loan principal payments (a.)	(63,252,225)
Advance – state match provided (b.)	(2,261,000)
Revenues (GAAP basis)	<u>35,688,383</u>
 Expenditures (budgetary basis)	 88,884,000
Project costs paid – direct loans (c.)	(10,039,173)
Bond principal payments (d.)	(52,260,000)
Arbitrage rebate payments (e.)	(1,284,326)
Expenses (GAAP basis)	<u>25,300,501</u>
Change in net assets per statement of revenues, expenses and changes in net position	 \$ <u><u>10,387,882</u></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. Direct loans are treated as expenditures when draws are made from project accounts.
- d. Bond principal payments are treated as expenditures when paid.
- e. 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, 2012**

	<u>Actual</u>	<u>Original budget</u>	<u>Changes</u>	<u>Final budget</u>	<u>Variance – favorable (unfavorable)</u>
Revenues:					
Interest on investments	\$ 3,393,203	\$ 2,960,000	\$ -	\$ 2,960,000	\$ 433,203
Loan interest income	4,873,303	5,252,000	-	5,252,000	(378,697)
Loan principal repayments	16,018,376	16,999,000	-	16,999,000	(980,624)
Bond proceeds	19,493,671	17,720,000	-	17,720,000	1,773,671
Refunding bond proceeds	-	50,000,000	(39,027,000)	10,973,000	(10,973,000)
Capital contributions – EPA	14,231,045	31,395,624	-	31,395,624	(17,164,579)
Colorado state match	684,000	3,399,400	-	3,399,400	(2,715,400)
EPA capitalization grant set asides revenue	6,254,388	7,468,021	-	7,468,021	(1,213,633)
Transfer Administrative Fees – WPCRF	176,716	277,000	-	277,000	(100,284)
Administrative fee income	3,203,096	3,678,000	-	3,678,000	(474,904)
Other	44,004	-	-	-	44,004
Total revenues	<u>68,371,802</u>	<u>139,149,045</u>	<u>(39,027,000)</u>	<u>100,122,045</u>	<u>(31,750,243)</u>
Expenditures:					
Grant administration – State funded	1,640,461	2,109,290	-	2,109,290	468,829
Bond principal payments made	11,105,000	13,000,000	-	13,000,000	1,895,000
Advance repayments – state match	-	3,000,000	-	3,000,000	3,000,000
Project costs paid – direct loans	13,953,790	45,292,817	(2,070,000)	43,222,817	29,269,027
Loans made – leveraged	21,858,367	20,000,000	2,000,000	22,000,000	141,633
Planning and design grants to small local governments	275,636	394,000	-	394,000	118,364
Payment to refunded bond escrow	-	48,500,000	(13,450,000)	35,050,000	35,050,000
Refunding bonds issuance cost	-	1,500,000	-	1,500,000	1,500,000
Loan principal forgiven	3,354,680	8,762,800	-	8,762,800	5,408,120
Bond interest expense	7,795,364	10,000,000	-	10,000,000	2,204,636
EPA capitalization grant set asides	5,271,278	6,604,589	70,000	6,674,589	1,403,311
Arbitrage rebate payments	228,623	400,000	-	400,000	171,377
Capital asset acquisitions	-	5,000	-	5,000	5,000
Total expenditures	<u>65,483,199</u>	<u>159,568,496</u>	<u>(13,450,000)</u>	<u>146,118,496</u>	<u>80,635,297</u>
Excess of revenues over expenditures	<u>\$ 2,888,603</u>	<u>\$ (20,419,451)</u>	<u>\$ (25,577,000)</u>	<u>\$ (45,996,451)</u>	<u>\$ 48,885,054</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 Net Position
Drinking Water Fund
Year Ended December 31, 2012**

Revenues (budgetary basis)	\$	68,371,802
Loan principal payments (a.)		(16,018,376)
Advance – state match provided (b.)		(684,000)
Bond proceeds (c.)		(19,493,671)
Revenues (GAAP basis)		<u>32,175,755</u>
Expenditures (budgetary basis)		65,483,199
Project costs paid – direct loans (d.)		(13,953,790)
Bond principal payments made (e.)		(11,105,000)
Leveraged loans made (f.)		(21,858,367)
Arbitrage rebate payments (g.)		(228,623)
Expenses (GAAP basis)		<u>18,337,419</u>
Change in net assets per statement of revenues, expenses and changes in fund net position	\$	<u>13,838,336</u>

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, 2012**

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. The Authority provided principal forgiveness on certain 2009 ARRA direct loans and certain base program direct loans after 2009. 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>Project costs payable</u>
Water Operations Fund:	
WRBP:	
Donala Water and Sanitation District	\$ 5,277,752
Fountain, City of	2,959,143
North Weld County Water District	1,810,093
Parker Water and Sanitation District	33,896,177
Steamboat Springs, City of	5,684,112
Total Water Operations Fund	<u>49,627,277</u>
 Water Pollution Control Fund:	
Direct loans:	
Base program:	
Burlington, City of	745,350
Cherokee Metropolitan District	2,000,000
Cherry Hills Heights Water and Sanitation District	11,835
Eagle, Town of	1,288,966
Empire, Town of	260,111
Hayden, Town of	574,814
Hot Sulphur Springs, Town of	706,000
Mountain Water and Sanitation District	2,000,000
Nederland, Town of	1,361,185
Ralston Valley Water and Sanitation District	370,728

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Schedule of Project Costs Payable – By Borrower (Continued)
December 31, 2012**

	Project costs payable
Water Pollution Control Fund (Continued):	
Base program - disadvantaged communities:	
Cheraw, Town of	358,295
Cheyenne Wells Sanitation District #1	82,195
Crowley, Town of	5,000
Huerfano County Garner Water and Sanitation PID	250,000
Mancos, Town of	7,369
Mountain View Villages Water and Sanitation District	88,896
Naturita, Town of	642,981
Olathe, Town of	427,645
Redstone Water and Sanitation District	52,046
Rocky Ford, City of	1,750,000
Romeo, Town of	1,334
Simla, Town of	116,000
Total direct loans	13,100,750
Leveraged loans:	
2010B Boxelder Sanitation District	7,249,846
2011A Fountain Sanitation District	7,000,000
2010A Glenwood Springs, City of	1,478,454
2010A Pueblo, City of	1,017,122
2011A Pueblo West Metropolitan District	3,440,816
2011A Windsor, Town of	3,168,867
Total leveraged loans	23,355,105
Total Water Pollution Control Fund	36,455,855
Drinking Water Fund:	
Direct loans:	
Base program:	
Alma, Town of	203,373
Colorado Springs Utilities	2,239,038
Crested Butte, Town of	19,934
Cucharas Sanitation and Water District	87,000
El Rancho Florida Metropolitan District	818,672
Forest View Acres Water District	1,882,766
Mountain Water and Sanitation District	206,603
Palmer Lake, Town of	152,829
Ralston Valley Water and Sanitation District	48,255
Rifle, City of	2,000,000
Salida, City of	311,731
Teller County Water and Sanitation District #1	873,759
Tree Haus Metropolitan District	223,162

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Schedule of Project Costs Payable – By Borrower (Continued)
December 31, 2012**

	<u>Project costs payable</u>
Drinking Water Fund (continued):	
Base program - disadvantaged communities:	
Crowley, Town of	92,328
Elbert Water and Sanitation District	497,000
Grover, Town of	25,900
Hotchkiss, Town of	374,966
Hotchkiss, Town of	307,247
Huerfano County Garner Water and Sanitation PID	593,000
La Jara, Town of	529,455
Louviers Water and Sanitation District	1,128,198
Merino, Town of	1,110,000
Navajo Western Water District	538,861
Nunn, Town of	1,874,212
Rico, Town of	289,109
Rocky Ford, City of	72,774
Rye, Town of	107,476
Swink, Town of	592,994
Total direct loans	<u>17,200,642</u>
Leveraged loans:	
2006B Alamosa, City of	128,664
2012A Rifle, City of	23,000,000
2011A Sterling, City of	11,024,735
Total leveraged loans	<u>34,153,399</u>
Total Drinking Water Fund	<u>51,354,041</u>
Total project costs payable	<u>\$ 137,437,173</u>

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Schedule of Loans Receivable – By Borrower
December 31, 2012**

	<u>Loans Receivable</u>
Water Operations Fund:	
Small Hydro Loan Program:	
2009 Cortez, City of	\$ 1,040,522
2011 Northern Water Conservancy District	<u>2,000,000</u>
Total Water Operations Fund loans receivable – SHLP	<u>3,040,522</u>
Small Water Resources Program:	
2003A Clifton Water District	4,725,000
2003A Eaton, Town of	1,693,333
1997A Monument, Town of	635,000
1994A Parker Water and Sanitation District	87,500
1997A Parker Water and Sanitation District	1,678,333
2000A Parker Water and Sanitation District	9,302,500
1994B Project 7 Water Authority	910,000
2003A Rifle, City of	<u>937,500</u>
Total Water Operations Fund loans receivable – SWRP	<u>19,969,166</u>
Water Revenue Bond Program:	
2005E Arapahoe County Water and Wastewater Public Improvement District	26,270,000
2005D Aurora, City of	53,610,000
2004E Copper Mountain Consolidated Metropolitan District	2,395,000
2005F Copper Mountain Consolidated Metropolitan District	2,670,000
2011C Donala Water and Sanitation District	5,965,000
2005A East Cherry Creek Valley Water and Sanitation District	47,430,000
2004B Englewood, City of	12,755,000
2005B Fort Lupton, City of	1,685,000
2005C Fountain, City of	7,035,000
2008A Fountain, City of	8,185,000
2011A Fountain, City of	9,350,000
2004C Littleton, City of	6,455,000
2003A Louisville, City of	8,905,000
2009A North Weld County Water District	6,180,000
2004D Parker Water and Sanitation District	2,810,000
2010A Parker Water and Sanitation District	51,485,000
2011B Steamboat Springs, City of	<u>11,985,000</u>
Total Water Operations Fund loans receivable – WRBP	<u>265,170,000</u>
Total Water Operations Fund loans receivable	<u>288,179,688</u>

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Schedule of Loans Receivable – By Borrower (Continued)
December 31, 2012**

		<u>Loans Receivable</u>
Water Pollution Control Fund:		
Federal direct loans:		
Base program:		
2006	Bennett, Town of	126,038
2006	Boulder County	1,263,707
2010	Burlington, City of	1,793,845
1998	Byers Water and Sanitation District	149,199
2012	Cherokee Metropolitan District	2,000,000
2010	Cherry Hills Heights Water and Sanitation District	185,345
2011	Colorado Centre Metropolitan District	1,931,118
2000	Columbine Water and Sanitation District	111,065
2007	Cortez Sanitation District	1,580,619
2010	Crested Butte, Town of	1,366,383
2006	Cucharas Sewer and Water District	613,567
2007	Donala Water and Sanitation District	1,689,103
1991	Eagle, Town of	1,240,271
2007	Elizabeth, Town of	848,060
1997	Erie, Town of	172,889
2009	Erie, Town of	772,712
1998	Evans, City of	169,674
2009	Evergreen Metropolitan District	1,778,738
2008	Fairplay Sanitation District	1,712,804
1994	Fort Lupton, City of	11,507
1995	Fruita, City of	13,065
2004	Garden Valley Water and Sanitation District	209,752
2012	Hayden, Town of	603,300
2012	Hot Sulphur Springs, Town of	706,000
2002	Julesburg, Town of	480,875
1999	Kersey, Town of	78,693
2006	Kersey, Town of	1,380,295
2005	Kremmling Sanitation District	689,246
1999	La Junta, City of	173,028
2010	Lamar, City of	1,895,623
2008	Larimer County Local Improvement District	314,232
2010	Larimer County Local Improvement District	252,844
1998	Las Animas, City of	426,571
1999	Left Hand Water and Sanitation District	51,299
2000	Left Hand Water and Sanitation District	25,526
1995	Log Lane Village, Town of	60,672
1997	Manzanola, Town of	25,139
1999	Monte Vista, Town of	418,034
2012	Mountain Water and Sanitation District	2,000,000

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Schedule of Loans Receivable – By Borrower (Continued)
December 31, 2012**

		<u>Loans Receivable</u>
Water Pollution Control Fund (continued):		
2011	Nederland, Town of	1,950,000
1999	New Castle, Town of	202,061
1996	Ordway, Town of	97,857
2009	Pagosa Area Water and Sanitation District	878,877
1997	Pagosa Springs Sanitation GID, Town of	182,873
2003	Pikes Peak-America's Mountain	554,224
2006	Ralston Valley Water and Sanitation District	928,163
1994	Saint Mary's Glacier Water and Sanitation District	16,646
2012	South Durango Sanitation District	800,000
2000	Springfield, Town of	100,383
2011	Tabernash Meadows Water and Sanitation District	346,750
2008	Triview Metropolitan District	1,726,341
2010	Upper Blue Sanitation District	1,822,485
1997	Vona, Town of	24,288
2010	Woodland Park, City of	612,232
Base program-disadvantaged communities:		
2006	Ault, Town of	995,067
2009	Boone, Town of	291,375
2010	Cheyenne Wells Sanitation District #1	254,480
2006	Clifton Sanitation District #2	1,428,571
2009	Crested Butte South Metropolitan District	2,060,120
2011	Crowley, Town of	1,946,055
2006	Haxtun, Town of	234,618
2009	Kit Carson, Town of	226,625
2006	La Jara, Town of	506,250
2008	Las Animas, City of	301,600
2011	Las Animas, City of	307,713
2009	Mancos, Town of	850,000
2011	Mancos, Town of	55,569
2008	Manzanola, Town of	79,200
2009	Mountain View Villages Water and Sanitation District	1,370,000
2012	Naturita, Town of	199,245
2006	Ordway, Town of	434,275
2008	Penrose Sanitation District	109,859
2006	Pierce, Town of	741,681
2011	Redstone Water and Sanitation District	1,982,000
2012	Rocky Ford, City of	1,557,564
2007	Romeo, Town of	135,625
2009	Seibert, Town of	131,250
2011	Silver Plume, Town of	123,690

**Colorado Water Resources
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Schedule of Loans Receivable – By Borrower (Continued)
December 31, 2012**

		<u>Loans Receivable</u>
Water Pollution Control Fund (continued):		
2012	Simla, Town of	116,000
2006	Springfield, Town of	387,150
2006	Stratton, Town of	337,586
2006	Sugar City Town of	229,500
2009	Sugar City Town of	40,742
ARRA direct loans:		
2009	Erie, Town of	1,750,000
2009	Georgetown, Town of	3,325,000
2009	Manitou Springs, City of	72,976
2009	Pagosa Area Water and Sanitation District	6,332,887
2009	Pueblo, City of	1,312,500
	Total WPCRF direct loans	<u>69,790,791</u>
Leveraged loans:		
2007A	Bayfield, Town of	4,185,000
2010B	Boxelder Sanitation District	10,400,000
2005A	Breckenridge, Town of	3,145,000
1995A	Brighton, City of	1,121,392
2010B	Brush!, City of	9,065,000
1998A	Buena Vista Sanitation District	1,256,075
2006B	Cherokee Metropolitan District	11,623,927
2006A	Clifton Sanitation District #2	7,560,000
2003A	Colorado City Metropolitan District	1,137,010
1998B	Colorado Springs, City of	11,758,340
2001A	Cortez Sanitation District	4,955,000
1995A	Craig, City of	214,014
1996A	Crested Butte, Town of	672,840
2002B	Denver Southeast Suburban Water and Sanitation District	4,005,000
2005A	Denver Southeast Suburban Water and Sanitation District	3,525,000
2006A	Donala Water and Sanitation District	3,768,290
1992A	Eagle River Water and Sanitation District	553,123
1995A	Eagle River Water and Sanitation District	1,195,290
1998A	Eagle River Water and Sanitation District	4,880,954
1997A	Eagle, Town of	735,224
2007A	Eagle, Town of	10,704,936
2005A	Eaton, Town of	3,809,336
2008A	Elizabeth, Town of	4,333,148
2004A	Englewood, City of	29,521,467
1997A	Erie, Town of	582,300
1998A	Evans, City of	411,198
1992B	Fort Collins, City of	1,685,168
2001A	Fort Collins, City of	4,952,500

**Colorado Water Resources
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December 31, 2012**

		<u>Loans Receivable</u>
Water Pollution Control Fund (continued):		
1992A	Fort Lupton, City of	307,373
1995A	Fort Morgan, City of	1,892,051
2011A	Fountain Sanitation District	6,579,335
1999A	Fremont Sanitation District	3,553,451
2010A	Fruita, City of	20,920,000
2005B	Glendale, City of	7,266,595
2010A	Glenwood Springs, City of	29,313,175
2006A	Granby Sanitation District	3,684,234
1999A	Grand County Water and Sanitation District	1,518,161
1994A	Greeley, City of	2,313,965
1996A	Idaho Springs, City of	415,974
2001A	Lafayette, City of	4,674,772
2004A	Littleton, City of	29,634,924
2007A	Mead, Town of	2,430,000
2002A	Mesa County	6,015,000
2003A	Milliken, Town of	3,929,695
2001A	Mount Crested Butte Water and Sanitation District	2,718,324
2011A	Nederland, Town of	1,879,134
2008A	New Castle, Town of	6,942,411
1994A	Parker Water and Sanitation District	246,146
1997A	Parker Water and Sanitation District	1,040,735
2000A	Parker Water and Sanitation District	5,901,972
2001A	Parker Water and Sanitation District	2,606,904
2002B	Parker Water and Sanitation District	11,789,616
2001A	Plum Creek Wastewater Authority	13,790,000
2002B	Plum Creek Wastewater Authority	1,930,000
2005A	Plum Creek Wastewater Authority	1,100,000
2003A	Pueblo, City of	5,110,815
2010A	Pueblo, City of	21,643,094
2011A	Pueblo West Metropolitan District	5,016,021
2007A	Rifle, City of	15,100,384
2005A	Roxborough Water and Sanitation District	7,055,000
2002A	South Adams County Water and Sanitation District	4,285,000
1995A	Steamboat Springs, City of	309,508
1999A	Steamboat Springs, City of	1,237,467
2001A	Steamboat Springs, City of	3,104,972
1997A	Sterling, City of	669,038
2000A	Summit County	8,298,557
2000A	Three Lakes Water and Sanitation District	2,937,060
1998A	Trinidad, City of	2,504,929
2006A	Triview Metropolitan District	3,768,290
1997A	Upper Blue Sanitation District	2,571,354
2005B	Upper Blue Sanitation District	5,810,000

**Colorado Water Resources
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December 31, 2012**

	Loans Receivable
Water Pollution Control Fund (continued):	
2002A Wellington, Town of	2,778,768
1997A Westminster, City of	4,464,765
1998A Westminster, City of	1,178,877
2005A Westminster, City of	10,667,500
2011A Windsor, Town of	2,932,118
Total WPCRF leveraged loans	427,593,996
Total Water Pollution Control Fund loans receivable	497,384,787
Drinking Water Fund:	
State direct loans:	
1996 Bayfield, Town of	93,637
1995 Elizabeth, Town of	108,564
1995 Empire, Town of	74,623
1995 Fairplay, Town of	45,063
1997 Fairplay, Town of	67,800
1997 Idaho Springs, City of	159,006
1995 Idledale Water and Sanitation District	45,374
1996 Lake Creek Metropolitan District	103,602
1995 Minturn, Town of	67,546
1996 Nunn, Town of	91,262
1998 Redstone Water and Sanitation District	140,991
1997 Westlake Water and Sanitation District	42,937
Federal direct loans:	
Base program:	
2011 Alma, Town of	588,242
2009 Baca Grande Water and Sanitation District	1,333,717
2002 Basalt, Town of	574,755
2010 BMR Metropolitan District	992,292
2009 Bow Mar Water and Sanitation District	133,537
2006 Castle Pines Metropolitan District	1,569,244
2006 Castle Pines Metropolitan District	199,729
1998 Chatfield South Water District	157,544
2010 Colorado Springs Utilities	7,919,272
2010 Cortez, City of	410,166
2012 Crested Butte, Town of	398,636
2010 Crested Butte South Metropolitan District	948,502
2006 Cucharas Sanitation and Water District	214,908
2012 Cucharas Sanitation and Water District	87,000
2010 Divide MPC Metropolitan District #1	128,878
2011 El Rancho Florida Metropolitan District	1,395,227
2005 Florence, City of	559,501
2012 Forest View Acres Water District	2,000,000
2011 Georgetown, Town of	698,773
2010 Grand Junction, City of	3,451,767
1997 Grand Lake, Town of	168,886
2002 Hayden, Town of	545,843
2009 Lake Durango Water Authority	1,734,555

**Colorado Water Resources
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December 31, 2012**

		<u>Loans Receivable</u>
Drinking Water Fund (continued):		
2009	Lamar, City of	971,266
1998	Left Hand Water and Sanitation District	70,620
2011	Mountain Water and Sanitation District	925,000
2003	Mustang Water Authority	468,080
2009	Nederland, Town of	2,156,569
2003	Oak Creek, Town of	577,592
2005	Olde Stage Water District	71,475
2008	Olde Stage Water District	129,218
2003	Ouray, City of	674,314
2009	Palmer Lake, Town of	1,685,624
2010	Pine Drive Water District	226,641
2004	Pinewood Springs Water District	83,847
2006	Pinewood Springs Water District	562,373
2006	Platte Canyon Water and Sanitation District Subdistrict #1	308,495
2008	Platte Canyon Water and Sanitation District Subdistrict #2	354,022
2006	Ralston Valley Water and Sanitation District	1,038,591
2012	Rifle, City of	2,000,000
2011	Salida, City of	531,375
2000	Sedalia Water and Sanitation District	152,073
2000	Springfield, Town of	168,464
2004	Swink, Town of	443,789
2010	Teller County Water & Sanitation District	1,647,363
1999	Thunderbird Water and Sanitation District	135,697
2002	Thunderbird Water and Sanitation District	202,931
2010	Tree Haus Metropolitan District	1,023,637
2001	Wellington, Town of	576,141
2003	Westwood Lakes Water District	310,929
2002	Woodland Park, City of	464,943
Base program-disadvantaged communities:		
2009	Arriba, Town of	454,500
2006	Bethune, Town of	334,400
2011	Blanca, Town of	308,901
2006	Boone, Town of	428,581
2006	Bristol Water and Sanitation District	153,333
2009	Creede, City of	1,122,281
2012	Crowley, Town of	100,000
2008	Del Norte, Town of	597,889
2008	East Alamosa Water and Sanitation District	1,700,000
2008	Eckley, Town of	77,500
2006	Genoa, Town of	142,917
2007	Hillrose, Town of	638,621
2008	Hotchkiss, Town of	740,000
2008	Kim, Town of	102,267
2005	La Jara, Town of	125,000
2008	La Veta, Town of	1,042,882
2008	Las Animas, Town of	703,733

**Colorado Water Resources
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Schedule of Loans Receivable – By Borrower (Continued)
December 31, 2012**

		<u>Loans Receivable</u>
Drinking Water Fund (continued):		
2005	Log Lane Village, Town of	809,824
2012	Louviers Water and Sanitation District	139,650
2011	Manassa, Town of	468,255
2012	Merino, Town of	110,000
2011	Mesa Water and Sanitation District	194,154
2011	Monte Vista, City of	341,540
2012	Navajo Western Water District	1,083,573
2011	Nunn, Town of	422,987
2006	Ordway, Town of	163,333
2007	Ordway, Town of	95,250
2006	Palisade, Town of	1,600,000
2008	Paonia, Town of	335,168
2006	Pritchett, Town of	156,667
2009	Rockvale, Town of	272,575
2009	Rye, Town of	494,019
2006	Sedgwick, Town of	328,217
2007	Stratton, Town of	431,112
2008	Stratton, Town of	82,109
2010	Swink, Town of	337,390
2005	Victor, Town of	84,900
2006	Walden, Town of	717,163
ARRA direct loans:		
2009	Divide MPC Metropolitan District	127,689
2009	Florence, City of	1,700,000
2009	Gateway Metropolitan District	504,503
2009	Georgetown, Town of	1,172,500
2009	Hot Sulphur Springs, Town of	1,137,500
2009	La Junta, City of	1,601,250
2009	Lamar, City of	3,458,328
2009	Manitou Springs, City of	1,086,191
2009	Manitou Springs, City of	470,118
2009	Manitou Springs, City of	1,086,191
2009	Ophir, Town of	437,500
2009	Ridgway, Town of	393,750
	Total Drinking Water Fund direct loans	<u>75,828,659</u>
Leveraged loans:		
2006B	Alamosa, City of	9,073,932
2006B	Arapahoe County Water and Wastewater PID	11,595,626
1997A	Arapahoe Estates Water District	320,017
1998A	Buena Vista, Town of	468,959
2006B	Cottonwood Water and Sanitation District	8,242,995
2006A	Craig, City of	4,646,515
1997A	Englewood, City of	5,354,069
2008A	Estes Park, Town of	4,864,369
2000A	Evergreen Metropolitan District	2,655,663
2002A	Evergreen Metropolitan District	1,141,550
2003B	Florence, City of	9,031,007
1997A	Fort Collins, City of	2,940,844

**Colorado Water Resources
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Schedule of Loans Receivable – By Borrower (Continued)
December 31, 2012**

		<u>Loans Receivable</u>
Drinking Water Fund (continued):		
1999A	Fort Collins, City of	1,960,741
1998A	Fort Morgan, City of	5,942,475
2000A	Fountain Valley Authority	3,595,696
2003A	Fountain Valley Authority	1,955,530
1999A	Glenwood Springs, City of	1,757,214
1999A	Grand County Water and Sanitation District	1,134,593
2002A	Grand Junction, City of	2,117,286
1999A	Greeley, City of	6,314,530
2002A	Idaho Springs, City of	1,299,275
1999A	Julesburg, Town of	415,327
2002A	La Junta, City of	5,769,971
1999A	Left Hand Water District	2,613,558
2000A	Limon, Town of	687,905
2006A	Little Thompson Water District	4,733,754
2003A	Longmont, City of	12,079,148
2003A	Lyons, Town of	2,991,861
2008A	Pagosa Area Water and Sanitation District	6,781,056
2006B	Palisade, Town of	3,289,573
2008B	Project 7 Water Authority	8,948,906
2000A	Pueblo Board of Waterworks	7,074,044
2012A	Rifle, City of	21,858,367
2011A	Sterling, City of	28,553,086
2000A	Westminster, City of	6,751,436
Total Drinking Water Fund leveraged loans		<u>198,960,878</u>
Total Drinking Water Fund loans receivable		<u>274,789,537</u>
Total loans receivable		<u>\$ 1,060,354,012</u>

**Colorado Water Resources
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Schedule of Bonds Payable – By Issue
December 31, 2012**

<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:					
1997 Series A	9,725,000	635,000	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
1998 Series B	13,850,000	945,000	3.35% – 4.75%	Serial Bonds through 2013, term bonds subject to mandatory redemption in 2014 and 2015. Two borrowers prepaid their loans in 2012, resulting in the call of associated bond of approximately \$655,000	After 2010 at par
2003 Series A	9,610,000	7,485,000	2.0% – 4.50%	Serial Bonds through 2023	2014 – 2023 at par
2006 Series A	13,970,000	11,150,000	3.75% – 5.00%	Serial Bonds through 2019	The bonds are not subject to early redemption
Total Small Water Resources Program Revenue Bonds	<u>47,155,000</u>	<u>20,215,000</u>			

**Colorado Water Resources
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Schedule of Bonds Payable – By Issue (Continued)
December 31, 2012**

<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	8,905,000	2.0% – 4.125%	Serial Bonds through 2024	2014 – 2024 at par
2004 Series B	19,715,000	12,755,000	3.0% – 5.0%	Serial Bonds through 2017	2014 – 2017 at par
2004 Series C	19,695,000	6,455,000	3.0% – 5.5%	Serial Bonds through 2015	2014 – 2015 at par
2004 Series D	105,420,000	2,810,000	1.6% – 5.25%	Serial Bonds through 2014, in 2012 the borrower prepaid \$93,570,000 in loan principal and associated bonds in that amount were legally defeased	2014 – 2015 at par
2004 Series E	3,540,000	2,395,000	2.0% – 4.54%	Serial Bonds through 2024	2014 – 2024 at par
2005 Series A	53,970,000	47,430,000	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	1,685,000	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	7,035,000	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	53,610,000	3.2% – 5.0%	In 2012, the borrower prepaid a portion of its loan that totaled \$41,780,000 and serial bonds through 2025 were legally defeased. Remaining bonds are term bonds that are 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	2,670,000	4.0% – 4.5%	Serial Bonds through 2024	2016 – 2024 at par
2008 Series A	8,795,000	8,185,000	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	6,180,000	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	11,985,000	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 2031 and 2036	2022 – 2036 at par
Total Water Revenue Bonds Program	<u>451,455,000</u>	<u>265,170,000</u>			
Total Water Operations Fund	<u>\$ 498,610,000</u>	<u>\$ 285,385,000</u>			

**Colorado Water Resources
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Schedule of Bonds Payable – By Issue (Continued)
December 31, 2012**

Water Pollution Control Revolving Fund	Original issue amount	Current amount outstanding	Interest rate	Due dates	Early redemption
Clean Water Revenue Bonds:					
Clean Water 1992 Series A (City of Fort Lupton, Frisco Sanitation District, and Eagle River Water and Sanitation District)	15,200,000	15,000	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	115,000	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	70,000	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	150,000	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	75,000	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	1,095,000	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
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December 31, 2012

Water Pollution Control Revolving Fund	Original issue amount	Current amount outstanding	Interest rate	Due dates	Early redemption
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	510,000	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	720,000	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	515,000	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. In 2012, the City of Aurora prepaid its loan and the 1999A bond totaling \$195,000 were called.	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	1,125,000	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	3,030,000	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	14,275,000	3.0% – 5.25%	Serial Bonds through 2021, term bonds subject to mandatory redemption in 2022 through 2024. In 2012, the Town of Berthoud and Blackhawk-Central City WSD prepaid their loans and bonds totaling \$18,015,000 were called or legally defeased.	2013 – 2024 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	16,795,000	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	9,280,000	2.0% – 4.5%	Serial Bonds through 2024	2014 – 2024 at par

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December 31, 2012**

Water Pollution Control Revolving Fund	Original issue amount	Current amount outstanding	Interest rate	Due dates	Early redemption
Clean Water 2004 Series A (Town of Berthoud, City of Englewood, and City of Littleton)	57,710,000	55,245,000	2.0% – 5.0%	Serial Bonds through 2025, in 2012 the Town of Berthoud prepaid its loan and bonds totaling \$1,685,000 were legally defeased.	2015 – 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	29,335,000	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	12,465,000	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	17,895,000	4.25% – 5.0%	Serial Bonds through 2027	2017 – 2027 at par
Clean Water 2006 Series B (Cherokee Water & Sanitation District)	14,195,000	10,820,000	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	30,830,000	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	10,360,000	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	69,055,000	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	19,465,000	2.0% – 4.0%	Serial Bonds through 2032	2020 – 2032 at par
Clean Water 2011 Series A	<u>14,620,000</u>	<u>13,975,000</u>	2.0% – 4.0%	Serial Bonds through 2032	2021 – 2032 at par
Total WPCRF Clean Water Revenue Bonds payable	<u>722,915,000</u>	<u>317,215,000</u>			

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Schedule of Bonds Payable – By Issue (Continued)
December 31, 2012**

Water Pollution Control Revolving Fund	Original issue amount	Current amount outstanding	Interest rate	Due dates	Early redemption
Wastewater Revolving Fund Refunding Revenue Bonds 2001 Series A (Partial refunding of the following Clean Water Bonds: 1992A, 1992B, 1994A, and 1995A)	51,620,000	10,665,000	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	24,535,000	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)	<u>78,865,000</u>	<u>59,865,000</u>	3.0% – 5.25%	Serial Bonds through 2021	The bonds are not subject to early redemption
	<u>167,190,000</u>	<u>95,065,000</u>			
Total Water Pollution Control Revolving Fund	<u>\$ 890,105,000</u>	<u>\$ 412,280,000</u>			

**Colorado Water Resources
and Power Development Authority**
(A Component Unit of the State of Colorado)
Schedule of Bonds Payable – By Issue (Continued)
December 31, 2012

<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	\$ 8,305,000	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	6,190,000	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	13,545,000	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	1,685,000	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	9,495,000	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	15,345,000	2.0% – 4.25%	Serial Bonds through 2024	2014 – 2024 at par
Drinking Water Revenue Bonds Series 2003B (City of Florence)	11,695,000	8,410,000	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	8,625,000	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	29,250,000	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	10,345,000	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	7,800,000	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	24,790,000	2.0% – 4.375%	Serial Bonds through 2032	2022 – 2032 at par
Drinking Water Revenue Bonds Series 2012A (City of Rifle)	17,970,000	17,970,000	2.0% – 5%	Serial Bonds through 2034	2023 – 2034 at par
Total DWRP Revenue Bonds payable	<u>283,305,000</u>	<u>161,755,000</u>			

**Colorado Water Resources
and Power Development Authority
(A Component Unit of the State of Colorado)
Schedule of Bonds Payable – By Issue (Continued)
December 31, 2012**

<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 Revolving Fund Refunding Revenue Bonds 2005 Series A (Partial Refunding of the Drinking Water Revolving Fund Revenue Bonds Series 2000A)	20,305,000	17,425,000	3.0% – 5.5%		The bonds are not subject to early redemption
Total Drinking Water Revolving Fund	\$ <u>303,610,000</u>	\$ <u>179,180,000</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 Investment Type
December 31, 2012**

	Cash	Cash held by State Treasurer	Money Market	Local Government Investment Pool	U.S. Treasury Notes-SLGS 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	9,055	-	-	475,559	-	-	-	484,614
Water Revenue Bonds Program	-	-	45,915,599	-	-	13,301,000	-	59,216,599
Animas-La Plata Account	-	1,523,273	-	-	-	-	-	1,523,273
Small Hydro Loan Program Project Accounts	-	-	-	-	-	-	-	-
Interim Loan Project Accounts	-	-	-	-	-	-	-	-
Authority Operating	583,524	38,830,737	-	2,169,539	-	-	-	41,583,800
Subtotal – Water Operations Fund	<u>592,579</u>	<u>40,354,010</u>	<u>45,915,599</u>	<u>11,145,098</u>	<u>-</u>	<u>13,301,000</u>	<u>-</u>	<u>111,308,286</u>
Water Pollution Control Revolving Fund:								
Clean Water Revenue Bonds, 1992 Series A	-	-	-	254,219	-	-	-	254,219
Clean Water Revenue Bonds, 1992 Series B	-	-	-	587,939	1,047,794	-	-	1,635,733
Clean Water Revenue Bonds, 1994 Series A	-	-	-	367,945	2,762,928	-	-	3,130,873
Clean Water Revenue Bonds, 1995 Series A	-	-	-	3,382,330	-	-	-	3,382,330
Clean Water Revenue Bonds, 1996 Series A	-	-	-	172,363	5,417	-	439,270	617,050
Clean Water Revenue Bonds, 1997 Series A	-	-	-	266,885	-	-	2,992,073	3,258,958
Clean Water Revenue Bonds, 1998 Series A	-	-	-	332,964	-	-	3,527,294	3,860,258
Clean Water Revenue Bonds, 1998 Series B	-	-	-	250,705	-	-	3,691,700	3,942,405
Clean Water Revenue Bonds, 1999 Series A	-	-	-	484,814	-	-	3,555,045	4,039,859
Clean Water Revenue Bonds, 2000 Series A	-	-	-	422,860	-	-	4,987,945	5,410,805
Clean Water Revenue Bonds, 2001 Series A	2	-	-	721,682	21,762	-	13,877,850	14,621,296
Refunding Revenue Bonds, 2001 Series A	-	-	-	1,886,735	826,682	-	-	2,713,417
Clean Water Revenue Bonds, 2002 Series A	-	-	-	1,548,589	1,245,614	-	12,554,422	15,348,625
Clean Water Revenue Bonds, 2002 Series B	-	-	-	80,963	-	-	7,501,254	7,582,217
Clean Water Revenue Bonds, 2003 Series A	-	-	-	121,598	-	-	4,487,602	4,609,200
Clean Water Revenue Bonds, 2004 Series A	-	-	-	1,178,031	-	-	20,305,876	21,483,907
Refunding Revenue Bonds, 2004 Series A	-	-	-	164,512	253,851	-	-	418,363
Clean Water Revenue Bonds, 2005 Series A	-	-	-	603,937	-	-	14,263,829	14,867,766
Clean Water Revenue Bonds, 2005 Series B	-	-	-	194,523	-	-	5,681,193	5,875,716
Refunding Revenue Bonds, 2005 Series A and A2	2	-	-	718,879	4,902,619	-	-	5,621,500
Clean Water Revenue Bonds, 2006 Series A	-	-	-	172,651	-	-	7,812,175	7,984,826
Clean Water Revenue Bonds, 2006 Series B	-	-	-	101,727	-	-	4,019,634	4,121,361
Clean Water Revenue Bonds, 2007 Series A	-	-	-	185,415	-	-	13,257,040	13,442,455
Clean Water Revenue Bonds, 2008 Series A	-	-	-	1,312	4,577,799	-	-	4,579,111
Clean Water Revenue Bonds, 2010 Series A	-	-	-	1,999,617	26,760,745	-	-	28,760,362
Clean Water Revenue Bonds, 2010 Series B	-	-	-	7,181,425	13,745,384	-	-	20,926,809
Clean Water Revenue Bonds, 2011 Series A	-	-	-	3,995,876	12,191,636	-	-	16,187,512
Direct Loan Project Accounts	-	-	-	9,240,627	-	-	-	9,240,627
WPCRF State Match Holding Account	-	2,079,465	-	-	-	-	-	2,079,465
Direct Loan Surplus Matching Account	-	-	-	1,448,469	-	-	-	1,448,469
CWSRF Reloan Account	-	-	-	40,170,474	-	-	-	40,170,474
WPCRF Administrative Fee Account	-	-	-	15,197,768	-	-	-	15,197,768
Subtotal – Water Pollution Control Revolving Fund	<u>4</u>	<u>2,079,465</u>	<u>-</u>	<u>93,437,834</u>	<u>68,342,231</u>	<u>-</u>	<u>122,954,202</u>	<u>286,813,736</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 Investment Type (Continued)
December 31, 2012**

	Cash	Cash held by State Treasurer	Money Market	Local Government Investment Pool	U.S. Treasury Notes-SLGS Bonds, and Agency (fair value)	Securities Not Held for Investment	Repurchase agreements	Total cash and investments by bond issue
Drinking Water Revolving Fund:								
Drinking Water Revenue Bonds, 1997 Series A	-	-	-	680,454	-	-	3,225,301	3,905,755
Drinking Water Revenue Bonds, 1998 Series A	-	-	-	662,139	-	-	2,818,722	3,480,861
Drinking Water Revenue Bonds, 1999 Series A	-	-	-	1,230,512	-	-	5,910,458	7,140,970
Drinking Water Revenue Bonds, 2000 Series A	-	-	-	9,609,459	-	-	-	9,609,459
Drinking Water Revenue Bonds, 2002 Series A	-	-	-	70,176	-	-	3,515,115	3,585,291
Drinking Water Revenue Bonds, 2003 Series A	-	-	-	230,850	-	-	7,095,094	7,325,944
Drinking Water Revenue Bonds, 2003 Series B	-	-	-	753,068	-	-	3,956,907	4,709,975
Refunding Revenue Bonds, 2005 Series A	-	-	-	469,179	-	-	-	469,179
Drinking Water Revenue Bonds, 2006 Series A	-	-	-	250,382	-	-	3,760,140	4,010,522
Drinking Water Revenue Bonds, 2006 Series B	-	-	-	999,687	-	-	12,406,007	13,405,694
Drinking Water Revenue Bonds, 2008 Series A	-	-	-	63,705	5,498,836	-	-	5,562,541
Drinking Water Revenue Bonds, 2008 Series B	-	-	-	906	4,847,704	-	-	4,848,610
Drinking Water Revenue Bonds, 2011 Series A	-	-	-	4,375,537	16,504,537	-	-	20,880,074
Drinking Water Revenue Bonds, 2012 Series A	-	-	-	733,786	22,266,815	-	-	23,000,601
Federal Direct Loan Project, Accounts	-	-	-	8,944,240	-	-	-	8,944,240
Drinking Water Funding Account	-	139,469	-	-	-	-	-	139,469
Drinking Water State Match Holding Account	-	363,800	-	-	-	-	-	363,800
State Direct Loan Surplus Matching Account	-	-	-	71,053	-	-	-	71,053
State Direct Loan Reloan Account	-	-	-	317,091	-	-	-	317,091
State Direct Loan Administrative Fee Account	-	-	-	9,060	-	-	-	9,060
Federal Direct Loan Surplus Matching Account	-	-	-	1,578,426	-	-	-	1,578,426
DWRF Reloan Account	-	-	-	25,190,174	-	-	-	25,190,174
DWRF Administrative Fee Account	-	-	-	10,872,399	-	-	-	10,872,399
Subtotal – Drinking Water Revolving Fund	-	503,269	-	67,112,283	49,117,892	-	42,687,744	159,421,188
Colorado Water Resources and Power Development Authority – total cash and investments	\$ 592,583	\$ 42,936,744	\$ 45,915,599	\$ 171,695,215	\$ 117,460,123	\$ 13,301,000	\$ 165,641,946	\$ 557,543,210

**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, 2012**

	<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	-	484,614	-	-	-	-	484,614
Water Revenue Bonds Program	-	7,396	7,458,370	51,750,833	-	-	59,216,599
Animas-La Plata Account	-	-	-	-	-	1,523,273	1,523,273
Small Hydro Loan Program Project Accounts	-	-	-	-	-	-	-
Interim Loan Project Accounts	-	-	-	-	-	-	-
Authority Operating	-	-	-	2,047,306	-	39,536,494	41,583,800
Subtotal – Water Operations Fund	<u>-</u>	<u>492,010</u>	<u>15,958,370</u>	<u>53,798,139</u>	<u>-</u>	<u>41,059,767</u>	<u>111,308,286</u>
Water Pollution Control Revolving Fund:							
Clean Water Revenue Bonds, 1992 Series A	-	1	-	-	254,218	-	254,219
Clean Water Revenue Bonds, 1992 Series B	-	15	-	-	1,635,718	-	1,635,733
Clean Water Revenue Bonds, 1994 Series A	196,109	16	-	-	2,934,748	-	3,130,873
Clean Water Revenue Bonds, 1995 Series A	3,476	1	-	-	3,378,853	-	3,382,330
Clean Water Revenue Bonds, 1996 Series A	152,087	5,421	-	-	458,654	888	617,050
Clean Water Revenue Bonds, 1997 Series A	263,746	-	-	-	2,995,212	-	3,258,958
Clean Water Revenue Bonds, 1998 Series A	323,620	-	-	-	3,536,638	-	3,860,258
Clean Water Revenue Bonds, 1998 Series B	249,568	-	-	-	3,692,837	-	3,942,405
Clean Water Revenue Bonds, 1999 Series A	203,115	1,932	-	-	3,834,812	-	4,039,859
Clean Water Revenue Bonds, 2000 Series A	420,057	-	-	-	4,990,748	-	5,410,805
Clean Water Revenue Bonds, 2001 Series A	694,470	21,763	-	-	13,905,063	-	14,621,296
Refunding Revenue Bonds, 2001 Series A	-	2,713,417	-	-	-	-	2,713,417
Clean Water Revenue Bonds, 2002 Series A	201,938	1,508,204	-	-	13,638,483	-	15,348,625
Clean Water Revenue Bonds, 2002 Series B	22,006	-	-	-	7,560,211	-	7,582,217
Clean Water Revenue Bonds, 2003 Series A	100,441	-	-	-	4,508,759	-	4,609,200
Clean Water Revenue Bonds, 2004 Series A	1,153,670	-	-	-	20,330,237	-	21,483,907
Refunding Revenue Bonds, 2004 Series A	-	418,363	-	-	-	-	418,363
Clean Water Revenue Bonds, 2005 Series A	95,035	498,040	-	-	14,274,691	-	14,867,766
Clean Water Revenue Bonds, 2005 Series B	183,766	-	-	-	5,691,950	-	5,875,716
Refunding Revenue Bonds, 2005 Series A and A2	-	5,621,500	-	-	-	-	5,621,500
Clean Water Revenue Bonds, 2006 Series A	166,411	-	-	-	7,818,415	-	7,984,826
Clean Water Revenue Bonds, 2006 Series B	98,105	-	-	-	4,023,256	-	4,121,361
Clean Water Revenue Bonds, 2007 Series A	174,988	-	-	-	13,267,467	-	13,442,455
Clean Water Revenue Bonds, 2008 Series A	-	-	-	-	4,579,111	-	4,579,111
Clean Water Revenue Bonds, 2010 Series A	-	3,533	-	2,495,576	26,261,253	-	28,760,362
Clean Water Revenue Bonds, 2010 Series B	-	8,011	-	7,249,846	13,668,952	-	20,926,809
Clean Water Revenue Bonds, 2011 Series A	-	3,819	-	13,609,683	2,574,010	-	16,187,512
Direct Loan Project Accounts	-	-	-	9,240,627	-	-	9,240,627
WPCRF State Match Holding Account	-	-	-	-	-	2,079,465	2,079,465
Direct Loan Surplus Matching Account	-	-	-	-	-	1,448,469	1,448,469
CWSRF Reloan Account	-	-	-	-	-	40,170,474	40,170,474
WPCRF Administrative Fee Account	-	-	-	-	-	15,197,768	15,197,768
Subtotal – Water Pollution Control Revolving Fund	<u>4,702,608</u>	<u>10,804,036</u>	<u>-</u>	<u>32,595,732</u>	<u>179,814,296</u>	<u>58,897,064</u>	<u>286,813,736</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, 2012**

	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	45,234	576,861	-	-	3,283,660	-	3,905,755
Drinking Water Revenue Bonds, 1998 Series A	163,312	452,613	-	-	2,864,936	-	3,480,861
Drinking Water Revenue Bonds, 1999 Series A	393,547	523,427	-	-	6,223,996	-	7,140,970
Drinking Water Revenue Bonds, 2000 Series A	1,476	-	-	-	9,607,983	-	9,609,459
Drinking Water Revenue Bonds, 2002 Series A	58,309	-	-	-	3,526,982	-	3,585,291
Drinking Water Revenue Bonds, 2003 Series A	109,356	-	-	-	7,216,588	-	7,325,944
Drinking Water Revenue Bonds, 2003 Series B	326,366	383,948	-	-	3,999,661	-	4,709,975
Refunding Revenue Bonds, 2005 Series A	-	469,179	-	-	-	-	469,179
Drinking Water Revenue Bonds, 2006 Series A	50,592	177,502	-	-	3,782,428	-	4,010,522
Drinking Water Revenue Bonds, 2006 Series B	732,037	154	-	128,663	12,544,840	-	13,405,694
Drinking Water Revenue Bonds, 2008 Series A	-	61,944	-	-	5,500,597	-	5,562,541
Drinking Water Revenue Bonds, 2008 Series B	-	-	-	-	4,848,610	-	4,848,610
Drinking Water Revenue Bonds, 2011 Series A	-	5,028	-	11,024,735	9,850,311	-	20,880,074
Drinking Water Revenue Bonds, 2012 Series A	-	599	-	23,000,000	2	-	23,000,601
Federal Direct Loan Project Accounts	-	-	-	8,944,240	-	-	8,944,240
Drinking Water Funding Account	-	-	-	-	-	139,469	139,469
Drinking Water State Match Holding Account	-	-	-	-	-	363,800	363,800
State Direct Loan Surplus Matching Account	-	-	-	-	-	71,053	71,053
State Direct Loan Reloan Account	-	-	-	-	-	317,091	317,091
State Direct Loan Administrative Fee Account	-	-	-	-	-	9,060	9,060
Federal Direct Loan Surplus Matching Account	-	-	-	-	-	1,578,426	1,578,426
DWRP Reloan Account	-	-	-	-	-	25,190,174	25,190,174
DWRP Administrative Fee Account	-	-	-	-	-	10,872,399	10,872,399
Subtotal – Drinking Water Revolving Fund	<u>1,880,229</u>	<u>2,651,255</u>	<u>-</u>	<u>43,097,638</u>	<u>73,250,594</u>	<u>38,541,472</u>	<u>159,421,188</u>
Colorado Water Resources and Power Development Authority – total cash and investments	<u>\$ 6,582,837</u>	<u>\$ 13,947,301</u>	<u>\$ 15,958,370</u>	<u>\$ 129,491,509</u>	<u>\$ 253,064,890</u>	<u>\$ 138,498,303</u>	<u>\$ 557,543,210</u>

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**Independent Auditor's 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, 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, 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, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated April 16, 2013, which contained an emphasis-of-matter paragraph regarding a change in accounting principle.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that are considered to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Board of Directors
Colorado Water Resources and
Power Development Authority

Compliance

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 purpose of this communication is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
April 16, 2013

**Independent Auditor's 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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Colorado Water Resources and Power Development Authority (the Authority), a component unit of the State of Colorado, 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, 2012. 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.

Management's Responsibility

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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above.

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 on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

Board of Directors
Colorado Water Resources and
Power Development Authority

Opinion on Each Major Federal Program

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, 2012.

Report on Internal Control Over Compliance

The management the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
April 16, 2013

**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, 2012**

<u>Grantor program title</u>	<u>Federal grant number</u>	<u>Federal CFDA number</u>	<u>Grant award</u>	<u>Accrued January 1, 2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued December 31, 2012</u>
U.S. Environmental Protection Agency: Capitalization Grants for Clean Water State Revolving Funds:							
Base Program							
2009 Grant - ARRA	2W-97880801	66.458	31,347,700	\$ -	\$ 1,728,294	\$ 1,728,294	\$ -
2010 Grant		66.458	16,298,000	13,868	6,615,568	6,606,716	5,016
2011 Grant		66.458	12,389,500	-	-	-	-
2012 Grant		66.458	11,305,000	-	-	-	-
Total federal awards – WPCRF				13,868	8,343,862	8,335,010	5,016
Capitalization Grants for Drinking Water State Revolving Funds:							
2007 Grant		66.468	14,497,000	246,479	510,159	263,680	-
2008 Grant		66.468	14,350,000	450,457	1,250,602	860,831	60,686
2009 Grant		66.468	14,350,000	-	7,610,842	7,890,072	279,230
2009 Grant - ARRA	2F-97881401	66.468	34,352,000	25,928	989,366	963,438	-
2010 Grant		66.468	24,074,000	930,103	9,079,589	8,250,728	101,242
2011 Grant		66.468	16,439,000	-	1,032,928	2,256,684	1,223,756
2012 Grant		66.468	15,920,000	-	-	-	-
Total federal awards – DWRP				1,652,967	20,473,486	20,485,433	1,664,914
Total federal awards				\$ 1,666,835	\$ 28,817,348	\$ 28,820,443	\$ 1,669,930

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, 2012**

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, 2012**

Note 2: Subrecipients

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, 98% of the Capitalization Grants for Clean Water State Revolving Funds (WPCRF) and 69% of the Capitalization Grants for Drinking Water State Revolving Funds (DWRF) were provided to subrecipients as follows:

	<u>Federal grants Provided to Subrecipients</u>
Water Pollution Control Revolving Fund Projects (CFDA #66.458):	
Base Program	
Campo, Town of	\$ 148,947
Cheraw, Town of	18,450
Cheyenne Wells Sanitation District #1	650,567
Elizabeth, Town of	5,171
Empire, Town of	207,502
Glenwood Springs, City of	1,366,528
Mountain View Villages Water and Sanitation District	12,056
Naturita, Town of	57,019
Nederland, Town of	1,430,450
Olathe, Town of	62,635
Pueblo, City of	1,074,783
Pueblo West Metropolitan District	1,356,070
Silver Plume, Town of	86,959
Total Base Program	<u>6,477,137</u>
ARRA Grant	
Manitou Springs, City of	14,716
Pagosa Area Water and Sanitation District	<u>1,713,578</u>
Total ARRA	<u>1,728,294</u>
Total WPCRF	<u><u>\$ 8,205,431</u></u>

**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, 2012**

	Federal grants Provided to Subrecipients
Drinking Water Revolving Fund Projects (CFDA # 66.468):	
Base Program	
Alamosa, City of	\$ 75,225
Blanca, Town of	432,356
Colorado Springs Utilities	46,587
Grover, Town of	492,101
Hotchkiss, Town of	268,857
La Jara, Town of	199,545
Lamar, City of	1,064,871
Louviers Water and Sanitation District	11,452
Nunn, Town of	549,788
Orchard City, Town of	229,654
Rico, Town of	1,310,891
Rocky Ford, City of	1,323,262
Sterling, City of	6,147,359
Two Buttes, Town of	1,177,298
Total Base Program	13,329,246
ARRA Grant	
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	575,028
Ophir, Town of	5,000
Total ARRA	901,799
Total DWRP	\$ 14,231,045

**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, 2012**

Note 3: Set Asides

For the year ended December 31, 2012, the following DWRF grant amounts were used for the set aside programs:

	<u>Set aside amount</u>
DWRF program year:	
2007	\$ 263,681
2008	860,831
2009	823,710
2009 - ARRA	61,640
2010	1,987,843
2011	<u>2,256,683</u>
Total	<u>\$ 6,254,388</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, 2012**

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
 Significant deficiency(ies) identified? Yes None Reported
 Material weakness(es) identified? Yes No

3. Noncompliance material to financial statements noted? Yes No

Federal Awards

4. Internal control over major programs:
 Significant deficiency(ies) identified? Yes None Reported
 Material weakness(es) identified? Yes No

5. Types of auditor's report issued on compliance for major programs:
 Unmodified 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:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean 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, 2012**

8. Dollar threshold used to distinguish between Type A and Type B programs: \$864,613
9. Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

Reference Number	Finding	Questioned Costs
No matters are reportable.		

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding	Questioned Costs
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, 2012

Reference Number	Summary of Finding	Status
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No matters are reportable.

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