



**COLORADO**  
Colorado Water  
Conservation Board  
Department of Natural Resources

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**TO:** Colorado Water Conservation Board Members

**FROM:** Steve Biondo, Finance Manager  
Kirk Russell, P.E., Chief  
Finance Section

**DATE:** November 18-19, 2015 Board Meeting

**AGENDA ITEM:** #6b - Construction Fund and Severance Tax Perpetual Base Fund  
Annual Financial Statements

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*This is an informational item only. No Board action is required.*

The Colorado Water Conservation Board (CWCB) has contracted with a responsible independent accounting firm for the purpose of preparing Compilation Reports (Reports) of the CWCB Construction Fund (CF) and Severance Tax Perpetual Base Fund (STPBF) Financial Statements.

CWCB entered into a contract with CliftonLarsonAllen, LLP in July 2011 to complete the work outlined in the Scope of Work for the Reports during the 2011 bidding process.

The CF and STPBF Financial Statements Update will be presented and questions will be addressed for the Fiscal Year ending June 30, 2015 at the November 2015 Board Meeting. CWCB Executive Summaries and Comparative Financial Statements for the Fiscal Years 2015, 2014, and 2013 are attached for informational purposes only.

**Attachments:**

1. CWCB Construction Fund Executive Summary
2. CWCB Construction Fund Financial Statements
3. CWCB Severance Tax Perpetual Base Fund Executive Summary
4. CWCB Severance Tax Perpetual Base Fund Financial Statements



## CWCB CONSTRUCTION FUND EXECUTIVE SUMMARY

The Construction Fund (CF) for the year ending June 30, 2015 had an increase of approximately \$42.5 M in the net assets of the CF. The balance in the net assets is comprised of those assets that are designated for loans, projects under contract, projects not under contract, water rights available for resale, and those that are undesignated. Overall the designated balance at year-end was \$462 M; this is a \$3 M increase in designated assets from the prior year.

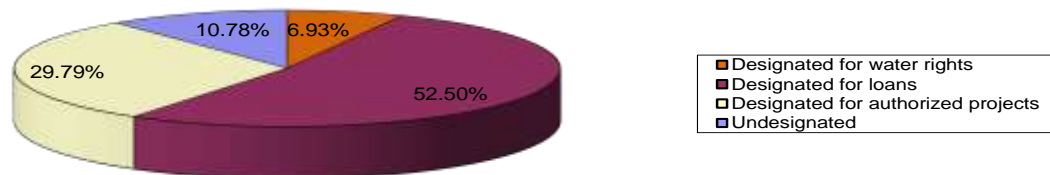
During 2015, the CF disbursed approximately \$51.2 M to entities in the form of low interest rate loan contracts to aid in the protection and development of the waters of the State of Colorado. The three largest loans were to the Roxborough Water and Sanitation District for \$18.4 M, Parker Water and Sanitation District for \$4.4 M and Colorado Parks and Wildlife for \$4.2 M (a portion of the \$10 M loan). These three loans account for approximately 53% of the loan disbursements for the year ending June 30, 2015. The loan disbursements made during the year ending June 30, 2015 increased the “Designated for loans” receivable by \$36.7 M (net of loans paid in full). The CF received \$13.5 M in principal repayments from participating entities for the fiscal year ending June 30, 2015 as compared to \$9.7 M for the year ending June 30, 2014.

Interest revenue and other revenue had a decrease of approximately \$13.2 M from \$70.6 M in 2014 to \$57.4 M in 2015. This was related to a \$30 M transfer from the General Fund during the year and a decrease from \$45 M in Severance Tax Perpetual Base Fund (ST) transfers from the previous year to zero ST transfers in 2015. Mineral lease income that is allocated to the CF was \$14.4 M also down by \$2.6 M from the previous year.

Total expenses remained relatively stable, decreasing by \$1.1 M from \$16.0 M in 2014 to \$14.9 M in 2015. Non-reimbursable investment expenses also decreased by \$1.3 M from \$8.7 M in 2014 to \$7.4 M in 2015.

Overall, the CF ended in a good position with \$55.8 M in funds available for new project loans and other expenses. With the start-up of WISE loan projects and the Chatfield Reallocation Project, Fiscal Year 2016 has much to look forward to.

**NET POSITION at June 30, 2015**



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

**FINANCIAL STATEMENTS**  
June 30, 2015, 2014 and 2013

## TABLE OF CONTENTS

	PAGE
<b>ACCOUNTANTS' COMPILATION REPORT .....</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position.....	2
Statements of Revenue, Expenses and Changes in Net Position .....	3
<b>SUPPLEMENTARY INFORMATION .....</b>	<b>4</b>
Schedules of Cash Sources and Uses.....	5
Graphs of Components of Net Position.....	6

## **ACCOUNTANTS' COMPILATION REPORT**

Board of Directors  
Colorado Water Conservation Board  
Denver, Colorado

Management is responsible for the accompanying financial statements of Colorado Water Conservation Board, Construction Fund, which comprise the statements of net position as of June 30, 2015, 2014 and 2013 and the related statements of revenue, expenses and changes in net position for the years then ended in accordance with the accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

The supplementary information appearing on pages 5 and 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. This information was subject to our compilation engagement; however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such information.

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 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.

Broomfield, Colorado  
November 4, 2015

**COLORADO WATER CONSERVATION BOARD**  
**CONSTRUCTION FUND**  
**STATEMENTS OF NET POSITION**  
**June 30, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 201,112,324	\$ 195,340,384	\$ 151,983,838
Interest receivable on loans	3,787,267	4,209,518	3,594,536
Loans receivable	7,489,055	6,577,811	6,005,369
Prepaid items	-	8,258	43,132
	<u>212,388,646</u>	<u>206,135,971</u>	<u>161,626,875</u>
<b>NONCURRENT ASSETS</b>			
Loans receivable - long-term - net of allowance for uncollectible account of \$126,959 in 2015, \$131,661 in 2014 and \$211,771 in 2013	268,726,814	231,850,827	222,491,774
Interest receivable - long term	2,846,737	3,016,607	3,317,545
Water rights	<u>35,868,420</u>	<u>35,868,420</u>	<u>35,868,420</u>
Total noncurrent assets	<u>307,441,971</u>	<u>270,735,854</u>	<u>261,677,739</u>
 Total assets	 <u>\$ 519,830,617</u>	 <u>\$ 476,871,825</u>	 <u>\$ 423,304,614</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,548,111	\$ 2,041,012	\$ 3,039,764
Total liabilities	<u>2,548,111</u>	<u>2,041,012</u>	<u>3,039,764</u>
<b>NET POSITION</b>			
Designated			
Designated for water rights	35,868,420	35,868,420	35,868,420
Designated for loans	271,573,551	234,867,434	225,809,319
Designated for authorized projects under contract	71,299,911	68,576,692	37,796,458
Designated for authorized projects not under contract	82,767,153	125,810,026	93,619,289
Undesignated	<u>55,773,471</u>	<u>9,708,241</u>	<u>27,171,364</u>
Total net position	<u>517,282,506</u>	<u>474,830,813</u>	<u>420,264,850</u>
 Total liabilities and net position	 <u>\$ 519,830,617</u>	 <u>\$ 476,871,825</u>	 <u>\$ 423,304,614</u>

See accountants' compilation report.

**COLORADO WATER CONSERVATION BOARD**  
**CONSTRUCTION FUND**  
**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**Years Ended June 30, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUE</b>			
Interest revenue			
Net investment income	\$ 1,895,398	\$ 1,207,335	\$ 1,486,607
Interest earnings - loans	<u>7,868,040</u>	<u>7,044,443</u>	<u>8,998,555</u>
Total interest revenue	<u>9,763,438</u>	<u>8,251,778</u>	<u>10,485,162</u>
Other revenue			
Mineral lease income	14,395,034	17,033,141	11,570,160
Transfer from Severance Tax PB Fund	-	45,000,000	33,000,000
Transfer from General Fund	30,000,000	-	-
Service charge on loans	74,985	119,757	908,851
Other	<u>3,161,446</u>	<u>201,000</u>	<u>2,485,424</u>
Total other revenue	<u>47,631,465</u>	<u>62,353,898</u>	<u>47,964,435</u>
Total operating revenue	<u>57,394,903</u>	<u>70,605,676</u>	<u>58,449,597</u>
<b>OPERATING EXPENSE</b>			
Interdepartmental operations			
CWCB - Operations	5,754,267	5,427,734	5,966,201
Division of Water Resources	260,318	306,942	431,019
Satellite monitoring	334,568	340,744	273,015
Executive Director's office	544,105	770,275	710,797
Attorney General's office	648,823	514,917	471,573
Nonreimbursable investments	<u>7,401,129</u>	<u>8,679,101</u>	<u>7,776,910</u>
Total operating expense	<u>14,943,210</u>	<u>16,039,713</u>	<u>15,629,515</u>
<b>OPERATING INCOME/CHANGE IN NET POSITION</b>	42,451,693	54,565,963	42,820,082
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>474,830,813</u>	<u>420,264,850</u>	<u>377,444,768</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 517,282,506</u>	<u>\$ 474,830,813</u>	<u>\$ 420,264,850</u>

See accountants' compilation report.

## **SUPPLEMENTARY INFORMATION**



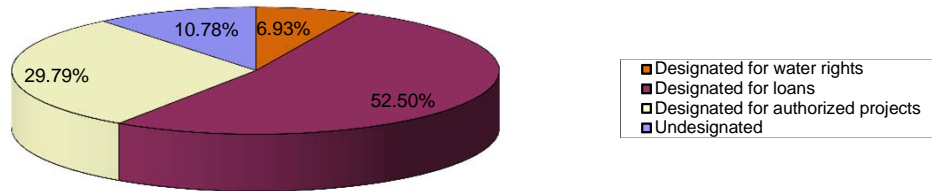
**COLORADO WATER CONSERVATION BOARD**  
**CONSTRUCTION FUND**  
**SCHEDULES OF CASH SOURCES AND USES**  
**Years ended June 30, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>CASH SOURCES</b>			
Mineral lease income	\$ 14,395,034	\$ 17,033,141	\$ 11,570,160
Interest received on investments	1,895,398	1,207,335	1,486,607
Interest received on loans	8,460,161	6,730,399	9,816,592
Principal received on loans	13,454,495	9,686,865	21,567,917
Service charge on loans	74,985	119,757	908,851
Transfer from Severance Tax Trust Fund	-	45,000,000	33,000,000
Transfer from General Fund	30,000,000	-	-
Other revenue	3,161,446	201,000	2,485,424
	<u>71,441,519</u>	<u>79,978,497</u>	<u>80,835,551</u>
<b>CASH USES</b>			
Loan disbursements to borrowers	51,241,726	19,618,360	17,567,554
Nonreimbursable investments	6,894,030	9,677,853	7,279,826
Interdepartmental operations	7,533,823	7,325,738	7,860,963
Water rights acquisition	-	-	23,868,420
	<u>65,669,579</u>	<u>36,621,951</u>	<u>56,576,763</u>
<b>CASH SOURCES IN EXCESS OF CASH USES</b>	5,771,940	43,356,546	24,258,788
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>195,340,384</u>	<u>151,983,838</u>	<u>127,725,050</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 201,112,324</u>	<u>\$ 195,340,384</u>	<u>\$ 151,983,838</u>

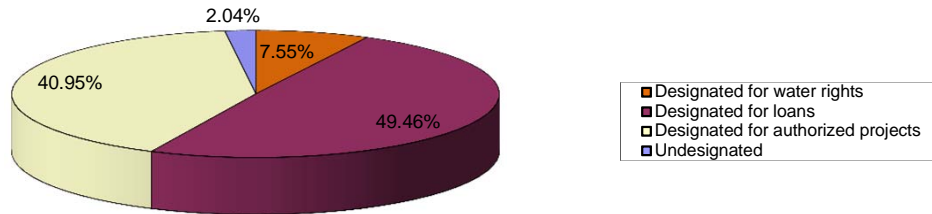
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**COLORADO WATER CONSERVATION BOARD  
CONSTRUCTION FUND  
GRAPHS OF COMPONENTS OF NET POSITION  
June 30, 2015, 2014 and 2013**

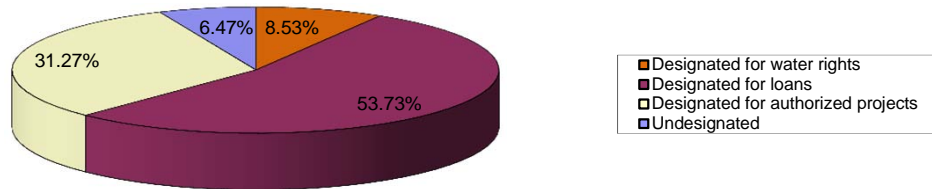
**NET POSITION at June 30, 2015**



**NET POSITION at June 30, 2014**



**NET POSITION at June 30, 2013**



Designated for water rights	\$ 35,868,420	\$ 35,868,420	\$ 35,868,420
Designated for loans	271,573,551	234,867,434	225,809,319
Designated for authorized projects	154,067,064	194,386,718	131,415,747
Undesignated	55,773,471	9,708,241	27,171,364
Total net position	<u>\$ 517,282,506</u>	<u>\$ 474,830,813</u>	<u>\$ 420,264,850</u>

See accountants' compilation report

## CWCB SEVERANCE TAX PERPETUAL BASE FUND EXECUTIVE SUMMARY

The Severance Tax Perpetual Base Fund (STPBF) for the year ending June 30, 2015 had an increase of \$64.9 M in net assets. The balance in net assets is comprised of those assets that are designated for loans, projects under contract, projects not under contract, those restricted for transfers, and those that are undesignated. Overall the designated balance at year-end was \$353 M; this is a \$17 M increase in designated assets from the prior year.

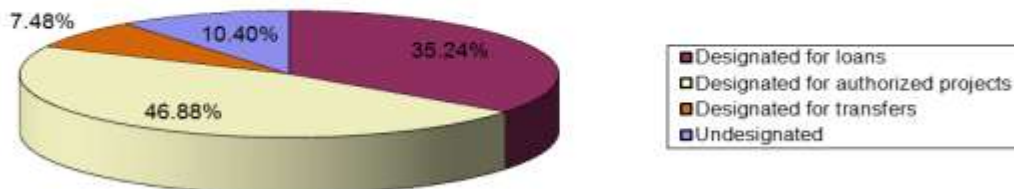
During 2015, the STPBF disbursed approximately \$9.7 M to entities in the form of low interest rate loan contracts to aid in the protection and development of the waters of the State of Colorado. The three largest loans were to the Penrose Water District for \$3.9 M (a portion of the \$8.8 M loan), Lower Poudre Augmentation Company for \$1.1 M and Consolidated Home Supply Ditch and Reservoir Company for approximately \$1.1 M (a portion of the \$1.8 M loan). These three loans account for approximately 63% of the total loan disbursements for the year ending June 30, 2015. The “Designated for loans” receivable decreased by \$7.9 M primarily due to loans paid in full during the year. The STPBF received \$17.8 M in principal repayments from participating entities for the fiscal year ending June 30, 2015 as compared to \$12.5 M for the year ending June 30, 2014.

Interest revenue and other revenue had an increase of approximately \$9.4 M from \$66.0 M in 2014 to \$75.4 M in 2015. This is due primarily to a significant increase in the amount of severance tax revenue that was earned on oil and gas production. Net Severance Tax revenue was \$57.9 M in 2015 up from \$50.4 M in 2014.

Total expenses decreased by approximately \$38.4 M from \$48.9 M in 2014 to \$10.5 M in 2015; as a result of the decrease in projects approved by the General Assembly.

Overall, the STPBF ended in a good position with \$41.0 M in funds available for new project loans and other expenses. With the start-up of the Chatfield Reallocation Project loans, Fiscal Year 2016 has much to look forward to.

**NET POSITION at June 30, 2015**



**COLORADO WATER CONSERVATION BOARD  
SEVERANCE TAX PERPETUAL BASE FUND  
Denver, Colorado**

**FINANCIAL STATEMENTS**  
June 30, 2015, 2014 and 2013

## TABLE OF CONTENTS

	PAGE
<b>ACCOUNTANTS' COMPILATION REPORT .....</b>	<b>1</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position.....	2
Statements of Revenue, Expenses and Changes in Net Position .....	3
<b>SUPPLEMENTARY INFORMATION .....</b>	<b>4</b>
Schedules of Cash Sources and Uses.....	5
Graphs of Components of Net Position.....	6

## **ACCOUNTANTS' COMPILATION REPORT**

Board of Directors  
Colorado Water Conservation Board  
Denver, Colorado

Management is responsible for the accompanying financial statements of Colorado Water Conservation Board, Severance Tax Perpetual Base Fund, which comprise the statements of net position as of June 30, 2015, 2014 and 2013 and the related statements of revenue, expenses and changes in net position for the years then ended in accordance with the accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

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

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.

Broomfield, Colorado  
November 4, 2015

**COLORADO WATER CONSERVATION BOARD  
SEVERANCE TAX PERPETUAL BASE FUND  
STATEMENTS OF NET POSITION  
June 30, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 246,363,160	\$ 174,010,057	\$ 152,976,713
Interest receivable on loans	2,600,356	1,956,308	2,765,024
Loans receivable	<u>6,429,737</u>	<u>6,588,024</u>	<u>6,208,336</u>
Total current assets	<u>255,393,253</u>	<u>182,554,389</u>	<u>161,950,073</u>
<b>NONCURRENT ASSETS</b>			
Loans receivable - long-term	<u>138,973,949</u>	<u>146,893,358</u>	<u>150,408,233</u>
Total noncurrent assets	<u>138,973,949</u>	<u>146,893,358</u>	<u>150,408,233</u>
 Total assets	 <u>\$ 394,367,202</u>	 <u>\$ 329,447,747</u>	 <u>\$ 312,358,306</u>
<b>LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Designated			
Designated for loans	138,973,949	146,893,358	150,408,233
Designated for authorized projects under contract	27,428,425	24,011,141	18,472,949
Designated for authorized projects not under contract	157,455,164	154,879,804	66,411,467
Designated for transfer to construction fund	29,500,000	-	17,000,000
Designated for transfer to CDPHE	-	10,000,000	-
Undesignated	<u>41,009,664</u>	<u>(6,336,556)</u>	<u>60,065,657</u>
Total net position	<u>394,367,202</u>	<u>329,447,747</u>	<u>312,358,306</u>
 Total liabilities and net position	 <u>\$ 394,367,202</u>	 <u>\$ 329,447,747</u>	 <u>\$ 312,358,306</u>

See accountants' compilation report

**COLORADO WATER CONSERVATION BOARD  
SEVERANCE TAX PERPETUAL BASE FUND  
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
Years Ended June 30, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUE</b>			
Interest revenue			
Net investment income	\$ 2,205,963	\$ 1,467,951	\$ 1,439,707
Interest earnings - loans	<u>5,349,585</u>	<u>4,170,815</u>	<u>4,286,271</u>
Total interest revenue	<u>7,555,548</u>	<u>5,638,766</u>	<u>5,725,978</u>
Other revenue			
Severance tax	<u>67,872,895</u>	<u>60,392,518</u>	<u>32,354,809</u>
Total operating revenue	<u>75,428,443</u>	<u>66,031,284</u>	<u>38,080,787</u>
<b>OPERATING EXPENSES</b>			
Non-Reimbursable-Agricultural Emergency Drought	444,594	911,279	1,000,000
Transfers to general and other funds	<u>10,064,394</u>	<u>48,030,564</u>	<u>33,591,471</u>
	<u>10,508,988</u>	<u>48,941,843</u>	<u>34,591,471</u>
<b>OPERATING INCOME / CHANGE IN NET POSITION</b>	64,919,455	17,089,441	3,489,316
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>329,447,747</u>	<u>312,358,306</u>	<u>308,868,990</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 394,367,202</u>	<u>\$ 329,447,747</u>	<u>\$ 312,358,306</u>

See accountants' compilation report.



## **SUPPLEMENTARY INFORMATION**

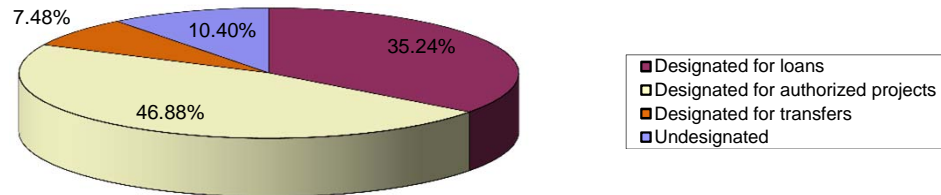
**COLORADO WATER CONSERVATION BOARD  
SEVERANCE TAX PERPETUAL BASE FUND  
SCHEDULES OF CASH SOURCES AND USES  
Years Ended June 30, 2015, 2014 and 2013**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>CASH SOURCES</b>			
Severance tax	\$ 67,872,895	\$ 60,392,518	\$ 38,444,430
Interest received on investments	2,205,963	1,467,951	1,439,707
Interest received on loans	4,705,537	4,979,531	6,181,759
Principal received on loans	<u>17,794,727</u>	<u>12,515,130</u>	<u>8,101,476</u>
	<u>92,579,122</u>	<u>79,355,130</u>	<u>54,167,372</u>
<b>CASH USES</b>			
Loan disbursements to borrowers	9,717,031	9,379,943	1,522,870
Special bills	<u>10,508,988</u>	<u>48,941,843</u>	<u>34,591,471</u>
	<u>20,226,019</u>	<u>58,321,786</u>	<u>36,114,341</u>
<b>CASH SOURCES IN EXCESS OF CASH USES</b>	72,353,103	21,033,344	18,053,031
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>174,010,057</u>	<u>152,976,713</u>	<u>134,923,682</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 246,363,160</u></u>	<u><u>\$ 174,010,057</u></u>	<u><u>\$ 152,976,713</u></u>

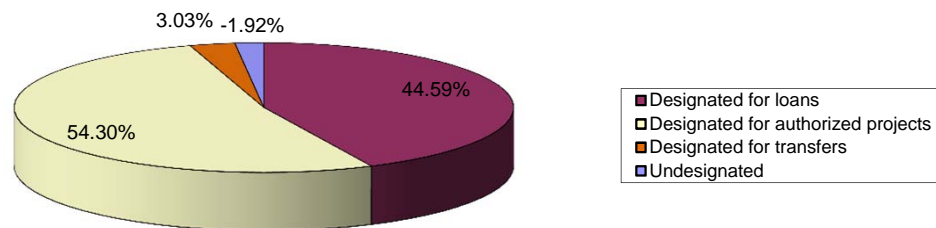
See accountants' compilation report.

**COLORADO WATER CONSERVATION BOARD  
SEVERANCE TAX PERPETUAL BASE FUND  
GRAPHS OF COMPONENTS OF NET POSITION  
June 30, 2015, 2014 and 2013**

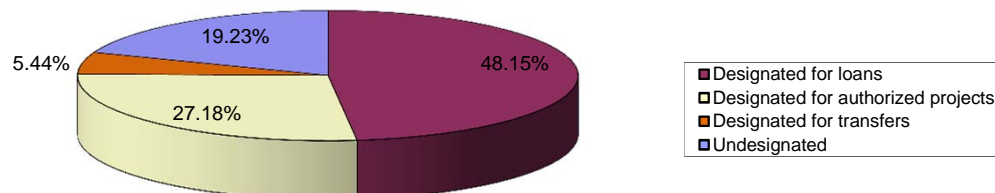
**NET POSITION at June 30, 2015**



**NET POSITION at June 30, 2014**



**NET POSITION at June 30, 2013**



	2015	2014	2013
Designated for loans	\$ 138,973,949	\$ 146,893,358	\$ 150,408,233
Designated for authorized projects	184,883,589	178,890,945	84,884,416
Designated for transfers	29,500,000	10,000,000	17,000,000
Undesignated	41,009,664	(6,336,556)	60,065,657
Total net position	<u>\$ 394,367,202</u>	<u>\$ 329,447,747</u>	<u>\$ 312,358,306</u>

See accountants' compilation report