

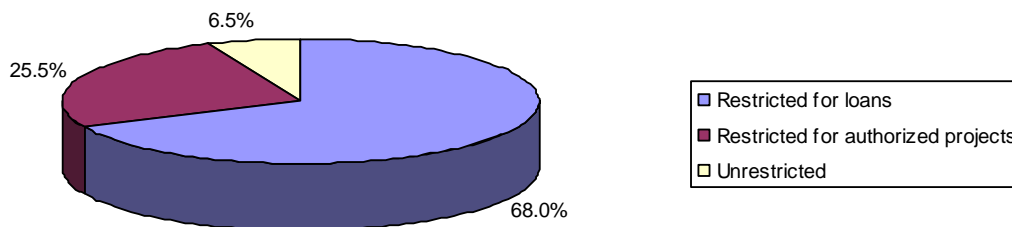
CWCB CONSTRUCTION FUND EXECUTIVE SUMMARY

The Construction Fund (CF) for the fiscal year ending June 30, 2009, had an increase of approximately \$3.8 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 \$292,528,128; this is a \$3,184,482 decline in restricted assets from the prior year. In the prior years, the increase that the CF has seen in net assets has been approximately \$15-19 million. The decline is primarily due to \$10,250,000 that was removed from the CF by the State of Colorado; see below for further discussion on this matter.

During 2009, the CF disbursed \$60,006,235 to entities in the form of low interest rate loan contracts to aid in the protection and development of the waters of the State of Colorado. The largest two of these loan contracts were to the City of Aurora for \$49,671,137 and Pagosa Area Water and Sanitation District for \$9,219,364. These two contracts account for 98.14% of the loan disbursements for the fiscal year ending June 30, 2009. As a result of the loan disbursements made during the fiscal year ending June 30, 2009, the Net Asset component of "Restricted for authorized projects under contract" decreased from \$81,295,219 on June 30, 2008 to \$45,682,925 on June 30, 2009 or a difference of \$35,612,294. The CF received \$19,859,747 in principal repayments from participating entities for the fiscal year ending June 30, 2009 as compared to \$5,578,696 for the fiscal year ending June 30, 2008. The increase was mainly attributed to the payoffs received from Consolidated Mutual Water Company (\$11,565,258) and Dolores Water Conservancy District (\$2,426,591).

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

FUND EQUITY at June 30, 2009



Restricted for loans * =	\$213 M	(68.0%)
Restricted for authorized projects ** =	\$ 80 M	(25.5%)
Unrestricted (Available cash) =	<u>\$ 20 M</u>	(6.5%)
Total Fund Equity =	<u>\$313 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 down for both interest revenue and other revenue. Interest revenue was down as a result in a decline in net investment income, which can be attributed to a decline in interest rates as well as a decline in the cash balance for the year. The decline in other revenue was attributed to a decline in the amount of revenue from the mineral lease income. The mineral lease revenue that is allocated to the CF was capped for the fiscal year ending June 30, 2009 at \$14 million by Senate Bill 08-218.

Operating expenses with the General Fund Transfer removed, increases about \$1.9 million over the prior year, the increase was due to increased operating costs as well as an increase in the non-reimbursable investments. The increase in the non-reimbursable investments is dependent on the drawdown requests from the participating agencies and outside sponsors. The amount remaining related to non-reimbursable investments has been restricted on the balance sheet under either the title "Restricted for authorized projects under contract" or "Restricted for authorized projects not under contract" depending on the status of the project. The increase in the operating expenses is due to the transfer of additional staff expenses from other funding sources as well as the respective increase in the overhead costs.

In June of 2009, the State of Colorado General Fund pursuant to Senate Bills 09-208 and 09-279 removed \$70,250,000 from the CF's cash accounts in order to reduce the State's budget deficit. Funds in the amount of \$60,000,000 were returned subsequent to year-end in July 2009 and have been reflected on the financial statements as "Due from the State of Colorado". This amount was not reflected as a reduction in net assets as a result of the subsequent payback to the CF in early July 2009. The remaining balance of \$10,250,000 will not be returned to the CF and has been reflected as a reduction in net assets.

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