



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., Finance Section Chief

DATE: November 16-17, 2016 Board Meeting

AGENDA ITEM: 7a. Annual Financial Statements

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 September 2016 to complete the work outlined in the Scope of Work for the Reports during the 2016 bidding process.

The CF and STPBF Financial Statements Update will be presented and questions will be addressed for the Fiscal Year ending June 30, 2016 at the November 2016 Board Meeting. CWCB Executive Summaries and Comparative Financial Statements for the Fiscal Years 2016, 2015, and 2014 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, 2016 had an increase of approximately \$36 M in the net position of the CF. The balance in the net position is comprised of those assets that are designated for loans, projects under contract, projects not under contract, water rights available for resale, water storage rights, and those that are undesignated. Overall the designated balance at year-end was \$507 M; this is a \$45 M increase in designated assets from the prior year.

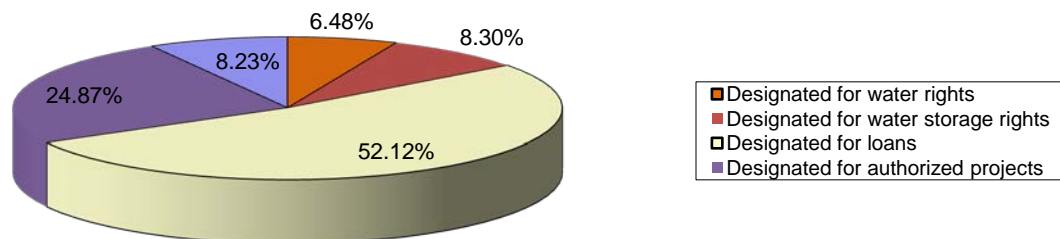
During 2016, the CF disbursed approximately \$27.2 M to entities in the form of low interest rate loan contracts to aid in the protection and development of the waters of the State of Colorado. The three largest loans were to the Colorado Parks and Wildlife for \$6.5 M, Boxelder Basin Regional Stormwater Authority for \$5.7 M (a portion of the \$7.2 M loan) and Colorado Parks and Wildlife for \$1.8 M (a portion of the \$10 M loan). These three loans account for approximately 51% of the loan disbursements for the year ending June 30, 2016. The loan disbursements made during the year ending June 30, 2016 increased the “Designated for loans” receivable by \$16.5 M (net of loans paid in full). The CF received \$10.8 M in principal repayments from participating entities for the fiscal year ending June 30, 2016 as compared to \$13.8 M for the year ending June 30, 2015.

Interest revenue and other revenue decreased approximately \$2.4 M from \$57.4 M in 2015 to \$55.0 M in 2016 due primarily to Federal Mineral Lease revenues declining.

Total expenses remained relatively stable, increasing by \$4.0 M from \$14.9 M in 2015 to \$18.9 M in 2016. Non-reimbursable investment expenses also increased by \$3.4 M from \$7.4 M in 2015 to \$10.8 M in 2016.

Overall, the CF ended in a good position with \$45.5 M in funds available for new project loans and other expenses.

NET POSITION at June 30, 2016



CWCB SEVERANCE TAX PERPETUAL BASE FUND EXECUTIVE SUMMARY

The Severance Tax Perpetual Base Fund (STPBF) for the year ending June 30, 2016 had a decrease of \$6.7 M in net position. The balance in net position 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 \$318.4 M; this is a \$30.1 M decrease in designated assets from the prior year.

During 2016, the STPBF disbursed approximately \$18.3 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 Northern Colorado Water Conservancy District for \$4.0 M (a portion of the \$5.1 M loan), Lower Arkansas Valley Water Conservancy District for \$2.5 M and Fort Lyon Canal Company for approximately \$1.5 M (a portion of the \$1.6 M loan). These three loans account for approximately 44% of the total loan disbursements for the year ending June 30, 2016. The “Designated for loans” receivable increased by only \$0.7 M as a result of the small number of new project loans in progress being offset by two loans being paid off early. The STPBF received \$12.7 M in principal repayments from participating entities for the fiscal year ending June 30, 2016 as compared to \$17.8 M for the year ending June 30, 2015.

Interest revenue and other revenue had a decrease of approximately \$53 M from \$75.4 M in 2015 to \$22.3 M in 2016. This is due primarily to a significant decrease in the amount of severance tax revenue that was earned on oil and gas production. Net Severance Tax revenue was \$16.7 M in 2016 down from \$67.9 M in 2015.

Total expenses increased by approximately \$18.5 M from \$10.5 M in 2015 to \$29 M in 2016; as a result of the increase in transferred projects to the Construction Fund approved by the General Assembly.

Overall, the STPBF ended in a good position with \$69.3 M in funds available for new project loans and other expenses.

NET POSITION at June 30, 2016

