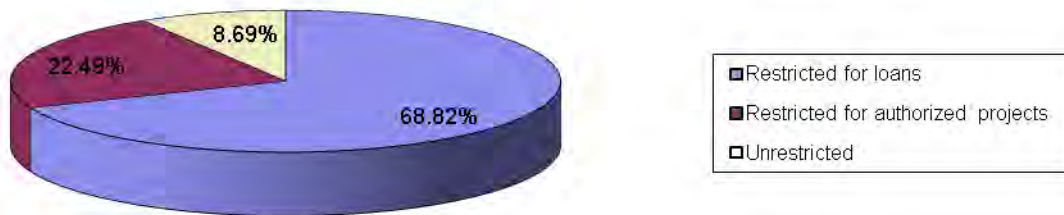


CWCB CONSTRUCTION FUND EXECUTIVE SUMMARY

The Construction Fund (CF) for the year ending June 30, 2011 had an increase of approximately \$27 million in the net assets of the CF. The balance in the net assets is comprised of those assets that are restricted for loans and non-reimbursable water projects and those that are unrestricted. Overall the restricted balance at year-end was \$320,182,746; this is a \$19,947,560 increase in restricted assets from the prior year.

During 2011, the CF disbursed \$9,084,266 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 three of these loan contracts were to the Farmers Reservoir and Irrigation Company for approximately \$1,628,000 (a portion of the \$3,535,000 loan), Fort Morgan Reservoir and Irrigation Company for approximately \$1,175,000 (a portion of the \$1,494,800 loan) and WRCC, Inc. for \$1,057,000 (remaining of the \$1,352,592 loan). These three contracts account for 42.5% of the loan disbursements for the year ending June 30, 2011. As a result of the disbursements made during the year ending June 30, 2011, the Net Asset component of "Restricted for authorized projects under contract" decreased by \$3,048,791 from \$23,804,268 at June 30, 2010 to \$20,755,477 at June 30, 2011. The CF received \$5,461,920 in principal repayments from participating entities for the fiscal year ending June 30, 2011 as compared to \$5,594,064 for the year ending June 30, 2010.

FUND EQUITY at June 30, 2011



Restricted for loans * =	\$241 M	(68.8%)
Restricted for authorized projects ** =	\$ 79 M	(22.5%)
Unrestricted (Available Cash) =	<u>\$ 30 M</u>	<u>(8.7%)</u>
Total Fund Equity =	<u>\$350 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 increased from \$23 million during the year ending June 30, 2010 to \$38 million during the year ending June 30, 2011. However, net investment income decreased as a result of a decline in interest rates. Interest earned on loans had increased from the prior year as a result of loans that were completed in the prior fiscal year which are beginning to be repaid. Other revenue also increased. Mineral lease income that is allocated to the CF was capped for the year ending June 30, 2011 at \$15,142,400 by Senate Bill 08-218; however, the mineral lease income allocated to the CF during the year was \$14,722,345; which is still an increase of \$2,998,050 from the prior year. The increase in other revenue also included a transfer from the Severance Tax Trust Fund Perpetual Account to the CF for \$12,000,000 on June 30, 2011 per House Bill 10-1250 for the Animas-La-Plata Project Water; over the next two years, additional annual amounts of \$12,000,000 will also be transferred to the CF totaling \$36,000,000.

Operating expenses decreased about \$951,000 during the year ending June 30, 2011 from the year ending June 30, 2010. This is primarily due to a decrease in non-reimbursable investment disbursements. The change in the non-reimbursable investments is dependent upon 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.

In July 2009, funds of \$60,000,000 that were transferred to the State of Colorado's General Fund in the prior year were returned to the CF. The State of Colorado did not return any additional transfers to the CF during Fiscal Year 2011.

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