



COLORADO

**Colorado Water
Conservation Board**

Department of Natural Resources

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Denver, CO 80203

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John Hickenlooper, Governor

Robert Randall, DNR Executive Director

Rebecca Mitchell, CWCB Director

TO: Colorado Water Conservation Board Members

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

DATE: November 15-16, 2017 Board Meeting

AGENDA ITEM: 18a. 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, 2017 at the November 2017 Board Meeting. CWCB Executive Summaries and Comparative Financial Statements for the Fiscal Years 2017, 2016, and 2015 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, 2017 had an increase of approximately \$8.5 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 \$561.8 M; this is a \$25.8 M increase in designated assets from the prior year.

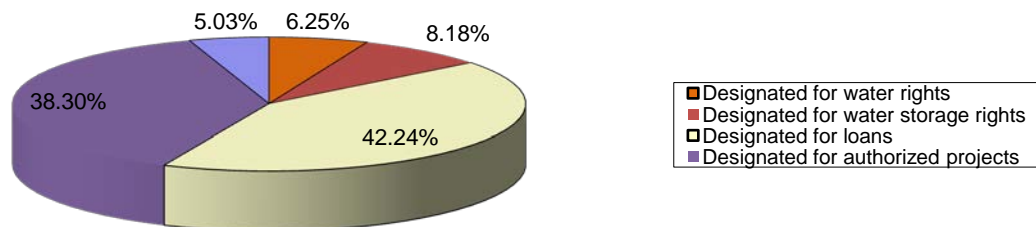
During 2017, the CF disbursed approximately \$25.3 M to entities in the form of low interest rate loan contracts to aid in the protection and development of the waters of the State of Colorado. The three largest loans were to the Parker Water and Sanitation District for \$4 M (a portion of the \$4.1 M loan), Lookout Mountain Water District for \$2.7 M and Plum Valley Heights Subdistrict for \$2.2 M. These three loans account for approximately 35% of the loan disbursements for the year ending June 30, 2017. The loan payoffs made during the year ending June 30, 2017 decreased the “Designated for loans” receivable by \$51.1 M (net of disbursements for loans). The CF received \$76.6 M in principal repayments from participating entities for the fiscal year ending June 30, 2017 as compared to \$10.8 M for the year ending June 30, 2016.

Interest revenue and other revenue decreased approximately \$24.2 M from \$55.0 M in 2016 to \$30.8 M in 2017 due primarily to a decrease in transfers from other funds.

Total expenses remained relatively stable, increasing by \$3.4 M from \$18.9 M in 2016 to \$22.3 M in 2017. Non-reimbursable investment expenses also increased by \$4.8 M from \$10.8 M in 2016 to \$15.6 M in 2017.

Overall, the CF ended in a good position with \$28.2 M in funds available for new project loans and other expenses.

NET POSITION at June 30, 2017



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

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

**FINANCIAL STATEMENTS
June 30, 2017, 2016 and 2015**

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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, 2017, 2016 and 2015 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. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplemental 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
October 9, 2017

COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
STATEMENTS OF NET POSITION
June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 228,493,405	\$ 174,087,870	\$ 201,112,324
Restricted cash held in escrow	42,150,766	43,772,225	-
Interest receivable on loans	3,831,273	4,128,217	3,787,267
Loans receivable	7,482,093	7,999,039	7,173,622
Receivable from Severance Tax PB Fund	10,700,000	-	-
Total current assets	<u>292,657,537</u>	<u>229,987,351</u>	<u>212,073,213</u>
NONCURRENT ASSETS			
Loans receivable - long-term - net of allowance for uncollectible account of \$116,959 in 2017, \$121,959 in 2016 and \$126,959 in 2015	234,752,719	285,534,320	268,726,814
Interest receivable - long term	2,519,159	2,846,737	3,162,170
Investment in joint venture	3,830,192	2,152,663	-
Water rights	35,114,017	35,868,420	35,868,420
Total noncurrent assets	<u>276,216,087</u>	<u>326,402,140</u>	<u>307,757,404</u>
 Total assets	 <u>\$ 568,873,624</u>	 <u>\$ 556,389,491</u>	 <u>\$ 519,830,617</u>
LIABILITIES			
Accounts payable	\$ 7,087,205	\$ 3,098,454	\$ 2,548,111
Total liabilities	<u>7,087,205</u>	<u>3,098,454</u>	<u>2,548,111</u>
NET POSITION			
Designated			
Designated for water rights	35,114,017	35,868,420	35,868,420
Designated for water storage rights	45,980,958	45,924,888	-
Designated for loans	237,271,878	288,381,057	271,888,984
Designated for authorized projects under contract	53,263,069	58,677,085	71,299,911
Designated for authorized projects not under contract	161,911,413	78,890,064	82,767,153
Undesignated	28,245,084	45,549,523	55,458,038
Total net position	<u>561,786,419</u>	<u>553,291,037</u>	<u>517,282,506</u>
 Total liabilities and net position	 <u>\$ 568,873,624</u>	 <u>\$ 556,389,491</u>	 <u>\$ 519,830,617</u>

See accountants' compilation report.

COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPERATING REVENUE			
Interest revenue			
Net investment income	\$ 2,321,771	\$ 1,662,393	\$ 1,895,398
Interest earnings - loans	<u>6,489,753</u>	<u>8,694,447</u>	<u>7,868,040</u>
Total interest revenue	<u>8,811,524</u>	<u>10,356,840</u>	<u>9,763,438</u>
Other revenue			
Mineral lease income	9,819,958	9,393,465	14,395,034
Transfer from Severance Tax PB Fund	10,700,000	29,000,000	-
Transfer from General Fund	-	-	30,000,000
Service charge on loans	240,243	639,824	74,985
Other	<u>1,254,071</u>	<u>5,562,551</u>	<u>3,161,446</u>
Total other revenue	<u>22,014,272</u>	<u>44,595,840</u>	<u>47,631,465</u>
Total operating revenue	<u>30,825,796</u>	<u>54,952,680</u>	<u>57,394,903</u>
OPERATING EXPENSE			
Interdepartmental operations			
CWCB - Operations	5,098,430	6,391,631	5,754,267
Division of Water Resources	193,951	210,406	260,318
Satellite monitoring	273,021	334,686	334,568
Executive Director's office	567,714	600,796	544,105
Attorney General's office	602,009	586,318	648,823
Nonreimbursable investments	<u>15,595,289</u>	<u>10,820,312</u>	<u>7,401,129</u>
Total operating expense	<u>22,330,414</u>	<u>18,944,149</u>	<u>14,943,210</u>
OPERATING INCOME/CHANGE IN NET POSITION	8,495,382	36,008,531	42,451,693
NET POSITION - BEGINNING OF YEAR	<u>553,291,037</u>	<u>517,282,506</u>	<u>474,830,813</u>
NET POSITION - END OF YEAR	<u><u>\$ 561,786,419</u></u>	<u><u>\$ 553,291,037</u></u>	<u><u>\$ 517,282,506</u></u>

See accountants' compilation report.

SUPPLEMENTARY INFORMATION

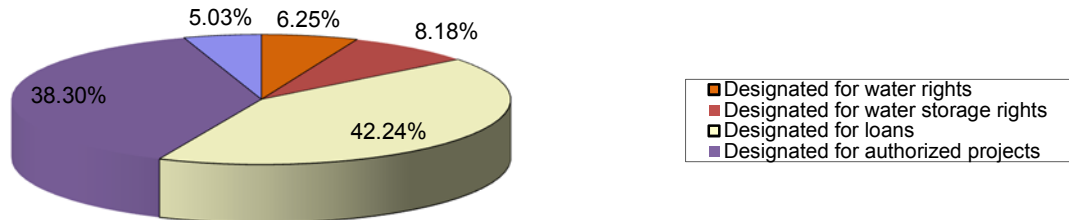
COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
SCHEDULES OF CASH SOURCES AND USES
Years ended June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CASH SOURCES			
Mineral lease income	\$ 10,574,361	\$ 9,393,465	\$ 14,395,034
Interest received on investments	2,321,771	1,662,393	1,895,398
Interest received on loans	7,114,275	8,668,930	8,144,728
Principal received on loans	76,645,869	10,756,728	13,769,928
Service charge on loans	240,243	639,824	74,985
Transfer from Severance Tax PB Fund	-	29,000,000	-
Transfer from General Fund	-	-	30,000,000
Other revenue	1,254,071	5,562,551	3,161,446
	<u>98,150,590</u>	<u>65,683,891</u>	<u>71,441,519</u>
CASH USES			
Loan disbursements to borrowers	25,347,322	28,389,651	51,241,726
Nonreimbursable investments	11,606,538	10,269,969	6,894,030
Interdepartmental operations	6,735,125	8,123,837	7,533,823
Investment in joint venture	1,677,529	2,152,663	-
	<u>45,366,514</u>	<u>48,936,120</u>	<u>65,669,579</u>
CASH SOURCES IN EXCESS OF CASH USES	52,784,076	16,747,771	5,771,940
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>217,860,095</u>	<u>201,112,324</u>	<u>195,340,384</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 270,644,171</u></u>	<u><u>\$ 217,860,095</u></u>	<u><u>\$ 201,112,324</u></u>
TOTAL CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION:			
Cash and cash equivalents	\$ 228,493,405	\$ 174,087,870	\$ 201,112,324
Restricted cash held in escrow	42,150,766	43,772,225	-
	<u><u>\$ 270,644,171</u></u>	<u><u>\$ 217,860,095</u></u>	<u><u>\$ 201,112,324</u></u>

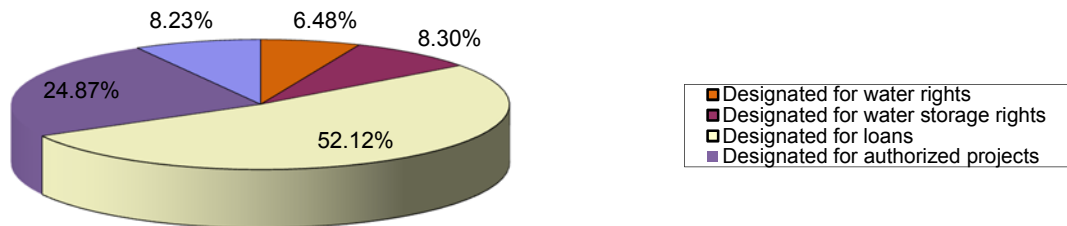
See accountants' compilation report.

**COLORADO WATER CONSERVATION BOARD
CONSTRUCTION FUND
GRAPHS OF COMPONENTS OF NET POSITION
June 30, 2017, 2016 and 2015**

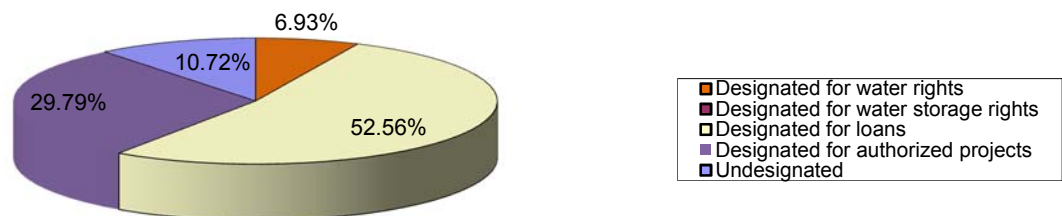
NET POSITION at June 30, 2017



NET POSITION at June 30, 2016



NET POSITION at June 30, 2015



	2017	2016	2015
Designated for water rights	\$ 35,114,017	\$ 35,868,420	\$ 35,868,420
Designated for water storage rights	45,980,958	45,924,888	-
Designated for loans	237,271,878	288,381,057	271,888,984
Designated for authorized projects	215,174,482	137,567,149	154,067,064
Undesignated	28,245,084	45,549,523	55,458,038
Total net position	<u>\$ 561,786,419</u>	<u>\$ 553,291,037</u>	<u>\$ 517,282,506</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, 2017 had an increase of \$10.8 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 \$398.5 M; this is a \$36.0 M increase in designated assets from the prior year.

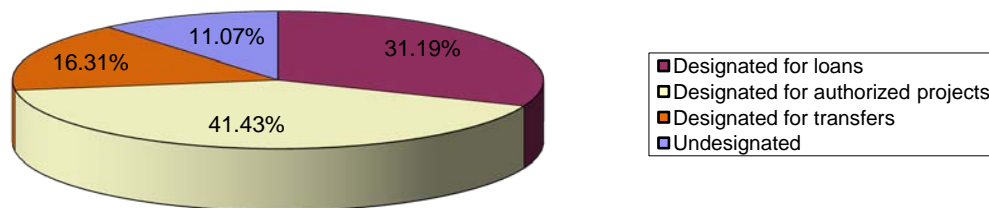
During 2017, the STPBF disbursed approximately \$3.2 M to entities in the form of low interest rate loan contracts to aid in the protection and development of the waters of the State of Colorado. The three largest loans were to the Uncompahgre Valley Water Users Association for \$1.1 M (a portion of the \$6.4 M loan), Big Elk Meadows Association for approximately \$352 K (a portion of the \$1 M loan) and Central Colorado Water Conservancy District for approximately \$830 K (a portion of the \$18.3 M loan). These three loans account for approximately 83% of the total loan disbursements for the year ending June 30, 2017. The “Designated for loans” receivable decreased by \$15.2 M as a result of the small number of new project loans in progress being offset by five loans being paid off early. The STPBF received \$19.1 M in principal repayments from participating entities for the fiscal year ending June 30, 2017 as compared to \$12.7 M for the year ending June 30, 2016.

Interest revenue and other revenue had a decrease of approximately \$800 K from \$22.3 M in 2016 to \$21.5 M in 2017. This is due primarily to slightly lower interest rates for newer loans.

Total expenses decrease by \$18.3 M from \$29 M in 2016 to \$10.7 M in 2017; as a result of a lower amount of transfers to the Construction Fund or special projects approved for 2017.

Overall, the STPBF ended in a good position with \$44.1 M in funds available for new project loans and other expenses.

NET POSITION at June 30, 2017



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

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

**FINANCIAL STATEMENTS
June 30, 2017, 2016 and 2015**

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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, 2017, 2016 and 2015 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.

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. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion or provide any assurance on such supplemental information.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
October 9, 2017

COLORADO WATER CONSERVATION BOARD
SEVERANCE TAX PERPETUAL BASE FUND
STATEMENTS OF NET POSITION
June 30, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 277,273,026	\$ 239,492,272	\$ 246,363,160
Interest receivable on loans	1,659,035	1,992,504	2,600,356
Loans receivable	<u>5,989,679</u>	<u>6,706,805</u>	<u>6,429,737</u>
Total current assets	<u>284,921,740</u>	<u>248,191,581</u>	<u>255,393,253</u>
NONCURRENT ASSETS			
Loans receivable - long-term	<u>124,278,710</u>	<u>139,492,457</u>	<u>138,973,949</u>
Total noncurrent assets	<u>124,278,710</u>	<u>139,492,457</u>	<u>138,973,949</u>
 Total assets	 <u><u>\$ 409,200,450</u></u>	 <u><u>\$ 387,684,038</u></u>	 <u><u>\$ 394,367,202</u></u>
LIABILITIES			
Payable due to Construction Fund	<u>\$ 10,700,000</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>10,700,000</u>	<u>-</u>	<u>-</u>
NET POSITION			
Designated			
Designated for loans	124,278,710	139,492,457	138,973,949
Designated for authorized projects under contract	90,394,209	97,418,940	27,428,425
Designated for authorized projects not under contract	74,708,765	70,794,812	157,455,164
Designated for transfer to construction fund	25,000,000	10,700,000	29,500,000
Designated for transfer to water supply reserve fund	10,000,000	-	-
Designated for transfer to loan guarantee fund	30,000,000	-	-
Undesignated	<u>44,118,766</u>	<u>69,277,829</u>	<u>41,009,664</u>
Total net position	<u>398,500,450</u>	<u>387,684,038</u>	<u>394,367,202</u>
 Total liabilities and net position	 <u><u>\$ 409,200,450</u></u>	 <u><u>\$ 387,684,038</u></u>	 <u><u>\$ 394,367,202</u></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, 2017, 2016 and 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
OPERATING REVENUE			
Interest revenue			
Net investment income	\$ 2,849,789	\$ 2,174,980	\$ 2,205,963
Interest earnings - loans	<u>2,429,287</u>	<u>3,489,969</u>	<u>5,349,585</u>
Total interest revenue	<u>5,279,076</u>	<u>5,664,949</u>	<u>7,555,548</u>
Other revenue			
Severance tax	<u>16,237,336</u>	<u>16,651,887</u>	<u>67,872,895</u>
Total operating revenue	<u>21,516,412</u>	<u>22,316,836</u>	<u>75,428,443</u>
OPERATING EXPENSES			
Non-Reimbursable-Agricultural Emergency Drought	-	-	444,594
Transfers to general and other funds	<u>10,700,000</u>	<u>29,000,000</u>	<u>10,064,394</u>
	<u>10,700,000</u>	<u>29,000,000</u>	<u>10,508,988</u>
OPERATING INCOME (LOSS) / CHANGE IN NET POSITION	10,816,412	(6,683,164)	64,919,455
NET POSITION - BEGINNING OF YEAR	<u>387,684,038</u>	<u>394,367,202</u>	<u>329,447,747</u>
NET POSITION - END OF YEAR	<u><u>\$ 398,500,450</u></u>	<u><u>\$ 387,684,038</u></u>	<u><u>\$ 394,367,202</u></u>

See accountants' compilation report.

SUPPLEMENTARY INFORMATION

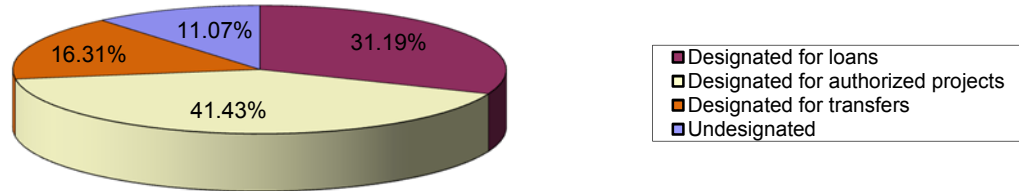
**COLORADO WATER CONSERVATION BOARD
SEVERANCE TAX PERPETUAL BASE FUND
SCHEDULES OF CASH SOURCES AND USES
Years Ended June 30, 2017, 2016 and 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CASH SOURCES			
Severance tax	\$ 16,237,336	\$ 16,651,887	\$ 67,872,895
Interest received on investments	2,849,789	2,174,980	2,205,963
Interest received on loans	2,762,756	4,097,821	4,705,537
Principal received on loans	19,132,113	12,686,766	17,794,727
	<u>40,981,994</u>	<u>35,611,454</u>	<u>92,579,122</u>
CASH USES			
Loan disbursements to borrowers	3,201,240	13,482,342	9,717,031
Special bills	-	29,000,000	10,508,988
	<u>3,201,240</u>	<u>42,482,342</u>	<u>20,226,019</u>
CASH SOURCES IN EXCESS (SHORT) OF CASH USES	37,780,754	(6,870,888)	72,353,103
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>239,492,272</u>	<u>246,363,160</u>	<u>174,010,057</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 277,273,026</u></u>	<u><u>\$ 239,492,272</u></u>	<u><u>\$ 246,363,160</u></u>

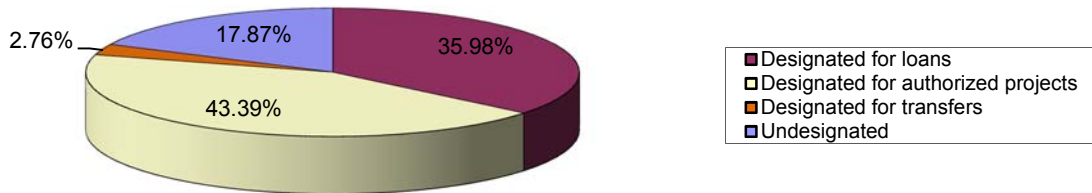
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**COLORADO WATER CONSERVATION BOARD
SEVERANCE TAX PERPETUAL BASE FUND
GRAPHS OF COMPONENTS OF NET POSITION
June 30, 2017, 2016 and 2015**

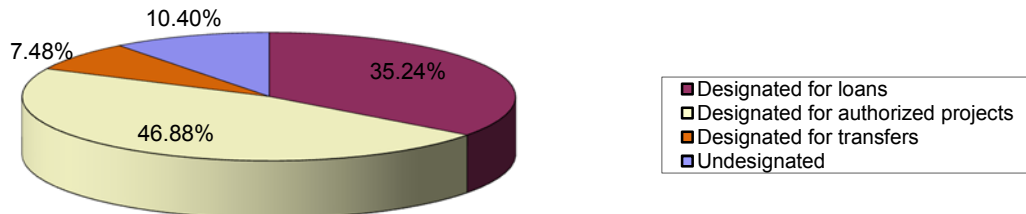
NET POSITION at June 30, 2017



NET POSITION at June 30, 2016



NET POSITION at June 30, 2015



	2017	2016	2015
Designated for loans	\$ 124,278,710	\$ 139,492,457	\$ 138,973,949
Designated for authorized projects	165,102,974	168,213,752	184,883,589
Designated for transfers	65,000,000	10,700,000	29,500,000
Undesignated	44,118,766	69,277,829	41,009,664
Total net position	<u>\$ 398,500,450</u>	<u>\$ 387,684,038</u>	<u>\$ 394,367,202</u>

See accountants' compilation report