

**COLORADO WATER CONSERVATION BOARD
SEVERANCE TAX TRUST FUND
Denver, Colorado**

**FINANCIAL STATEMENTS
June 30, 2011, 2010 and 2009**

TABLE OF CONTENTS

| | PAGE |
|---|----------|
| ACCOUNTANT'S COMPILATION REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| Statements of Net Assets | 3 |
| Statements of Revenue, Expenses and Changes in Net Assets | 4 |
| SUPPLEMENTAL INFORMATION..... | 5 |
| Schedules of Cash Sources and Uses..... | 6 |
| Severance Tax Trust Fund - Perpetual Base Account, Graphs of Components of Fund Equity | 7 |

Accountant's Compilation Report

Board of Directors
Colorado Water Conservation Board
Denver, Colorado

We have compiled the accompanying statements of net assets of Colorado Water Conservation Board, Severance Tax Trust Fund - Perpetual Base Account as of June 30, 2011, 2010 and 2009, 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. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary schedules in accordance with accounting principles generally accepted in the United States of America, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements and supplementary schedules.

The financial statements of the Colorado Water Conservation Board, Severance Tax Trust Fund - Perpetual Base Account 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, Severance Tax Trust Fund - Perpetual Base Account.

In fiscal year 2010, House Bill 10-1388 approved the transfer of \$11,000,000 from the Severance Tax Trust Fund into the State of Colorado's general fund. In fiscal year 2011, Senate Bill 11-164 was passed that changed the amount of the transfer on June 30, 2011 to \$16,000,000. None of the funds removed in fiscal year 2011 will be returned to the Severance Tax Trust Fund. Senate Bill 11-226 approved the transfer of an additional \$25,000,000 out of

the Severance Tax Trust Fund to the State of Colorado's general fund on July 1, 2011. This amount has been removed from unrestricted net assets at June 30, 2011 and placed as restricted under amounts being transferred to the general fund. Senate Bill 11-226 also has authorized \$23,100,000 to be transferred from the Severance Tax Trust Fund to the State of Colorado's general fund on June 30, 2012. This amount has not been reflected as a payable due to the funds not being owed until the end of fiscal year 2012.

House Bill 10-1250 authorized the State Treasurer to transfer \$36,000,000 from the Severance Tax Trust Fund to the Construction Fund for the purchase of all or a portion of Colorado's allotment of the Animas-La-Plata project water. These funds are being transferred to the Construction Fund account annually commencing June 30, 2011 in annual installments of \$12,000,000. The first payment of \$12,000,000 was transferred to the Construction Fund as scheduled on June 30, 2011. The remaining transfer of \$24,000,000 has not been restricted for authorized projects and therefore, if it had been restricted for authorized projects, unrestricted net assets would fall to a deficit of \$(15,745,316). If, on June 30, 2015, any monies appropriated to the Construction Fund have not been fully expended, the unexpended money would be deauthorized and returned to the Severance Tax Trust Fund.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Colorado Water Conservation Board, Severance Tax Trust Fund - Perpetual Base Account financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Management has elected to omit the management's discussion and analysis information that is required to be presented for additional analysis. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

Clifton Gundersen LLP

Greenwood Village, Colorado
November 1, 2011

COLORADO WATER CONSERVATION BOARD
SEVERANCE TAX TRUST FUND - PERPETUAL BASE ACCOUNT
STATEMENTS OF NET ASSETS
June 30, 2011, 2010 and 2009

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-----------------------|-----------------------|-----------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 127,927,951 | \$ 126,915,959 | \$ 93,984,220 |
| Interest receivable on loans | 4,536,687 | 3,002,856 | 2,879,170 |
| Loans receivable | 4,297,845 | 3,605,226 | 3,173,352 |
| Due from the Department of Natural Resources | - | 6,548 | - |
| Due from the State of Colorado | - | - | 75,000,000 |
| Total current assets | <u>136,762,483</u> | <u>133,530,589</u> | <u>175,036,742</u> |
| NONCURRENT ASSETS | | | |
| Loans receivable - long-term | <u>175,553,093</u> | <u>163,714,036</u> | <u>161,337,149</u> |
| Total noncurrent assets | <u>175,553,093</u> | <u>163,714,036</u> | <u>161,337,149</u> |
| Total assets | <u>\$ 312,315,576</u> | <u>\$ 297,244,625</u> | <u>\$ 336,373,891</u> |
| LIABILITIES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| NET ASSETS | | | |
| Restricted | | | |
| Restricted for loans | \$ 175,552,046 | \$ 163,714,036 | \$ 161,337,149 |
| Restricted for authorized projects under contract | 38,227,599 | 50,800,459 | 54,572,668 |
| Restricted for authorized projects not under contract | 66,941,715 | 77,864,620 | 80,009,724 |
| Restricted for transfer to general fund | 25,000,000 | - | - |
| Unrestricted | <u>6,594,216</u> | <u>4,865,510</u> | <u>40,454,350</u> |
| Total net assets | <u>312,315,576</u> | <u>297,244,625</u> | <u>336,373,891</u> |
| Total liabilities and net assets | <u>\$ 312,315,576</u> | <u>\$ 297,244,625</u> | <u>\$ 336,373,891</u> |

See accountant's compilation report

**COLORADO WATER CONSERVATION BOARD
SEVERANCE TAX TRUST FUND - PERPETUAL BASE ACCOUNT
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2011, 2010 and 2009**

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|------------------------------|------------------------------|------------------------------|
| OPERATING REVENUE | | | |
| Interest revenue | | | |
| Net investment income | \$ 2,597,026 | \$ 3,095,952 | \$ 6,332,943 |
| Interest earnings - loans | <u>5,475,195</u> | <u>3,966,943</u> | <u>4,738,681</u> |
| Total interest revenue | <u>8,072,221</u> | <u>7,062,895</u> | <u>11,071,624</u> |
| Other revenue | | | |
| Severance tax | <u>35,011,669</u> | <u>17,856,646</u> | <u>71,253,177</u> |
| Total operating revenue | <u>43,083,890</u> | <u>24,919,541</u> | <u>82,324,801</u> |
| OPERATING EXPENSES | | | |
| Nonreimbursable investments | - | - | 1,716,142 |
| Transfers to general and other funds | <u>28,012,939</u> | <u>64,048,807</u> | <u>35,163,769</u> |
| | <u>28,012,939</u> | <u>64,048,807</u> | <u>36,879,911</u> |
| OPERATING INCOME (LOSS)/CHANGE IN NET ASSETS | 15,070,951 | (39,129,266) | 45,444,890 |
| NET ASSETS - BEGINNING OF YEAR | <u>297,244,625</u> | <u>336,373,891</u> | <u>290,929,001</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 312,315,576</u></u> | <u><u>\$ 297,244,625</u></u> | <u><u>\$ 336,373,891</u></u> |

See accountant's compilation report.

SUPPLEMENTAL INFORMATION

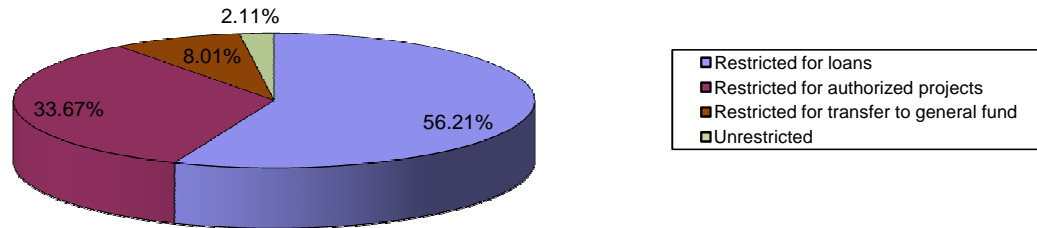
COLORADO WATER CONSERVATION BOARD
SEVERANCE TAX TRUST FUND - PERPETUAL BASE ACCOUNT
SCHEDULES OF CASH SOURCES AND USES
Years Ended June 30, 2011, 2010 and 2009

| | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-----------------------|-----------------------|----------------------|
| CASH SOURCES | | | |
| Severance tax | \$ 35,011,669 | \$ 17,856,646 | \$ 71,253,177 |
| Interest received on investments | 2,597,026 | 3,095,952 | 6,332,943 |
| Interest received on loans | 3,941,364 | 3,843,257 | 4,253,124 |
| Principal received on loans | 4,093,484 | 4,151,218 | 3,099,696 |
| Special bills | 6,548 | 75,000,000 | - |
| | <u>45,650,091</u> | <u>103,947,073</u> | <u>84,938,940</u> |
| CASH USES | | | |
| Loan disbursements to borrowers | 16,625,160 | 6,959,979 | 73,521,905 |
| Nonreimbursable investments | - | - | 1,716,142 |
| Special bills | 28,012,939 | 64,055,355 | 110,163,769 |
| | <u>44,638,099</u> | <u>71,015,334</u> | <u>185,401,816</u> |
| CASH SOURCES IN EXCESS (DEFICIENCY) OF CASH USES | 1,011,992 | 32,931,739 | (100,462,876) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>126,915,959</u> | <u>93,984,220</u> | <u>194,447,096</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 127,927,951</u> | <u>\$ 126,915,959</u> | <u>\$ 93,984,220</u> |

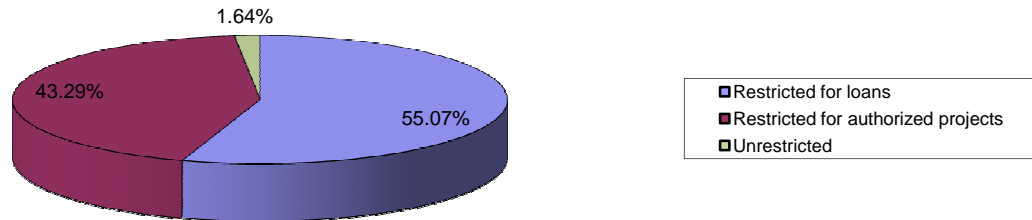
See accountant's compilation report.

COLORADO WATER CONSERVATION BOARD
SEVERANCE TAX TRUST FUND - PERPETUAL BASE ACCOUNT
Graphs of Components of Fund Equity
June 30, 2011, 2010 and 2009

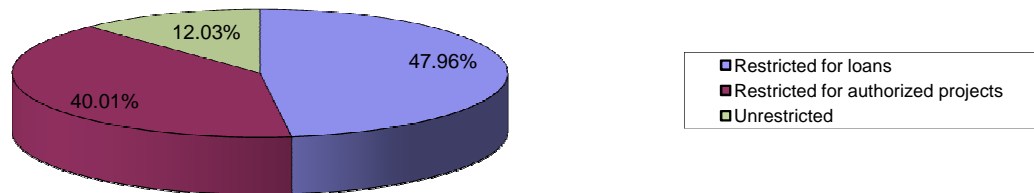
FUND EQUITY at June 30, 2011



FUND EQUITY at June 30, 2010



FUND EQUITY at June 30, 2009



| | 2011 | 2010 | 2009 |
|---|-----------------------|-----------------------|-----------------------|
| Restricted for loans | \$ 175,552,046 | \$ 163,714,036 | \$ 161,337,149 |
| Restricted for authorized projects | 105,169,314 | 128,665,079 | 134,582,392 |
| Restricted for transfer to general fund | 25,000,000 | - | - |
| Unrestricted | 6,594,216 | 4,865,510 | 40,454,350 |
| Total fund equity | <u>\$ 312,315,576</u> | <u>\$ 297,244,625</u> | <u>\$ 336,373,891</u> |

See accountant's compilation report