

**COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
Denver, Colorado**

**FINANCIAL STATEMENTS
June 30, 2009, 2008 and 2007**

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Accountant's Report

Board of Directors
Colorado Water Conservation Board
Denver, Colorado

We have compiled the accompanying statements of net assets of Colorado Water Conservation Board, Construction Fund as of June 30, 2009, 2008 and 2007 and the related statements of revenue, expenses and changes in net assets for the years then ended, and the accompanying supplemental information, which is presented only for additional analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplemental information, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplemental information and, accordingly, do not express an opinion or any other form of assurance on them. However, we did become aware of a departure from generally accepted accounting principles that is discussed in the following paragraph.

Generally accepted accounting principles require that loan origination fees received from borrowers, net of certain direct loan origination costs, if any, be deferred and recognized as an adjustment of the related loan yield using the interest method. Management has informed us that the Construction Fund has recognized loan origination fees as income in the year received. The effect of this departure from generally accepted accounting principles on financial position and results of operations has not been determined.

On June 30, 2009, \$70,250,000 was transferred out of the Construction Fund into the State of Colorado's general fund pursuant to Senate Bills 09-208 and 09-279. In July 2009, \$60,000,000 of these funds were returned to Colorado Water Conservation Board, the remaining balance will not be returned. The \$60,000,000 has been reflected in the financial statements as a receivable to Colorado Water Conservation Board as of June 30, 2009.

The financial statements of the Colorado Water Conservation Board, Construction Fund are intended to present the financial position of only that portion of the funds of the Colorado Water Conservation Board that is attributable to the transactions of the Colorado Water Conservation Board, Construction Fund.

Management has elected to omit substantially all of the disclosures, management's discussion and analysis, and the statements of cash flows required by generally accepted accounting principles. If the omitted disclosures, management's discussion and analysis, and statements of cash flows were included in the financial statements, they might influence the user's conclusions about the Colorado Water Conservation Board, Construction Fund's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Clifton Henderson LLP

Greenwood Village, Colorado
August 21, 2009

COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
STATEMENTS OF NET ASSETS
June 30, 2009, 2008 and 2007
(See Accountant's Compilation Report)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 34,453,939	\$ 132,144,603	\$ 115,634,016
Interest receivable on loans	3,667,018	3,572,903	3,832,811
Loans receivable	4,639,459	4,542,026	4,458,571
Prepaid expenses	56,846	56,112	54,565
Due from the State of Colorado	60,000,000	-	-
	<u>102,817,262</u>	<u>140,315,644</u>	<u>123,979,963</u>
NONCURRENT ASSETS			
Loans receivable - Long-term - Net of allowance for uncollectible account of \$157,392 in 2007, 2008 and 2009	210,170,488	170,121,433	169,209,274
Interest receivable - Long term	2,766,008	2,233,884	-
Total noncurrent assets	<u>212,936,496</u>	<u>172,355,317</u>	<u>169,209,274</u>
 Total assets	 <u>\$ 315,753,758</u>	 <u>\$ 312,670,961</u>	 <u>\$ 293,189,237</u>
LIABILITIES			
Accounts payable	\$ 2,946,768	\$ 3,675,771	\$ 3,521,857
Total liabilities	<u>2,946,768</u>	<u>3,675,771</u>	<u>3,521,857</u>
NET ASSETS			
Restricted			
Restricted for loans	212,862,314	172,355,317	169,209,274
Restricted for authorized projects under contract	45,682,925	81,295,219	9,893,986
Restricted for authorized projects not under contract	33,982,889	42,062,074	101,788,403
Unrestricted	20,278,862	13,282,580	8,775,717
Total net assets	<u>312,806,990</u>	<u>308,995,190</u>	<u>289,667,380</u>
 Total liabilities and net assets	 <u>\$ 315,753,758</u>	 <u>\$ 312,670,961</u>	 <u>\$ 293,189,237</u>

COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2009, 2008 and 2007
(See Accountant's Compilation Report)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
OPERATING REVENUE			
Interest revenue			
Net investment income	\$ 4,152,685	\$ 6,028,137	\$ 4,284,651
Interest earnings - Loans	7,029,196	7,386,672	6,757,178
Total interest revenue	<u>11,181,881</u>	<u>13,414,809</u>	<u>11,041,829</u>
Other revenue			
Mineral lease income	14,000,000	15,364,017	12,295,125
Transfer from Severance Tax Operational Account	42,359	-	1,508,248
Service charge on loans	258,395	105,537	269,804
Other	239,997	186,458	136,874
Total other revenue	<u>14,540,751</u>	<u>15,656,012</u>	<u>14,210,051</u>
Total operating revenue	<u>25,722,632</u>	<u>29,070,821</u>	<u>25,251,880</u>
OPERATING EXPENSE			
Interdepartmental operations			
CWCB - Operations	5,359,640	4,142,623	3,827,075
Division of Water Resources	418,751	432,356	436,837
Satellite monitoring	363,345	306,314	397,691
Executive Director's office	455,380	569,405	474,907
Attorney General's office	978,945	820,375	669,648
Nonreimbursable investments	4,084,771	3,471,938	4,072,391
Transfer to general fund	10,250,000	-	-
Total operating expense	<u>21,910,832</u>	<u>9,743,011</u>	<u>9,878,549</u>
OPERATING INCOME/CHANGE IN NET ASSETS	3,811,800	19,327,810	15,373,331
NET ASSETS - BEGINNING OF YEAR	<u>308,995,190</u>	<u>289,667,380</u>	<u>274,294,049</u>
NET ASSETS - END OF YEAR	<u>\$ 312,806,990</u>	<u>\$ 308,995,190</u>	<u>\$ 289,667,380</u>

SUPPLEMENTAL INFORMATION

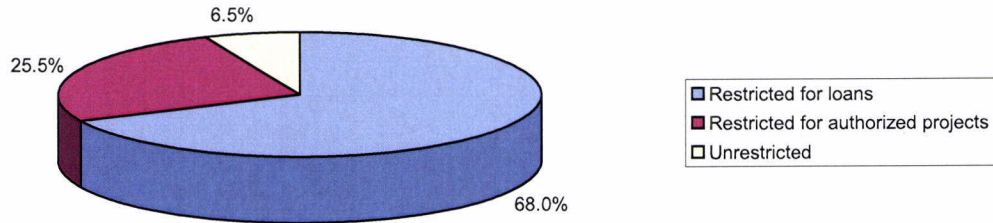
COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
SCHEDULES OF CASH SOURCES AND USES
Years ended June 30, 2009, 2008 and 2007
(See Accountant's Compilation Report)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
CASH SOURCES			
Mineral Lease income	\$ 14,000,000	\$ 15,364,017	\$ 12,295,125
Interest received on investments	4,152,685	6,028,137	4,284,651
Interest received on loans	6,402,957	5,412,696	7,027,789
Principal received on loans	19,859,747	5,578,122	5,043,050
Service charge on loans	258,395	105,537	269,804
Transfer from Severance Tax Operational Account	42,359	-	1,508,248
Other	239,997	186,458	136,874
Principal received - Severance Tax Trust Fund	-	-	294,904
	<u>44,956,140</u>	<u>32,674,967</u>	<u>30,860,445</u>
CASH USES			
Loan disbursements to borrowers	60,006,235	6,573,736	5,345,064
Nonreimbursable investments	4,814,508	3,676,523	4,946,107
Interdepartmental operations	7,576,061	5,914,121	5,289,660
Transfer to general fund	70,250,000	-	-
	<u>142,646,804</u>	<u>16,164,380</u>	<u>15,580,831</u>
CASH SOURCES IN EXCESS (DEFICIENCY) OF CASH USES	(97,690,664)	16,510,587	15,279,614
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>132,144,603</u>	<u>115,634,016</u>	<u>100,354,402</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 34,453,939</u>	<u>\$ 132,144,603</u>	<u>\$ 115,634,016</u>

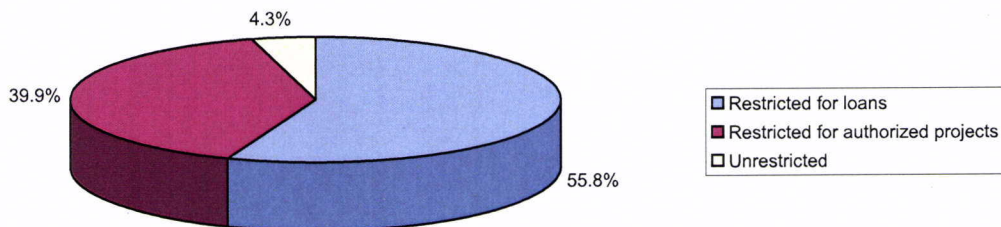
**COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
Graphs of Components of Fund Equity
June 30, 2009, 2008 and 2007**

(See accountant's compilation report)

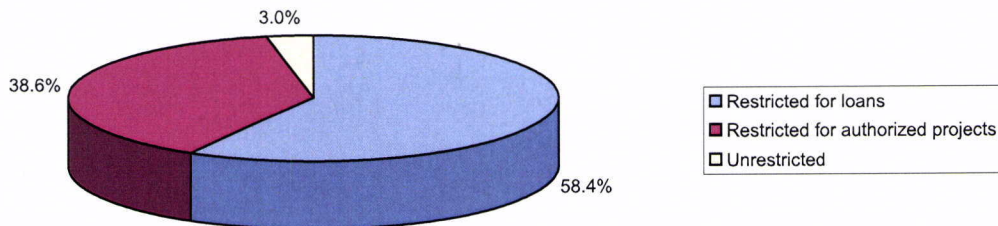
FUND EQUITY at June 30, 2009



FUND EQUITY at June 30, 2008



FUND EQUITY at June 30, 2007



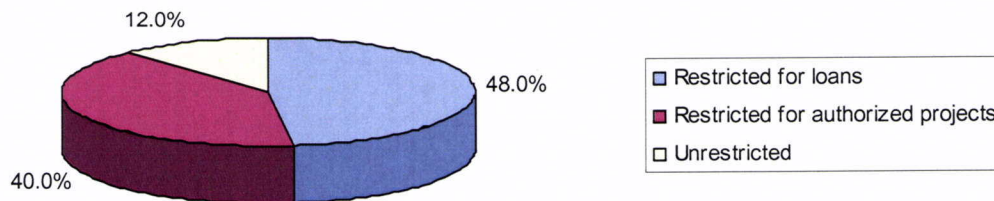
	2009	2008	2007
Restricted for loans	\$ 212,862,314	\$ 172,355,317	\$ 169,209,274
Restricted for authorized projects	79,665,814	123,357,293	111,682,389
Unrestricted	20,278,862	13,282,580	8,775,717
Total fund equity	<u>\$ 312,806,990</u>	<u>\$ 308,995,190</u>	<u>\$ 289,667,380</u>

CWCB SEVERANCE TAX TRUST FUND EXECUTIVE SUMMARY

The Severance Tax Trust Fund Perpetual Base Account (STTFPBA) for the fiscal year ending June 30, 2009 had an increase of approximately \$45.4 million in the net assets of the fund. The balance in the net assets is comprised of those assets that are restricted for loans and those that are unrestricted. Overall the restricted balance at year-end was \$295,919,570; this is a \$33,049,529 increase in restricted assets from the prior year. This increase was largely related to new loans that increased the amount in the restricted loans. The STTFPBA disbursed \$73,521,905 of new loans for the fiscal year ending June 30, 2009. The largest two loan recipients, Republican River Water Conservation District (\$50,165,571) and Yuma County Water Authority Public Improvement District (\$9,595,000), account for 81.3% of the loan activity in the STTFPBA for the fiscal year ending June 30, 2009.

Below is a snapshot of the STTFPBA balances for loans, authorized projects and unrestricted cash for the fiscal year ending June 30, 2009.

FUND EQUITY at June 30, 2009



Restricted for loans * =	\$161 M	(48.0%)
Restricted for authorized projects ** =	\$135 M	(40.0%)
Unrestricted (Available cash) =	<u>\$ 40 M</u>	<u>(12.0 %)</u>
Total Fund Equity =	<u>\$336 M</u>	(100.0%)

Note: * This includes loans in repayment and disbursements for loan projects in progress.

** This includes both loan and non-reimbursable water projects in progress.

Revenue for the year was up significantly from \$48 million in Fiscal Year 2008 to \$82 million in Fiscal Year 2009. The reason for the increase was a significant increase in the amount of severance tax revenue that was earned on oil and gas production. This increase resulted due to higher oil prices for part of the 2009 Fiscal Year as well as an increase in natural gas production in the Piceance Basin.

In June of 2009, the State of Colorado General Fund pursuant to Senate Bills 09-208 and 09-279 removed \$110,000,000 from the STTFPBA's cash account in order to reduce the State's budget deficit. Funds in the amount of \$75,000,000 were returned subsequent to year-end in July 2009. At year-end the \$75,000,000 was included as a receivable owed by the State of Colorado on the books for the STTFPBA. This amount was not reflected as a reduction in net assets as a result. The remaining balance of \$35,000,000 will not be returned to the STTFPBA and has been reflected as a reduction in net assets. Senate Bill 09-279 also included an additional withdrawal from the STTFPBA on July 1, 2009 in the amount of \$43,000,000. This amount was not included in the financial statements due to the payment not being a liability to the fund at year-end. Senate Bill 09-279 also states that on June 30, 2010, up to \$19,000,000 will be transferred from the STTFPBA to the State of Colorado General Fund. The exact amount of the withdrawal is unknown at this point and was not a liability of the STTFPBA at June 30, 2009.

Prepared by Steve Biondo, CWCB Finance Manager, with the assistance of Clifton Gunderson.